



Ministry of Finance
Republic of Maldives

Consultancy for Independent Verification Agent (Firm)

[RFP No: PSSP/5/C/01]

Terms of Reference

Maldives Public Financial Management Systems Strengthening Project (P164322)

- I. Project Context:
- II. Multi-sectoral and Institutional Context
- III. Project Development Objective
- IV. Disbursement Linked Indicators and Verification Protocols
- V. Description of Tasks
- VI. Deliverables
- VII. Eligible Firms
- VIII. Duration and Missions
- IX. Evaluation and Selection Process
- X. Annexes

I. Project Context

This Additional Financing (AF) for the Public Financial Management Systems Strengthening Project in the amount of US\$12 million supports the Maldives' public financial management reforms aimed at improving budget credibility and fiscal transparency. The AF covers a financing gap under the parent project and scales up the support to in the areas of planning and budgeting, debt and cash management, financial reporting, procurement, and State-Owned Enterprise (SOE) monitoring and oversight. The AF extends activities under the existing project by supporting the roll out of reforms in selected line ministries and adding new beneficiaries, namely the Auditor General's Office (AGO), the National Pay Commission and the National Bureau of Statistics (NBS).

Important progress has been made in terms of modernizing the legal basis, anchoring the budget preparation in a realistic macroeconomic framework, cash management and automation of accounting operations. These reforms need to be completed and rolled out across ministries to deliver results in terms of greater budget credibility and fiscal performance. The AF will support the adoption and the implementation of these new policies, systems and practices. The AF aims to improve prospects for the sustainability of reforms through the establishment of a Public Finance Development Service (PFDS), strengthening of the capacity of the Ministry of Finance (MoF) to retain and train appropriately the key technical staff and by supporting the Pay Review Commission's efforts to develop adequate cadre and incentives for the core functions of MOF.

II. Multi-sectoral and Institutional Context

Improving the efficacy of public financial management and policy making is one of the three main objectives of the Maldives Country Partnership Framework (CPF) discussed by the WBG Board of Executive Directors on April 26, 2016. As noted in the ongoing World Bank Group (WBG) Performance and Learning Review, progress is being made towards achieving this objective. Through this Public Financial Management project and related technical assistance, the WB contributes to increased budget



transparency, improved debt reporting, and development of a Medium-Term Debt Strategy (MTDS). The WB has promoted data-driven policy decision making by supporting the collection, analysis and use of social-economic data. CPF targets were achieved for public access to monthly in-year budget execution reports and for the approval of a MTDS based on cost and risk analysis. One area where the CPF is not on track relates to strengthening the internal audit function. Recent achievements in PFM reforms – most of which were supported by the Public Financial Management Systems Strengthening Project – are reviewed below.

The Government has completed technical work for the revision of the legal and regulatory framework for budget formulation, public investment management, budget execution, and financial reporting. The Ministry of Finance and Treasury (MoF) aims to introduce Public Financial Regulations (PFRs) to clarify appropriations, to protect the capital budget and to introduce virement rules that strengthen budget discipline. Amendments to the 2007 Audit Law have been finalized and submitted to Parliament. However, these legislative reforms are delayed and unlikely to be passed before the presidential elections. A Public Investment Management Assessment (PIMA) was completed in 2017 with a proposed roadmap to strengthen the preparation, allocation and implementation of key public investments.

Progress has been made towards a comprehensive Medium-Term Macro Fiscal Framework and establishment of budget ceilings based on the framework. While the macro-economic model will be refined further, it was used to update the fiscal strategy for 2018-2020 and for initial revenue and expenditure forecasts. The cash flow forecasting model was updated and used extensively in weekly cash flow planning meetings. The Medium-Term Debt Management Strategy was updated for 2018-2020, and it has been approved by the Minister of Finance and shared with Parliament.

