

REVENUE MOBILIZATION PROGRAM FOR RESULTS

VAT IMPROVEMENT PROGRAM (VIP)

Government of the People's Republic of Bangladesh

PROGRAM FOR RESULTS

Integrated Fiduciary System Assessment

April, 2014

Executive Summary

1. In accordance with the Bank's OP/BP 9.0 an Integrated Fiduciary Systems Assessment (IFSA) was carried out to determine whether the fiduciary systems pertaining to the Program provide reasonable assurances that the Program funds will be used for their intended purpose. The IFSA comprised an assessment of the fiduciary risks relating to: (a) procurement; (b) financial management; and (c) governance (including fraud and corruption risks) of the implementing agency (the VAT Wing of NBR) which accounts for 95 percent of the Bank-supported Program financing over the next five years. An additional 5 percent of funds will be spent through the ERD as the coordinating agency and the agency responsible for hiring the third party entity for independent verification and reporting to the World Bank. For disbursement purposes, the Bank retains the right to make the final decision whether DLIs have been achieved or not. The conclusion of the IFSA is that the overall fiduciary framework is "high" risk, but with risk mitigating measures, it is adequate to support Program implementation and to achieve the desired results.

2. Funding for the Program will be provided through the government's annual development budget and the Program funds will flow through the treasury system. The program expenditure framework estimates a total program expenditure of US\$73 million over FY2014-19. IDA resources for the Program under the proposed operation will be US\$60 million.

Budgeting and Planning

3. The PforR Bank operation will provide financial support through the government's development budget that will be accounted towards the VAT Improvement Program and identified as IDA financed (as opposed to government or sector program financing which will be accounted for separately). The total budget for the Program over the next five years has already been approved, and will be presented in the government's development budget (the Annual Development Plan) at the time of the 2013/14 supplementary budget in April 2014. The VAT program was already approved by the Prime Minister-chaired project approval committee.¹ The expenditure framework for the program is shown in Table 1 below.

¹ The Development Project proposal/proforma (DPP) on Value Added Tax and Supplementary Duty Act, 2012 Implementation Project; known as VAT On-line was approved in October 2013.

Table 1: Expenditure Framework, Consolidated Program Expenditures, US\$ millions 2012/3-2019/20

	Classification	Sub-category	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
GoB	Capital	Furniture			2.79						2.79
		IT hardware			0.17						0.17
		Vehicles		0.18	0.01	0.01	0.01	0.01			0.24
	Goods and Services	Goods		0.00	4.20	0.70	0.26	0.26			5.43
		Office Refurbishment			3.09						3.09
	Contingency	Price		0.01	0.82	0.06	0.02	0.02			0.94
		Physical		0.00	0.21	0.01	0.01	0.01			0.23
Subtotal				0.21	11.29	0.79	0.30	0.30			12.89
IDA	Capital	Furniture			0.00						0.00
		generators			1.67						1.67
		IT hardware			3.97	2.32	0.75	0.33			7.38
		IT software		2.70	13.31	2.93	0.05				18.98
	Goods and Services	Consulting		0.57	2.29	1.14					4.00
		Other goods			0.91	0.10					1.01
		IT services		1.50	3.65	2.86	2.86	2.86			13.71
		Training		0.50	4.25	0.25					5.00
	Contingency	Price		0.42	2.40	0.77	0.29	0.25			4.14
		physical		0.11	0.60	0.19	0.07	0.06			1.04
Subtotal				5.80	33.05	10.56	4.01	3.50			56.93
NBR expenditures				6.00	44.34	11.35	4.32	3.81			69.82
ERD and ACC					0.95	0.50	0.50	0.50	0.50	0.00	2.95
Cabinet Division PPA			0.05								0.05
Total			0.05	6.00	45.29	11.85	4.82	4.31	0.50	0.00	72.

4. The government has a well-defined budget approval process; which is based on a development budget and a separate revenue budget. As yet there is no integrated budgeting process. The revenue and the development budgets both include capital and recurrent expenditures. The development budget typically includes development projects; both those financed by the government and also those financed by the government; which are typically seen as expenditure programs with a finite financing term, and which constitute either technical assistance; or capital investments. There is a medium term fiscal framework that is currently developed in the context of the IMF program. There is also a medium term budget framework which has been rolled out to line Ministries which sets a 5-year ceiling on the revenue-budget; and this has now been institutionalized in all 60 line ministries. There is no medium-term framework brought together for the development budget; but development projects are typically approved for multiple years. The development program has therefore been treated in the budget much like a development project. It is clear that during the course of the program implementation, the on-going revenue costs associated with the programs will need to be included in the recurrent costs of the revenue budget.

5. The VAT Wing of the NBR does not have much experience in budgeting and planning of development programs. This needs to be mitigated against with strong support from the Bank team, as well as mitigated against by the technical assistance support already being provided to the VAT by the IFC and the IMF resident advisers.

Budget Execution

6. While delayed fund releases from treasury are possible if the spending Ministry/Agency is unable to send their accounts statements and utilization reports to the Finance Division on time; there is typically no such delay occurring for the implementing agencies. The release of resources to the implementing agencies through the government budget is typically on time in the first two quarters of the fiscal year. However, since line Ministries need to send accounts statements and fund utilization reports to the Finance Division of the Ministry of Finance by the 15th and 30th of every month, this can lead to delays in fund releases, if the submission is not timely. However, delay in release of funds is not anticipated for the VAT wing of NBR; since NBR is an integral part of the Ministry of Finance. Typically, development programs and projects have faced delays in implementation in part due to fund release issues; part reporting requirements to financiers and also due to procurement procedures for capital investments, which is generally a more typical category of expenditures in the development budget.

7. To mitigate against the risk that funding for this program is unpredictable, the Project Director of the Program Implementation Unit in NBR will capture actual expenditure data on a systematic and regular basis in close coordination with the concerned Chief Accounts Officer (CAO) and will be responsible for reporting in accordance with the fund release requirements of the Ministry of Finance and the program as a whole. This will enable the Project Director to prepare timely and accurate fund utilization reports. An additional staff from the office of Comptroller General of Accounts will be recruited in the PIU who will maintain close liaison with the MOF for ensuring that fund release processes are handled in a timely manner in conformity with the requirement of the government and that meet the timeline for fund disbursement arrangement of the program.

8. Flow of Funds: IDA funds will be disbursed in accordance with the agreed disbursement arrangements to the Treasury Single Account maintained with the Central Bank. The

government should allocate sufficient funds to VAT program account and ERD account. The funds in VAT program account and ERD account will be used to support program activities to be implemented by NBR and ERD. The Project Directors in NBR and ERD are responsible for operation of the two accounts.

9. Internal Controls and Internal Audit: The internal audit function is very nascent in Bangladesh; a separate cadre of internal auditors does not exist. There are internal audit cells in line ministries which conduct routine transaction and compliance testing but they do not employ modern internal audit techniques and methodology. The internal audit follow-up process is also not tracked, monitored nor acted upon by senior management.

10. Financial procedures, rules and regulations are generally well defined and issued through executive orders. Other forms of internal controls include “compliance with general financial rules and treasury rules” during pre-audit processes, in other words at the point of payment. Since the passage of the Public Money and Budget Management Act in 2009, two rules relating to the Act have been prepared: (i) Financial Reporting under the Medium-term Budget Framework, outlining the responsibilities of chief accounts officers in line ministries and (ii) Constitution of Budget Management Wings in all line ministries and divisions to prepare and implement the Medium-term Budget Frameworks.

11. A strategy and manual for internal audit has been developed under the public financial management reform program, which is awaiting government approval. The draft strategy recognizes the need to the separate internal audit function from the existing expenditure control wing, and considers three options: a large scale modernization project for all line ministries, developing internal auditors in a group of ministries, or developing internal auditors in the Finance Division. In the case of NBR, the expenditure control wing of the Ministry of Finance will conduct periodic internal audits. The key findings of the internal audit together with management actions will be shared with the Bank within one month from the conclusion of each internal audit.

12. Accounting and Reporting: Delays in compiling information on actual expenditures is considered another weak area which may constrain NBR’s ability to monitor and report on the progress of the program and to intervene and facilitate trouble shooting. The availability of information on program expenditure is critical for the following purposes: (a) preparation of the fund utilization report when requesting fund release from the Ministry of Finance (b) completion and verification of the fiduciary action in DLI6 and (iii) to undertake the annual audit. This would be addressed by requiring that the Project Director in NBR provide regular reports to the Internal Resources Division, certifying that the financial information is adequate and correct. The Project Director will work with the CAO and Accountant in the PIU well ahead of reports becoming due for ensuring that there is no delay encountered as far as reporting of program expenditure is concerned.

13. Fixed Assets Management: There is no system for managing the fixed assets typically procured as “capital” expenditures. Some ‘stores management’ regulations are in place, specifying the process for recording some fixed assets, but there is no systematic approach to the reporting of capital expenditures or understanding of the recording, handling, disposal, accounting treatment and overall management of fixed assets. Regulations such as those in the Ministry of Finance’s Internal Control Manual stipulate that asset registers are to be established and maintained but those are not followed in practice and no auditing of assets is undertaken

across the government. Purchasing Rules do not identify assets and all purchase information is held in Stock Registers since this is compulsory under the Purchasing Rules, but assets are not identified as such. Such clerical records are unsuitable for use with a modern asset management system which requires on-line access to accurate and up-to-date information on assets.

14. Use of a large number of fixed assets in the Program is a definite risk area as a large number of products like air conditioners, servers, generators for the NBR components of the Program are planned to be procured. It is proposed, and agreed that a fixed asset tracking software should be included in the program scope for the VAT Wing so that NBR is able to track where the assets have been installed. Program Action Plan includes this as capacity building activity which will be implemented within 1 year of program effectiveness.

15. Program Audit and follow up Mechanism: The annual audit of the program requires standardization in the country system. Three potential risk areas include (i) involvement of three audit directorates for audit of the program because of expenditure category and use of treasury system; (ii) the program may be treated as a fully GoB funded project and lose priority in the annual audit process since funds will be channeled through the Treasury Single Account of the government; and (iii) poor follow up of audit findings.

The risk mitigation and capacity building measures include:

- a. As this PforR operation will fully use country systems, the audit of the program will be carried out by the Comptroller and Auditor General (OCAG). The OCAG is considered independent of the executive and accepted by the Bank as an independent auditor for Bank funded projects.
- b. An agreement has been reached that the OCAG will entrust the responsibility for single program audit to FAPAD. A TOR, covering both financial and program performance including major procurement will be agreed upon within 4 months of effectiveness of the program. The PIU in consultation with FAPAD will prepare and share a copy of the TOR with the Bank.
- c. Within 4 months of program effectiveness, IRD of NBR will constitute and operationalize the audit Committee which will be responsible for follow up of audit objections and to facilitate resolution of significant observations.
- d. Program audit will cover both parts of the program implemented by NBR and ERD. The auditor will be required to express an opinion on the program financial statement in accordance with international standards of auditing and submit the report within six months of the end of the fiscal year. In addition, the auditor is required to provide a detailed management letter containing auditor observations of the internal controls and compliance with financial covenants in the Financing Agreement.
- e. OCAG will nominate a group of auditors who will be trained on specific features of the program and will be responsible for audit throughout the program implementation.

- f. Audit reports will be shared with the Bank and NBR and ERD within six months of the end of the fiscal year. The Bank will communicate to the Recipient on the reported significant financial irregularities in the audit report within 15 days of the receipt of the audit report. The IRD will coordinate with NBR for audit follow up and ensure that remedies are implemented within an agreed time frame. ERD and NBR will communicate directly with the Bank in respect of audit follow up issues. Significant audit findings should be resolved before commencement of the next annual audit. The resolution of significant audit findings within 6 months of receiving the audit report will result in the achievement of DLI 6.
- g. The annual audit will take into account the DLI verification report for ensuring that program expenditure supports the findings with respect to the results and confirms funds were spent for the purpose intended.

16. **Parliamentary Oversight:** The Parliament or legislature's oversight of public accounts in the form of 'ex-post' scrutiny is carried out through a review of the audit reports on the executive branch. The review is carried out mainly by the Public Accounts Committee (PAC). Previously a large backlog of audit reports awaiting review by the PAC had built up. However, over the years, there has been substantive progress in PAC's hearings on OCAG reports. PAC's review of audit reports has, as a result, become fairly up to date. Thus, statutory parliamentary oversight of the audit findings of the Program is not expected to be an area of major concern.

17. Based on the fiduciary context and assessment, the overall fiduciary risk for the Program is high. The program will address fiduciary risks and other capacity gaps in various ways. The government has agreed to undertake a set of actions summarized in Table 2 in order to improve program execution and achieve program results. The government commitment to implement all the actions has been confirmed. Implementation of the actions which are to address both fiduciary risk and improve capacity will be systematically monitored by the Bank and the ERD during implementation support missions.

Procurement

18. There is a sound legal and regulatory framework for public procurement. The legal and regulatory framework for the Program is governed by the Public Procurement Act of 2006 (PPA-2006) and Public Procurement Rules 2008 (PPR). These are generally found to be sound and consistent with good public procurement principles. For example, in line with the provisions of PPA-2006 and PPR-2008, the Central Procurement Technical Unit (CPTU) has issued standard bidding documents, and request for proposals (RFPs) for goods, works and services. These standard bidding documents contain all required internationally accepted provisions. All three Program implementing agencies are already using these standard documents for government funded procurements.

