

**The World Bank**

**ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT (ESSA)**

**FOR THE**

**BANGLADESH STRENGTHENING PFM PROGRAM TO ENABLE  
SERVICE DELIVERY (SPFMS - P167491)**

**Finance Division (FD), Ministry of Finance  
Government of the People's Republic of Bangladesh**

September 20, 2018

This document is being made publicly available so that views of interested members of the broader public may also be considered before all Program decisions are made final.

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## **EXECUTIVE SUMMARY**

The Environmental and Social Systems Assessment (ESSA) provides a comprehensive review of relevant government systems and procedures that address environmental and social issues associated with the program. The ESSA describes the extent to which the government environmental and social policies, legislations, program procedures and institutional systems are consistent with the six 'core principles set out in the World Bank Policy for Program for Results Financing (November, 2017) and the associated Interim Guidance Note (June 2012). The Assessment recommends actions to address the gaps and to enhance performance during Program implementation.

The assessment team used various approaches to review the environment and social systems that are relevant to supporting the *Bangladesh Strengthening the Public Financial Management Program to Enable Service Delivery (SPFMS – the Program)*. It included analysis of information/ data on previous assessments and reports on the status of different aspects of its management of environmental and social issues and national consultations with all key stakeholders related to the program. The ESSA identified the potential risks, opportunities and analyzed the compatibility of the program with respect to the core principles of PforR operations. Overall, the ESSA found that the program is compatible with the core principles of PforR. The team is convinced of the institutional capacity of FD in running the program. However, ESSA recommends bolstering institutional capacity through recruiting environmental and social safeguard consultants for the program duration. This recommendation is summarized as actions and incorporated in the Program Action Plan (PAP) and has been agreed with the borrower.

## Measures to strengthen system performance for environmental and social management

Objectives and issues	Measures for strengthening systems performance
Environment and Social Management Instruments	MoF/FD is involved with the allotment of Revenue Fund to recipient ministries and do not implement projects in the field. As such MoF/FD need not develop any 'Environment and Social Management Framework (ESMF)' for the proposed 'Bangladesh Strengthening PFM Program to enable Service Delivery (P167491)' to address the social and environmental risks.
Strengthen institutional capacity for safeguards management	<p>FD does not need a separate environmental and social unit for overseeing the implementation of recipient ministries programs affecting social and environmental issues.</p> <p>For the current program, it is necessary for FD or IMED to recruit dedicated environmental and social expert (s) for the program tenure to oversee activities/projects of the implementing ministries that has potential to adversely affect environment and the society at large. The borrower agreed with the suggestion and will allocate appropriate fund in the project for this purpose.</p>
Capacity building and training	<p>FD had been working on the reform of public expenditure since long. FD undertook the Skills for Employment Investment Program (SEIP) financed through a pool fund provided by ADB and Swiss Agency for Development and Cooperation (SDC). The total period of SEIP is (2014-2021) and ADB and SDC have financed Tranche 1 (FY 2014-15 to FY 2017-18) with US\$138.5 million. Some 1.5 million people are planned to undergo training that includes new entrants and up skilling the existing workforce. IDA and KOICA are expected to join the subsequent tranches<sup>1</sup>. This training aimed at strengthening and building capacities for improved effectiveness, efficiency and transparency of the public resource management process and is enormously contributing in PFM. Strengthening Public Expenditure Management Program (SPEMP) was undertaken in 2008 funded by UK Aid from DFID, DANIDA and the EU, while administered by WB<sup>2</sup>. After the program ended successfully, related works continued with Strengthening Financial Accountability Project, 2014 (referred to as –SPEMP A)<sup>3</sup>. It is heartening that the process is continuing under PFM Reform Strategy (2016-2021) and PFM Action Plan (2018-2023) and the 2016 Public Expenditure and Financial Accountability Assessment (PEFA 2016)<sup>4</sup>. Thus there is sustained effort on capacity building by FD and the Line Ministries on Public Financial management.</p> <p>Through personal engagement it is noted that the manpower at FD are sufficient to undertake the proposed program. Additional manpower, when required, is deputed from recipient ministries who also undergo</p>

<sup>1</sup> <http://seip-fd.gov.bd/about-us-2/> accessed on 17 September 2018

<sup>2</sup> <http://documents.worldbank.org/curated/en/524961468013216189/text/701400ESW0P121000iBAS0review0report.txt>

<sup>3</sup> Government of the People's Republic of Bangladesh, Public Financial Management (PFM) Reform Strategy 2016-2021, June 2016, page 7

<sup>4</sup> PCN, June 19, 2018; page 4

Objectives and issues	Measures for strengthening systems performance
	<p>relevant training along with the staffs of FD. As such, no additional staffing is envisaged.</p> <p>FD undertakes professional training courses round the year and they have plans to continue running required courses for the program. FD will incorporate specific training for the deputed staffs from the recipient ministries on environmental and social management at the SPFMS implementation level.</p>
Inter-ministerial liaison and cooperation	<p>FD should maintain an effective working relationship with IMED under ministry of Planning that monitors the implementation of GoB projects and ensures that no adverse social issues occur during the process of implementation and whether implementing ministries has the appropriate tool/ ESMF to address the adverse effects, if any.</p> <p>Effective GRM is another very important issue that the implementing ministries must put in place.</p>

## ACRONYMS AND ABBREVIATIONS

BACS	Budget & Accounts Classification System
BTRC	Bangladesh Telecommunication Regulatory Commission
BMC	Budget Management Committees
BWG	Budget Working Groups
CAD	Civil Audit Directorate
CGA	Controller General Accounts
DDO	Drawing and Disbursement Officer
DLI	Disbursement-linked indicators
DP	Development partners
DPO	Development Policy Operation
EBF	Extra Budgetary Funds
EFT	Electronic Funds Transfer
ESSA	Environmental and Social Systems Assessment
FAPAD	Foreign Aided Project Audit Directorate
FD	Finance Division
FSA	Fiduciary Systems Assessment
GDP	Gross Domestic Product
GPF	General Provident Fund
iBAS++	Integrated Financial Management Information System
IDA	International Development Association
IFMIS	Financial Management Information System
IMED	Implementation Monitoring and Evaluation Division
IPF	Investment Project Financing
IPSAS	International Public Accounting Standards
IT	Information Technology
JICA	Japan International Cooperation Agency
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MDTF	Multi-donor Trust Fund
OBI	Open Budget Index
OCAG	Office of Controller and Auditor General
PAO	Principal Account Officer
PCN	Program Concept Note
PCT	Program Coordination Team
PDO	Program Development Objective
PEFA	Public Expenditure and Financial Accountability Assessment
PEMSP	Public Expenditure Management Strengthening Program
PER	Public Expenditure Review
PFM	Public Financial Management
PforR	Program for Results
SAE	Self-Accounting Entity
SC	Steering Committee
SEIP	Skills for Employment Investment Program
SMART	Specific, Measurable, Appropriate, Realistic, and Timebound
SOE	State-Owned Enterprises
SPEMP	Strengthening Public Expenditure Management Program
SPEMP A	Strengthening Financial Accountability Project, 2014
SPFMS	Strengthening PFM Program to Enable Service Delivery
TSA	Treasury Single Account
ToR	Terms of Reference
UK	United Kingdom
VAT	Value Added Tax
WDI	World Governance Indicators

## SECTION I: INTRODUCTION

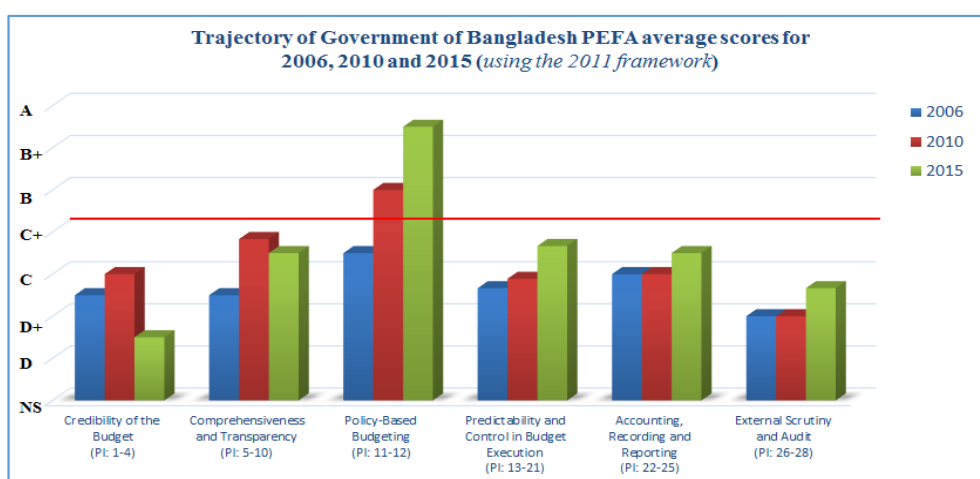
### 1.1 Background and Context

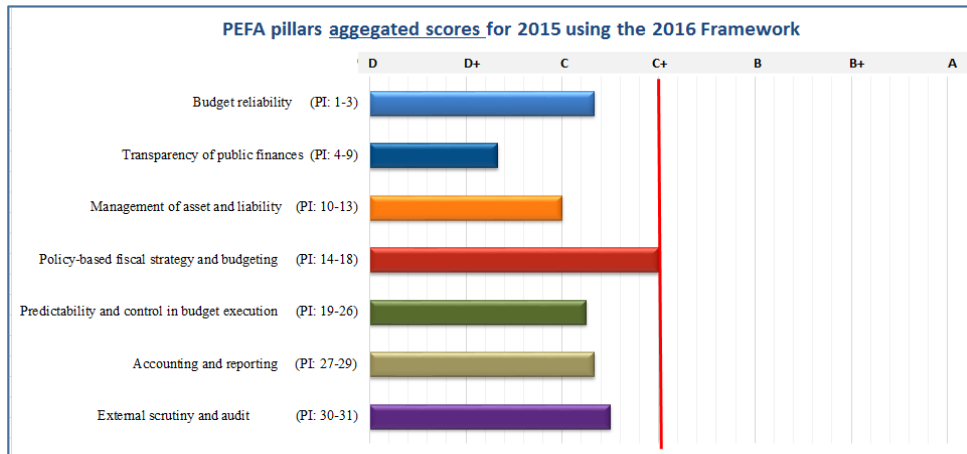
1. Bangladesh is one of the world's most populous countries with an estimated 165 million people in a geographical area of about 144,415 sq.km and per capita income of US\$1,480 in 2017. However, the pace of poverty reduction and the rate of job creation have slowed since 2010. Bangladesh has improved on almost all governance indicators in the past ten years; however, the overall scores are still lower than the regional averages. The biggest achievement has been to maintain a tight fiscal management for stable economic growth. As a key ingredient of good governance, strong Public Financial Management (PFM) systems are critical to derive maximum benefit from a steady increase in government expenditures over the years.

2. Bangladesh has long experience of carrying out PFM reforms since 1992 and Finance Division (FD) of the Ministry of Finance (MoF) had been the prime mover of this reform. By now it has wealth of experience in this field. The Bank-administered Strengthening Public Expenditure Management Program (SPEMP) Multi-donor Trust Fund Project began in 2008 with financial contributions from the Governments of Canada, Denmark, the Netherlands and the UK, as well as the European Union. After close of the SPEMP-A support to the Finance Division (FD) in 2014, the government kept its commitment to the PFM reforms through its own-budget, especially for the development of the integrated financial management information system (iBAS++). However, despite significant PFM improvements, several diagnostic studies continue to report on lack of reliability in the revenue forecast and expenditure budgets, insufficient oversight, fragmented dual budget issues, weaknesses in controls, lack of timeliness for preparation of fiscal reports and audit.