Budget preparation procedures have been strengthened to bring more consistency and discipline to the process. The Budget Manual is being finalized, based on the changes brought to the Business Planning and Consolidation (BPC) module of SAP in September 2017. The Budget Call Circular for FY2018 has been issued and aligns with new budget manual. The BPC module has been rolled-out to line ministries as well as other key modules of SAP and related training was conducted. Live data entry of the budget proposals was processed by line ministries and monitored by MoF in July 2017.

The Government has improved the quality of financial reporting through regular reconciliation with bank statements, preparation of budget execution reports for decision-makers, release of public expenditure information, and alignment of annual financial statement formats with international public-sector standards. According to the IMF, outstanding arrears were reduced from 5.2 percent of GDP (2013) to 2.5 percent of GDP (2016, IMF). The Ministry of Finance will issue circulars to require ministries to submit purchase orders through SAP and to inform vendors that only purchase orders generated through SAP will be honored. This will lead to more transactions conducted through SAP and so subject to commitment controls and reduce the accumulation of arrears. The Ministry has agreed to develop a strategy to clear arrears, supported by a budget allocation for small arrears to individuals and SMEs and securitization into tradable debt for larger amounts. The arrears clearance strategy is expected to reduce arrears and spur economic activity. A revised Internal Audit Manual has been finalized and includes checklists and questionnaires that are immediately actionable by internal auditors.

The PFM reform agenda builds on a strong ownership among MoF's leadership but would benefit from a more holistic approach to reform. The Minister and key heads of units support the PFM reform effort and drive the agenda. A PFM reform action plan has been updated recently (January 2018) and the project PMU is in charge of implementation. The governance structure of this reform program allows for an inclusive decision-making process of the MoF leadership team through a PFM Working Committee and includes other stakeholders through the PFM Steering Committee. During first phase of reforms, results have been



mainly achieved within Finance. However, the Ministry has undertaken sustained outreach initiatives towards line ministries and the Auditor General to expand the scope of PFM reform and ensure better efficiency and sustainability. The AF will build on this framework to support a more holistic and inclusive approach of PFM reform.

Progress in PFM reforms is put at risk by the difficulty faced by MoF in attracting and retaining staff with the technical skills needed in a modern central finance agency. Recent improvements in the IT, budgeting and accounting area rely on specialized technical skills which are in low supply and high demand in the Maldives. The current civil service structure does not accommodate specific cadres for financial management IT specialists, economists or accountants. The civil service legal and regulatory framework does not allow MoF to offer specialists in high-demand the attractive packages offered by autonomous government agencies. A hemorrhage of skilled staff is currently underway which may compromise the sustainability of recent PFM reform achievements and key MoF functions. Lack of adequately skilled staff may prevent MoF from undertaking more advanced reforms in areas such as internal audit, SOE management, and policy analysis.

III. Project Development Objective

The PDO for the project is to enhance budget credibility, transparency, and financial reporting of public sector finances.

IV. Disbursement Linked Indicators and Verification Protocols

Verification protocol:

Achievement of DLIs will be reported using the Government's reporting systems. An Independent Verification Agent (IVA) will be appointed by MoF for validation of achievement of the DLIs. Within three months of the end of each year, Finance Department will present evidence of achievement of the DLI to the IVA. The data source for DLI achievement verification and the procedure for verification are given in annex 2 and 3. The IVA will rely upon desk review of documentation provided by responsible institutions and will conduct field visits where physical verification of evidence is required. The IVA will validate the baseline data in the first year of implementation. Upon completion of the annual verification exercise, the IVA will submit a verification report to MoF and WB. Disbursement requests to the WB will be accompanied by copy of the verification report. The verification report will be used as the basis for determining the amount to be disbursed. For non-scalable DLIs, disbursement will be triggered only when the DLI is achieved in full. For scalable DLIs, the disbursement value will be proportional to the results achieved.

