

Implementation Status & Results
Bangladesh
Deepening MTBF and Strengthening Financial Accountability (P117248)

Operation Name: Deepening MTBF and Strengthening Financial Accountability (P117248) Project Stage: Implementation Seq.No: 3 Status: ARCHIVED Archive Date: 07-May-2011

Country: Bangladesh Approval FY: 2010
 Product Line: Recipient Executed Activities Region: SOUTH ASIA Lending Instrument: Technical Assistance Loan
 Implementing Agency(ies): Finance Division, Ministry of Finance

Key Dates

Board Approval Date	23-Sep-2009	Original Closing Date	31-Jul-2014	Planned Mid Term Review Date	Last Archived ISR Date	07-May-2011
Effectiveness Date	29-Oct-2009	Revised Closing Date	31-Jul-2014	Actual Mid Term Review Date		

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The project aims to deepen and institutionalize the MTBF and build a more strategic and performance oriented budget management process, while strengthening financial accountability across the expenditure management cycle. The project supports fundamental reforms of operational budget management functions in both central units and line ministries. Enhanced budget process and financial accountability is likely to improve the allocative and operational efficiency in public expenditure management which in turn will enable better provision of key public services in support of the Government's social and economic policy objectives.

Has the Project Development Objective been changed since Board Approval of the Project?

Yes No

Component(s)

Component Name	Component Cost
Component A1: Strategic Budget Management in Finance Division	8.10
Component A 2: Developing Capacities for Debt policy and Management	2.70
Component A 3: Capacity Development in Line Ministries	10.90
Component A 4: Developing Planning Commission capacity in line with the MTBF approach	2.40
Component A 5. Accounting and Financial Reporting	19.30
Component A 6. - Strengthening Treasury and Cash Management Systems	0.50
Component A 7. - PFM Legislation and Regulations	2.60
Component A 8. - Payroll, Pensions, GPF, Loans & Advances, and Assets	1.80
Component A 9. - Training and Human Resources Development	13.10
Project and Change Management	7.40

Overall Ratings

	Previous Rating	Current Rating
Progress towards achievement of PDO	Moderately Unsatisfactory	Moderately Unsatisfactory
Overall Implementation Progress (IP)	Moderately Unsatisfactory	Moderately Unsatisfactory
Overall Risk Rating		

Implementation Status Overview

The Deepening Medium Term Budget Framework and Strengthening Financial Accountability (DMTBF) Project has progressed unevenly in the first year of implementation, with progress achieved in two/three components. This in part was due to distance between MISC consultants and the government, complicated lines of authority under the implementation arrangement and complexity of the project, which addresses a range of complex and inter-related PFM reform issues. The complicated lines of authority have also delayed procurement which continue even till two years after the beginning of implementation of the project. Notwithstanding these difficulties, a comprehensive diagnostic process was completed in June 2011, consistent with the agreed time table, and progress was made in a number of other areas of reform, notably the roll-out of the MTBF across the whole Government, the introduction of the presentation of the Demands for Grants and Appropriations in the unified budget format.

In the first quarter of the second year of the Project (July 2011-September 2011) there was an intensive dialogue between the MISC team and Officials at all levels in the Finance Division which culminated in a shared understanding of the “baseline” of PFM reforms in Bangladesh and a proposed Work Plan to achieve the development objectives. During this period, extensive discussions also took place between the World Bank, Finance Division and the MISC team aimed at restructuring the Project. The objective of the restructuring was to streamline the management structure to increase its agility and responsiveness to implementation issues, and to shorten the communication line between the Project and decision makers in Finance Division. A key element in the restructuring strategy was to place champions amongst government to key driving positions in the project as component directors and eliminating numerous layers of authority that were increasing government’s distance with the consultants. The more compacted project structure, from 9 into 3 components, is expected to deliver better coordination across project components.