19. The procurement of ICT equipment does not require the use of specific bidding documents, unlike many international and national public procurement agencies that have seen the need to provide these. The CPTU has not issued any standard or sample bidding documents specific to ICT procurements. However, the PPR-2008 does allow for specific documents to be used for specialist procurements. As a mitigating measure to manage the risks involved with the large ICT procurement (especially the large software procurement under the NBR VAT program); it has been agreed that VAT Wing will use custom ICT bidding documents; which are

consistent with the best international practice for ICT procurements. The bidding document of the COTS has been written with the strong support of technical advisory inputs provided by a technical team from international consultants. Furthermore, as a condition under the DLI 1 (VAT implementation stays on track) the high value procurement processes have been agreed with the Bank; including the terms of reference of the bid evaluation committee. For all high value IT procurements, four out of seven representatives of the bid evaluation committee will be independent of the agency; two of which will come from local institutions (the Bangladesh University of Engineering and technology and the Bangladesh Computer Center) and two international experts. Bid evaluation committees for the other procurements will have at least five members with two experts from outside the procuring entity, who have a proven track record and experience in procurement. Depending on the type of procurement such experts will be either from public offices and/or from professional bodies, or individuals of known probity. Individual consultants and/or representatives of consulting firms may participate as members of the bid evaluation committees.

20. Procurement Processing, e-Procurement and Approval Process: The Government issued in October 2004 the Public Procurement Processing and Approval Process for streamlining all public procurements covered under the Public Procurement Regulations 2003 (PPR-2003). The Process was subsequently embodied in PPR-2008 and it specifies procurement processing and approving entities with respective time-lines for different types and magnitudes of procurement. Under Section 65 of the PPA-2006 and Rule 128 of PPR-2008 contain the provisions for e-Government Procurement.

21. NBR's weaknesses with regard to procurement are the following:

- a) Lack of trained procurement staff: NBR does not have a separate procuring unit, and does not have procurement-trained personnel to conduct its procurement operations. It procured ICT products on a small number of occasions in the past with long intervals between one instance and another. The ICT equipment belonged to the higher technological levels of their time, and those were procured for special-purpose use in tariff and tax administration.
- b) Inadequate capacity to prepare technical specification for IT product and to certify that the supplied IT products are as per agreed technical specifications: All the above procurements took place under donor funded projects, and there were inputs from IT consultants while preparing the specifications. However in certain instances the procured goods could not be put to use and the reason for failure was generally attributed at the time to the lack of capacity in NBR or its related agencies to commission and/or operate the system.
- c) Inadequate capacity to manage complex high value IT procurement: Proposed program has one complex high value IT system procurement (COTS Procurement). NBR has no experience to manage such complex procurement; it has limited capacity to procure and implement high value complex IT procurements.

22. Given the shortfall in in-house capacity and in past performance of the implementing agency, there is a high procurement risk to the program. To enhance the capacity following actions have been agreed with NBR

- a. Form a procurement core team (minimum three people) in NBR to conduct procurements under this subprogram. The core team members will receive procurement certification training arranged by Central Procurement Technical Unit (CPTU).
- b. Prepare or review the technical specifications for IT procurements by a qualified international IT technical expert
- c. Form seven member bid evaluation committees for high value IT procurements with two international experts, one expert from the Bangladesh Computer Council (BCC) and one expert from the Bangladesh University of Engineering and Technology (BUET).
- d. Use electronic government procurement (e-GP) for submission of tender electronically.
- e. Provide report on key procurement performance indicator using national procurement monitoring system named PROMIS developed and maintained by CPTU
- f. Establish a system for handling complaints and a database for recording, monitoring and follow up on all procurement complaints.

23. Other procurement mitigation measures are part of DLI 1 and DLI 6 as explained in the table below.

Table 2: Summary of Fiduciary Actions to be Undertaken

Actions	Linked to DLI	Timeframe	Responsibility	Verification
Form a 7 member tender evaluation committee for IT procurements with at least one expert from the Bangladesh Computer Council and one from the Bangladesh University of Engineering and Technology and 2 international experts for high value procurements (more than US\$ 2 million).	×	Within 1 month of program effectiveness	NBR	Notification and independent verification of DLI 1.1 and 1.2 as “agreed procurement process”
Install a fixed asset tracking software to record, track and manage assets procured under the program in VAT Wing of NBR, and train staff in its use.		Within 1 year of program effectiveness	NBR	Action Plan. Procurement Process and Completion Plan submitted.
Provide report on key procurement performance indicator using national procurement monitoring system named PROMIS developed and maintained by CPTU.		Within 12 months of program effectiveness	NBR	Action Plan. Notification and independent verification
To facilitate reporting and monitoring of the disposition of Fraud and Corruption complaints, the ERD will collate all such complaints, and compile these into reports that will be provided to the Bank every six months, based on a format being agreed with the Bank.		Within 3 months of program effectiveness	NBR, ERD	Action Plan. Notification and independent verification
DLI-linked Actions				
Integrated VAT Tax Administration System (COTS) Software vendor selected by NBR through agreed procurement process. That is 4 independent members of the tender evaluation committee; 2 of which should be international experts; modified government tender documents for IT procurements and international competitive bidding with agreed TOR for the bid evaluation committee.**			DLI 1.1.1	

Vendor's for contact center, processing center and other internationally procured IT infrastructure under the program selected through agreed procurement process.	DLI 1.1
Project Management Consultancy vendor selected through agreed procurement process.	DLI 1.2
National e-GP system used for tendering of the national competitive bidding contracts under the program as follows: 1 st Year at least 25%, 2 nd year at least 50% and rest of the years at least 75%.	DLI 6
From year 2: Resolve all significant audit findings within 6 months.	DLI 6
Prepare and submit quarterly fund utilization reports in the specified format to Finance Division and complete fund release processes after completion of each quarter.	DLI 6

Note: ** TOR of the bid evaluation Committee: NBR will prepare and officially issue a detailed TOR for the BEC including approval of the procurement process. This TOR shall include the following provisions: (i) keeping the bids in safe custody at all times with access to BEC members only; (ii) conducting evaluation of bids by the BEC members themselves without delegating any task to junior or other staff under any circumstance; (iii) engaging all BEC members on a full-time basis at an isolated location (very similar to sequestering) until the evaluation is complete and the bid evaluation report (BER) is prepared, finalized, and signed; (iv) carrying of bids or copies of evaluation-related materials outside the specified office location (venue of evaluation) by any BEC member or any official will be strictly prohibited; (v) declaration of impartiality by each BEC member as per a prescribed format that will be attached to the BER; (vi) submission of BER in a sealed envelope by the BEC Chair directly to the approving authority, without any tier in between.

24. Compliance with all of the fiduciary risks mitigating aspects will be leveraged by a separate DLI of US\$5 million. All measures proposed will need to have been achieved for the DLI 6 to be triggered.

Governance

25. The prevalence and public perception of corruption in Bangladesh generally remains high. Transparency International's Corruption Perception Index (CPI) 2013 of 177 countries ranked Bangladesh at 136th indicating a high level of perception of corruption. Some of the perception problems may also affect the Program and the procurement processes. In the case of the NBR there has been little high-level procurements undertaken, and here the concern is far more due to the capacity of the staff (a referred to in the section above).

26. The Anti-Corruption Commission (ACC) as the primary anti-corruption agency in Bangladesh remains institutionally and operationally challenged to operate under its mandate. Bangladesh has anti-corruption, anti-money laundering and mutual legal assistance legislation in

place, and has also ratified the United Nations Convention Against Corruption in 2007.² These laws are however still not meeting international standards and best practices, and need to be strengthened. Bangladesh established an ACC which is endowed with significant formal independence in investigating and prosecuting corruption; and has some financial independence with the recent ruling by the Minister of Finance and the Bangladesh Bank that the ACC could retain recovered stolen assets. Under the 2008 caretaker government, the ACC had played an active role in prosecuting cases against a large number of politicians and bureaucrats, including the leaders of the country's main political parties. A proposed amendment to the Act was approved by the Parliament in November 2013, but was subsequently declared "illegal" and "unconstitutional" by the High Court in January 2014. (The amendment had included some changes which enhanced ACC's standing and some of which weakened its independence, the most damaging change as assessed by Transparency International Bangladesh was the requirement that ACC needed to obtain approval from the executive before proceeding with presenting cases before the judiciary against high-level officials). The ACC records indicate a high level of investigative activity by the ACC. In 2012 it had 1,520 active investigative cases, had received close to 10,000 complaints, and opened inquiries in 1,013 of these, while referring 418 to the relevant line ministry/agency for further investigation, and launched a first investigative report on 521. Meanwhile, also in 2012, it issued 382 final reports, and had 2,016 cases under trial – 411 cases were "stayed" based on an order of the higher court; while it managed 42 convictions. There were 90 cases that resulted in acquittal. Its activities in 2013 increased slightly, as it gathered a marginally higher number of complaints, at 10,034, and lodged a higher number of first investigative reports, 550, as well as a higher number of final reports, 409. But ACC was managing a lower number of cases, compared to 2012, at 1,100. Even so, it pursued a higher number of cases at trial, at 2380, achieved a higher number of convictions, 67, but saw a higher number of acquittals also, 116.

27. The judicial system in Bangladesh suffers from a significant lack of resources and is also handicapped by a backlog of cases. Enforcement of anti-corruption laws and penalties is perceived to be weak or ineffective.

28. The ACC does not have a dedicated prosecution unit although section 33 of the ACC Act 2004 states that the commission shall have its own prosecution unit consisting of the number of prosecutors required conducting the cases to be investigated by the commission under the law and to be tried before the special judge. However, a panel has been formed by ACC consisting eminent lawyers of the country (on retention) who are required to serve ACC on a case-by-case basis. Bangladesh criminal justice system also lacks a career prosecution service. All prosecutors are hired externally on a contract basis on the basis of their qualifications. Engaging with prosecution services and therefore with the criminal justice system is in itself creates risk,

² In June 2012, Bangladesh completed its first UNCAC peer review process, which reviewed chapters III (Criminalization and Law Enforcement) and IV (International Cooperation). The next 'peer review' of the UNCAC process for Bangladesh focuses on Chapters II (Preventive Measures) and V (Asset Recovery). The review will be undertaken in 2014/15. In June 2012 ACC and the Ministry of Law requested assistance from the German Agency for International Cooperation (GIZ) to prepare this upcoming review, and improve compliance with Chapters II and V UNCAC. GIZ approached the World Bank to support this assistance because of its extensive experience of assisting countries with their efforts to combat money laundering and recovering the proceeds of corruption. As part of this program – which has been complemented by GIZ assistance on the other areas of the relevant UNCAC Chapters, the World Bank designed a NLTA to support use of anti-money laundering (AML) tools to combat corruption and bolster the recovering of stolen assets.

and even more so in a context where there is a lack of strong, career based prosecution services, with operational independence. These issues, coupled with the political issues affecting the fight against corruption in Bangladesh, makes the risk profile of the program high.

29. The ACC is working towards preparing a 5-year Strategic Plan which would contain both a personnel and a training strategy; developing communications and advocacy strategy for corruption prevention and anti-money laundering. A Strategic Planning Working Group headed by the Chairman of the ACC has been recently established. A World Bank technical assistance program: “Building Capacity for Compliance with Anti-Corruption Standards using Anti-Money Laundering Tools” is currently assisting the ACC with developing a communications strategy on anti-corruption and anti-money laundering with a modality for its implementation under ACC’s 5-year strategic plan. The first phase of the work has led the ACC to commit and nominate five officials to work with the World Bank team in developing the communication strategy. The ACC is receiving technical assistance from the German Development Agency. The World Bank and the German Development Agency are working in close cooperation to support the ACC, and in particular to improve the ACC’s own record on transparency and improving its website.
30. Under the Program's legal documents, the ERD and NBR are formally committed to the obligations under the Anti-Corruption Guidelines for Program-for-Results operations (ACG). The government has agreed to implement the Program in accordance with the ACG as follows:
 - a) *Debarment list of firms and individuals*: Companies and individuals debarred by the Bank and Central Procurement Technical Unit (CPTU) will be posted and updated regularly on the CPTU and the ERD and NBR websites with a link to the current list available on the World Bank external website. This will include the list of temporarily suspended firms and individuals. The single large IT procurement for NBR (estimated to be over US \$10 million) will state that the tender will comply with ACG on the procurement bidding documents.
 - 1.
 - b) *Sharing information on fraud and corruption allegations and investigations with the Bank*: The ERD has agreed to report any credible and material fraud-and-corruption allegations regarding the Program as part of the overall program reporting requirements to the Bank, and will bring all sources of information together into one report from the Anti-Corruption Commission, the National Board of Revenue and the Comptroller and Auditor General. The Bank will inform the ERD about similar allegations that it receives. The ERD has also agreed that any allegation of fraud and corruption will be investigated as per existing law and persons or entities debarred or suspended by the Bank will not be awarded any contract under the Program during the debarment or suspension period.
 - 2.
 - c) *Investigation of fraud and corruption allegations*: For the program, fraud and corruption complaints may be channeled through updated and current audit reports of CAG, complaints made to the Internal Resources Division as well as to the ACC, and from the procurement complaints system being developed.