A. Objectives of the Consultancy

The purpose of this assignment is to conduct an independent verification of progress on DLIs under the DLI category of expenditure. This consultancy aims to: (a) design evaluation methodology for verification of the progress made on DLIs by the MoF; (b) Conduct the verification in a transparent and independent manner such that it provides the robust evidence for decision makers.



B. Scope of Consultancy

MoF, Republic of Maldives is seeking an experienced consulting firm to conduct third party verification of the DLI based results achieved under the project. The primary task of this exercise will be to carry out transparent and impartial verification of the DLIs under various components of the project.

The scope of work for this assignment includes:

- (i) Assess progress against the project results framework and each DLI twice a year (intermediary results mid-year and the results achieved at the end of each year) over the project duration (4 years); and
- (ii) Verify the DLIs achieved and corresponding evidence each year, in accordance with the DLI verification protocol provided in the annex.

The MoF will be the principal organization/agency responsible for creating liaison between firm and other concerned departments/agencies/organizations. Designated entities will be notified by MoF.

V. Description of Tasks

The main tasks of the Third-Party verification (TPV) Firm will be:

- i. Develop a detailed methodology for assessing results against the 4 DLIs and the project results framework to which they contribute, based on the verification protocol described in the annex. The methodology has to align with Public Financial Management Systems Strengthening Project Appraisal Document (PAD), available with the TOR. Annex 2 and 3 of the PAD would be the guiding document for any definition, interpretation, ambiguity, correction or conflict with these TORs and/or methodology as proposed later.
- ii. Assess progress made per indicator against the agreed targets' against DLI's in the year of verification and shall report to the MoF on agreed report format (submitted by the firm along with Methodology).
- iii. Submit reports to MoF and WB in one weeks' time after the verification of results. The report would include: brief summaries of verification activities undertaken to check the accuracy of verified results for all DLI's along with recommended disbursement levels for each DLI; summaries of major discrepancies between gross and verified results along with short explanations for such discrepancies, and recommendations and constructively critical analysis for why achievement against specific DLI's may be above or below target with final remarks on whether the DLI has been completed or not as per the target.
- iv. Make rectifications to the report to correct errors, if any, as reported by MoF or the World Bank (WB).
- v. Submit final verification report to MoF and WB.
- vi. Maintain regular communication with MoF and WB simultaneously and only in writing—through email regarding all aspects of the evaluation procedure, data collection, audit process, Reporting framework etc.
- vii. Any revision required in the TOR is subject to approval of MoF and WB.
- viii. Provide timely feedback on all detailed assignments and instructions provided by the MoF via letter or email.



- ix. Provide Ministry of Finance and Treasury copies of its evaluation procedure work flow and its data collection methodology for review.
- x. Any changes in personnel assigned to this project, including junior consultant /evaluator/auditor, requires approval from MoF along with clear justification.
- xi. To the extent possible, seek guidance from MoF before troubleshooting any sensitive/complex problems that arise during process.
- xii. Strictly comply with all general independence, confidentiality, and professional Integrity codes.
- xiii. Seek advice from MoF and WB when uncertain about requirements and expectations in this regard.

VI. Deliverables

The selected firm shall provide the following deliverables during the implementation of the assignment in a timely manner. All deliverables should be authorized and approved by the MoF and WB. The list of deliverables includes but is not limited to the following:

1. Methodology of the verification exercise.
 - There will be two one week missions and two reports each year (one intermediary progress verification mid-year and another final verification to verify the DLIs from the previous year.
 - Timing should align with disbursement timeline.
 - Methodology should include but is not limited to:
 - Survey questionnaires
 - Checklist for Verification of Indicators
 - Form/Instrument used for validation exercise.
 - Data used and sources
 - Detailed activity plan for conducting the verification exercise.
 - Field data collection; field quality control methods when applicable.
2. Analysis of the findings of the verification exercise.
3. Deliverables would include the inception report, two missions and reports each year—which will form the basis for payment. Report (both qualitative and quantitative) will be based on achievements/ variations and discrepancies on the DLI activities and reasons of deviations/ non-achievements of DLIs.
4. Identification of impediments (If any) in the timely achievement of the benchmarks and possible remedial measures

VII. Eligible Firms

The firm should have:

- Experience of at least 10 years in monitoring, assessing and evaluating public and/or private sector projects on Public Financial Management, Human Resource/wage bill, and SoE corporate governance.