3. A sound PFM system is considered as fundamental to the 7th Five Year Plan objectives to effectively manage public resources. The Public Expenditure and Financial Accountability Assessment (PEFA) scores for 2015, when compared to 2006 and 2010, show a continued overall improvement in performance, particularly in relation to execution, accounting, and auditing (see Figure 1). Using the 2016 framework, which has tougher benchmarks, the PEFA shows Bangladesh's overall performance in PFM is below average for six out of seven pillars. 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)**





4. More than 250 SOEs play a significant role in Bangladesh economy and the governance of SOEs has considerable effect on fiscal management and service delivery. Financial and governance related data on SOE is fragmented and performance is not monitored effectively. Fiscal risks, debt and contingent liabilities aggregated for all SOEs is also 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 in the FD. Bank's recent policy note 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.

5. The MoF approved the PFM Reform Strategy (2016-21) 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 Office of the Comptroller and Auditor General, the Planning Commission, and the National Board of Revenue, among others and identified the following five goals for PFM reforms:

- 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 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.

6. A PFM Action Plan (2018-23) [the government PFM program] has been recently elaborated to support effective implementation of the PFM Reform Strategy (2016-21)<sup>5</sup>. This PFM Action Plan provides the implementation roadmap for some priority actions with clear institutional responsibilities among 13 reform components, cost-benefit analysis of sub-activities, and results indicators to monitor the successful implementation. The PFM Action Plan also elaborates on the governance structure for reforms and the change management approach introduced earlier in the Strategy (component # 14). Elaboration of the PFM Action Plan followed a long consultative process with a broad range of stakeholders.

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<sup>5</sup> The PFM Action Plan has already been endorsed by the SPEMP Technical Advisory Meeting and is being sent for the final approval to the Finance Minister.

7. The proposed operation for *Bangladesh Strengthening the Public Financial Management Program to Enable Service Delivery (SPFMS – the Program)* is designed under Program-for-Results (PforR) financing instrument. As per the Government’s request, the proposed International Development Association (IDA) operation (US\$100 million, (PforR)) will support the FD in implementing selected components of the PFM Action Plan. The SPFMS includes Action Plan components 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), SOEs monitoring, pensions, internal audit, and financial reporting.

## **1.2 Executing Agency of the Program**

8. The Government of Bangladesh (GoB) intends to *strengthen Public Financial Management program to Enable Service Delivery (SPFMS - P167491)* through the FD of the MoF. The new Strengthening PFM Program for Enhanced Service Delivery (the SPFMS Program) will support implementation of a part of the PFM Action Plan. The SPFMS includes Action Plan components 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), SOEs monitoring, pensions, internal audit, and financial reporting.

## **1.3 Environmental and Social systems Assessment: Purpose and Objectives**

9. This Environmental and Social Systems Assessment (ESSA) has been prepared by a World Bank ESSA Team for the proposed *Bangladesh Strengthening the Public Financial Management Program to Enable Service Delivery (SPFMS – P167491)*, which will be supported by the World Bank’s Program for Results (PforR) financing instrument. In accordance with the requirements of the World Bank Policy Program-for-Results Financing (PforR Policy), PforR rely on country-level systems for the management of environmental and social effects. The PforR Policy requires that the Bank conduct a comprehensive ESSA to assess the degree to which the relevant PforR Program’s systems promote environmental and social sustainability and to ensure that effective measures are in place to identify, avoid, minimize, or mitigate adverse environmental, health, safety, and social impacts. Through the ESSA process, the Bank ESSA Team develops recommendations to enhance environmental and social management within the program, which are included in the overall management action plan.

10. The main purposes of this ESSA is to: (i) identify the Program’s environmental, and social effects, (ii) assess the legal and policy framework for environmental and social management, including a review of relevant legislation, rules, procedures, and institutional responsibilities that are being used by the Program; (iii) assess the implementing institutional capacity and performance to date to manage potential adverse environmental and social issues; and (iv) recommend specific actions to address gaps in the program’s environmental and social management system, including with regard to the policy and legal framework and implementation capacity.

11. This ESSA assesses or considers the extent to which the Program’s environmental and social management systems are adequate for and consistent with six core environmental and social principles contained in paragraph of Section III of the PforR Policy (hereafter, Core Principles), as may be applicable or relevant under PforR circumstances. The Core Principles are listed below. They are further given greater defined through corresponding Key Planning Elements that are included under each Core Principle in Section III.

- **Core Principle 1:** General Principle of Environmental and Social Management. This core principle aims to promote environmental and social sustainability in Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program’s environmental and social impacts.
- **Core Principle 2:** Natural Habitats and Physical Cultural Resources. This core principle aims to avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program.
- **Core Principle 3:** Public and Worker Safety. This core principles aims to protect public and worker safety against the potential risks associated with: (i) construction and/or operation of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.
- **Core Principle 4:** Land Acquisition. This core principle aims to manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist affected people in improving, or at the minimum restoring, their livelihoods and living standards.
- **Core Principle 5:** Small Ethnic and Vulnerable Communities (a terminology used by the GOB as it does not use the term “Indigenous Peoples”). This core principle aims to give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the small ethnic and vulnerable communities (tribal people) and to the needs or concerns of vulnerable groups.
- **Core Principle 6:** Social Conflict. This core principle aims to avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

#### 1.4 Methodology

12. The assessment team used various approaches to review the environment and social systems that are relevant to the *Bangladesh Strengthening PFM Program to Enable Service Delivery (P167491)* of FD. The ESSA was developed based on: (i) a review of existing policies, development plans, legal and regulatory framework and guidelines of the international development financing institutions working with FD; (ii) meetings and interviews with different stakeholders including FD and relevant other agencies those are involved in environmental and social issues in this program; (iii) an assessment of relevant environmental and social management systems relative to the PforR principles; iv) an assessment of the capacity and performance of FD relative to their own procedures and processes; (v) development of an action plan to enhance environmental and social management capacity and performance; and (vi) development of performance monitoring and implementation support program. The formulation of the ESSA will be informed through a consultative process involving key national and local stakeholders.

13. The ESSA reviews the proposed Program activities to evaluate its effects on the environment and potentially affected people. Risks identified through the ESSA are addressed through the results area, or through disbursement-linked indicators (DLI). This operation has considered environmental and social risk mitigation measures in the Program Action Plan (PAP) and identified options to improve systemic implementation and strengthen institutional capacity of FD.

## **SECTION II: PROGRAM DESCRIPTION OF *BANGLADESH STRENGTHENING PFM PROGRAM TO ENABLE SERVICE DELIVERY (SPFMS - P167491)* AND POTENTIAL ENVIRONMENTAL AND SOCIAL EFFECTS**

### **2.1 Program Development Objectives of the Proposed Program**

14. The Program Development Objective is to improve fiscal forecasting, budget preparation and execution, financial reporting and transparency of the central government. This would make meaningful contributions for strengthening the fiscal discipline, budget credibility, efficiency of service delivery, and accountability. The Program starts in FY 2019 and ends in FY 2023.<sup>6</sup> The PDO Level Result Indicators are:

- Use of data from an upgraded macroeconomic fiscal model for budget preparation
- Improved performance of Budget Management Committees (BMCs) and Budget Working Groups (BWGs) and timely budget release
- Percentage of budget-holders effectively use financial information for decision-making and transparency
- Percentage of pensioners paid through the EFT no later than the following pension payment cycle after retirement
- Central government annual financial statements, compliant with IPSAS cash basis, submitted to OC&AG within 3 months after the fiscal year end

15. As envisaged, 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 SOEs fiscal risks, strengthening the Budget Management Committees (BMCs) for budget credibility, ensuring timely budget releases to support improved budget out-turn, and enhancing use of the single treasury account. Secondly, several reform indicators seek PFM improvements in service delivery sectors, especially through the better use of technology. And finally, the Program interventions would contribute to improved financial accountability. These accountability reforms will include strengthening monitoring of the SOEs, ensuring the timely submission of central government financial statements for auditing, and strengthened internal audit function and well-functioning audit committees.

### **2.2 Proposed Disbursement Linked Indicators (DLIs)**

16. DLIs provide an ideal mechanism to advance these reforms, including incremental and process targets to guide their implementation. Based on the SMART (Specific, Measurable, Appropriate, Realistic, and Time bound) principle, select indicators will draw from the existing 5-year monitoring framework of the PFM Action Plan. The DLIs aim to address the bottlenecks along the results chain, including a reasonably even distribution of disbursements. Following table summarizes an initial concept for DLIs and the amount of IDA financing associated with each (as of August 8, 2018):

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<sup>6</sup> FY23 will be the last year of the program and will cater to all slippages in achievement of results and related disbursements.

**Table 1: DLIs**

<b>Result Area 1: Improve fiscal forecasting and resource allocation consistent with Government priorities for spending in service delivery sectors</b> (Contribution to the PFM Strategy Goal 1 & 2)
<b>DLI 1:</b> Use of improved fiscal projections for budget-making
<b>DLI 2:</b> Improved budget alignment with development strategy and gender, social, and environmental considerations through better performance of Budget Management Committees
<b>DLI 3:</b> Reduced number of days for DDOs to receive budget in selected
<b>Result Area 2: Improve budget execution in service delivery MDAs</b> (Contribution to PFM Strategy Goal 3)
<b>DLI 4:</b> Timely and reliable payments of salaries and vendor invoices with a strengthened TSA and automated payment system
<b>DLI 5:</b> Improved Pension Service through facilitation of payments through EFT no later than the pension payment cycle following retirement
<b>DLI 6:</b> SOE and autonomous bodies' debt and contingent liabilities statement prepared and submitted to policy makers
<b>DLI 7:</b> Improved performance of the SOE sector and reduced subsidies as a percentage of total public sector spending
<b>Result Area 3: Promote enhanced transparency of the budget execution and enable timely accountability</b> (Contribution to the PFM Strategy Goal 4)
<b>DLI 8:</b> Budget Holders in Selected MDAs effectively and transparently use financial information
<b>DLI 9:</b> Action taken on internal and external audit reports in Selected MDAs and post-procurement reviews in the Finance Division
<b>Results Area 4: Establish an enabling environment for improved PFM outcomes</b> (PFM Reform Strategy Goal 5)
<b>DLI 10 – PFM Action Plan implementation is effectively led through an adequate governance structure and an effective change management approach</b>

Note: 5 DLIs in bold represent the PDO indicators.

17. The DLIs are structured to strike an appropriate balance between high-level and intermediate results. In addition to discrete capacity building interventions, this will require tough reforms to strengthen the PFM institutions and systems (PDO). DLI 10 supports the foundational goal of adequate enabling environment for PFM reforms.

1. The above table shows that all the 5 DLIs in **BOLD** namely DLI-1, 2, 3, 5 and DLI-8 are scalable. This means that disbursements will be made against the achievement of any results subject to a maximum. Qualifiers such as 'upgraded', 'independent', 'modern' and 'effective' etc. are being defined in the detailed DLI technical notes, and will be documented as verification protocols. A detailed results framework is at **Annex C** with suggested DLRs in bold.

### 2.3 Scope of the Program

2. This Program outlines a theory of change that uses result-based financing to make meaningful contribution towards the achievement of key goals of the PFM Reform Strategy. The DLIs are structured to strike an appropriate balance between high-level and intermediate results. In addition to discrete capacity building interventions, this will require tough reforms to strengthen the PFM institutions and systems (PDO). The Table 1 above shows that certain reform activities incentivized via DLIs rest at the intersection of achieving more than one strategic goal of fiscal

discipline & budget credibility, efficient service delivery, and accountability. The DLI 10 supports the foundational goal of adequate enabling environment for PFM reforms.