31. Under the Bangladesh Civil Servants Conduct Rules of 1979 and Disciplinary and Appeal Rules of 1985 for civil servants the primary responsibility for investigation of corruption is with the departmental inquiry committee that is operational in each ministry. The law also permits the Anti-Corruption Commission (ACC) to investigate corruption allegations that it chooses to.

32. The Bank's right to investigate allegations regarding the Program's activities and expenditures, and the related access to needed persons, information, and documents will be observed, and the Bank will initiate investigation at any point it considers necessary. The ERD and the Bank have agreed, depending upon the nature of fraud and corruption, to pursue a range of remedies within an agreed time frame.

33. For the Program, given the range of possible types of fraud and corruption risk, all key agencies agree it would be important to clarify roles and responsibilities over the intake, tracking/monitoring, hand-off, and disposition of complaints around fraud and corruption, i.e., who takes care of what, until a fraud and corruption issue is resolved. The agreed modalities are: ERD will write to the Office of the Comptroller and Auditor General, ACC and NBR on a quarterly basis to request them to share information against the agreed template on issues of fraud and corruption. The entities will respond within 10 business days to ERD. The ERD will deliver a report on fraud and corruption issues under the Program to the Bank every 6 months, not later than 31 December and 30 June annually. ERD will maintain a database of the information provided and will ensure that access to this database is restricted to authorized personnel only. ERD will use this database to formulate the reports provided to the Bank every 6 months.

34. To both assist in the roll-out of the VAT program, and to build program management capacity in NBR, an international management consultant firm with deep experience in helping national agencies roll-out VAT programs is being hired. The bid evaluation committee overseeing procurement of this contract will screen closely for such experience and will require the winning bidder to obtain prior approval from the Project Director, VAT Wing and the World Bank before key staff identified in the bid submitted can be changed during the contract's execution. Technical assistance is also to be provided to the ACC to strengthen its capacity to manage case files and develop an electronic filing system.

35. Other governance and accountability mechanisms include: (a) the Comptroller and Auditor General's annual audit, where the detection of fraud and corruption and holding the ministry or department accountable is part of the audit process; (b) the Right to Information Act, which requires any public entity to proactively disclose information of general interest and to respond to requests for information within a specified time, or face a judicial investigation and possible fine; (c) the procurement grievance redress system, which records and responds to complaints relating to a specific sector; and (d) the requirement for the DLI verification to be undertaken by an independent entity.

36. The conclusion of the Fiduciary System Assessment is that the systems to be put in place in the Program are expected to provide reasonable assurance that the financing proceeds will be used for their intended purposes, with due attention to the principles of economy, efficiency, transparency and accountability.

Introduction

1. The VAT Improvement Program is to be implemented by the VAT Wing of the National Board of Revenue (NBR), which is the central authority for tax administration in Bangladesh. It is administratively situated under the Internal Resources Division (IRD) of the Ministry of Finance (MoF). The main responsibility of NBR is to mobilize domestic resources through collection of import duties and taxes, value added tax (VAT) and income tax. Other responsibilities include administration of matters related to taxes, duties and other revenue related fees/charges and prevention of smuggling. The NBR is headed by a Chairman who is also the Secretary of the IRD.

A. Fiduciary System Assessment

i. Financial Management

2. **The government has been reforming and improving weaknesses in the public financial management systems since 1995.** Development partners have supported three consecutive technical assistance public financial management (PFM) programs over the past seventeen years. In 2011, the “Strengthening Public Expenditure Management Program” (SPEMP) was launched to provide a comprehensive support to government’s reform program. SPEMP supports the implementation of the government’s 2006 PFM strategy and focuses on (i) making the budget more strategic and reflective of policy priorities through improvements in the budget formulation and execution processes, (ii) strengthening institutions for financial accountability by improving the quality and timeliness of fiscal information, accounting and reporting, (iii) strengthening audit practices according to international standards and (iv) improving legislative oversight. The SPEMP is financed by a multi-donor trust fund contributed to by the UK’s Department for International Development (DfID), the European Commission, the Governments of Denmark, the Netherlands and Canada for a total amount of \$103 million; and is administered by the World Bank.

3. **The legal framework is provided** by the Constitution and the Public Money and Budget Management Act, 2009. These are supported by Executive Orders issued by the President namely; the General Financial Rules; Treasury Rules and Subsidiary Rules; and the Account Code. The Government Rules of Business (revised 2010) and the Finance Division’s Public Expenditure Manual provides additional operational guidance.

4. **There is a consolidated fund, or single treasury account.** Constitutionally, Bangladesh uses the term 'Annual Financial Statement' for the budget, which shows the *estimated* receipts and expenditures of the government for a particular financial year. In accordance with the Constitutional provisions in the country, the budget is divided into Consolidated Fund (CF) and Public Account (PA) of the Republic.³ The Consolidated Fund

³ The Constitution provides for the Consolidated Fund and the Public Account. The Public Money and Budget Management Act provides additional guidance on the scope and nature of the Consolidated Fund. All taxes, loans, loan repayments, and grants are deposited into the Consolidated Fund. All spending authorized in the budget come from the Consolidated Fund, including development and non-development, and voted and charged, expenditures. The Public Account includes all other money deposited by or on behalf of the government, and which do not require an annual act of Parliament in order to disburse. This includes

includes all receipts of the government, all loans and grants received from domestic and foreign sources and the recoveries of loans and interest thereon. The Consolidated Fund is termed as Single Treasury Account when expenditure is processed using treasury rules.

5. **The government budget is comprised of two parts: the revenue and the development budget.** The revenue budget primarily includes recurrent expenditures; and the development budget is primarily concerned with capital expenditures, but also includes all development-financed projects – including sector-wide approaches which include recurrent expenditures. Budget formulation follows two completely separate procedures. Furthermore, the delegated authorities of incurring expenditure are also different for the revenue and development budget. The preparation of the revenue budget is the responsibility of the Finance Division. The Planning Commission formulates the Annual Development Plan which is the basis for the development budget.⁴ While the recurrent budget has a medium-term budget outlook; the development budget is prepared annually with no medium term outlook.

6. **Although constrained by the lack of integration with the development budget, the introduction of a medium-term budget framework (MTBF) for the revenue budget has strengthened the strategic and performance-oriented approach to budgeting.** The budgeting process entails sufficient negotiations between the spending agencies (ministries) and the central budget coordination agency (Finance Division of the Ministry of Finance). Under the MTBF, Finance Division sets resource envelopes–aggregate spending limits–for both revenue and development budgets. Although the MTBF is an important vehicle for linking planning, budgeting and priority spending in accordance with strategic objectives, there remains some challenges: (i) lack of engagement of policy makers in the budget policy planning exercise early in the budget preparation process and (ii) weak coordination and duplication of functions among the Ministry of Finance, Planning Commission and the line ministries in planning and monitoring of budget implementation.

national savings schemes (such as national savings certificates, postal savings, postal life insurance); provident fund; and deposit accounts (such as suppliers deposits, election deposits).

⁴ The Planning Commission is responsible for preparation, processing and approval of the ADP. The Budget Management and Resource Committee (BMRC) sets the resource envelope (ministry-wise), which is communicated to the line ministries and agencies by the Finance Division through the budget circulars. It is important to indicate here that ministries/agencies then decide on splitting the overall budget ceilings into development and non-development budget.

- The Programming Division allocates funds to single-year ADP in consultation with line ministries and agencies (within the resource envelope).
- The Programming Division, line ministries and agencies, and ERD set project-wise allocations for the ADP.
- Following analysis of resource demands (put forward by the line ministries and agencies through the ADP Call Circular) by the Programming Division and the Sector Divisions, the Government (the Planning Commission) determines the size of the ADP (or the Development Budget).
- Following approval of the ADP by the NEC, the Finance Division integrates the Development Budget (ADP) and Revenue Budget and tables the National Budget to the Parliament for appropriation.

7. **The VAT Improvement Program is included in the Annual Development Plan and the development budget of the government.**⁵ Since the VAT Improvement Program is being managed by the National Board of Revenue which is an agency of the Internal Resources Division of the Ministry of Finance, it is anticipated that the risks of delays with Ministry of Finance approvals will be reduced. Also since the VIP is a key component of the IMF program, for the initial years of the program it is anticipated to be accorded due priority in the budget. With NBR being a department directly under the MOF it should not face bottlenecks and the Ministry of Finance has a strong ownership of the program which will facilitate implementation. The question of whether there will be adequate funds available in the budget is also greatly dependent on whether there was sound budgeting prepared at the time of the planning and approval of the program. The program costs were included as part of the program expenditure framework and have been approved by the Executive Committee of the National Economic Council (ECNEC) chaired by the Prime Minister, and shown below in Table 3. Technical assistance was provided to the VAT implementation team during the preparation of the program expenditure framework (which includes contingencies), largely from the IMF resident adviser and international consultancy support financed by DFID and IFC to support the preparation of the program. Furthermore, changes to the expenditure framework within the overall envelope of the program can be accommodated two times during the course of implementation.

Table 3: Expenditure Framework US\$ million 2012/3-2018/19

	2012/13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/18	2018/19	Total
VAT Wing, NBR		6.00	44.34	11.35	4.32	3.81		69.82
ERD and ACC			0.95	0.5	0.5	0.5	0.5	2.95
Cabinet Division PPA	0.05							0.05
TOTAL	0.05	6.00	45.29	11.85	4.82	4.31	0.5	72.82

8. **In order to continue to receive timely fund releases during implementation, the VAT implementation team will need to submit accounts statements.** The late release of government and development-partner funds to implementing agencies in other cases is often a result of the weak capacity to meet fund release requirements. This can be mitigated against by building the capacity in the VIP to prepare these required statements. The budget execution rates show that for the development budget in particular, actual expenditures falls short of the budget; implying there can be bottle necks during implementation. The centralized structure

⁵ There are five funding sources classified in the development budget: (a) Government of Bangladesh funds; (b) Reimbursable Project Aid (RPA) which flows through the GoB systems: The expenditure of these types of projects is initially incurred by GoB and is subsequently reimbursed by the donor and credited to the government bank account (c) Reimbursable Project Aid (RPA): RPA is an accounting arrangement under which the donor provides funds into a special bank account at the Bangladesh Bank (central bank) or at a commercial bank. (d) Direct Project Aid (DPA): in this case, the donor has direct control over project expenditure and disbursements are directly made by the donor and (e) Treasury Model: where GoB and development partner funds are channeled through the Treasury system of budgetary allocations to the Consolidated Fund and expenditure will be processed through the existing treasury system of the government. The VIP is expected to use the Treasury Model. Under this arrangement, the payment of program funds will be made through the consolidated fund where IDA fund will be transferred from a single treasury accounts maintained with the central Bank. The disbursement of IDA fund will be made in accordance with agreed disbursement arrangements.

and lengthy bureaucracy for making payments against budget allocations (through the District Accounts Offices, Controller General of Accounts and Treasury offices) is one contributing factor to the slow disbursement of development and non-salary recurrent budgets. Furthermore, there have also been cases of cash shortages which have restricted fund releases at levels below budgets; which are more often than not borne by the recipients under the development budget although it has also impacted the revenue budget. The planned activities of government organizations therefore face a risk of not receiving the full budgetary allocation.

9. **The budget and accounts classification system is comprehensive and allows for a highly disaggregated accounting of expenditures.** Although the chart of accounts has a 13-digit account and budget code comprising of 4 segments (which is used for budgeting, accounting and reporting) it is not based on the international standard classification of the functions of government (COFOG) or the IMG's Government Fiscal Standards Manual 2001. Whilst budget codes are available at a departmental level, accounting codes are issued at the pay point level. This difference in codes used for budget and accounting poses potential impediments for accurate and transparent budget execution and reporting. A new chart of accounts is under preparation (GFSM 2001 compliant, the structure proposed has 4 segments: organization, project, fund, economic) it has not yet been introduced, but is anticipated to be introduced during the course of the program implementation.

10. **There have been considerable efforts made to introduce an automated management information system to capture all expenditure transactions through the integrated budget and accounting (IBAS) system.** Although IBAS is not an "integrated" system between the budget and the accounts, it has considerably improved the accuracy and timeliness of accounts and financial reports by computerizing accounting transactions of the central and district government. IBAS does have some shortcomings; it does not control for commitments, or check validity of expenditures before processing. Under SPEMP, the government has developed the technical specifications for an enhanced information system (referred to as IBAS++) which is being designed and implemented including expanding the operation at all levels of accounting offices. The IBAS++ once implemented should address the current weaknesses in terms of functionality, operations, controls, and facilitate the introduction of the new chart of accounts.