- Documented experience of preparing quality report concise and succinct to allow policy and technical decisions.
- Documented experience of developing M&E tools.
- Verifiable statistical and research expertise of at least 5 years.
- The firm should have documented capacity to mobilize a multi-disciplinary team in the Project area in a timely and efficient manner.

The team should be comprised at least of:

1. One team leader with 20 years of relevant experience and specialized in public financial management
2. One civil service and wage bill expert
3. One SOE governance expert

VIII. Duration and missions

The contract will be for a duration of 4 years and involve 7 one week missions.

The contract language will be English but may require one team member fluent in Dhivehi or translation.

IX. Evaluation and Selection Process

Bids shall be evaluated as per “Single Stage Two Envelope Procedure” of Public Procurement Rules. Technical Qualification of the team with copies of supporting documents. The Evaluation Criteria are:

- | | |
|---|-----------------------|
| 1. Prior similar monitoring and evaluation experience of the firm | (20pts max) |
| 2. Educational qualification of the team | (10 pts max) |
| 3. Relevant technical experience of the team | (30 pts max) |
| 4. English presentation and communication skills | (10 pts max) |
| | <i>Total Marks 70</i> |

Weightage for technical qualification = 70%

Weightage for financial qualification = 30%

The Firm will be selected in accordance with the procedures set out in the World Bank Procurement Guidelines 2016.



ANNEX 1. Results Framework

<i>PDO level indicators</i>			
<i>Indicator description</i>	<i>Baseline</i>	<i>Target</i>	<i>Current progress</i>
Aggregate expenditure out-turn and the original approved budget at an acceptable level.	In 2013 actual expenditure deviated from budgeted expenditure by 18.74% (with debt repayments and payment arrears)	Maintain deviation of actual from budgeted expenditures at equal or below 5%	The deviation is 6.15% without debt repayments
Public disclosure of the following key fiscal information: (a) Annual budget documentation, (b) In-year budget execution reports, (c) Year-end financial statements, (d) tenders above USD 100 000	Documents not made available to the public	The following documents are made available to the public (a) Annual budget documentation, (b) In-year budget execution reports, (c) Year-end financial statements, (d) tenders above USD 100 000.	(a) Annual budget documentation, (b) In-year budget execution reports are being disclosed. Financial Statements do not yet cover the whole of government.
Comprehensiveness of debt data recording and reporting	An annual statement of debt covering domestic and external debt is prepared, but there are gaps and reconciliation problems.	Domestic and foreign debt records are complete, updated, and reconciled quarterly. Comprehensive management and statistical reports (covering debt service, stock and operations) are produced at least annually.	BERs with commitment information, the annual financial statements with payables as well a regular system generated reports on payables are sufficient to meet the requirement of recording payables
<i>Intermediate Indicators</i>			
Increased capacity on macro fiscal planning	Nil	Production of a Macro fiscal forecasting tool to inform the annual budget	MTEF was used for fiscal strategy formulation. Staff were trained on MTEF and DSA in 2015.
Increased capacity on debt and cash management	Credible DMS does not exist.	Debt management strategy produced	Strengthened capacity of the Debt Management Division on preparing and updating DMS. Strengthened capacity on cash forecasting. Technical staff at RMDMD trained to update the DMS but additional training required.
BERs subjected to audit by internal auditors	0%	100%	0%