### 2.3.1 Proposed Program boundary for PforR

3. The new *Strengthening PFM Program to Enable Service Delivery (SPFMS)* will support the FD in implementing 8 out of 14 selected components of the Government’s PFM Action Plan. The Government has requested the Bank-support for the PFM Action Plan components directly led by FD – including the macro-fiscal forecasting, debt management, budget preparation and execution, integrated financial management information system (IFMIS), treasury single account (TSA), SOEs monitoring, pensions, internal audit, and financial reporting. Government-own resources haven’t been sufficient to maintain the reforms’ momentum in these areas after the closure of SPEMP-A in 2014 and also impeded FD’s ability to lead the overall PFM reforms in Bangladesh. While the new Program will support FD-implemented components, separate projects and initiatives are already in place for the components implemented by the National Revenue Board, Planning Ministry, and accountability institutions - see table 2 below for the Program boundary. Hence, the proposed IDA operation will fill a significant gap by co-financing the implementation of 8 out of 14 components of the PFM Action Plan that will be directly led by the FD.

**Table 2: Support to the PFM Reform Action Plan (Program Boundary)**

PFM Reform 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	FD	- New Strengthening PFM Program to Enable Service Delivery (SPFMS) (\$170m with IDA co-financing)  - Complemented by TA under the SPEMP BETF
C-2 Domestic Resource Mobilization	National Board of Revenue	- VAT Improvement Program (\$90mil co-financed by IDA) - SPEMP BETF - EU TA \$4mil
C-5 Public Investment Management	Programming Division, Ministry of Planning	- Strengthening Public Investment Management Program (supported by JICA \$5mil)
C-6 Public Sector Performance Management	Cabinet Division	- SPEMP BETF
C-11 Strengthen External Scrutiny & Oversight C-12 Strengthen Parliamentary Oversight and Scrutiny of Public Expenditures	- Office of Comptroller & Auditor General - PAC	- SPEMP BETF & potentially an RETF - EU TA \$6mil
C-13 Procurement	Central Procurement Technical Unit, Ministry of Planning	- Digitization Procurement Program (IDA co-financing \$55mil)

## **2.4 Potential role of Development Partners (DPs) in the Program**

21. The proposed Program will be implemented at an estimated total cost of US\$170 million out of which IDA would finance US\$100 million. FD developed the PFM Action Plan in close collaboration namely DPs' provision of time, comments and documentation, extremely useful contributions on specific analytical inputs, as well as financing for engagement of technical and secretarial assistance through the SPEMP MDTF. This included. The DPs have emphasized on the need for greater linkages between spending, performance, and results.

## **2.5 Envisaged Program Duration – 5 Year Horizon**

22. The PforR operation to support the *Bangladesh Strengthening the Public Financial Management Program to Enable Service Delivery (SPFMS – P167491)* will span over a period of 5 years (hereinafter the '*Program support period*') from 2019 to 2023.

## **SECTION III: POTENTIAL ENVIRONMENTAL AND SOCIAL EFFECTS OF THE PROGRAM**

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### **3.1 Environmental Risks and Benefits of the Program**

#### **3.1.1 Potential Environmental Risks**

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

#### **3.1.2 Potential Environmental Benefits and Opportunities**

The DLI2 is aimed at improving budget alignment with development strategy and gender, social, and environmental considerations through better performance of Budget Management Committees (BMC). This indicates that there will be an increased focus on allocating funds to environmentally sustainable projects and the capacity of BMCs will be increased to better screen such projects. This would encourage the inclusion of environmental sustainability concepts while submitting proposals for projects as added emphasis is assigned in the screening process.

### **3.2 Social Risks and Opportunities of the Program**

#### **3.2.1 Potential Challenges and Social Risks**

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

#### **3.2.2 Potential Social Benefits and Opportunities**

24. Potential social benefits and opportunities of the program are many. Some are:

- DLI 1, 2, 3 and 8 would help improving 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 benefits all including the women, children, elderly, marginalized people, the vulnerable groups and the indigenous people.
- DLI 4 would go a long way in directly benefitting all government employees including the vulnerable, poor and 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 and some clerical staff has to prepare the salary demand in a paper bill format on monthly basis and the process is slow, cumbersome and not without errors. This creates bottleneck in the process and a faulty salary demand has to be redone and the process takes time and the affected recipient suffers. FD has planned to undertake a specific scheme incorporating Electronic Fund Transfer (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. This will make the 'Salary' matter paperless and efficient. Presently, the Widows, Freedom fighters and the elderly get monetary benefit monthly from the revenue fund under present 'Social Safety Net' program. The process is slow as all the inputs are given manually, at places affected

by human error and goes through a lengthy clearing process involving more than one staff. Eventually, the allotted money takes time to reach the recipient. A separate scheme is being planned to arrange EFT based on iBAS++ whereby affected recipients will find their money to individual Bank account at the shortest possible time or reaches them at home through mobile money transfer system existing in the country namely BIKASH and ROCKET. This would alleviate the sufferings of this group manifold.

- DLI 5 focuses on improved pension service (disaggregated by gender) through the EFT no later than the following pension payment cycle after retirement. A pilot project is being run at the FD on the issue. This does not demand the pensioners to report to Account Office, confirm individual pensioner being alive, and then the Account Section places their pension money and the monthly pension benefit at respective bank accounts. There would be an electronic/digital verification of the pensioner and the money will be transferred to his/her bank account following EFT. Thus, there would be no paper work involved in the process. As the pilot project is made fool proof, the same will be applied for all pensioners. Thus DLI 5 would most directly benefit all including the vulnerable, the poor, disabled, women, the elderly and the indigenous people at large through improved pension service.
- It is pertinent to note here that mobile telephone and Internet accessibility by the citizens have improved over the years and according to Bangladesh Telecommunication Regulatory Commission (BTRC) some 152.527 million mobile telephone subscribers are noted in July 2018<sup>7</sup>. During the same time Internet subscribers has reached 88.687 million<sup>8</sup>. These two data clearly indicates that the common people, particularly the retirees and people under ‘Social Safety Net’ program’ including VG/IP/ elderly including women etc. availing these facilities would be immensely benefitted to receive their dues without taking the travel to the Govt. offices spending time and money through Bank Account and using mobile money transfer apps namely BIKASH and ROCKET near their abode. This would in turn reduce use of paper thus improving the environment owing to less felling of trees etc.
- DLI 10 in aimed at developing skill of the persons employed for PFM reform implementation and monitoring at the FD and recipient ministries. An improved skill of the workforce would have positive effect on the overall PFM program and would indirectly contribute positively in the application end. Thus all including the vulnerable, poor, disabled, women, the elderly and the indigenous people at large would indirectly benefit from DLI 10. In addition, DLI 10 would also provide post-graduation courses/certifications to 100+ staff and the Bank would track them by gender to promote women among participants.
- FD will plan ‘Gender Analysis’ to identify relevant gaps between women and men, boys and girls, particularly as they relate to the Bank’s broader country engagement framework. FD will arrange participation of the mix of staffs (men and women) at the organizational level and promote the same with line ministries when they are deputed 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

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<sup>7</sup> <http://www.btrc.gov.bd/telco/mobile>; accessed on 17 September 2018

<sup>8</sup> <http://www.btrc.gov.bd/telco/internet>; accessed on 17 September 2018

4 and 5 include men and women; so as the beneficiaries of ‘Social Safety Net’. This analysis will be used to identify specific actions that can be supported by the program, to be linked with relevant indicators in the results framework. This analysis will also focus on how the operation will contribute to the four pillars of the World Bank Group Gender Strategy 2016-2023 (to narrow gaps between males and females in human endowments, more and better jobs, ownership and control of assets, and voice and agency)<sup>9</sup>.

25. In view of above, there would be positive effect on the society at large, particularly the vulnerable, the poor, disabled, women, the elderly and the indigenous people and those covered by Social Safety Net’ program’, as they would be economically benefitted owing to their dues reaching them within a very short time. Some of the likely opportunities that the program would offer include:

- Improved living condition, better health, nutrition, education by the VG/IP community owing to timely receipt of salary and pension money through EFTs.
- More economic activities in the locality due to additional demand of daily necessities, including agro-products owing to improved purchasing power.
- Enhancing ‘Gender Mainstreaming’ through creating equal opportunity, especially for the women. It is mentionable here that FD allots Revenue budget to 20 ministries and Divisions for various projects. As the projects are implemented, these create lot of job opportunities at the project sites and the locals including women, VG and IP can find a job suiting one’s capability. This in turn improves their earning and purchasing power. Thus an efficient PFM program indirectly creates job opportunity and helps in the attainment of gender mainstreaming.

26. GoB has a constitutional obligation to guarantee the fundamental human rights such as food, clothes, housing, education and health care to all its citizens without discrimination. In addition, under the ‘Social Safely Net’, it is bound to provide financial assistance to the needy people, particularly the elderly, the freedom fighters and the widows as a monthly fixed amount whose needs have arisen out of unemployment, illness and disability etc. Moreover, the government is fundamentally responsible to assist widows, orphans, and elderly people who have lost all means to earn for them. The DLIs and their effects mentioned in the preceding paragraphs will support GoB is attaining its goals.

### **3.2.3 Environmental and Social Risk Ratings**

26. Given the scope of the Program, its types and scale of investment, geographic focus, institutional capacity and previous experience of FD with World Bank projects, the risk is rated ‘**low**’ from the environmental and social perspectives.

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<sup>9</sup> PCN, June 19, 2018; page 19, para 50

## **SECTION IV: POLICY, REGULATORY AND INSTITUTIONAL FRAMEWORK**

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27. This section describes the existing environmental and social management system of the GOB along with an overview of the policy and legal framework. This includes a profile of the key institutions and their role with respect to management of environmental and social aspects of the Program. An assessment of the country environment and social management system related to PFM Program against PforR principles and elements is provided in the following chapter (Section V)

### **4.1 Policy and Legal Framework**

28. Bangladesh has policies, instruments and laws that support environmental and social management and the environmental and social assessment processes. The ESSA reviewed the existing regulations and policies, their legal and practical applicability at the program level as well as the institutional capacity, and the effectiveness of implementation in practice. The GOB has developed a policy framework that requires environmental issues to be incorporated into economic development planning. The key tenets of the various applicable policies are detailed in the following sub-sections.

#### **4.1.1 Policy and Legal Framework for Environmental Safeguard**

29. The GOB's environmental laws and policies are deemed adequate for both protection and conservation of resources, although enforcement capacity needs to be improved significantly.

##### ***National Environmental Policy 1992***

30. The concept of environmental protection through national efforts was first recognized and declared in Bangladesh with the adoption of the Environment Policy, 1992 and the Environment Action Plan, 1992. The major objectives of Environmental policy are to i) maintain ecological balance and overall development through protection and improvement of the environment; ii) protect country against natural disaster; iii) identify and regulate activities, which pollute and degrade the environment; iv) ensure environmentally sound development in all sectors; v) ensure sustainable, long term and environmentally sound base of natural resources; and vi) actively remain associate with all international environmental initiatives to the maximum possible extent. The policy also states that EIAs should be conducted before projects are undertaken and the DOE is directed to review and approve all EIAs.

##### ***Bangladesh Environmental Conservation Act (ECA), 1995 amended 2002***

31. This umbrella Act includes laws for conservation of the environment, improvement of environmental standards, and control and mitigation of environmental pollution. It is currently the main legislative framework document relating to environmental protection in Bangladesh. The provisions of the Act authorize by the DG of DOE to undertake any activity that is deemed fit and necessary to conserve and enhance the quality of environment and to control, prevent and mitigate pollution. The main highlights of the act are:

- Declaration of Ecologically Critical Areas;
- Obtaining Environmental Clearance Certificate;
- Regulation with respect to vehicles emitting smoke harmful for the environment;

- Regulation of development activities from environmental perspective;
- Promulgation of standards for quality of air, water, noise, and soils for different areas and for different purposes;
- Promulgation of acceptable limits for discharging and emitting waste; and
- Formulation of environmental guidelines relating to control and mitigation of environmental pollution, conservation and improvement of environment.