11. **The government follows cash based accounting, but is not compliant with international standards.** The Government has yet to implement a financial reporting framework that conforms to international (IPSAS) "cash basis" accounting standards. However, the use of IBAS has helped bring about the generation of timely ministry-wise financial statements within 15 days of the end of the month. In-year budget reports are prepared monthly less than 4 weeks after the end of the period but their usefulness is undermined by reporting only at high levels of aggregation. Despite the progress with the automated system, parallel reporting through the aggregation of the Drawing and Disbursement Officers manual records at the ministry level continues. A consolidated financial statement is prepared annually covering all revenue and development expenditures of the Government after reconciliation with bank balances. Though the final reports should be available to the Office of the Comptroller and Auditor General (OCAG) for audit within six months after the end of the fiscal year, there has been persistent delay of 8-10 months in the submission of the report.

12. **The present reporting system does not require regular monthly reporting of development project accounts to the Finance Ministry.** The NBR may have a foreign exchange sub-account established under the TSA. Typically the Finance Division does get to see such project accounts at the end of the first quarter and the beginning of the final quarter. Submission of accounts at these points is a prerequisite for funds release that can only be authorised by the Finance Ministry. Monthly accounts are available and reported regularly at the end of each month by the CGA. For the purpose of fund release, the Project Director of the VIP should get monthly statements from the Chief Accounts Officer of the Controller General of Accounts and send it to IRD and FD of the MOF after reconciliation with the records maintained at the VIP implementation team.

13. **The internal audit function is largely absent in Bangladesh, there is no internal auditor cadre; there is a lack of relevant professional qualifications and generally a lack of understanding of internal control frameworks.** There are internal audit cells that are established in line ministries to conduct routine transaction and compliance testing, but they do not employ modern internal audit techniques and methodology. Furthermore, the internal audit follow-up is minimal, the process is not tracked, monitored and recommendations are not necessarily acted upon by senior management. The Controller General of Accounts in the Ministry of Finance also has an Internal Control Unit, which is responsible for carrying out annual inspections; but again both the follow up action taken by the concerned department, and the monitoring of the follow-up within CGA remains weak. While a strategy and manual for internal audit have been developed under SPEMP, they have not been approved by government. The strategy recognizes the need to separate internal audit from the expenditure control wing, and considers three options: a large scale modernization project for all line ministries, developing internal auditors in a group of ministries or developing internal auditors in Finance Division. Financial Procedures, Rules and Regulations are generally well defined and issued through executive orders. Other forms of internal controls include “compliance with general financial rules and treasury rules” during pre-audit processes i.e. at the point of payment. Since the passage of the Public Money and Budget Management Act in 2009, two rules relating to the have been prepared: (i) Financial Reporting under MTBF, outlining the responsibilities of chief accounts officers in line ministries and (ii) Constitution of Budget Management Wings in all line ministries and divisions to prepare and implement the MTBFs.

14. **There is no separate internal audit unit in NBR; the expenditure control wing in the MoF provides the internal audit function for departments including NBR.** While there are units for “Audit” “Intelligence” and “Inspection” inside NBR and the Wings: Customs, Income Tax and VAT but are for taxpayers and taxation, not for audit of public expenditure. For VIP, the expenditure control wing of the MOF will carry out six monthly internal audits of the program and will submit their report to the Secretary IRD who is also the Chairman of NBR, who will forward the report to the audit committee. A copy of the audit report together with management action is agreed to be shared with the Bank within one month of the receipt of the report. Through the General Financial Rules, the Treasury Rules, the Procurement Act and rules, and instructions issued by the Finance Division there is a comprehensive set of internal controls that is designed, among other things, to limit expenditure to budget allocations and to actual availability of cash resources. The internal controls are binding principles and

procedures that have to be exercised by NBR and their subordinate departments. The VIP program expenditure processes are subject to these rules and regulations

15. **There is no real understanding of the use of the funds reported under ‘Capital’ expenditures and there is no asset management policy in place.** There is a differentiation of ‘capital’ expenditures in the development budget and subsequent accounting and reporting in the Annual Appropriation Accounts. ‘Stores management’ regulations are in place, which specify recording of fixed assets. In general there is no clear policy for the recording, handling, disposal, accounting treatment and overall management of fixed assets. Regulations in the Internal Control Manual stipulate that asset registers are to be established and maintained but those are not followed in practice and there is no physical audit of assets being undertaken across the government. Purchasing Rules do not identify assets and all purchase information is held in Stock Registers since this is compulsory under Purchasing Rules, but assets are not identified as such.

16. **The state audit office is the Office of the Comptroller and Auditor General (OCAG) which has a mandate under the constitution of Bangladesh to audit the accounts of government and public sector entities.** There are ten directorates under the OCAG to conduct audit of various natures and the Foreign Aided Project Audit Directorate (FAPAD) is responsible for audit of donor funded programs. Though time lag for annual audit is improving, there is currently 12/15 months delay in submission of audit reports to the President who places them before the parliament. Follow up of audit recommendations is generally weak. There is no established mechanism to follow up on audit recommendations. Although the rule requires a formal response to be submitted by an audited entity within 45 days from the receipt of the audit report, this is not strictly followed. The Bank through the PFM reform program (SPEMP) is providing technical assistance to address weaknesses facing the OCAG in certain specific areas.

3.

17. **One of the lessons from the previous World Bank funded Technical Assistance project with the NBR, was that there was a slow response to audit observations and a lack of proactivity in resolving audit objections in a timely manner.** To make the audit effective for VIP, an agreement has been reached with the Office Comptroller and Auditor General’s Office that a single audit for VIP that will be conducted by the FAPAD under an agreed TOR. The risk mitigation includes incentivizing a timely program audit and follow up mechanism including remedies for unresolved audit issues; which is included as one of the actions in DLI 6 to improve the fiduciary environment.

18. **The legislature’s oversight of public accounts in the form of ‘ex-post’ scrutiny is carried out through review of audit reports on the executive branch.** There are three public finance-related committees in Bangladesh; they are the Public Accounts Committee, the Estimates Committee and the Public Undertakings Committee. The review of government spending is carried out mainly by the Public Accounts Committee. Its main function is to scrutinize the irregularities and lapses in public accounts and statements of institutions as audited by the Office of the Comptroller & Auditor General and reported to the Parliament as required by the OCAG’s constitutional mandate. The PAC plays a principal role in resolving audit objections.

ii. Procurement

19. **The government has been working on public procurement reform program since 2002 and has made substantial progress in putting in place a sound legal framework.** In 2002, Bangladesh established the Central Procurement Technical Unit (CPTU), and implemented a number of public procurement policy reforms. These reforms included the promulgation of the Public Procurement Regulations in September 2003 (PPR-2003) to guide all procurements that used public funds. In July 2006, the Public Procurement Act 2006 (PPA-2006) was enacted which embodied a comprehensive set of good international procurement practices. The PPA-2006 became effective from January 31, 2008 once the government had promulgated the Public Procurement Rules 2008 (PPR-2008).

20. **The legal framework in place embodies good international procurement practices and contains clear provisions for: preparing formal procurement plans, ensuring value for money, publishing contract award results, conducting annual post procurement audits, introducing a formal grievance address system including recourse to an independent procurement review panel.** The CPTU has played an active role in formulating the legal framework and producing the procurement documents that are needed to carry out public procurement. The CPTU has built capacity across government through providing international standard procurement training to procurement practitioners in government organizations. CPTU has created a critical mass of about 25 procurement professionals and provided training to over 4,800 staff from 350 organizations. To sustain the efforts to improve public procurement practices, and with on-going World Bank-financed technical assistance, the government has been implementing a second phase of procurement reform since 2007, focused on the implementation and monitoring of the Act and Rules and introducing electronic government procurement (e-GP).

21. **The CPTU has issued standard bidding documents or request for proposals for goods, works and services; and a standard approval process.** All of these standard bidding documents contain internationally accepted provisions. The implementing agency for the VIP is already using these standard documents for the program expenditures. In the case of bidding documents for IT procurements there are no standard bidding documents. The rules do allow for customization of other international documents, such as the World Bank's procurement documents, which have been customized in the case of the VIP for the high-value IT procurement for the Commercial Off-the-shelf software. In 2004, the government issued the Public Procurement Processing and Approval Process for streamlining all public procurements and this was subsequently embodied in PPR-2008. This specifies processing and approving authorities with respective time-lines for different types and magnitudes of procurement. The implementing agency of VIP will follow those timelines.

22. **The rules for comprising the bid evaluation committees (BECs) is provided for in PPR-2008 and is being followed by the VIP implementation team and allows adequate safeguards for the involvement of the technical experts.** According to PPR-2008, a BEC shall have at least five members with two experts from outside the procuring entity with proven track record of experience in procurement. Depending on the type of procurement such experts will be either from public offices and/or from professional bodies or individuals of known

probity. Individual consultants and/or representatives of consulting firms may participate as members of the BEC. In addition, for the high value IT COTS procurement package, it was agreed that an additional mitigating measure would be to have four independent members on the BEC, including 2 international experts and 2 local experts.

23. **The introduction e-GP provides an opportunity to strengthen security, fair competition, transparency, accountability and efficiency in the procurement process.** Section 65 of the Act and Rule 128 of PPR-2008 contain the provisions for e-Government Procurement: *(1) For carrying out the purposes of the Act, any or all government procurement may be undertaken using electronic processing systems following the principles governing e-GP as prescribed by the Government. (2) In case of procurement following e-GP, should there be any conflict between the provisions of the e-GP rules and the provisions of these rules, then e-GP shall prevail.* The e-Government Procurement (e-GP) is an electronic bidding system for nationally competitive bidding which was first introduced in the Roads and Highways Department, the Local Government Engineering Department, the Bangladesh Water Development Board and the Rural Electrification Board. These four agencies spend a major part of the Annual Development Program. As of June 2013, a total of around 500 e-tenders were successfully invited by these four agencies. The government has plans to introduce 100 percent e-GP within the next 3 years in these four agencies; and has encouraged its use elsewhere: from FY17 e-GP will be introduced in an additional 17 agencies from FY14. The NBR as the implementing agency of VIP will use this e-GP system increasingly during the implementation of the program for the nationally competitive tenders under the program.

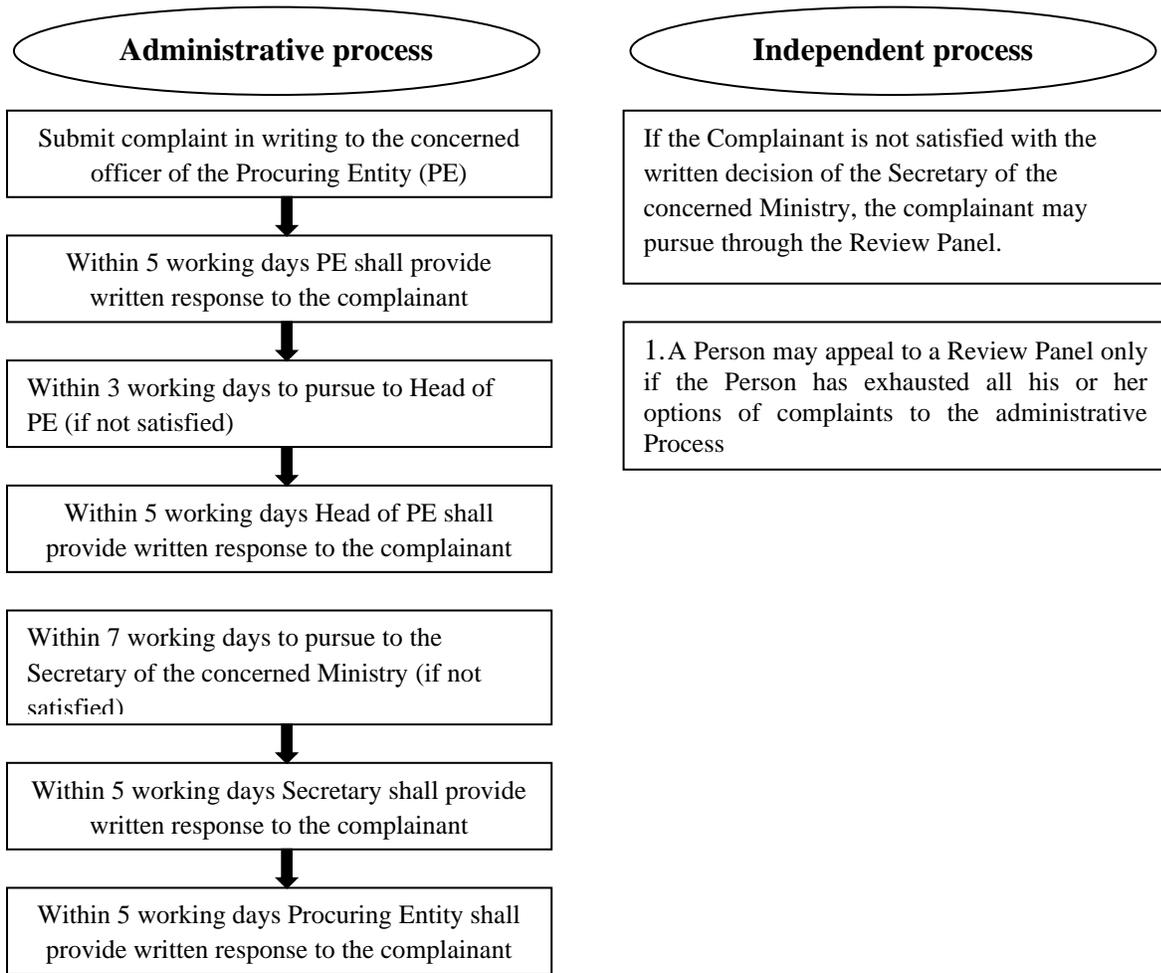
24. **A detailed procurement plan has been prepared for the VIP.** Rule 16(4) of PPR-2008 states: “The procuring entity shall, for procurement under a development project or program, prepare a total procurement plan for the entire project period in the formats prescribed by the Government from time to time and attach the same with the Development Project Proposal (DPP) or Technical Assistance Project Proposal (TPP).” Rule 16(5) states: “At the beginning of each financial year a procuring entity shall update the total procurement plan and the official cost estimates for a development project or program on an annual basis and in a rational manner having regard to, among other things, the expected flow of funds.” Rule 16(6) states: “At the beginning of each financial year, a procuring entity shall, for procurement under the revenue budget, prepare only an annual procurement plan.” Rule 16(7) states: “The updated annual procurement plan and the official cost estimates for a development project or program and annual procurement plan for the revenue budget shall require approval of the Head of the Procuring Entity or an officer authorized by him or her.” However, the DPP itself can only be updated twice during the implementation period. While it ought to be the case that once the expenditures in the Annual Development Program (ADP) are approved the availability of funds would be automatic and fund release would follow the total procurement plan but it is not so in practice, hence the need to ensure the timely submission of the utilization reports (referred to above) to facilitate fund release; and to build capacity for the procurement processes so that they can be concluded in a timely way as envisaged in the budgeting and allocation process.