Timely preparation of annual financial statements (AFS)	AFS not accepted by audit as complete and ready for audit.	System-generated AFS submitted to audit within 4 months from year end.	MOF staff and other AGA's trained on preparation of AFS according to IPSAS
Capacity building on procurement through the implementation of a new Procurement curricula	Nil	15 staff	
Improved communication of PFM reforms	No PFM communication strategy	Communication strategy exists	
Improved asset management	Asset registry not annexed to AFS	End year Financial Statements with asset registry	
Inclusion of CPA techniques in Performance Audit	No use of CPA	Two pilot Performance Audits conducted using CPA and capturing beneficiary feedback	
Updated gender disaggregated statistics to inform fiscal policy	No recent data on household income/expenditures	Findings from HIES have been published	



ANNEX 2. Disbursement schedule for DLIs (in million SDR)

DLI Indicators	Baseline	Results to be achieved by June 30, 2018	Results to be achieved by June 30, 2019	Results to be achieved by June 30, 2020	Results to be achieved by June 30, 2021
DLI # 1: Increased sustainability of PFM reforms and key MoF functions through establishment of a PFDS.	No PFDS established. Ongoing hemorrhage of key personnel.	Governance structure and organogram of the PFDS has been approved by Decision of the Minister of Finance.	10 out of the 16 vacant PFDS positions are filled based on job descriptions and in a transparent manner. Formula: SDR 240,000 once at least 10 of the 16 vacancies are fulfilled and SDR 18333.33 for every additional vacancy filled in the PFDS thereafter.	2019 PFDS performance report, including client/beneficiary feedback is published on MoF website.	N.A.
DLI #1 Value: 1.05 Mio. SDR		350 000 SDR	350 000 SDR	350 000 SDR	
DLI#2: Strengthen control of the wage bill and staffing of core financial functions	Limited wage bill data and no specific cadres nor pay schemes for critical finance functions.	N.A.	Establishment of civil service registry by the NPC with gender disaggregated data on personnel and wages.	Approval by the NPC by way of resolution of a standardized pay classification structure for finance cadres.	100% of new MoF cadre recruited are subject to the revised pay structure for finance cadres.
DLI #2 Value: 1.05 Mio SDR			350 000 SDR	350 000 SDR	350 000 SDR
DLI #3: Improve oversight and monitoring of SOEs	SOE oversight and monitoring is overseen by the Privatization and Corporatization Board (PCB) Act but not fully functional.	PCB secretariat at MoF staffed with a corporate governance specialist	Joint performance monitoring framework for SOEs has been signed between the Minister of Finance and the president of the PCB.	(i) The Board of Directors of the largest 10 SOE adopted procurement guidelines issued by PCB. Formula- SDR 280,000 once at least 8 SOEs adopts the new procurement guidelines, and SDR 35000 for every SOE that adopts the same. (ii) The Board of Directors of the five (5) largest SOEs adopted the new corporate governance code.	



DLI Indicators	Baseline	Results to be achieved by June 30, 2018	Results to be achieved by June 30, 2019	Results to be achieved by June 30, 2020	Results to be achieved by June 30, 2021
DLI #3 Value: 1.05 Mio SDR			350 000 SDR	700 000 SDR	
DLI #4: Increasing Transparency and external accountability	Whole of Government Accounts are not consistent with legal requirements and IPSAS and are not audited		2018 Whole of Government Financial Statements are audited and published*.		The 2020 Financial Statements of the 10 largest SOEs are audited and published, including the audit opinion*. Formula: SDR [560,000] once at least 8 of the largest SOEs publish the audited financial statements, and SDR[70,000] for every such SOE that publishes the same
DLI # 4 Value: 1.05 Mio SDR			350 000 SDR		700 000 SDR