***Environment Conservation Rules (ECR) 1997 amended 2003***

32. These are the first set of rules, promulgated under the environment conservation act 1995. Among other things, these rules set (i) the national environmental quality standards for ambient air, various types of water, industrial effluent, emission, noise, vehicular exhaust etc., (ii) requirement for and procedures to obtain environmental clearance, and (iii) requirements for IEE/EIA according to categories of industrial and other development interventions.

**4.1.2 Policy and Legal Framework for Social Safeguard**

33. The GOB’s social laws and policies are deemed adequate for protection, safety, and social security and inclusiveness of the populace. However, the enforcement capacity needs to be improved significantly.

***Constitution of the People's Republic of Bangladesh, 04 November 1972***

34. The fundamental rights under the Constitution indicate the general guidelines for a policy on resettlement/rehabilitation of citizens adversely affected (whatever be the mechanism) due to any activity of the State. Through **Article 10** “Participation of women in national life”, the Government is responsible to ensure participation of women in all spheres of national life. **Article 14** titled “Emancipation of peasants and workers” makes it a fundamental responsibility of the State to emancipate the toiling masses the peasants and workers and backward sections of the people from all forms and exploitation. **Article 15**, *Provision of basic necessities* of the constitution makes it fundamental responsibility of the State to attain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people, with a view to securing to its citizens-

- (a) The provision of the basic necessities of life, including food, clothing, shelter, education and medical care;
- (b) The right to work, that is the right to guaranteed employment at a reasonable wage having regard to the quantity and quality of work;
- (c) The right to reasonable rest, recreation and leisure; and the right to social security, that is to say to public assistance in cases of undeserved want arising from unemployment, illness or disablement, or suffered by widows or orphans or in old age, or in other such cases.

35. **Article 19** titled “ Equality of opportunity” states that:

- (1) The State shall endeavour to ensure equality of opportunity to all citizens.
- (2) The State shall adopt effective measures to remove social and economic inequality

between woman and man and to ensure the equitable distribution of wealth among citizens, and of opportunities in order to attain a uniform level of economic development throughout the Republic.

36. **Article 20** of the constitution (Work as a Right and Duty) states that:

(1) Work is a right, a duty and a matter of honor for every citizen who is capable of working, and everyone shall be paid for his work on the basis of the principle "from each according to his abilities to each according to his work".

(2) The State shall endeavor to create conditions in which, as a general principle, persons shall not be able to enjoy unearned incomes, and in which human labor in every form, intellectual and physical, shall become a fuller expression of creative endeavor and of the human personality.

37. **Article 27**, "Equality before law" is meant to ensure that all citizens are equal before law and are entitled to equal protection of law. **Article 28**, Discrimination on grounds of religion, etc. states that:

(1) The State shall not discriminate against any citizen on grounds only of religion, race caste, sex or place of birth.

(2) Women shall have equal rights with men in all spheres of the State and of public life.

(3) No citizen shall, on grounds only of religion, race, caste, sex or place of birth be subjected to any disability, liability, restriction or condition with regard to access to any place of public entertainment or resort, or admission to any educational institution.

(4) Nothing in this article shall prevent the State from making special provision in favor of women or children or for the advancement of any backward section of citizens.

38. **Article 29** of the constitution ensures 'Equality of opportunity in public employment'. **Article 40**, *Freedom of Profession or Occupation* states that: "Subject to any restrictions imposed by law, every citizen possessing such qualifications, if any, as may be prescribed by law in relation to his profession, occupation, trade or business shall have the right to enter upon any lawful profession or occupation, and to conduct any lawful trade or business." This means that every citizen has the right to practice any lawful occupation, which implies that anything that impedes such right (a) should not be done or (b) there should be supplementary measures to make good the losses incurred by the citizen. Resettlement and rehabilitation of adversely affected people due to infrastructure projects very clearly falls within this requirement for supplementary measures.

39. However, **Article 42**, *Rights to Property*, states that:

"(a) Subject to any restrictions imposed by law, every citizen shall have the right to acquire, hold, transfer or otherwise dispose of property, and no property shall be compulsorily acquired, nationalized or requisitioned save by authority of law.

(b) A law made under clause (1) shall provide for the acquisition, nationalization or requisition with compensation and shall either fix the amount of compensation or specify the principles on which, and the manner in which, the compensation is to be assessed and paid; but no such law shall be called in question in any court on the ground that any provision in respect of such compensation is not adequate.

(c) Nothing in this article shall affect the operation of any law made before the commencement of the Proclamations (Amendment) Order, 1977 (Proclamations Order No. I of 1977), in so far as it relates to the acquisition, nationalization or acquisition of any property without compensation.”

40. Hence, according to sub-clause 2, no law with provision of compensation for acquisition of land can be challenged in a court on the ground that such compensation has been inadequate.

#### ***The Right to Information Act, 2009***

41. The 2009 Right to Information Act provide an adequate legal basis for pursuing sharing of information and data. The law encourages government bodies to proactively disclose data in the interest of promoting transparency and accountability by complying with the transparency requirements of the Public Money and Budget Management Act of 2009 and the Right to Information Act of 2009. Chapter 2 is titled “Right to, Preservation of, Publication of and Access to Information” Article 4 of the Act titled “ Right to information says: ‘Subject to the provisions of this Act, every citizen shall have the right to information from the authority, and the authority shall, on demand from a citizen, be bound to provide him with the information.’

42. However, according to the 2017 Open Budget Index (OBI), the GoB provides the public with limited budget information. Bangladesh has been inconsistent in which documents are made publicly available in a given year. Since 2015, Bangladesh has decreased the availability of budget information by: not publishing the in-year reports online in a timely manner and not producing the Citizens Budget. Moreover, Bangladesh has not made progress in the following ways: not making the Pre-Budget Statement available to the public and not producing an Audit Report. Access to timely and reliable information will be critical in promoting development and citizen participation in governance.

#### ***GoB Public Money and Budget Management Act, July 9, 2009***

43. This Act draws its strength from Article 85 of the Constitution “titled “Regulation of public moneys” that says: “The custody of public moneys, their payment into and the withdrawal from the Consolidated Fund or, as the case may be, the Public Account of the Republic, and matters connected with or ancillary to the matters aforesaid, shall be regulated by Act of Parliament, and until provision in that behalf is so made, by rules made by the President.” Article 4, Chapter 2 (Financial Management) of the Act stresses on maintaining equality while allotting fund for different regions and for men and women.

#### ***GoB Public Financial Management (PFM) Reform Strategy 2016-2021, June 2016***

44. This is the second multi-year public financial management (PFM) reform strategy of the Government of Bangladesh, which intends to institutionalize past achievements and strengthen the foundations of PFM practices. The Government has pursued several generations of reform, and this latest strategy is for the period of 2016-21. The objective of the PFM reform strategy is to ensure that there are solid basic public financial management practices in place, while at the same time building upon and institutionalizing the innovations of the last reform strategy 2007-12. The PFM reform strategy is presented in 6 chapters as follows: ♣ Chapter 1 presents the background to the PFM Strategy 2016-21, ♣ Chapter 2 summarizes the lessons learned internationally and from the 2007-12 PFM Reform Strategy implementation, ♣ Chapter 3 outlines the implications for PFM reforms from

the 7th Five Year Plan and leads to the identification of the 5 goals, 13 objectives and priorities for the 2016- 2021 PFM Reform Strategy, ♣ Chapter 4 provides the detailed actions under each of the goals and objectives including the priority actions, ♣ Chapter 5 describes the change management challenge, risks, opportunities and coordination challenges, ♣ Chapter 6 provides a concluding summary of the PFM reform strategy 2016-21 ♣ Annex A provides the PFM reform matrix ♣ Annex B provides a list of documents which provide additional background information

45. The purpose of the PFM Strategy 2016-21 is to build on the past reforms and learn from what has worked and what has not, in order to strengthen the basics required for achieving the overarching national goals. Against this progress, the government continues to set ambitious future goals including for Bangladesh to reach middle-income country status by 2021 and further reduce the poverty headcount to just 15 percent of the population. The government's Vision 2021 and associated Perspective Plan (2010-2021) aim to transform Bangladesh to a middle-income economy, and to reduce the incidence of poverty to just 15 percent living below the national poverty line by 2021. The 7th Five Year Plan (2016-2020) focuses on further reforms aimed at sustainable, productive employment for a growing labor force, and proposes a substantial increase in investment, including public investment, to spur economic growth rates to 8 percent per annum. The plan also includes social development and the development of a more citizen-centric set of institutions. In short, the 7th Plan has two overarching objectives:

- Accelerate growth from 6 percent to 7-8 percent per year;
- Empower citizens, through reductions in poverty and income inequality, increased human development, enhanced female empowerment and strengthened social protection and inclusion.

46. Other key strategic elements of the 7th Five Year Plan are to pursue an environmentally sustainable development process, and to tackle the challenges of ensuring good governance – seen as a potential constraint to service delivery and economic activity. Internationally, better perceptions of governance are more likely to attract inward investors and encourage local investment.

### **National Social Security Strategy (NSSS), July 2015**

47. The Paper has been formulated by General Economics Division, Planning Commission of the GoB. It is developed on the basis of life-cycle approach so that the government can fulfill its obligations towards its citizens at every station of life. In this approach the child, father, mother, grandparents-all are joined in a system of support, which starts even before the child-birth. In every stage of life some vulnerabilities and associated demands creep in depending on age and gender, which requires specific measures. Steps taken at each stage can be considered as input that enables a child to go to the next stage. Then comes the question of a new step. Through this framework, it can be identified the nature of the step-social, economic, and environmental-and it can be determined, depending upon the situation, which intervention will be most appropriate for which stage. This structure does not only help understanding and concentrating on a specific social demand or risk, but also provides direction as to how scarce resources can be utilized efficiently.

48. The core of the National Social Security Strategy approved by the Cabinet, is a program consolidation along life cycle risks, with programs for children, working age people – including specific focus on youth and vulnerable women – the elderly, and persons with disabilities. The life cycle approach also addresses current gaps in coverage of early childhood needs. The Strategy puts emphasis on reaching out to a range of socially excluded population groups that face various kinds of social discrimination. The Government will ensure that these groups have similar access as the rest of the population to all social security programmes. In addition, programs tailored to the special needs of socially excluded groups are also implemented.

49. The Strategy has the vision of moving towards a rights-based approach in line with provisions of the country's Constitution, by building “an inclusive Social Security System for all deserving Bangladeshis that effectively tackles and prevents poverty and inequality and contributes to broader human development, employment and economic growth”. During the initial years of implementation, emphasis was given to hard-core poor and the most vulnerable sections of the population, to support the elimination of extreme poverty. The Government's Social Security Strategy is part of policies and programmes that comprise the Social Development Framework. This forms a wider umbrella incorporating the Government's poverty reduction strategy and strategies on education, health, nutrition, population, sanitation and water supply, financial inclusion, women and gender empowerment, social inclusion of ethnic and religious minorities, environmental protection, climate change management, disaster management and social security. The aim of this framework is to have a comprehensive and consistent set of policies that can help Bangladesh achieve better equity and social justice in the context of its development effort.