25. **There are several amendments to the PPA-2006 which are not consistent with international best procurement practice.** These include: (a) allowing post bidding negotiations with the lowest evaluated bidders; (b) submission and opening of bids in multiple

locations; (c) the use of a lottery in awards of contracts; (d) no requirement for bidders' to submit their qualification/experience; (e) an invitation of bids on the basis of percentage above or below the estimated cost; and (f) the use of a single stage two envelope procurement system. Most of these above provisions are applied in the use of decentralized small-value works contracts. In the proposed VIP the procurement plan does not include these practices and there is no such type of small value decentralized works contracts and hence these provisions should not affect the program procurements.

26. Complaints related to the procurement processes are handled under the PPR-2008as illustrated in the flow chart below. The complaint handling mechanism has two levels; the administrative process and the independent process. The administrative process describes the process of handling complaints by the implementing agency. If the complainant is not satisfied with the decision of the implementing agency then the complainant may settle the matter through the independent process. The Review Panel is responsible for the independent process. The Government constituted in August 2005 a Review Panel for Complaints and Appeals to address bidders' complaints and appeals, and increased the number of such panels to three in April 2006. Each review panel is located in CPTU and consists of three experts (one retired senior civil servant, one legal practitioner, and one member from the apex national trade organization) selected from a list of qualified personnel having experience in handling procurement matters. According to Rule 60(5) of PPR-2008 the decision of a Review Panel is binding upon the related parties.

Flow Chart:



- 4.
- 5.

27. **Given lack of familiarity of NBR with procurement and contract management practices, key risks that have arisen in the context of other procurement that has been found in other sectors will need to be controlled particularly during key procurement to be conducted for VIP.** This includes risks from the use of agents to lobby bid evaluation committees, collusion, lack of processes to safeguard integrity of bid documents prior to and during the evaluation, fraudulent claims of experience of firms undertaking key consultant contracts, unauthorized “swapping” of key staff named in bids for other staff without equivalent experience, and use of low quality components in the supply chain. Non-procurement related fraud and corruption risks may emanate from manual systems in use to file and pay VAT, until e-filing and e-payment are used in field offices. The procurement profile of the VIP is given in the Table 4 below.

Table 4 Procurement Profile of VIP

Item category	Nr of contracts	Covering years	Value in USD		Total USD	Procurement Method
			Min	Max		
Integrated Tax Management System (COTS)	1	Y1 ~ Y5	-	18,330,000	18,330,000	International Competitive Bidding (ICB)
IT Hardware, Software, Datacenter, contact center, processing center management	8	Y1 ~ Y5	500,000	5,000,000	21,000,000	7 ICB and 1 NCB
Office furniture, renovation and other utilities	7	Y2 ~ Y5	50,000	3,130,000	8,150,000	NCB
Project Management Consultancy	1	Y1 ~ Y5	-	4,000,000	4,000,000	QCBS
Subtotal	17				51,480,000	

28. **NBR will require procurement staff and/or consultants to strengthen capacity to manage procurements under this program.** As there is no separate procurement function in NBR and there are no procurement-related desk officers. NBR has at different times procured computer equipment and software, for example the introduction of ASYCUDA (Automated System for Customs Data – application software) for tariff administration, as well as under the Reforms in Budgeting and Expenditure Control Project for revenue administration, and the World Bank financed Economic Management Technical Assistance Program funded by the World Bank. Previous experience indicates that there were some procurement performance concerns in the past, and in the EMTAP project the Bank declared a mis-procurement of six contracts since the procurement process followed by NBR was not consistent with the World Bank’s procurement guidelines.

29. **The NBR and ERD will need more training and additional experience to help with the international competitive bidding (ICB).** The NBR will likely face the systemic issues affecting procurement efficiency and performance in Bangladesh such as awarding and completion of contracts within agreed timelines. In addition to adequate staffing for procurement needs, emphasis also needs to be laid on areas of internal control, documentation, information dissemination, administration of contract including delivery follow-up, payments, handling complaints etc. The Economic Relations Division also will require support for the international procurement for the third part verification entity. Through the additional support of the services of a qualified national procurement consultant, the Economic Relations Division will be able to draft a Request for Proposals; establish an evaluation committee and evaluate proposals to ensure appropriate selection and contract management of this DLI verification firm. The terms of reference and the procurement process will be agreed with the World Bank. The

program is rated as “High-Risk” from the procurement and contract administration perspective. Several measures will be introduced to minimize these procurement risks during the implementation of the program.

30. **Procurement remains the area at highest risk due to the prevalence and risks of corruption.** However fraud and corruption outside the procurement process – such as supply of sub-standard goods while quoting for high quality items and bribing the officials of the organization receiving the goods – are also common. There is also the possibility of coercive and collusive practice by groups of bidders. There are areas of possible institutionalized corruption in the Bangladesh scenario. If the fund is channeled through the consolidated fund then two offices become involved in the process: NBR which is the implementing agency and budget holder on one hand and the accounts offices (CAO, DCA, DAO and UAO) under the CGA which scrutinize the claims for payments and disburse payments. For the implementing agency, the distribution of budgets to field offices is a risk area of potential corruption. Delays in preparation of bills, invoices, payment claims (especially from contractors/suppliers) is another area of corruption. All bills payable from accounts offices are vulnerable to corrupt practices like bribery. Large amounts of advances drawn from accounts offices, any arrear claims of large amounts, and any large payment to suppliers or contractors is particularly vulnerable to corruption.

iii. Governance

37. **The prevalence and public perception of corruption in Bangladesh generally remains high.** Transparency International’s Corruption Perception Index (CPI) 2013 of 177 countries ranked Bangladesh at 136th indicating a high level of perception of corruption. Some of the perception problems may also affect the Program and the procurement processes. In the case of the NBR there has been little high-level procurements undertaken, and here the concern is far more due to the capacity of the staff (a referred to in the section above).

38. **The Anti-Corruption Commission (ACC) as the primary anti-corruption agency in Bangladesh remains institutionally and operationally challenged to operate under its mandate.** Bangladesh has anti-corruption, anti-money laundering and mutual legal assistance legislation in place, and has also ratified the United Nations Convention Against Corruption in 2007.⁶ These laws are however still not meeting international standards and best practices, and need to be strengthened. Bangladesh established the ACC in 2004, which is endowed with significant formal independence in investigating and prosecuting corruption; and has some financial independence with the recent ruling by the Minister of Finance and the Bangladesh

⁶ In June 2012, Bangladesh completed its first UNCAC peer review process, which reviewed chapters III (Criminalization and Law Enforcement) and IV (International Cooperation). The next ‘peer review’ of the UNCAC process for Bangladesh focuses on Chapters II (Preventive Measures) and V (Asset Recovery). The review will be undertaken in 2014/15. In June 2012 ACC and the Ministry of Law requested assistance from the German Agency for International Cooperation (GIZ) to prepare this upcoming review, and improve compliance with Chapters II and V UNCAC. GIZ approached the World Bank to support this assistance because of its extensive experience of assisting countries with their efforts to combat money laundering and recovering the proceeds of corruption. As part of this program – which has been complemented by GIZ assistance on the other areas of the relevant UNCAC Chapters, the World Bank designed a NLTA to support use of anti-money laundering (AML) tools to combat corruption and bolster the recovering of stolen assets.

Bank that the ACC could retain recovered stolen assets. Under the 2008 caretaker government, the ACC had played an active role in prosecuting cases against a large number of politicians and bureaucrats, including the leaders of the country's main political parties. A proposed amendment to the Act was approved by the Parliament in November 2013, but was subsequently declared "illegal" and "unconstitutional" by the High Court in January 2014. (The amendment had included some changes which enhanced ACC's standing and some of which weakened its independence, the most damaging change as assessed by Transparency International Bangladesh was the requirement that ACC needed to obtain approval from the executive before proceeding with presenting cases before the judiciary against high-level officials).

39. **The ACC records indicate a high level of investigative activity but low prosecution rate.** In 2012 it had 1,520 active investigative cases, had received close to 10,000 complaints, and opened inquiries in 1,013 of these, while referring 418 to the relevant line ministry/agency for further investigation, and launched a first investigative report on 521. Meanwhile, also in 2012, it issued 382 final reports, and had 2,016 cases under trial – 411 cases were "stayed" based on an order of the higher court; while it managed 42 convictions. There were 90 cases that resulted in acquittal. Its activities in 2013 increased slightly, as it gathered a marginally higher number of complaints, at 10,034, and lodged a higher number of first investigative reports, 550, as well as a higher number of final reports, 409. But ACC was managing a lower number of cases, compared to 2012, at 1,100. Even so, it pursued a higher number of cases at trial, at 2380, achieved a higher number of convictions, 67, but saw a higher number of acquittals also, 116. The judicial system in Bangladesh suffers from a significant lack of resources and is also handicapped by a backlog of cases. Enforcement of anti-corruption laws and penalties is perceived to be weak or ineffective.

40. **The ACC does not have a dedicated prosecution unit.** Although section 33 of the ACC Act 2004 states that the commission shall have its own prosecution unit consisting of the number of prosecutors required conducting the cases to be investigated by the commission under the law and to be tried before the special judge this is not yet in place. However, a panel has been formed by ACC consisting eminent lawyers of the country (on retention) who are required to serve ACC on a case-by-case basis. Bangladesh criminal justice system also lacks a career prosecution service. All prosecutors are hired externally on a contract basis on the basis of their qualifications. Engaging with prosecution services and therefore with the criminal justice system is in itself creates risk, and even more so in a context where there is a lack of strong, career based prosecution services, with operational independence. These issues, coupled with the political issues affecting the fight against corruption in Bangladesh, makes the risk profile of the program high.

41. The ACC is working towards preparing a 5-year Strategic Plan which would contain both a personnel and a training strategy; developing communications and advocacy strategy for corruption prevention and anti-money laundering. A Strategic Planning Working Group headed by the Chairman of the ACC has been recently established. A World Bank technical assistance program: "Building Capacity for Compliance with Anti-Corruption Standards using Anti-Money Laundering Tools" is currently assisting the ACC with developing a communications strategy on anti-corruption and anti-money laundering with a modality for its implementation under ACC's 5-year strategic plan. The first phase of the work has led the ACC to commit and nominate five officials to work with the World Bank team in developing the communication strategy. The ACC is receiving technical assistance from the German Development Agency. The World Bank

and the German Development Agency are working in close cooperation to support the ACC, and in particular to improve the ACC's own record on transparency and improving its website.

Disbursement, Flow of Funds protocols

31. The disbursement under the program will be determined according to performance against the disbursement-linked indicators or DLIs. Achievements of DLIs trigger Bank disbursement to the program. DLIs for the Program as provided in Annex 1, together with the disbursement amounts for each of the indicators and the arrangements for their verification. The GoB will request an advance of 25 percent of the credit amount to be disbursed after the credit becomes effective as an advance on the achievement of results in year 1 and 2.

32. **The fund flow arrangements for VIP will use government systems.** The disbursement arrangements for VIP including the activities to be managed by the Economic Relations Division are as follows:

Action	Frequency
1. Upon verification and validation of results by third party, ERD requests for disbursement of funds from World Bank	Twice a year
2. Upon receipt of third party verification report and confirmation of results achieved, the Bank. Disburses funds to the Treasury Single Account maintained with Central Bank.	Upon request for the advance against DLIs 1 and 2. When results are verified up to twice a year.
3. MoF allocates funds according to the expenditure framework in the DPP for NBR's VIP; and the Technical Assistance Project Proforma (TPP) for the supporting activities of the Economic Relations Division	Quarterly
4. NBR and Economic Relations Division meets program expenditure from their respective accounts	As and when necessary

33. **Details of agreed disbursement modalities for each DLI are provided in Annex 1.** With the exception of DLI 6 the DLIs are not time bound. Where the target for a DLI is not achieved in any particular year/period, the related disbursement is carried over to the subsequent year; and disbursement will be proportional to the progress towards achieving the targeted DLI value. In case of consistent failure to achieve DLI targets within the tenure of an operation, the corresponding credit amount will not be disbursed. On the other hand, if achievements exceed targets, the corresponding credit amount can be fully disbursed before the end of the operation.