The Work Plan, its major deliverables, together with the resources required until the completion date of the project (30 June 2014), and the restructured Project and management arrangement were approved by the Project Steering Committee on 16 November 2012 and subsequently from the Government. Based on this clearance, the project team has revised the government’s Technical Assistance Project Pro-forma (TAPP) and the MISC contract, after which the Grant Agreement was revised and is awaiting signing by the Government. Most recently, a joint Government-Donor meeting was held on 15 April 2012 to finalize the Results Monitoring framework. The appointment of Component Directors is likely to streamline coordination. Also, it is expected that finalization of the revised M&E framework will strengthen monitoring procedures, and regular project executive committee meetings will improve overall project monitoring and supervision.

Over the past year implementation progress has been notable mainly in the areas of budget preparation and management where international and national consultancy resources have continued to operate during restructuring. Regrettably, progress has been slow or non-existent in sub-components where the work plan and key positions have been newly created under the restructuring arrangement, as appointments cannot be made due to the considerable delay in securing approval and clearance for the Modified Contract. The mobilization of international resources for those new positions is expected to take place towards the end of May 2012.

The implementation progress can be summarized as follows:

- * roll-out of the MTBF to the 57 major budgetary agencies is completed ahead of schedule and introductory steps have been taken to improve line ministry budget processes and institutions, including the establishment of dedicated budget wings to focus the budget preparation work, budget management committees and piloting of a strategic business planning concept. Also, the quality of budget documentation has seen an improvement, notably with the introduction in 2011/12 budget of key tables with recurrent and development budgets using the same economic classification and an improved quality of Ministry budget frameworks (MBFs).
- *While the MTBF has progressed horizontally, the institutionalization in line ministries is still at a very early stage and the level of awareness and capacity building about MTBF appear generally low. Operational plans for establishing a national institute for PFM capacity building have been drafted to overcome this gap, but actual trainings and capacity building efforts appear disorganized in lack of a proper training needs assessment and have yet to show noticeable results.
- *A sound medium term debt management strategy has been prepared and an upgrade of debt management software is being procured.
- *Macroeconomic forecasting has seen little progress and is still based on spreadsheets with inadequate use of econometric techniques. An econometric model is still in the design phase.
- * The planning component has shown very little progress due to coordination issues between Finance Division and Planning Commission and has consequently been reduced in

scope to focus on the monitoring of the sixth five year plan (expected in June 2012), whereas other aspects, including analytical support for strategic planning and PIM will be carried out as a separate bank executed project.

*The development of IBAS+ is at a critical stage. An overall strategy for systems development has been adopted based on a hybrid of a mainly in-house built system with COTS-software for discreet functions and the operation of the current systems enhanced and stabilized. Critical hirings of systems architect and IT-project manager have been decided but not fully executed. However, critical decisions are outstanding to confirm future business processes, and to finalize technical design specifications and systems architecture for the enhanced IBAS-system. In addition, there is a need to mitigate risks of on-going software development by adopting professional quality management standards and tools.

*While a mapping of existing financial statements and supporting schedules has been completed to facilitate streamlining and a detailed strategy for transition to cash-based IPSAS has been developed, firm government decisions on fulfilling the associated requirements is urgently needed, including streamlining of public accounts. Further revisions of budget classification and COA are also needed to meet emerging reporting needs to assure the overall objective of timely reporting following international standards (GFS and IPSAS).

Locations

No Location data has been entered

Results

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Modernize long term strategic planning and policy development	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	Budget policy deviation indices, especially for ADP	No change since the budget for FY11-12 is still under preparation	Decrease budget policy deviation indices

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Institutionalize and deepen the MTBF approach	<input type="checkbox"/>	Years	Value	20.00	57.00	
			Date	30-Jun-2010		31-Jul-2014
			Comments	MTBF piloted in 20 LM. Inadequate capacity and coordination in macro-fiscal forecasting, Budget allocations not fully linked to policies.	MTBF rolled out to 57 ministries and agencies	MTBF extended to all LMs. Establish and operationalise institutional structure for macro-management and forecasting. Costing methodology developed and initiated in key ministries.
Improve budget classification for more effective budget management	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	Classification of budget and accounts is not fully compliant with international standards as specified in the GFS 2001		GFS2001 compliant classification is developed and an implementation plan agreed. Training on new