### ***Laws and Policies on Adibasi/Ethnic Minority***

50. Indigenous Peoples are culturally distinct societies and communities. The land on which they live and the natural resources on which they depend are inextricably linked to their identities, cultures, livelihoods, as well as their physical and spiritual well-being. They hold vital ancestral knowledge and expertise on how to adapt, mitigate, and reduce risks from climate change and natural disasters. Indigenous peoples are disproportionately vulnerable to the impacts of climate change since they often live in environmentally sensitive ecosystems and frequently depend on surrounding biodiversity for subsistence as well as cultural survival.<sup>10</sup>

51. In Bangladesh there is about 45 different tribal groups/Adibasi spread across the country. The proportion of the tribal population (TP) in the 64 districts varies from less than 1% in majority of the districts to 56% in Rangamati, 48.9% in Kagrachari and 48% in Bandarban in the Chittagong Hill Tracts (CHT). The tribal groups belong to different ethno-lingual communities, profess diverse faith, have unique cultures, which are different to mainstream culture, and are at varied/different levels of development (economically and educationally). Most of them inhabit in hard to reach areas such as hilly terrains or the forest areas where access is generally difficult. Moreover, many of these tribal groups are also characterized by slow/low growth rate compared to the mainstream population.<sup>11</sup> The Constitution of Bangladesh does not mention the existence of the cultural and ethnic minorities in

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<sup>10</sup><http://www.worldbank.org/en/topic/indigenouspeoples>

<sup>11</sup>Tribal/Ethnic Health Population and Nutrition Plan for the Health, Population and Nutrition Sector Development Progr (HPNSDP) 2011 to 2016, April 2011: p 1

Bangladesh. The only protective provision for the ethnic minorities that the policy makers often refer to in the context is Article 28 (4) which states that: Nothing shall prevent the state from making special provision in favor of women and children or for the advancement of any backward section of the citizens. The above provision is an ambiguous one and it does not define who or what constitutes "backward". However, the Government recognizes existence of "tribal peoples (TP)" and the need for special attention and in general TP are essentially viewed as backward, poor and socioeconomically & culturally inferior. Towards this end a special program was initiated in 1996- 97 by the Prime Minister's Secretariat aimed at improving the socio-economic situation of the indigenous people of Bangladesh, resident outside the Chittagong Hill Tracts.

52. The Chittagong Hill Tracts Regulation, 1900 (Regulation I of 1900) is the regulatory framework for State sovereignty over the traditional rights of the TP living in the Chittagong Hill Tracts (CHTs) region. They are governed through Revenue Circle Chiefs who are local revenue collectors vide an *amalnama* (authorization by the Government). The Deputy Commissioner and the Commissioner from the Central Government reserve the authority to settle land to the hill-men or non-hill residents or lease out land (nontransferable) for rubber plantation or establishing industries in the CHTs. The CHT districts comprise the reserved forests, the circle of the three Chiefs, viz. the Chakmas Chief, the Bohmong Chief and Mogh Chief and the Maini Valley (rule 35). The Circle Chiefs form Advisory Council to the Deputy Commissioner (DC) for administration of their respective circles and exercise their authority as Chiefs in the prompt enforcement in the mouzas of their circles of all orders of the DC.

53. The acquisition of any land or forest area in Chittagong Hill Tracts (CHT) districts require consent under the Chittagong Hill-Tracts (Land Acquisition) Regulation 1958, the CHT Regional Council Act 1998 and the Forest Act (1927). The Chittagong Hill-Tracts (Land Acquisition) Regulation, 1958 regulation has provision for payment of compensation for requisitioned property. The compensation may be fixed by agreement or by rules framed in this respect.

54. The National Parliament of Bangladesh in 24 May 1998 passed the Peace Accord 1997 as the "Chittagong Hill Tracts Regional Council Act, 1998 (Act 12 of 1998). In addition to reestablishing peace, the Accord recognized the ethnic people's right to land, culture, language, and religion. The Accord set out detailed provisions for strengthening the system of self-governance in the CHT, and redressing the most urgent land-related problems. A ministry on CHT Affairs was established by appointing a Minister from among the adibasis of hill districts. Advisory Council from the CHT region assists this ministry. However, there is a demand for extending the scope of the CHT Affairs Ministry to include the adibasis in other areas of the country.

55. The Program activity's effect will be in all 8 administrative divisions covering 64 districts including the 3 districts of Chittagong Hill Tracts (CHT) where majority of the Tribal population reside.

## **4.2 Existing Institutional Setup for Addressing Environmental and Social Issues**

### ***Ministry of Finance/ Finance Division***

56. The **Ministry of Finance (MoF)** is a ministry of Bangladesh. The ministry is responsible for state finance, including the state budget, taxation and economic policy in Bangladesh. The department must report to the Parliament of Bangladesh. It contains four divisions:

- Finance Division (FD)
- Economic Relations Division
- Internal Resources Division
- Bank and Financial Institutions Division

Finance Division has the following Directorates:

- Office of the Controller General of Accounts
- Investment Corporation of Bangladesh
- The Security Printing Corporation (Bangladesh) Ltd.
- Financial Management Reform Program
- Comptroller and Auditor General of Bangladesh
- Bangladesh House Building Finance Corporation
- Pay and Services Commission 2013
- National Savings Certificate (Bangladesh)

57. **Finance Division.** The FD under MoF is the main regulation and enforcement agency of the program. FD allots revenue budget to different ministries/Divisions for implementing various projects and these are monitored by IMED under the ministry of Planning. This is why environmental and social management and follow-up activities have not been institutionalized in FD's organogram.

58. While externally financed projects follow project specific environmental and social management policy and procedures, environmental and social systems assessment has a special significance in a program-based investment. These issues are very much part of FD's regular portfolio.

### **Planning Commission**

59. The Bangladesh Planning Commission is the central planning organization of the country. It determines objectives, goals and strategies of medium and short-term plans within the framework of long-term perspective and formulates policy measures for the achievement of planned goals and targets. Its activities include the following elements of development planning:

- Policy Planning: determination of goals, objectives, priorities, strategies and policy measures for development plans;
- Sectoral Planning: identification of the role that the various sectors of the economy are required to play in the context of the Plan objectives and goals;
- Program Planning: formulation of detailed resource allocation to realize the Plan objectives and goals;
- Project Planning: appraisal of projects embodying investment decisions for the implementation of the sectoral plans; and
- Evaluation: impact analysis of projects, programs and Plans on the people's living standard.

### **Implementation Monitoring and Evaluation Division (IMED) under Ministry of Planning**

60. VISION: Practice and management of monitoring and evaluation with core organizational competences in program monitoring and evaluation, mass communications, and project information systems it advises other government organizations on program design and measurement.

61. MISSION: The IMED monitors and evaluates the performance of revenue and development investment by collecting and analyzing information on project and program results originating from implementing organizations.

62. The IMED Strategic Plan examines the link between financial allocations and equitable economic growth by defining and verifying the relationships between expenditure and eventual development results. Analysis of the performance of ministries and sectors against agreed targets is provided to Executive Committee of the National Economic Council (ECNEC), line ministries and other concerned parties whenever necessary. Wherever possible IMED seeks to explain why sector or ministry performance targets have not been met by careful analysis of program outcomes. This analysis is provided to the relevant bodies so that they can improve their performance if necessary.

**SECTION V: ASSESSMENT OF COUNTRY ENVIRONMENTAL AND SOCIAL SYSTEM**

63. The World Bank’s Policy for PforR Financing requires that all PforR operations to ‘Operate within an adequate legal and regulatory framework to guide environmental and social assessment at the Program level’. Drawing on the information presented in the preceding sections, the analysis presented here assesses the adequacy of the existing policy and regulatory framework against the core principles outlined in the Bank Policy and Procedures for Program for Results Financing (2017).

**5.1 Applicability of Core Principles**

64. The statement of the six core principles and their applicability is stated below in the table below:

<b>Core Principle</b>	<b>Applicability</b>
<p><b><i>Core Principle 1: General Principle of Environmental and Social Management</i></b></p> <p>Environmental and social management procedures and processes are designed to (a) promote environmental and social sustainability in Program design; (b) avoid, minimize or mitigate against adverse impacts; and (c) promote informed decision-making relating to a program’s environmental and social effects.</p> <p>Program procedures will:</p> <ul style="list-style-type: none"> <li>• Operate within an adequate legal and regulatory framework to guide environmental and social impact assessments at the program level.</li> <li>• Incorporate recognized elements of environmental and social assessment good practice, including (a) early screening of potential effects; (b) consideration of strategic, technical, and site alternatives (including the “no action” alternative); (c) explicit assessment of potential induced, cumulative, and trans-boundary impacts; (d) identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized; (e) clear articulation of institutional responsibilities and resources to support</li> </ul>	<p>Core Principle 1 is applicable for the for the program. DLI2 is aimed at increasing the capacity of BMC to address environmental considerations which is a step towards promoting environmental sustainability in future program design. The program itself will not require any environmental assessment (since there are no physical infrastructures) but it may encourage the recognized elements of environmental assessment good practice in future projects.</p> <p>With regards to social risk mitigation, the program would affect the whole nation including the rural society where women, children, the elderly, VG and the IP/TP communities live. The Bank’s SPFMS will fully comply</p>

<b>Core Principle</b>	<b>Applicability</b>
<p>implementation of plans; and (f) responsiveness and accountability through stakeholder consultation, timely dissemination of program information, and responsive grievance redress measures.</p>	<p>with Core Principle 1. This along with other measures would benefit the people at large through the effective implementation of the Program.</p>
<p><b><i>Core Principle 2: Natural Habitats and Physical Cultural Resources</i></b>  Environmental and social management procedures and processes are designed to avoid, minimize and mitigate against adverse effects on natural habitats and physical cultural resources resulting from program.</p>	<p>The proposed program will not impact on natural habitats of aquatic flora and fauna. Therefore, core principle 2 will not be applicable</p>
<p><b><i>Core Principle 3: Public and Worker Safety</i></b>  Environmental and social management procedures and processes are designed to protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices developed or promoted under the program; (b) exposure to toxic chemicals, hazardous wastes, and otherwise dangerous materials; and (c) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.</p>	<p>The Program will not adversely affect public and worker safety during the execution of the program. Therefore, core principle 3 will not be applicable.</p>
<p><b><i>Core Principle 4: Land Acquisition</i></b>  Land acquisition and loss of access to natural resources are managed in a way that avoids or minimizes displacement, and affected people are assisted in improving, or at least restoring, their livelihoods and living standards.</p>	<p>The program will not involve any form of land acquisition. Therefore, core principle 4 will not be applicable.</p>
<p><b><i>Core Principle 5: Indigenous People and Vulnerable Communities</i></b>  Due consideration is given to cultural appropriateness of, and equitable access to, program benefits giving special attention to rights and interests of tribal people and to the needs or concerns of vulnerable groups.</p> <ul style="list-style-type: none"> <li>• Undertakes free, prior, and informed consultation of tribal people those who are potentially affected (positively or negatively) to determine whether there is broad community support for the program.</li> <li>• Ensures that tribal people can participate in devising opportunities to benefit from exploitation of customary resources or tribal knowledge, the latter (tribal knowledge) to include the consent of the small ethnic and vulnerable community (tribal people).</li> </ul> <p>Gives attention to groups vulnerable to hardship or disadvantage, including as relevant the poor, the disabled,</p>	<p>There is no adverse effect due to the execution of the program on Indigenous Peoples (IP). Rather it would improve their culture and way of life, including present livelihood activities.</p>

Core Principle	Applicability
women and children, the elderly, or marginalized ethnic groups. If necessary, special measures are taken to promote equitable access to program benefits.	
<b><i>Core Principle 6: Social Conflict</i></b>	Not applicable as no ‘social Conflict’ is envisaged.