34. **Verification protocols for each DLI are detailed in Annex 2.** Independent verification of all the DLIs will be done by an external entity to be contracted by the Economic Relations Division for years 2-6; and by the World Bank for the first year. The Bank will review the verification report received from the entity and other evidence for DLIs twice a year during

Program implementation. Each year in April and October, the NBR will send the monitoring report to the Independent Verification authority and to Economic Relations Division. The Verification entity will send the verification report to the ERD, NBR and the World Bank. The Bank will review and complete the DLIs verification process and issue a memo to the Country Director to recommend disbursement against achievement of results. The VAT wing is responsible for monitoring against the process indicators under the program and the new automation systems will provide the data required for the results framework and disbursement indicators.

B. Risks and Mitigation Measures

i. Financial Management

35. ***Fund Flows and Treasury Management:*** The risk that the conditions for fund release may not be met to the satisfaction of MOF; can be mitigated by strengthening the capacity of NBR to provide the required reports. This will be done by the recruitment of an accountant staff from the office of Controller General of Accounts to the VIP implementation team. The timely submission of the quarterly fund utilization reports will also be incentivized by requiring this action as a result to trigger the DLI 6 to improve the fiduciary environment. The funds flow risk is not anticipated in the case of the Economic Relations Division as it will only handle expenditures limited to consultancies. The CAO of Economic Relations Division can account for the expenditure and report for its onward submission by Economic Relations Division for fund release.

36. ***Accounting and Reporting:*** Delays in compilation of information on actual expenditure from PIU is considered another potential area of FM risk which may constrain NBR's ability to monitor and report on the progress of the program as a whole and intervene to facilitate trouble shooting. The availability of information on program expenditure is critical for the following purposes: (i) preparation of fund utilization report when asking for fund release from MOF (ii) verification of fiduciary DLIs and (iii) annual audit. This can be mitigated by the Project Director working with the Accountant in the PIU well ahead of reports becoming due for ensuring that there is no delay encountered as far as reporting of program expenditure is concerned.

37. ***Assets management and Tracking:*** There is no asset management policy in place across the government and the procurement and use of a large number of fixed assets in VIP is a definite risk area as a large number of IT products like servers, operating systems and application software may be purchased. Risk mitigation measure includes procurement and installation of a fixed asset tracking software to record and manage assets procured under VIP and roll out the system within NBR to systematically track all assets under its disposal, which is required in the Program Action Plan.

38. ***Program Audit and follow up Mechanism:*** Agreement has been reached that the OCAG will entrust the responsibility for program audit to FAPAD. A TOR, covering both financial and

program performance including major procurement will be agreed between NBR and FAPAD within 4 months of program effectiveness as agreed in the Capacity Building Action Plan. This arrangement will be sufficient for meeting the audit requirement of this project. OCAG will nominate a group of auditors who will be trained on specific features of the program and will be responsible for audit throughout the VIP implementation period. Furthermore, within 4 months of program effectiveness, IRD of NBR will constitute and operationalize the audit Committee which will be responsible for follow up of audit objections and to facilitate resolution of significant observations.

39. The program audit will cover both the NBR and Economic Relations Division. The auditor will be required to express an opinion on the program financial statement in accordance with international standards of auditing and submit the report within six months of the end of the fiscal year. In addition, the auditor is required to provide a detailed management letter containing auditor observations of the internal controls and compliance with financial covenants in the Financing Agreement. Audit reports will be shared with the Bank and NBR and ERD within six months of the end of the fiscal year. The Bank will communicate to the Recipient on the reported significant financial irregularities in the audit report within 15 days of the receipt of the audit report. The IRD will coordinate with NBR for audit follow up and ensure that remedies are implemented within an agreed time frame. ERD and NBR will communicate directly with the Bank in respect of audit follow up issues. All significant audit findings should be resolved before commencement of the next annual audit. The resolution of significant audit findings within 6 months of receiving the audit report will result in the achievement of DLI 6.

40. The OCAG audit will take into account the relevant DLI verification reports for ensuring that program expenditure supports the results and spent for purpose intended. Summary of Program Audit Arrangements indicated in the Table-5 below:

Table 5: Program Audit Arrangements

Scope of Audit	Responsibility	Remarks
Financial Statement Attest Audit	OCAG	Audit of program financial statements
Annual OCAG audits of accounts – certification of financial statements, opinion and observations on program performance of selected activities.	OCAG	Financial statements and performance aspects

41. In case of reported irregularities in the audit report or remedies undertaken by the concerned agency appear unsatisfactory, Bank retains the right to investigate whenever it considers necessary.

ii. Procurement

42. A significant amount of the program expenditures are for the procurement of ICT related hardware, software, and services and is therefore within the procurement risk portfolio of the Tax program. The major procurements under the program are:

- Integrated VAT Administration System (COTS) : up to USD 18.33 million
- IT Hardware, Software, Datacenter, contact center, processing center management (several contracts) : up to USD 21.00 million
- Office furniture, renovation and other utilities (several contracts): up to USD 8.15 million
- Project management Consultancy: up to US\$ 4.00 million.

The expenditure categories therefore involve mainly procurement of IT system with related hardware and software about 80 percent of the total program procurement (See Annex 3 – Program Procurement Plan).

43. For the procurement of Integrated VAT Administration System (COTS) by NBR the following mitigating measures are proposed:

- a. NBR will avail of the services of two international consultants -- one IT Systems Consultant and one Procurement Consultant – to assist NBR in the procurement of COTS and will be members of the Bid Evaluation Committee.
- b. GOB will use a customized version of the Bank’s Standard Bidding Documents for procurement of the COTS IT system with necessary customization to make it consistent with the national procurement law.
- c. Technical specifications will be prepared under the supervision of an international IT Consultant with experience in VAT administration systems.
- d. The two international consultants will be included as members of the bid evaluation committee (BEC). The national procurement law has adequate provision to include consultants in the BEC.
- e. In Bangladesh only the Bangladesh Computer Council (BCC), Bangladesh Bank (BB) and Bangladesh University of Engineering and Technology (BUET) have adequate capacity to evaluate bids for complex IT procurement. One external resource person from BCC and another from BUET will be involved throughout the process of preparing specifications and bidding documents. The resource persons from BCC, BB and/or BUET will also be included as external members of the BEC.
- f. Formation of the Bid evaluation Committee: The BEC will have seven members; three from NBR, two international consultants and two external members either from BUET, BCC or BB. Quorum in BEC meetings will require presence of these four resource persons (two international consultants and two external members).
- g. Terms of reference of BEC will be agreed with the World Bank. The NBR will prepare and officially issue a detailed TOR for the BEC including approval of the procurement process. This TOR shall include the following provisions: (i) keeping the bids in safe custody at all

times with access to BEC members only; (ii) conducting evaluation of bids by the BEC members themselves without delegating any task to junior or other staff under any circumstance; (iii) engaging all BEC members on a full-time basis at an isolated location (very similar to sequestering) until the evaluation is complete and the bid evaluation report (BER) is prepared, finalized, and signed; (iv) carrying of bids or copies of evaluation-related materials outside the specified office location (venue of evaluation) by any BEC member or any official will be strictly prohibited; (v) declaration of impartiality by each BEC member as per a prescribed format that will be attached to the BER; (vi) submission of BER in a sealed envelope by the BEC Chair directly to the approving authority, without any tier in between.

44. **Other procurement risk mitigating measures include:**

Capacity Building:

- a. As agreed in the capacity building plan, NBR will form a procurement core team to conduct the procurements under this program. These core team members will take procurement certification training arranged by CPTU.

e-Government procurement (eGP):

- b. A web based eGP system, developed with the technical assistance of Bank, was successfully piloted in selected government agencies and is now being rolled out to a number of other agencies. The aim is to introduce eGP in all Government agencies that implement development projects. The eGP system is to be increasingly used for all national procurements but has not yet been rolled out for international procurements. This is included as an action to be undertaken in order to trigger DLI 6 to improve the fiduciary environment. The implementing agency under VIP should conduct 25 percent of procurement through eGP right from the outset and increase to 75 percent by the end of the program
- c. Fraud, corruption, collusion and coercion have been found to be major risks that undermine the development effectiveness of public sector procurement in Bangladesh. Detection and mitigation of those risks are subsequently made difficult and less effective as a result of obstruction. Security measures built into eGP create a strong barrier against fraud, corruption and coercion; and transparency functions built into the system make collusion and obstruction more difficult to carry out and easier to detect.

Procurement monitoring:

- d. A computerized national procurement monitoring system named PROMIS, developed under technical assistance from Bank, is successfully being used by four pilot agencies of the Government (i.e. Roads and Highway Department, Local Government Engineering Department, Bangladesh Water Development

Board and Rural Electrification Board). It is possible, using PROMIS, to monitor both the progress of procurement processing as well as procurement risks to individual projects that those agencies are implementing. This makes it possible to adopt control measures at an early stage before procurement issues become difficult to manage.

- e. As stated above, PROMIS is a national system owned by the Government. NBR will use this system and will share with Bank specified reports generated by the system at specified intervals. PROMIS key procurement performance indicators are attached in Annex 05. Provision of the procurement performance indicators to the Bank is a requirement under the Program Action Plan.

ii. Bid evaluation committee:

- a. It is recommended that for high value (greater than US\$2 million) international procurements (a) the Government will prepare a seven member panel comprising of qualified persons including two international experts, one representative from the Bangladesh Computer Council (BCC) and one representative from the Bangladesh University of Engineering and Technology (BUET), (b) For other procurements there will be separate BECs and there will be at least two external members in each BEC who will be experts in the particular class of procurement for which the BEC is constituted.

Preparation of specifications:

- b. While PPA-2006 and PPR-2008 do not contain any guidelines about how to prepare appropriate specifications for goods, services and works that will be procured, and do not contain any provision for forming committees to prepare such specifications, Rule 4(6) of PPR-2008 does state that “the procuring entity may, if necessary, seek the assistance of specialists from outside the procuring entity at the time of preparing the bidding document”.
- c. It is recommended that qualified international IT technical experts shall either prepare or review the technical specifications for all high value IT procurements and the Project Management Consultancy contracts, under the program.

Complaint handling mechanism:

- d. While PPA-2006 and PPR-2008 have adequate provisions for procurement complaint handling, complaints in reality are not handled appropriately. In addition the implementing agency does not have any credible database for recording and following up on procurement complaints.
- e. A system for handling complaints and a database should be established for recording, monitoring and following up on all procurement complaints under the

program in NBR. The salient features of the system will be an oversight of a complaint database, a standard protocol with appropriate triggers for carrying out investigations, and actions taken against involved parties. The system will be developed and managed by the implementing agency.

iii. Governance

42. Under the Program's legal documents, the ERD and NBR are formally committed to the obligations under the Anti-Corruption Guidelines for Program-for-Results operations (ACG). The government has agreed to implement the Program in accordance with the ACG as follows:

a) *Debarment list of firms and individuals*: Companies and individuals debarred by the Bank and Central Procurement Technical Unit (CPTU) will be posted and updated regularly on the CPTU and the ERD and NBR websites with a link to the current list available on the World Bank external website. This will include the list of temporarily suspended firms and individuals. The single large IT procurement for NBR (estimated to be over US \$10 million) will state that the tender will comply with ACG on the procurement bidding documents.

b) *Sharing information on fraud and corruption allegations and investigations with the Bank*: The ERD has agreed to report any credible and material fraud-and-corruption allegations regarding the Program as part of the overall program reporting requirements to the Bank, and will bring all sources of information together into one report from the Anti-Corruption Commission, the National Board of Revenue and the Comptroller and Auditor General. The Bank will inform the ERD about similar allegations that it receives. The ERD has also agreed that any allegation of fraud and corruption will be investigated as per existing law and persons or entities debarred or suspended by the Bank will not be awarded any contract under the Program during the debarment or suspension period.

c) *Investigation of fraud and corruption allegations*: For the program, fraud and corruption complaints may be channeled through updated and current audit reports of CAG, complaints made to the Internal Resources Division as well as to the ACC, and from the procurement complaints system being developed.

43. Under the Bangladesh Civil Servants Conduct Rules of 1979 and Disciplinary and Appeal Rules of 1985 for civil servants the primary responsibility for investigation of corruption is with the departmental inquiry committee that is operational in each ministry. The law also permits the Anti-Corruption Commission (ACC) to investigate corruption allegations that it chooses to.

44. The Bank's right to investigate allegations regarding the Program's activities and expenditures, and the related access to needed persons, information, and documents will be observed, and the Bank will initiate investigation at any point it considers necessary. The ERD and the Bank have agreed, depending upon the nature of fraud and corruption, to pursue a range of remedies within an agreed time frame.