ANNEX 3: DLI verification table

#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification agent (VA)	Procedure
1	Increased sustainability of PFM reforms and key MoF functions through establishment of a PFDS.	June 30, 2019 - Governance structure and organogram of the PFDS has been approved by the Minister of Finance through a ministerial decision.	No	MoF/PMU	Independent Expert/WB	Review of the ministerial decision where PFDS is established and described.
		June 30, 2020 - At least 10 of the 16 advertised PFDS positions are filled based on job descriptions.	Yes	MoF/PMU	Independent Expert / WB	Current status is 16 vacancies. The floor is 10 vacancies filled. The disbursement will be prorated to the number of positions filled. The fulfillment will be verified with the copy of the employment contracts signed between the MoF and the PFDS staff.
		June 30, 2021 - indicator is met when the 2019 PFDS performance report, including client/ beneficiary feedback on the PFDS performance is published on MoF website.	No	MoF/PMU	Independent Expert / WB	Review of the evaluation report on PFDS performance. Verified and certified by proof that the report has been made public, through the publication of the report in Divehi and in English on the MoF website.
2	Strengthen control of the wage bill and staffing of core financial functions	June 30, 2019 - Establishment of civil service registry with gender disaggregated data on personnel and wage.	No	NPC/PMU	Independent Expert /WB	Notification by the Civil service commission or by the National Pay commission of the establishment of the civil service registry, covering central government and including gender disaggregated data on personnel and wages (based pay and allowances).
		June 30, 2020 - Approval by the NPC of a pay classification structure for finance cadres.	No	NPC	PMU/WB	Resolution of the National Pay Commission approving the new pay classification for finance cadres with a copy of the new pay classification in annex.
		June 30, 2021 - 100% of new MoF cadre recruited are subject to the revised pay structure for finance cadres.	No	NPC	PMU/WB	List of the total new finances cadres recruited by MoF in 2020 specifying their name, identification number, age, grade, basic salary, allowances and benefits.
3	Improving oversight and monitoring of SOEs	June 30, 2019 - Joint performance monitoring framework for SOEs has been signed between the Minister of Finance and the president of the PCB.	No	PCB/MOF	PMU/WB	Copy of the PCB resolution and/ or MoF circular of the joint performance monitoring framework, specifying the performance indicators and reporting requirements for SOEs.



#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/agency	Verification agent (VA)	Procedure
		<p>June 30, 2020 (Year 2):</p> <p>1/The Boards of Director of the largest¹ 10 SOE adopted the new procurement guidelines issued by MoF/PCB.</p> <p>2/The Boards of Director of the largest 5 SOE adopted the new corporate governance code issued by PCB.</p>	<p>1/Yes</p> <p>2/ No</p>	<p>PCB / MoF</p>	<p>PMU/WB</p>	<p>1/ Current status is 0. The floor is 8 SoEs. The disbursement will be prorated to the number of SOEs having adopted the procurement guidelines. It will be evidenced by the Board resolutions adopting said procurement guidelines vetted by MoF/ PCB. MoF/ PCB approval will be part of the evidence.</p> <p>2/ Current status is 0. The disbursement will be based on the SOEs having adopted the corporate governance code, evidenced by the copy of the resolutions of the Boards of Directors of the 5 largest SoEs by turnover adopting their action plan to comply with the new corporate governance code.</p>
4	Increasing Transparency and external accountability	<p>June 30, 2019: 2018 whole of Government Financial Statements are audited and published.</p> <p>June 30, 2021: The 2020 Financial Statements of the 10 largest SOEs are audited and published.</p>	<p>No</p> <p>Yes</p>	<p>Auditor General</p> <p>PCB</p>	<p>PMU/WB</p> <p>PMU/WB</p>	<p>Audit opinion and report on the 2018 Financial statements published on the website of the Auditor General.</p> <p>The floor is 8 SoEs. The disbursement will be prorated to the number of SOEs having published their audited financial statements, including the audit opinion of the 10 largest SOEs, by turnover. Proof of publication on the website of the PCB and the relevant SOE.</p>

¹ Largest SOEs by annual turnover: MACL (Maldives Airports Company Limited), IAS (Island Aviation Services Limited), STO (State Trading Organization), HDC (Housing Development Corporation) and MPL (Maldives Ports Limited)