

Terms of Reference (ToR) on research project 2

Title of the project: MTBF process in Bangladesh: Assessing linkages of policies with resources and resources with performances: A comparative case study of MoHFW and MoEdu

Context:

Governments world-wide are facing increasing pressure on public finances as they struggle to meet an ever-increasing demand for goods and services. At the same time, they are severely constrained in terms of the capacity and resource base to raise revenues commensurate with their spending. In this context of a dual challenge, the efforts on achieving the three principal Public Financial Management (PFM) outcomes assume great significance: a) Aggregate Fiscal Discipline; b) Strategic Allocation of Resources; and c) Effective and Efficient Utilization of Resources. Governments across the globe have therefore embarked on a myriad of Public Financial Management (PFM) reforms aimed at achieving these three principal PFM outcomes. The Medium Term Budgetary Framework (MTBF), a reform comprising a set of institutional arrangements for prioritizing, presenting, and managing expenditure in a multiyear perspective, has been identified as the key element in improving public financial management.¹ Weaning away from line item-budgeting, MTBF approach introduces the convergence to output and outcome (results) basis of budgeting, comprehensive planning and budgeting, and the extension of implementation time horizon from an annual to a medium-term (3 to 5 years) with the view to achieving better linkages between policy, planning, budgeting, and performance on the ground, and engaging the political executive in strategic planning and budgeting in an extensive manner.

The MTBF brings together the policy, planning, budgeting, and performance management functions of the government which are key to achieving the principal PFM outcomes and by extension achieving the developmental outcomes. The MTBF enables an informed, data/evidence driven approach to policy development, planning, budgeting. It facilitates a medium-term focus, understanding of medium-term fiscal envelope and fiscal space, and allocation of fiscal space to priority sectors. The MTBF enhances the credibility of the budget process. The line ministries, departments, and agencies benefit from predictable budget outcomes as this helps them to make realistic plans and achieve their operational and financial targets. The idea of MTBF has been extended to different countries with different terminologies, such as Medium-term Expenditure Frameworks (MTEFs), Medium-term Performance Framework (MTPF) etc. Australia and New Zealand were pioneers of MTEF.

¹Current issues in fiscal reform in Central Europe and the Baltic States 2008: Performance-based budgeting and medium-term expenditure frameworks in emerging Europe (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/583851468093564808/>

To improve policy, planning, budgeting, accounting, transparency, and accountability in public finance, the Government of Bangladesh embarked on a comprehensive suite of PFM reforms. The reforms efforts received a major thrust with the introduction of MTBF in FY 2005/2006 as part of the Financial Management Reform Program (FMRP) financed by the United Kingdom Department for International Development (UK-DFID) (presently the Foreign, Commonwealth & Development Office (FCDO)), and the Royal Netherlands Embassy. At the inception, MTBF was introduced in four major spending ministries and subsequently it was rolled out to all the ministries and divisions by FY 2011/12.

In addition to the MTBF, to ensure better outcome of public expenditure, government adopted complementary reforms aimed at establishing result- based or performance-based budgeting with explicit focus on the achievement of public program objectives and their alignment with government policies through:

- a) Greater use of performance targets; and
- b) Use of a distinctively wide variety of performance information throughout the budgeting system.

At present, an institutionalized set of structured performance agreements are being implemented. These agreements are entered into by the Finance Division and line ministries/divisions in the form of Ministry Budget Framework every year. All the line ministries/divisions including the strategically important, and major spending ministries including the Ministry of Health and Family Welfare (MoHFW) and the Ministry of Education (MoEdu), prepare their respective MBFs in line with the MTBF policies and procedures.

Rationale:

In addition to periodic reviews and macro-level assessments such as the Public Expenditure and Financial Accountability (PEFA), it is crucial to undertake reviews and assessments at the sector level and line ministry or division level. Such assessments provide insights into what works and what does not. They help identify and define the problems in reform implementation, and outline steps for course-correction if required and strengthening, fine-tuning the reform instruments.

Objectives:

The overall objective of the IPF research is to contribute to the knowledge creation and dissemination process undertaken by the Finance Division in order to strengthen the PFM practice across the Government of Bangladesh.

Specifically, the Comparative case Study will assess the effectiveness of the linkages between policies, plans, sectoral strategies, budget allocation, budget execution, and performance. The study will further analyze the challenges in the implementation of the MTBF process. The study is also expected to assess the effectiveness of MTBF implementation across a range of functions

including strategic budget planning and preparation, expenditure management, and performance management.

Deliverables:

- IPF will commission one research paper on “**MTBF process in Bangladesh: Assessing linkages of policies with resources and resources with performances: A comparative case study of MoHFW and MoEdu.**”
- The consulting firm will be required to arrange a consultation workshop comprising relevant stakeholders to disseminate the findings of the study.
- The Study Report will *inter alia* cover the following aspects (*indicative not exhaustive*):
 - Collect, compile, and analyze relevant quantitative and qualitative data
 - Identify the baseline and key issues pertaining to implementation of MTBF covering policy, planning, budgeting, performance management, budget implementation aspects.
 - Identify capacity gaps
 - Compare and contrast the baseline, key issues, and challenges for implementing MTBF between the two ministries.
 - Document the lessons learned.
 - Outline recommendations to improve effectiveness of MTBF implementation and bridging capacity gaps in the ministries.
- **Word Limit for the Study Report:** 10,000 — 12,000 words (excluding tables, reference, annexes, graphs, etc.)
- **Language of the Study Report:** English

Time Frame:

Sl.	Report/ Deliverables	Expected date of Delivery
1	Draft report	Within 20 weeks of contract signing
2	Submission of the final report	Within 24 Weeks of contract signing