45. For the Program, given the range of possible types of fraud and corruption risk, all key agencies agree it would be important to clarify roles and responsibilities over the intake, tracking/monitoring, hand-off, and disposition of complaints around fraud and corruption, i.e.,

who takes care of what, until a fraud and corruption issue is resolved. The agreed modalities are: ERD will write to the Office of the Comptroller and Auditor General, ACC and NBR on a quarterly basis to request them to share information against the agreed template on issues of fraud and corruption. The entities will respond within 10 business days to ERD. The ERD will deliver a report on fraud and corruption issues under the Program to the Bank every 6 months, not later than 31 December and 30 June annually. ERD will maintain a database of the information provided and will ensure that access to this database is restricted to authorized personnel only. ERD will use this database to formulate the reports provided to the Bank every 6 months.

46. To both assist in the roll-out of the VAT program, and to build program management capacity in NBR, an international management consultant firm with deep experience in helping national agencies roll-out VAT programs is being hired. The bid evaluation committee overseeing procurement of this contract will screen closely for such experience and will require the winning bidder to obtain prior approval from the Project Director, VAT Wing and the World Bank before key staff identified in the bid submitted can be changed during the contract's execution. Technical assistance is also to be provided to the ACC to strengthen its capacity to manage case files and develop an electronic filing system.

47. Other governance and accountability mechanisms include: (a) the Comptroller and Auditor General's annual audit, where the detection of fraud and corruption and holding the ministry or department accountable is part of the audit process; (b) the Right to Information Act, which requires any public entity to proactively disclose information of general interest and to respond to requests for information within a specified time, or face a judicial investigation and possible fine; (c) the procurement grievance redress system, which records and responds to complaints relating to a specific sector; and (d) the requirement for the DLI verification to be undertaken by an independent entity.

48. To control fraud and corruption risks identified in Para 53, NBR is ensuring facilities for locking and controlling the bid documents prior to and during the evaluation will be available to reduce tampering of bids. Given the critical importance of the Management Consultancy contract that will control parameters of support to NBR by a firm, the Bank will closely review the terms of reference to be established for the contract, to ensure that the experience required for this job - previous VAT implementations - is highlighted. The bid evaluation committee will also be instructed to conduct reference checks both formal and informal through networks of the Bank and the committee. NBR will also ensure that the proposed consultants cannot be substituted without approval from the Evaluation Team or the PD. An Energy Star rating for hardware will also be required for all IT equipment to be procured, including desktops/laptops, printers, etc., to ensure that lower quality equipment will not be procurement, and that equipment will come from reputable vendors. This, and other measures, may also help to prevent collusion with local firms. A pre-bid presentation to introduce the WB ACG at the pre bid meeting, and distribution of the same to all vendors who have requested documents will put provisions of the ACG out front and educate the vendors about the importance of following the rules on the large procurement, as well as that of the regular IT procurement.

C. Summary of Capacity Building of Risk Mitigation Measures

45. Fiduciary risk mitigating measures to be included in the capacity building plan are summarized in the **Table 7** below. The DLI 6 actions are provided in the Annex 1 which shows the entire disbursement table. In addition several measures to mitigate against risks are included in the program action plan as follows:

Table 6: Program Action Plan Risk Mitigation Measures

Action description	DLI	Date	Responsible party	Completion Measurement
Form a 7 member tender evaluation committee for IT procurements with at least one expert from the Bangladesh Computer Council and one from the Bangladesh University of Engineering and Technology and 2 international experts for all internationally competitive IT procurements. The terms of reference for the tender evaluation committee to be agreed with the Bank.	×	Within 1 month of program effectiveness	NBR	Formal notification of tender evaluation committee composition and agreed TORs. Verification of bid evaluation committee evaluation report and meeting minutes by independent verification entity. DLI 1.1.1 and 1.2.2 as “agreed procurement process”
Install a fixed asset tracking software to record, track and manage assets procured under the Program in VAT Wing of NBR, and train staff in its use.		Within 1 year of program effectiveness	NBR	Notification to the Bank that software is being implemented.
Provide report on key procurement performance indicators using national procurement monitoring system named PROMIS developed and maintained by CPTU		Within 6 months of program effectiveness	NBR	Notification and independent verification by third party verification entity.
To facilitate reporting and monitoring of the disposition of Fraud and Corruption complaints, the ERD will collate all such complaints, and compile these into reports that will be provided to the Bank every six months, based on a format agreed with the Bank. Appointment of a focal person		Within 3 months of program effectiveness	NBR, ERD	Notification and independent verification by third party verification entity.

Action description	DLI	Date	Responsible party	Completion Measurement
within the ERD to trouble-shoot fund release, and program reporting issues including handling of complaints and serious financial irregularities. A TOR for the person will be agreed with the Bank.				

Table 7: Program Action Plan Risk Mitigation Measures

Action description	Date	Responsible party	Completion Measurement
<p>Agree a standard terms of reference for the audit to be carried out by FAPAD.</p> <p>A group of auditors to be identified and trained by the Bank in program audit.</p>	<p>Within 4 months of effectiveness</p>	<p>NBR</p>	<p>TOR submitted and independent verification</p>
<p>Reconstitute and operationalize the audit committee in IRD of the Ministry of Finance; which will be responsible for following up on significant audit irregularities and to facilitate the process to implement audit and other review recommendations.</p>	<p>Within 4 months of program effectiveness</p>	<p>NBR and IRD</p>	<p>Notification of Committee meetings and Minutes; and independent verification</p>
<p>Form a procurement core team (minimum 3 people) in NBR to conduct procurements under this program. The core team members will undergo procurement certification training arranged by the Central Procurement Technical Unit (CPTU). Prepare a procurement training plan for procurement core team in staffs.</p>	<p>Within 3 months of program effectiveness</p>	<p>NBR and CPTU</p>	<p>Notification and attendance and certification records of CPTU, and independent verification. Procurement training plan submitted.</p>
<p>International technical expertise is used to prepare or review the technical specifications for all IT procurements.</p>	<p>Within 3 months of program effectiveness</p>	<p>NBR</p>	<p>Notification and independent verification</p>

Table 7: Program Action Plan Risk Mitigation Measures

Action description	Date	Responsible party	Completion Measurement
Technical assistance capacity building program to be developed to strengthen ACC's management of records and ability to keep and track cases electronically.	Within 6 months of program effectiveness	ACC and ERD	Notification and independent verification

Implementation Support Plan

A. Reviewing Implementation Progress

46. The Bank team will conduct twice yearly implementation support missions. These will target:

- i. Monitoring and Evaluation: Review of the results framework, the verification protocols and provide technical inputs.
- ii. Program action plan, capacity building plan. Provide the necessary training and support during implementation of the Program and review progress with these actions.
- iii. Support the implementation of the agreed anti-corruption reporting measures under the program and provide guidance in resolving any issues identified;
- iv. Review of procurement performance from annual performance assessments and provide procurement training and guidance on procurement to NBR;
- v. Financial Management: Review the fund utilization report and the assessment results reports as the basis for disbursements, audit reports, and on measures to address any financial irregularities in the audit report and monitoring their implementation;

B. Resolving Implementation Issues and Institutional Capacity Building

47. Risk-mitigation measures and actions to enhance capacity and performance of the NBR form the backbone of the program action plan and respond to these issues. Activities are to be undertaken at both central (NBR) and project implementation level (PIU) to build capacity to address the issues identified in this assessment. The implementation of these results will be monitored by Bank teams during the biannual implementation support missions.

C. Monitoring the Performance of Fiduciary Systems and Audit Reports

48. Most of Bank's implementation support team members (fiduciary, safeguards, and Governance and Anti-Corruption), including the Task Team Leader, are either based in the Bangladesh Country Office or in the Region. This will ensure timely, efficient and effective implementation support to the program. Formal implementation support missions and field visits will be carried out semi-annually, or as deemed necessary.

PAP and Capacity Building	Environment Specialist	4 SWs
	Social Specialist, FM, Procurement Specialist	4 SWs
Fiscal flows	Economist	5 SWs
e-Government and Citizen engagement	Public Sector /Governance Specialist	4 SWs

--	--	--

D. Monitoring of Changes in Fiduciary Risks to the Program

49. The frequency and breadth of fiduciary systems implementation support missions, expected to be twice a year in the beginning, may be varied in response to changes in the risks to the program. It is expected that as implementation progresses, substantial improvements in procurement and financial management capacities will reduce risks and may justify a reduced supervision schedule. This will be determined by the Bank's fiduciary systems team which will continue to monitor compliance with the provisions of legal covenants.

Annex 1: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement					
				Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19
DLI 1.1: VAT Implementation Plan on Track			VAT Implementation Plan approved by Minister of Finance	1.1.1 Vendor signed a contract providing COTS VAT administration software.	1.1.2 At least 40,000 taxpayers active VAT taxpayers are registered in the COTS VAT database	1.1.3 At least 50,000 monthly VAT returns are processed by VAT Wing per month	1.1.4 At least 500 audit staff trained on COTS audit modules		
Allocated US\$ million	16.5	28		7	4	4.5	1	0	0
DLI 1.2			VAT Implementation Plan approved by Minister of Finance	1.2.1 Project Management Consultants signed a contract with vendor	1.2.2 The following administrative support contracts signed: (a) data center, (b) contact center, (c) processing	1.2.3 At least 50,000 VAT payments are processed per month by VAT Wing for 6 consecutive	1.2.4 At least 80 percent of refunds processed and disposed of by VAT administration within 3 months.		

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement					
				Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19
					center and (d) other IT infrastructure .	6 months			
Allocated amount:	16.5	28		5	6	4.5	1	0	0
DLI 2: Number of registered active VAT taxpayers (thousands)						2.1 Baseline established for number of VAT active taxpayers under new Law	2.2 Baseline + 15,000	Baseline + 30,000	Baseline + 30,000
Allocated amount:	7	12				1	3	3	0
DLI 3: Number of taxpayers who filed on-line						3.1 Baseline established for number of VAT active taxpayers who file on line under new Law	3.2 Baseline + 4,000	Baseline + 10,000	Baseline + 10,000

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement					
				Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19
Allocated amount:	6	10				1	2	3	0
DLI 4: Percent of VAT Large Taxpayer Unit taxpayers who paid on-line						4.1 Baseline established for percentage of Large Taxpayer Unit VAT taxpayers who pay on line	4.2 20 percent of Large Taxpayers pay on line	50 percent of large Taxpayers pay on line	50 percent of large Taxpayers pay on line
Allocated amount:	6	10				1	2	3	0
DLI 5- Greater transparency				Tax collection disclosed Baseline taxpayer satisfaction disclosed	Tax collection disclosed Taxpayer satisfaction disclosed	Tax collection disclosed Contact center and Processing center performance disclosed	Tax collection disclosed Taxpayer satisfaction disclosed Contact center and Processing center Contact center	Tax collection disclosed Contact center and Processing center Contact center performance disclosed	Tax collection disclosed Taxpayer satisfaction disclosed Contact center and Processing center

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement					
				Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19
							performance disclosed		Contact center performance disclosed
Allocated amount:	3	5		0.5	0.5	0.5	0.5	0.5	0.5
DLI 6-Fiduciary Actions				6.1 At least 25 percent of Program NCB contracts are done through e-GP Submit quarterly fund utilization report to Finance Division and	At least 50 percent of Program NCB contracts are done through e-GP All significant audit objections resolved in 6	At least 75 percent of Program NCB contracts are done through e-GP All significant audit objections resolved in	At least 75 percent of Program NCB contracts are done through e-GP All significant audit objections resolved in 6 months Submit quarterly fund	At least 75 percent of Program NCB contracts are done through e-GP All significant audit objections resolved in	At least 75 percent of Program NCB contracts are done through e-GP All significant audit objections resolved in

	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Indicative timeline for DLI achievement					
				Year 1 2013/14	Year 2 2014/15	Year 3 2015/16	Year 4 2016/17	Year 5 2017/18	Year 6 2018/19
				complete fund release processes after each quarter.	months. Submit quarterly fund utilization reports to Finance Division and complete fund release processes after each quarter.	6 months Submit quarterly fund utilization reports to Finance Division and complete fund release processes after each quarter.	utilization reports to Finance Division and complete fund release processes after each quarter.	6 months Submit quarterly fund utilization reports to Finance Division and complete fund release processes after each quarter.	6 months Submit quarterly fund utilization reports to Finance Division and complete fund release processes after each quarter.
Allocated amount:	5	8		1	1	1	1	1	0
Total Financing Allocated:	60	100		13.5	11.5	13.5	10.5	10.5	0.5