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				classification. Current classification does not allow identification of policy and programs.		classification initiated. Pilot LMs complete identification of main programs for preparation of the program classification.
Effective public debt management	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	No debt strategy is in place. Retails debt (non-Bank debt) managed through outdated practices and systems. All debt records are kept in different institutions and are operated manually.		An integrated debt management institutional structure is put in place. All actions for centralising debt records are identified and a plan for integrating them is agreed upon. First comprehensive debt report is produced and published. Progressively improve the disclosure/reporting of all contingent liabilities.
Improve the linkages between procurement, planning and budgeting	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	# Current budget submissions do not take into account procurement plans presented with the project proposals.		# Procurement Plans are included in the Budget Frameworks of key LMs on a pilot basis
Integrated budgeting, accounting, and monitoring functions at the line ministry	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	(1) No clear formal structure at the LM level that is responsible and accountable for the budget management throughout the entire cycle. (2) Planning and Financial Administration in most LM is weak and split into separate departments, mainly falling into two categories of revenue and development budgets (3) Internal audit functions are largely non existent and not	Budget Management Committee established in all MTBF ministries and agencies (57)	(1)A formalized structure that integrates planning and finance functions at the line ministry level is developed and implemented in 2 key pilot LMs. (2) Budget Management Committees play a more active role in planning and monitoring budgets in the LM. (3) Internal control environment is progressively improved. (4) Internal Audit strategy developed. (5) A plan for

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				effective, despite internal controls guidelines		establishing pilot Internal Audit units in LM is agreed.
Consolidation of iBAS towards a modern integrated budget and accounting system	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	# The budget system is not linked to iBAS at pay points (limiting system controls). # The accounting system does not cover a range of foreign-financed transactions. # The functional specifications of iBAS, as a GFMS platform are not comprehensively developed # Current iBAS relies heavily on manual controls, including for payment systems, without capacity for workflow processing. # IT infrastructure and service provision within MOF is insufficient.	iBAS update is still under diagnostic stage	# Completion of review of iBAS as GFMS platform and initiation of implementation of recommendations. # Payroll, pension and NPF study completed and an action plan prepared to follow recommendations # Build a central database in FD to capture and store data in respect of the existing physical assets of the Government # Workflow processing initiated in GFMS
Improve financial controls and reporting	<input type="checkbox"/>	Years	Value			
			Date	30-Jun-2010		31-Jul-2014
			Comments	# Reconciliation of CGA and bank balances is not implemented rigorously, with discrepancies in posting. # CGA reports are not regularly available to many LMs. # Lack of budget and other data limits their usefulness to LM managers.	No major change	# Progressively lower percentage of unexplained imbalances in monthly and annual statements. # Reconciliation practices between BB and FD are formalized and become more effective.

Data on Financial Performance (as of 26-Apr-2012)

Financial Agreement(s) Key Dates

Project	Loan No.	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P117248	TF-95283	Effective	29-Oct-2009	29-Oct-2009	29-Oct-2009	31-Jul-2014	31-Jul-2014

Disbursements (in Millions)

Project	Loan No.	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P117248	TF-95283	Effective	USD	50.00	50.00	0.00	23.10	26.90	46.00

Disbursement Graph

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Key Decisions Regarding Implementation

Key decision for the coming 6 month period are:

- * to facilitate urgent government decisions on areas critical to IBAS+ development through upcoming review and advisory support: technical design, systems architecture and outstanding issues on business process and classification
- * to review upstream aspects of MTBF and assess how the institutionalization and capacity building in line ministries can be advanced
- * to facilitate gradual steps towards the overall strategic objective of unifying budget processes and presentations across Finance division and Planning Commission: policy coordination through facilitation of informal reform dialogue (reform clubs etc.), systems interfaces etc.
- * to closely monitor implementation progress through quarterly sessions leading up to project executive committee meetings
- * to closely monitor that restructuring is delivering in terms of improved project management and coordination

Restructuring History

Level two Approved on 05-Mar-2012

Related Projects

There are no related projects.

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