## 5.2 Assessment of Existing Policy and Legal Framework vis-à-vis PforR Principles

65. The GoB’s legal policy framework on environment and social impact management consists of a set of national policies, acts, strategies, directives, guidelines and management frameworks. The existing government policy and legal framework on the management of social and environmental impacts generally reflects, to various extents, the following general principles of PforR Policy and Procedures:

- Avoid, minimize or mitigate against adverse impacts
- Promote environmental and social sustainability in program design
- Promote informed decision-making relating to a program’s environmental and social effects;

66. Two of the main objectives of the Bangladesh Environment Policy 1992 are to maintain ecological balance and overall development through protection and improvement of the environment and ensure environmentally sound development in all sectors. This has been done through establishment of dedicated institutions and regulatory framework, framing new laws and amending old laws in order to establish environmental and social management process and procedures to make the environmental assessment transparent and effective for the mitigation of the adverse effects of development on the natural and social resource base. The ECA 1995 and ECR 1997 are the umbrella environmental act and rules respectively in the country for the protection of natural environment. The ECA and ECR encompass most of the key principles defined in OP/BP 9.0. They provide guidance and directions for avoiding, minimizing or mitigating potential adverse impacts on natural resources and important natural habitats. The ECR has provisions for declaring ecologically critical areas to restrict development activities and applying polluter’s pay principle to charge compensation to polluting industries – all for the protection of natural environment. Laws related to forest and fisheries protection, wildlife conservation, protection of antiquities are adequate for the preservation of natural habitats of fish species and protection of physical cultural resources. The DoE guidelines for Industries (1997), the sectoral development EA guidelines etc. also address the general principles of PforR Policy and Procedures.

67. GoB has adequate regulatory framework against the principles of PforR to guide social impact assessments at the program level. The constitutional obligations are the primary laws that transcends onto other relevant laws/regulations of different ministries/agencies incorporating social assessment good practices that includes early screening of potential effects, consideration for site alternatives including the ‘no action’ alternative, identification of measures to mitigate social impacts that cannot be avoided and/or minimized. There exist relevant laws concerning land acquisition, compensation to displaced persons for land, properties, crop damage, loss of business etc. including supplementary livelihood improvement owing to the execution of a program (see section 4.1.2). Relevant execution agency (FD) has basic institutional structure to support and implement the programs though at places

paucity of adequate qualified manpower is prevalent owing to number of projects under GoB and assisted by IDA. There is honest effort of responsiveness and accountability through stakeholder consultation from the inception of the program.

### **5.3 Assessment of the Country Environmental and Social Management System**

68. Bangladesh's environmental management systems consist of national legal policies and sector guidelines that are broadly consistent with World Bank Policy and Procedures on Program for Results Financing (PforR Policy). However, since this is a service delivery program and no physical infrastructure development is involved, it will not trigger the environmental management system of the country.

69. Existing social management systems that apply to the program includes constitutional compulsions, various national policies and specific sector guidelines that are generally consistent with World Bank PforR Policy. It is to be noted that through the proposed program, FD is allotting revenue budget to various ministries/departments for various projects. However, Monitoring and evaluation will be carried out by OC&AG, IMED and the third party of the implemented projects to ensure that these do not adversely affect the environment and the society that include the vulnerable, the poor, disabled, women, the elderly and the indigenous people at large.

#### **5.3.1 Environmental Elements**

70. While allocating revenue budget to various ministries/ departments for various projects, DLI2 indicates that the environmental considerations of the projects will be given increased importance. This will be instrumental in promoting environmental sustainability in future project design by giving the departments/ministries a clear message that environmental elements within the project need to be highlighted while submitting proposals.

#### **5.3.2 Social Elements**

71. Program planning and implementation for equitable benefits/special measures for vulnerable /disadvantaged groups: As the program involves *Strengthening PFM Program to Enable Service Delivery*, it will benefit all including the vulnerable and disadvantaged groups including women, elderly, disabled and the IP.

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## **SECTION VI: OPERATIONAL PERFORMANCE AND INSTITUTIONAL CAPACITY ASSESSMENT**

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72. From the discussion in the preceding sections, it is evident that the GoB's policy and legal framework are broadly aligned with the core principles of World Bank Policy and Procedures on Program for Results Financing. The existing institutional capacity in achieving the environmental and social objectives of the program are discussed below. The information obtained below are from review of documents and discussion with department/ministry officials.

### **6.1 Management of environmental impacts at the operational level**

73. FD as an implementing agency is familiar with WB-financed projects including SPEMP, and SPEMP – A. There is no permanent environment management department/unit in the FD with dedicated manpower with specific expertise to conduct environmental mitigation monitoring. Most of these issues can be addressed by adopting either of the recommendations under 'Strengthen institutional capacity for safeguards management' at paragraph 85 below.

### **6.2 Management of Social Impacts in '*Bangladesh Strengthening PFM Program to Enable Service Delivery (PI67491)*' Program**

74. Through its sustained involvement with IDA/WB under projects namely SPEMP, and SPEMP – A, FD is familiar with working with IDA/WB and other development partners. It is evident from the discussion in the preceding sections that the operational performance of FD is broadly aligned with the core principles of PforR.

75. **Grievance resolution.** MoF/FD has already developed an effective GRM suiting their needs.

## SECTION VII: RECOMMENDED MEASURES TO STRENGTHEN SYSTEMS PERFORMANCE

### 7.1 Strengthen Environmental and Social System Performance

76. The environmental and social systems assessment presented in preceding sections confirmed the compatibility of the systems underpinning the FD program with respect to the Core principles of environmental and social management for PforR investment. In order to strengthening the E&S sustainability of the program, the ESSA recommends recruiting dedicated environmental and social expert (s) for the duration of the program to oversee activities/projects of the implementing ministries that have potential to adversely affect environmental and social adverse implications in the context of the implementation of the program .

77. The recommendation is incorporated in the Program Action Plan (PAP) and has been agreed with the borrower.

78. Recommended measures to strengthen system performance for environmental and social management

Objectives and issues	Measures for strengthening systems performance
Environment and Social Management Instruments	MoF/FD is involved with the allotment of Revenue Fund to recipient ministries and do not implement projects in the field. As such MoF/FD need not develop any 'Environment and Social Management Framework (ESMF)' for the proposed 'Bangladesh Strengthening PFM Program to enable Service Delivery (P167491)' to address the social and environmental risks.
Strengthen institutional capacity for safeguards management	FD does not need a separate environmental and social unit for overseeing the implementation of recipient ministries programs affecting social and environmental issues.  For the current program, it is necessary for FD or IMED to recruit dedicated environmental and social expert (s) for the program tenure to oversee activities/projects of the implementing ministries that has potential to adversely affect environment and the society at large. The borrower agreed with the suggestion and will allocate appropriate fund in the project for this purpose.
Capacity building and training	FD had been working on the reform of public expenditure since long. FD undertook the Skills for Employment Investment Program (SEIP) financed through a pool fund provided by ADB and Swiss Agency for Development and Cooperation (SDC). The total period of SEIP is (2014-2021) and ADB and SDC have financed Tranche 1 (FY 2014-15 to FY 2017-18) with US\$138.5 million. Some 1.5 million people are planned to undergo training that includes new entrants and up skilling the existing workforce. IDA and KOICA are expected to join the subsequent tranches <sup>12</sup> . This training aimed at strengthening and building capacities for improved effectiveness, efficiency and transparency of the public resource management process and is enormously contributing in PFM.

<sup>12</sup> <http://seip-fd.gov.bd/about-us-2/> accessed on 17 September 2018

Objectives and issues	Measures for strengthening systems performance
	<p>Strengthening Public Expenditure Management Program (SPEMP) was undertaken in 2008 funded by UK Aid from DFID, DANIDA and the EU, while administered by WB13. After the program ended successfully, related works continued with Strengthening Financial Accountability Project, 2014 (referred to as –SPEMP A)14. It is heartening that the process is continuing under PFM Reform Strategy (2016-2021) and PFM Action Plan (2018-2023) and the 2016 Public Expenditure and Financial Accountability Assessment (PEFA 2016)15. Thus there is sustained effort on capacity building by FD and the Line Ministries on Public Financial management.</p> <p>Through personal engagement it is noted that the manpower at FD are sufficient to undertake the proposed program. Additional manpower, when required, is deputed from recipient ministries who also undergo relevant training along with the staffs of FD. As such, no additional staffing is envisaged.</p> <p>FD undertakes professional training courses round the year and they have plans to continue running required courses for the program. FD will incorporate specific training for the deputed staffs from the recipient ministries on environmental and social management at the SPFMS implementation level.</p>
Inter-ministerial liaison and cooperation	<p>FD should maintain an effective working relationship with IMED under ministry of Planning that monitors the implementation of GoB projects and ensures that no adverse social issues occur during the process of implementation and whether implementing ministries has the appropriate tool/ ESMF to address the adverse effects, if any.</p> <p>Effective GRM is another very important issue that the implementing ministries must put in place.</p>

## 7.2 Program Action Plans

79. The following are the social actions identified for the Program Action Plan:

- FD will recruit required Social Safeguard Consultants suiting its needs. This could be planned for the program tenure only.
- FD will maintain an effective working relationship with IMED that monitors the implementation of GoB projects and ensures that no adverse social issues occur during the process of implementation and whether implementing ministries has the right tools to address the adverse effects, if any. Effective GRM is another very important issue that the implementing ministries must put in place.
- FD will allocate resources for capacity building/training of its staff for implementing the program.

<sup>13</sup><http://documents.worldbank.org/curated/en/524961468013216189/text/701400ESW0P121000iBAS0review0report.txt>

<sup>14</sup> Government of the People's Republic of Bangladesh, Public Financial Management (PFM) Reform Strategy 2016-2021, June 2016, page7

<sup>15</sup> PCN, June 19, 2018; page 4

### 7.3 The Grievance Redress Mechanism (GRM)

GoB encourages free flow of and people right to information, under the ‘The Right To Information Act, 2009 Bangladesh’ that came into effect on April 6, 2009. The right to information shall ensure that transparency and accountability in all public, autonomous and statutory organizations and in private organizations run on government or foreign funding shall increase, corruption shall decrease and good governance shall be established. In the ICT domain, GoB has developed a dedicated web portal ([http://www.grs.gov.bd/home/index\\_english](http://www.grs.gov.bd/home/index_english)) where aggrieved parties could register complains and seek remedial measures. MoF has also developed a GRM to ensure better accountability and transparency in its activities. This is primarily at the Macro level owing to the reforms in the financial policies and strategies affecting recipient Ministries and Divisions, that are the primary stakeholders. A key principle of PFM Reform of the Ministry of Finance is that local authorities are firmly in charge of the reform process, with external advice in a supporting role. There would be a two-tier governance structure comprising of a Steering Committee (SC) and a Program Coordination Team (PCT). The SC is chaired by the Finance Secretary. Members are senior representatives from major spending ministries, Cabinet Division, Comptroller and Auditor General, National Board of Revenue, Economic Relations Division, Bangladesh Bank and Planning Commission. Through its mandate, SC intends to:

- Oversee implementation progress, approaches, and stakeholder communication;
- Create a conducive enabling environment for change to happen;
- Review the Action Plan implementation status and the progress towards results;
- Decide on possible course-corrections based on implementation lessons and suggestions from the Program Coordination Team (PCT).

The Finance Division (FD), through a PCT, will lead the coordination of the reforms with an active support from the line ministries as well as the development partners. PCT will consist of 4 members from Finance Division and 1 member from each Program Implementation Team. PCT would invite observers to their meetings and is expected to invite selected development partners for inputs and advice. The PCT 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. PCT will be undertaking several activities, including developing a detailed communication plan and creating a PFM Reform Learning Hub in IPF, that brings together government experts and, among others supports a series of semi-annual Learning Activities (LA) to identify, capture and share (local) implementation lessons between ministries and agencies and prepare suggestions and reports for the SC to overcome (local) implementation challenges in areas that are relevant across all Ministries<sup>16</sup>. Details are at <https://mof.portal.gov.bd/site/page/34814379-13ea-4515-bd9a-846f0c5ad57f>.

80. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR Program, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank’s independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of the World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit

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<sup>16</sup> GoB, MoF Public Financial Management (PFM) Action Plan 2018-2023 to implement The PFM Reform Strategy 2016, August 2018, page 39,40

complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## **ANNEX A: STAKEHOLDER CONSULTATION**

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The assessment team carried out various consultations with the officers of FD at the MoF as well as other stakeholders during ESSA exercise.

During the consultations, the team discussed relevant government policies and the institutional responsibilities with stakeholders. The feedbacks provided the basis for the development of the assessment report. A series of stakeholders' consultations were conducted during the months of September and October 2018 at individual level and by using an NGO named SHUSHILAN in south eastern, northern and south western districts of Bangladesh on the social issues with a mixed cluster of people that included serving and retired GoB officials, widows, elderly, the freedom fighters and the tribal representatives from Chakma, Marma and Tripura communities at Khagrachari, Chittagong Hill Tracts, who receive monthly stipend under GoB sponsored social safety net program.

A latest stakeholders consultation was conducted on November 12, 2018 with broader stakeholders including relevant ministry and FD officials, other infrastructure agencies of the Government of Bangladesh, NGOs, consultant community, and women. Additional Secretary of the FD, Mr. Habibur Rahman, chaired it. The participants took interest on the assessment's findings and recommendations. The comments and observations in these consultations were very positive and encouraging. The cross-section of people are excited with the program and expressed that when completed, STRENGTHENING PFM PROGRAM TO ENABLE SERVICE DELIVERY (SPFMS - P167491) program would advance their economic condition and overall living standard. The specific issues that were tabled in the consultation are appended below:

- One Mr. Mizanur Rahman (serial 5 at Annex B) informed that mobile money transfer systems like BIKASH (a product of BRAC Bank) and ROCKET (a product of Dutch-Bangla Bank) generally deducts service charge from the stipend money to be delivered to the recipients. He opined that if the FD/MoF could engage with BRAC and Dutch-Bangla Bank Authorities to bear the cost of service charge from the Bank's CSR funds, it would have helped the poorer class under social safety net. The Chair informed that the Govt. has come up with a G2P program whereby the Govt. will bear the service charges, if any, for reaching the money to the Social safety Net recipients and no amount will be deducted from recipients' money.
- Mr. Mustafa Bakuluzzaman, Deputy Director, SHUSHILAN and a participant of the meeting stressed the importance of selecting appropriate individuals under the 'Social safety Net' program. The Chair informed the House of Govt.'s strict instructions to this effect. However, he did agree that a small percentage (5-7 %) of the recipients could be questioned from the list. He informed the House that he would do his best in bringing transparency in the selection process by bringing the matter in appropriate forum.
- Mr. AHM Nouman, Founder & CEO, Development Organization of the Rural People stressed on defining a baseline of poverty among mothers and ensure sustained support to the mother and the child till the child is put through pre-primary education program. The Chair promised to convey the matter at the appropriate level as this is beyond the purview of this program.

FD is advised to take note of the issues mentioned above and incorporates relevant issues in the appropriate documents for strict compliance.

The ESSA report will be disclosed through the World Bank external website. The ESSA with agreement from the Government, will also be uploaded onto the MoF/FD website.

**ANNEX-B: LIST OF KEY STAKEHOLDERS CONSULTED AND ATTENDED**

Persons Consulted	Organization
1. Mr. Habibur Rahman	Additional Secretary, Finance Division, MoF
2. Mr. Mohammad Saiful Islam	Deputy Program Director, Public Expenditure Management Strengthening Program, Finance Division, MoF
3. S. M. Moin Uddin Ahmed	Assistant Program Director, Public Expenditure Management Strengthening Program, Finance Division, MoF
4. Dr. Nazmul Haque (Retired)	43 West Testuri Bazar , Dhaka 1215
5. Md. Abdus Sattar Biswas (freedom Fighter); S/O Md. Bahadur Biswas (Deceased)	Vill: Krishnanagar, P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
6. Ms. Samshed Pervin, widow of Freedom Fighter Anwarul Islam	Vill: Dhamsreni; Upazila: Olipur; Dist: Kurigram
7. Mr. Mizanur Rahman (Freedom Fighter); S/O Abdus Sobhan	Santibagh, Boshpara, Dist: Jamalpur
8. Ms. Zarina Khatun, widow of Ziad Ali Biswas (Deceased)	Vill: Benadana; P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
9. Ms. Rawshanara Khatun, widow of Badal Karigor	Vill: Benadana; P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
10. Ms. Zarina Begum; widow of Nur Ali Biswas	Vill: Benadana; P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
11. Ms. Salea Begum; widow of Peskar Biswas	Vill: Benadana; P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
12. Dr. Monirul Haq (Serving Doctor)	ENT Specialist, Kurmitola General Hospital
13. Ms. Aleya Begum, widow of Gowhar Ali Biswas	Vill: Benadana; P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
14. Md. Moijirul Biswas; S/O Samali Biswas (Deceased)	Vill: Benadana; P.O. Raghunathpur, Upazila: Kaliganj, Dist: Satkhira
15. Promod Bikash Chakma	Village: purbo Kathaltali, P/S and P/O: Dighinala, District: Khagrachhari, Chittagong Hill Tracts.
16. Ukyazeng Marma, Freedom fighter	Pankhaiya Para, Khagrachhari Sadar, Khagrachhari, Chittagong Hill Tracts
17. Chandra Kiron Tripura	Village: Budda par, P/O and P/S: Dighinala, District: Khagrachhari, Chittagong Hill Tracts.
18. Mr. Mustafa Bakuluzzaman	Deputy Director, SHUSHILAN
19. AHM Nouman	Founder & CEO, Development Organization of the Rural People
20. Nikeisha Anthonett Russel	Consultant, World Bank
21. Rizwana Tabassum	Consultant, World Bank
22. Furqan Ahmad Saleem	Lead Public Sector Specialist, World Bank
23. Md Anisuzzaman Bhuiyan	Consultant, World bank



**ANNEX C: RESULTS FRAMEWORK AND DLI**

<b>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.</b>										
<i>PDO-level results indicators (highlighted)</i>	<i>DLI</i>	<i>Unit of measure</i>	<i>Baseline</i>	<i>Target values (DLRs highlighted)</i>				<i>Data source/ Scalability</i>	<i>Responsibility for data collection</i>	<i>Data Validation Agency</i>
				<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22<sup>17</sup></b>			
<b>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 &amp; 2)</b>										
<b>DLI 1:</b> Use of improved fiscal projections for budget-making	<b>DLI-1</b>	Yes/No (See column 7) <sup>18</sup> <b>(\$10mil)</b>	Static revenue and expenditure estimates restrict effective policy making	- <b>The requirements for the Macro-Economic Model have been finalized. (\$2mil)</b>	- <b>The software application to operationalize the Macro-Economic Model has been procured and configured with relevant data.</b>  - <b>An updated medium-term debt strategy (including a Debt Bulletin and DSA) have been developed.</b>	<b>The Macro-Economic Model has been completed, including the integration of updated databases.</b>	<b>Projections from the upgraded Macro-Economic Model have been used for MTMF and budget preparation.</b>	- Documentation of the dynamic macro model - Reports produced by the model - Annual budget brief submitted to the Budget Monitoring and Resource Committee  <i>[Scalability: Annual debt bulletin (\$0.5mil), Debt Sustainability Analysis (\$0.5mil) and updated Debt Strategy (\$1mil)]</i>	Macroeconomic Wing, Treasury & Debt Management Wing Finance Division	Third Party Validation

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

<sup>18</sup> Breakdown giving in the data source, scalability column.

<p><b>DLI 2:</b> Improved budget alignment with development strategy and gender, social, and environmental considerations through better performance of Budget Management Committees</p>	<p><b>DLI-2</b></p>	<p>Percentage (See column 7) <b>(\$14mil)</b></p>	<p>BMCs are not fully functional and require additional capacity and empowerment Gender disaggregated budget summary is produced Average spending on the Social Infrastructure for last two years is 28.75%</p>	<p><b>- A monitoring framework (including a performance scorecard) for the BMCs has been drafted, consulted on and issued. (\$3mil)</b></p> <p>- FD deployed staff/coaches to support BMCs in line ministries</p>	<p><b>- 15% of BMCs have undertaken inter-ministerial peer-reviews in accordance with the protocols established pursuant to the monitoring framework development under DLR 2.1. (\$3mil)</b></p> <p>- Gender disaggregated budget statement published as per past practice</p> <p><b>- The Recipient's expenditure on Social Sectors has increased to 29% of total actual public expenditure (in the relevant Fiscal Year in which the DLR is being assessed). 29%<sup>19</sup> (\$3mil)</b></p> <p>- Guidelines prepared for</p>	<p>- 15% BMCs undertook inter-ministry peer-reviews 10% improvement in the average performance score of BMCs evaluated through the peer-reviews</p> <p>-Forward Baseline Estimates piloted in two line ministries</p>	<p>25% BMCs undertook inter-ministry peer-reviews <b>- The average performance score of BMCs evaluated through inter-ministerial peer-reviews has improved by at least 25%.</b> <b>-The Recipient's expenditure on Social Sectors has increased to 29.25% of total actual public expenditure (in the relevant Fiscal Year in which the DLR is being assessed). (\$2.5mil)</b></p>	<p>- BMC performance monitoring framework - Inter-ministry peer-review reports - Minutes of BMCs - Ministry budget proposals - Budget execution reports - Annual financial statements</p> <p><i>[Scalability - \$1mil each for the BMCs framework drafted, consulted, and issued]</i></p>	<p>Budget Wing, Finance Division</p>	<p>Cabinet Division</p> <p style="text-align: center;">OCAG</p>
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<sup>19</sup> Based on the average of last two years.

					Forward Baseline Estimates					
<b>DLI 3:</b> Reduced number of days for DDOs to receive budget in selected MDAs - (education, health, roads, public works & local government)	<b>DLI-3</b>	Percentage Yes/No (\$6mil)	Currently the budget release and distribution to DDOs takes around 2 months for the first quarter Budget release from the MoF to line ministry is no longer required from this year Average delay for quarter 3 and 4 is 2.3 months for health sector	<b>-The Finance Division has drafted and issued a circular mandating the de-linkage of Budget Releases from Fund Utilization Report submission. (\$3mil)</b>		<b>-80% of DDOs have had their budget released and distributed by July 31 (of the relevant Fiscal Year in which the DLR is being assessed). (\$3mil)</b>		- Delinking circular/ amendment to rules or procedure <i>[Scalability: \$1.5mil on the circular drafted, and \$1.5mil on issuance]</i>  - Budget release information from iBAS++	Budget Wing, Finance Division	OCAG
<b>Result Area 2: Improve budget execution in service delivery MDAs (Contribution to PFM Strategy Goal 3)</b>										
DLI 4: Timely, reliable payments of salaries and vendor invoices with strengthened treasury single account and automated payment system	<b>DLI-4</b>	Percentage Yes/No (\$9mil)	EFT used for officers' salaries only  No online bills submission	<b>-A stock-take of special accounts (including an assessment of the number of special accounts opened per year in prior years), EBFs and [EBCG] (outside the TSA) has been completed.</b>	- Number of new (outside TSA) special accounts opened annually reduced by 20% <b>- 50% of government payment transactions (in the relevant Fiscal Year in which the DLR is being assessed) are made through EFT. (\$3mil)</b>	- Number of new (outside TSA) special accounts opened annually reduced by 35% - At least 60% government payment transactions are made through EFT <b>- 40% of DDOs submit all bills (payment requests) online (in the relevant Fiscal Year in</b>	<b>- The number of new special accounts (outside the TSA) opened (in the relevant Fiscal Year in which the DLR is being assessed) has been reduced by 50% (\$2mil)</b> - At least 70% government payment transactions are	- Data to be collected on the new special accounts and EBFs - iBAS process/log data on use of EFTs and online bills submission	iBAS project office, Budget Wing, Finance Division  Expenditure Control Wing, and Treasury and Debt Management Wing, Finance Division	OCAG