Table 8: DLI Verification Protocol Table

#	Disbursement Linked Indicator	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
1	VAT Implementation Plan is on track	Annual plan is on track (agreed milestones achieved)	No	NBR prepares bi-annual reports and submits to the ERD and Third Party Verification Entity	Private firm or individuals	World Bank hires third party contractor who reviews and verifies reports for the verification of 1.1.1 and 1.2.1. ERD hires third party contractor who reviews and verifies reports for all other indicators. Third Party submits its draft verification report to the NBR, ERD and the World Bank simultaneously and neither party is allowed to modify the report apart from correcting factual errors. World Bank seeks comments from IMF and IFC.
2	Number of new registered active VAT taxpayers	Once new VAT is open for registration; registered VAT taxpayers that file returns.	Yes	NBR prepares reports and submits to the World Bank and ERD and Third Party Verification Entity	Private firm	ERD hires third party contractor who reviews and verifies reports. Third Party submits its draft verification report to the, NBR, ERD and the World Bank simultaneously and neither party is allowed to modify the report apart from correcting factual errors. World Bank reviews and makes recommendation to Country Director.
3	Number of taxpayers who file on-line	Number of registered VAT taxpayers who file returns on line	Yes	NBR prepares reports and submits to the World Bank and ERD and Third Party Verification Entity	Private firm	ERD hires third party contractor who reviews and verifies reports. Third Party submits its draft verification report to the, NBR, ERD and the World Bank simultaneously and neither party is allowed to modify the report apart from correcting factual errors. World Bank reviews and

#	Disbursement Linked Indicator	Definition/ Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
				Entity		makes recommendation to Country Director.
4	Percentage of large taxpayers who pay on-line	Percentage of registered VAT taxpayers in the Large Taxpayer category who pay VAT on line	Yes	NBR prepares reports and submits to the World Bank and ERD and/or Third Party Verification Entity	Private firm	ERD hires third party contractor who reviews and verifies reports. Third Party submits its report to the, NBR, ERD and the World Bank simultaneously and neither party is allowed to modify the report apart from correcting factual errors. World Bank reviews and makes recommendation to Country Director.
5	Increased transparency	Review of compliance against Proactive Disclosure Rules and additional disclosures on website	No	NBR prepares reports and submits to the World Bank and ERD and/or Third Party Verification Entity	Private firm	ERD hires third party contractor who reviews and verifies reports. Third Party submits its report to the, NBR, ERD and the World Bank simultaneously and neither party is allowed to modify the report apart from correcting factual errors. World Bank reviews and makes recommendation to Country Director.
6	Fiduciary measures completed	All measures agreed to in PAP for fiduciary measures have been undertaken in implementing agency	No	NBR prepares reports and submits to the World Bank and ERD and/or Third Party Verification	Private firm	ERD hires third party contractor who reviews and verifies reports. Third Party submits its report to the, NBR, ERD and the World Bank simultaneously and neither party is allowed to modify the report apart from correcting factual errors. World Bank reviews and makes recommendation to Country Director.

#	Disbursement Linked Indicator	Definition/ Description of achievement	Scalability of Disbursemen ts (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification Entity	Procedure
				Entity		

Annex 3: Program Procurement Arrangement

Package No.	Description of Procurement Package as per DPP/ TPP	Unit	Quantity	Procurement Method & (Type)	Source of Funds	Estimated Cost	Indicative Dates			
	GOODS						Not Used in GOODS	Invitation for Tender	Signing of Contract	Completion of Contract
1	2	3	4	5	6	7	8	9	10	11
GD1	Furniture for VAT Offices	Set	1	NCB	GoB	1.57		14-May	14-Aug	14-Nov
GD2	Generators and Air Conditioners for VAT Offices	Lot	1	NCB	GoB	2.70		14-May	14-Aug	14-Nov
GD3	Desktop Computer and Related Equipment for VAT Offices / Call Centre NBR Taxpayer Services Team	Lot	1	ICB	PA	4.49		14-Jan	14-May	14-Aug
GD 4	Data Centre and Network Equipment	Lot	1	NCB	PA	3.37		14-Jan	14-May	14-Aug
GD4	Project Vehicles	Lot	1	NCB	GoB	0.24		15-Sep-13	01 Nov' 13	Dec'2013
GD5	Contact Center Equipment	Lot	1	NCB	PA	0.05		14-Jan	14-May	14-Aug
GD6	Software VAT Offices	Lot	1	NCB	PA	0.40		14-Jan	14-May	14-Aug

GD7	Software Data Center	Lot	1	ICB	PA	0.44		14-Jan	14-May	14-Aug
GD8	Software Contact Center	Unit	1	NCB	PA	0.06		14-Jan	14-May	14-Aug
GD9	Tax Integrated System	Unit	1	ICB	PA	18.33		13-Aug	13-Dec	15-Dec
Total Value of Goods Procurement						31.63				

Package No.	Description of Procurement Package as per DPP/ TPP	Unit	Quantity	Procurement Method & (Type)	Source of Funds	Estimated Cost	Indicative Dates			
	WORKS						Not Used in GOODS	Invitation for Tender	Signing of Contract	Completion of Contract
WD1	Refurbishment	Lump	NA	ICB	GoB	3.13	-	March'14	May'14	April'15
Package No.	Description of Procurement Package as per DPP/ TPP	Unit	Quantity	Procurement Method & (Type)	Source of Funds	Estimated Cost	Indicative Dates			
	NONCONSULTING SERVICES						Invitation for EOI	Invitation for Tender	Signing of Contract	Completion of Contract

SD1	Data Center Management (Outsourced)	number	1	OCB	PA	1.47		14-Jan	14-May	14-Aug
SD2	Network Bandwidth Service	number	1	OTM (NCT)	PA	5.06		14-Jan	14-May	14-Aug
SD3	Contact Center Management (Outsourced)	number	1	ICB	PA	0.58		14-Jan	14-May	14-Aug
SD4	IT Managed Services (Outsourced)	number	1	ICB	PA	4.55				
SD 5	Processing Centre Management (Outsourced)	number	1	ICB	PA	0.99		14-Jan	14-May	1-Aug
SD 6	Consultants	number	1	QCBS	PA	4.06	13-Sep	13-Dec	13-Mar	15-Dec
	Project Team Consultancy									
Total Value of Services Procurement						16.72				

Total Value of the Program Procurement:

51.48



Annex 4: Expenditure Framework, Consolidated Program Expenditures, US\$ million 2014-2018

Funder	Classification	Sub-category	2013/14	2014/15	2015/16	2016/17	2017/18	Total	BDT Lakh Total
GoB	Capital	Furniture		2.79				2.79	2207
		IT hardware		0.17				0.17	137
		Vehicles	0.18	0.01	0.01	0.01	0.01	0.24	188
	Goods and Services	Goods	0.00	4.20	0.70	0.26	0.26	5.43	4288
		Office Refurbishment		3.09				3.09	2440
	Contingency	price	0.01	0.82	0.06	0.02	0.02	0.94	741
		physical	0.00	0.21	0.01	0.01	0.01	0.23	185
Subtotal			0.21	11.29	0.79	0.30	0.30	12.89	10185
IDA	Capital	Furniture		0.00				0.00	0.08
		generators		1.67				1.67	1320
		IT hardware		3.97	2.32	0.75	0.33	7.38	5828
		IT software	2.70	13.31	2.93	0.05		18.98	14995

	Goods and Services	Consulting	0.57	2.29	1.14			4.00	3163
		Other goods		0.91	0.10			1.01	798
		IT services	1.50	3.65	2.86	2.86	2.86	13.71	10831
		Training	0.50	4.25	0.25			5.00	3950
	Contingency	Price	0.42	2.40	0.77	0.29	0.25	4.14	3271
		physical	0.11	0.60	0.19	0.07	0.06	1.04	818
Subtotal			5.80	33.05	10.56	4.01	3.50	56.93	44973
NBR expenditures total			6.00	44.34	11.35	4.32	3.81	69.82	55159
IDA	Goods and Services	Consulting		0.5	1	1	0.5	3.00	2370
ERD expenditures total				0.5	1	1	0.5	3.00	2370
Total			6	44.84	12.35	5.32	4.31	72.82	170217

.....

Annex 5: PROMIS Indicators

SN	Indicator Category	Process Indicator	Performance Data
1	Invitation for Bid	Advertisement of Bid opportunities in newspaper	1. Percentage of Invitation for Bid (IFT) published in newspaper
		Advertisement of Bid opportunities in CPTU's website	2. Percentage of Invitation for Bid (above threshold) advertised in CPTU's website
		Bids following GoB procurement Rules	3. Percentage of Bids following GoB procurement Rules
		Bid following Development Partner Rules	4. Percentage of Bids following Development Partner Rules
2	Bid Submission	Multiple locations submission Bids	5. Percentage of Bids allowed to submit in multiple locations
		Bid preparation time in open Bidding method	6. Average number of days between publishing of advertisement and Bid submission deadline
		Bid time compliance	7. Percentage of Bids having sufficient Bid submission time
		Sale of Bid documents	8. Average number of Bidders purchased Bid documents
		Bidder Participation	9. Average number of Bidders submitted Bids
		Bidder Participation Index	10. Ratio of number of Bid submission and number of

SN	Indicator Category	Process Indicator	Performance Data
			Bid document sold
3	Bid Opening Committee (BOC) and Bid Evaluation Committee(BEC)	Bid Opening Committee formation	11. Percentage of cases BOC included at least ONE member from BEC
		Bid Evaluation Committee formation	12. Percentage of cases BEC formed by Contract Approving Authority
		External member in BEC	13. Percentage of cases BEC included TWO external members outside the procuring entity
4	Bid Evaluation	Bid evaluation time	14. Average number of days between Bid opening and completion of evaluation
		Compliance of Bid evaluation time	15. Percentage of cases Bid evaluation has been completed within timeline
		Bid Acceptance	16. Average number of responsive Bids
		Re-Bidding	17. Percentage of cases BEC recommended for re-Bidding
		Bid Cancellation	18. Percentage of cases where Bid process cancelled
5	Bid Evaluation Report (BER) approval	Bid Evaluation Approval time	19. Average number of days taken between submission of Bid Evaluation and approval of contract (contract signing date)

SN	Indicator Category	Process Indicator	Performance Data
		Compliance of financial delegation	20. Average number of Bids approved by the proper financial delegated authority
		Submission of evaluation report to appropriate authority	21. Percentage of cases BEC submitted report directly to the contract approving authority
		BER approval compliance	22. Percentage of cases contract award decision made within timeline by Contract Approving Authority
		Additional review of BER	23. Percentage of cases BER reviewed by person/committee other than the Contract Approving Authority
		Higher tier approval	24. Percentage of Bids approved by higher tier than the Contract Approving Authority
6	Contract Award	Time for issuance of NOA to Bidder	25. Average number of days between final approval and Notification of Award (NOA)
		Bid processing lead time	26. Average number of days between Bid opening and Notification of award (NOA)

SN	Indicator Category	Process Indicator	Performance Data
		Total Bid processing time	27. Average number of days between Invitation for Bid (IFT) and Notification of Award
		Publication of award information	28. Percentage of Contract awards published in CPTU's website
		Efficiency in Contract Award	29. Percentage of contracts awarded within initial Bid validity period
7	Delivery/Completion	Delivery time	30. Percentage of Contracts completed/ delivered within the original schedule as mentioned in the contract
		Liquidated damage	31. Percentage of Contracts having liquidated damage imposed for delayed delivery/completion
		Completion rate	32. Percentage of Contracts fully completed and accepted
8	Payment	Payment release compliance	33. Average number of days taken to release payment
		Late payment	34. Percentage of cases (considering each installment as a case) with delayed payment
		Interest paid for delayed payment	35. Percentage of Contracts where interest for delayed payments was made

SN	Indicator Category	Process Indicator	Performance Data
9	Complaints	Bid procedure complaints	36. Percentage of Bid procedures with complaints
		Resolution of complaints with award modification	37. Percentage of complaints resulting in modification of award
		Resolution of complaints	38. Percentage of cases complaints have been resolved
		Independent Review Panel	39. Percentage of cases review panel's decision upheld
10	Contract amendments	Contract Amendment/variation	40. Percentage of contract amendments/variations
11	Contract dispute resolution	Unresolved Disputes	41. Percentage of Contracts with unresolved disputes
12	F&C	Fraud & Corruption	42. Percentage of cases F&C detected
13	Procurement Management Capacity*	Procurement training	43. Average number of trained procurement staff in each procuring entity
			44. Percentage of procuring entity which has at least ONE trained/certified procurement staff
			45. Total number of procurement persons in the organization with procurement training.

*Note1: Procurement training means detailed training either on goods and services or works and services or a combination of these with an approximate duration of 80 hrs. (10 working days)

Note2: Results of all indicators will be generated for agency wise, ICB and NCB wise and financial delegation as per PPR.

Glossary

<u>Acronym</u>	<u>Full Name</u>
ACC	Anti-Corruption Commission
CGA	of Accounts Controller General
VIP	Revenue Mobilization Program
FAPAD	Foreign Aided Project Audit Directorate
FM	Financial Management
MoF	Ministry of Finance
NBR	National Board of Revenue
OCAG	Office of the Comptroller and Auditor General
PAC	Public Accounts Committee of Parliament
RTI	Right to Information
SPEMP	Strengthening Public Expenditure Management Program
DOSA	Dollar Special Account
PFM	Public Financial Management
SFYP	Sixth Five Year Plan
CPTU	Central Procurement Technical Unit
PVIP	Procurement Risk Mitigation Plan
CAO	Chief Accounts Officer
TSA	Treasury Single Account
IBAS	Integrated Budgeting and Accounting System