					- At least 20% DDOs submit all bills online	<b>which the DLR is being assessed).</b> (\$2mil)	made through EFT - At least 60% DDOs submit all bills online			
<b>DLI 5:</b> Improved pension service through the EFT no later than the following pension payment cycle after retirement	<b>DLI-5</b>	Percentage Yes/No <b>(\$10mil)</b>	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	- <b>The GP Fund Module and the Pension Service Module of iBAS++ have been implemented and are operational.</b> (\$1.5mil) - Central Pension Office established - Streamlining Central Pension Processing System interfacing with iBAS++	- 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 - <b>A centralized pension roll with EFT payment capability has been established and is operational.</b> (\$2mil)	- <b>A government-wide annual GPF and Pension Service report has been produced (covering the relevant Fiscal Year in which the DLR is being assessed).</b> (\$2mil) The number of cases of delayed pension payments is reduced by 50%. - Govt-wide centralized monthly pension roll with EFT implemented	- <b>90% of new pensioners paid through EFT no later than the pension payment cycle following after retirement</b> (\$2mil)	- 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	Controller General of Accounts	OCAG
DLI 6 – SOE fiscal risk assessed, and debt and contingent liabilities statement prepared and submitted to the policy makers	<b>DLI-6</b>	Percentage Yes/No Number <b>(\$7mil)</b>	SOE debt and contingent liabilities are not effectively controlled - Partial data of SOEs profitability published in the annual Economic	- <b>Policy and procedures to regulate SOEs’ debt and contingent liabilities (including an upgraded framework for</b>	- <b>SOE database developed with financial and non-financial information</b>  - <b>100 SOEs and autonomous bodies have</b>	- <b>SOE debt and contingent liabilities statement (covering the relevant Fiscal Year for which the DLR is being assessed)</b>	-Comprehensive SOE debt and contingent liabilities statement submitted to the policy makers - 240 SOEs publish their	- Policy & procedures for SOE debt and contingent liabilities [Scalability: \$1mil on the circular drafted, and \$1mil on issuance]	SOE Monitoring Cell, SOE Wing, Finance Division	External firm

			Survey of Bangladesh - Fiscal risks assessments have not been conducted	<b>reporting by SOEs to the Finance Division) have been drafted and issued by MoF. (\$2mi)</b>	<b>published their audited financial statements (covering the relevant Fiscal Year for which the DLR is being assessed). (\$2mil)</b>	<b>has been prepared by MoF for all SOEs and submitted to policy makers. (\$3mil)</b> - Fiscal risk assessments conducted for at least 10 SOEs	audited financial statements	- SOE debt and contingent liabilities statement - Published audited financial statements of SOEs -Fiscal risk assessments		
DLI 7 – Improved performance of the SOE sector and reduced subsidies	<b>DLI-7</b>	Percentage Yes/No (see column 7) Number <b>(\$11mil)</b>	- 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	- <b>SOE performance evaluation guidelines have been developed by the Finance Division, with clear scoring criteria. (\$2mil)</b> - <b>A policy and procedures manual that enables an effective review of grants to SOEs has been drafted and issued by the Finance Division. (\$2mil)</b> <sup>20</sup>	- <b>At least 10 SOEs have undergone an independent performance evaluation, in accordance with the SOE performance evaluation guidelines developed under DLR 7.1.(\$2mil)</b>	-At least 5 better performing or most improved SOEs rewarded <b>-Turnaround strategies have been developed for at least 10 non-performing SOEs (\$2mil)</b>	- At least 50 SOEs subjected to an independent performance evaluation <b>- 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% (\$3mil)</b>	- SOE performance evaluation guidelines - SOE Grants Policy & Procedures Manual/Circular <i>[Scalability: \$1mil on guidelines /circular drafted, and \$1mil on issuance]</i> - 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
<b>Result Area 3: Promote enhanced transparency of the budget execution and enable timely accountability (Contribution to the PFM Strategy Goal 4)</b>										

<sup>20</sup> 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><b>DLI 8:</b> Budget holders in MDAs effectively and transparently use financial information</p>	<p><b>DLI-8</b></p>	<p>Percentage Yes/No Number <b>(\$12mil)</b></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><b>- The FY2018/2019 budget (or, if the DLR is rolled over, the budget for the relevant Fiscal Year for which the DLR is being assessed) has been released on the Recipient's new BACS.(\$2mil)</b> - A user group reviewed and endorsed iBAS++ improvement plan - IPSAS Cash-basis Standard adopted and a financial reporting handbook drafted</p>	<p><b>- 3 priority iBAS++ interfaces have been implemented and are operational<sup>21</sup> (\$2mil)</b> - 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><b>- Government-wide unaudited annual financial statements, including annual financial statements of SAEs (covering the relevant Fiscal</b></p>	<p><b>-4 SAEs using iBAS++ (\$2mil)</b> -30% of budget-holders generate monthly 10 or more iBAS++ reports for budget execution decisions <b>- Detailed budget execution reports published by the Finance Division on MoF's official website on a quarterly basis, i.e. four reports published in the relevant year, (covering the relevant Fiscal Year in which the DLR is being assessed). (\$2mil)</b> -Govt. wide annual financial statements</p>	<p>-At least 7 priority interfaces between iBAS++ and other systems are operational<sup>22</sup> -At least 6 SAEs using iBAS++ <b>-60% of Budget Holders generate 10 or more monthly iBAS++ reports for budget execution decisions for the relevant Fiscal Year in which the DLR is being assessed.(\$2mil)</b> - Detailed budget execution reports published on the official website -iBAS++ system used by</p>	<p>- Annual budget - iBAS improvement 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 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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<sup>21</sup> At least the social safety net system and Bangladesh Bank/Sonali Bank

<sup>22</sup> These should preferably include electronic Government Procurement, integrated VAT and income tax systems, and ESACUDA in addition to the social safety net and Bangladesh Bank

					<b>Year in which the DLR is being assessed), have been submitted to OCAg within six months of the Fiscal Year-end OCAg within 6 months of the fiscal year-end (\$2mil)</b>	meeting IPSAS Cash standard (including external assistance) submitted to OCAg within 6 months of the fiscal year-end	the DDOs' at the Upazila level - IPSAS compliant Govt. wide annual financial statements <sup>23</sup> submitted to OCAg within 6 months of the fiscal year-end			
<b>DLI 9:</b> Action taken on audit reports in selected MDAs - (finance division, education, health, roads, public works, & local government) and procurement for FD	<b>DLI-9</b>	Percentage Yes/No <b>(\$7mil)</b>	Internal audit units are not effective. Internal audit activities consist primarily of ex-post reviews focused on financial compliance	<b>DLR 9.1: The Model Internal Audit Charter and risk based internal audit manual have been issued by the Finance Division (US\$ 1 mil)</b>  <b>DLR 9.2: A System for annual procurement planning and post-review has been established by the Finance Division and training on the</b>	<b>DLR 9.3: Internal Audit reports prepared in accordance with the Model Internal Charter and the Risk-based Internal Audit Manual issued to the heads of the Departments and principal accounting officers of any two departments in any of the Selected MDAs (US\$ 1.5mil)</b>  IR 9.1: Internal Audit Units strengthened for	<b>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</b>	IR 9.5: Audit committees resolves at least 50% of audit recommendations for selected MDAs (including FD) and procurement post-review findings in FD.  IR 9.6: Internal audit report issued to six respective heads of the departments and PAOs.	- Internal Audit Charter - Organograms and working files of the internal audit departments - Internal audit reports - Audit committee notifications - Minutes of the audit committee meetings	Controller General of Accounts Expenditure Control Wing, Finance Division	Third Party Validation  OCAg

<sup>23</sup> Including notes for receivables and payables

				<p><b>system has been conducted in FD (US\$ 1mil)</b></p>	<p><i>two</i> large spending and high-risk departments (including FD) and training imparted on risk-based internal audit manual.</p> <p>IR 9.2: FD Annual procurement plan published and procurement post review report with recommendations for improving procurement and contract management in FD and submitted to CPTU</p>	<p><b>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. (US\$ 3.5mil)</b></p> <p>IR 9.3: Internal Audit Units strengthened for <i>six</i> large spending and high-risk departments (including FD) and training imparted on risk-based internal audit manual.</p> <p>IR 9.4: FD's annual procurement plan published.</p>	<p>IR 9.7: FD's Annual procurement plan published.</p>			
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<b>Results Area 4: Establish an enabling environment for improved PFM outcomes (PFM Reform Strategy goal 5)</b>										
DLI 10 – PFM program is effectively led through an adequate governance structure and an effective change management approach	<b>DLI-10</b>	Yes/No Number  <b>(\$14mil)</b>	PFM reform implementation, monitoring, and course-correction are not adequately coordinated, and a comprehensive change management approach needs to be implemented	<ul style="list-style-type: none"> <li>- Program Coordination Team established</li> <li>- Program implementation teams established in all relevant FD wings/CGA office</li> <li>- Learning Hub on PFM Reform is activated (through recruitment of at least 3 full-time staff at IPF)</li> <li>- <b>Two PFM Action Plan progress reports (prepared on a semi-annual basis in a Fiscal Year) have been submitted by the PECT to the Steering</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>Two PFM Action Plan stakeholder retreats conducted to review the respective semi-annual PFM Action Plan progress reports prepared under DLR 10.1 in a Fiscal Year. (\$2mil)</b></li> <li>- 4 PFM field inspections are made</li> <li>- PFM innovation grants launched</li> <li>- At least 4 facilitators retained for leadership development</li> <li>- <b>The PFM Learning Hub has produced at least 3 research papers on PFM reform lessons and published the said reports through its website.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Semi-annual program/stakeholder retreats conducted to review the respective program progress reports</li> <li>- <b>6 field inspections to government service delivery centers to identify PFM-related issues have been carried out. (\$2mil)</b></li> <li>- At least 5 PFM innovation grants awarded</li> <li>- <b>The PECT has prepared a report evaluating the performance of coaches, facilitators and/or implementation support consultants</b></li> </ul>	<ul style="list-style-type: none"> <li>- At least 20 PFM innovation grants awarded</li> <li>- Facilitation evaluation report submitted</li> <li>- <b>At least 100 civil servants (with data disaggregated by gender) have completed specialized PFM related courses/certifications (\$4mil)</b> - [such as macroeconomic fiscal model, debt management ...)<sup>25</sup> and professional certifications (such as CIPFA, PMP, CIA...)]</li> </ul>	<ul style="list-style-type: none"> <li>- Program progress reports</li> <li>- Program retreat reports</li> <li>- Field inspection reports</li> <li>- Facilitator deployment orders</li> <li>- Facilitation evaluation report</li> <li>- PFM research papers</li> <li>- Updated competency framework</li> <li>- Professional certificates</li> <li>- PFM innovation awards ceremony</li> </ul>	Program Coordinate Team, Finance Division	Third Party Validation

<sup>25</sup> Qualifications that need 6 or more months are counted here.

				<b>Committee. (\$2mil)</b> - Competency framework drafted <sup>24</sup>	<b>(\$2mil)</b>	<b>engaged to support the implementation of the PFM Action Plan. (\$2mil)</b> - 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				
				<b>\$25mil</b>	<b>\$27mil</b>	<b>\$23mil</b>	<b>\$25mil</b>			

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<sup>24</sup> 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