

**ASIAN DEVELOPMENT BANK**

**TAR: BAN 37017**

**TECHNICAL ASSISTANCE**  
(Cofinanced by the Governance Cooperation Fund)

**TO THE**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**FOR**

**SUPPORTING GOOD GOVERNANCE INITIATIVES**

**July 2003**

## CURRENCY EQUIVALENTS

(as of 5 June 2003)

Currency Unit	–	taka (Tk)
Tk1.00	=	\$0.0171
\$1.00	=	Tk58.45

## ABBREVIATIONS

ADB	–	Asian Development Bank
IACC	–	independent anticorruption commission
MOF	–	Ministry of Finance
NCCP	–	national committee on corruption prevention
PMO	–	Prime Minister's Office
TA	–	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2003 ends on 30 June 2003.
- (ii) In this report, "\$" refers to US dollars.

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## INTRODUCTION

1. The adverse impact on poverty reduction and economic growth for Bangladesh as a result of widespread corruption has been highlighted through a number of studies on the effects of corruption.<sup>1</sup> Promoting anticorruption as part of good governance is therefore an important element of the Government's reform agenda.<sup>2</sup> The Government requested the Asian Development Bank (ADB) to support its anticorruption initiatives, and technical assistance (TA) is included in the TA program for 2003. An ADB Fact-Finding Mission visited Bangladesh in March 2003 and had detailed discussions with the Government, representatives of civil society, and aid agencies on the TA, including its purpose and output, methodology and key activities, cost estimates, and terms of reference.<sup>3</sup> The TA framework is in Appendix 1.

## ISSUES

2. To support and channel the growing recognition of the significance of anticorruption in Bangladesh into a credible strategy requires initiatives that provide for (i) economic and poverty impact, by being undertaken in a potentially dynamic segment of the economy where anti corruption initiatives could materially benefit economic growth and reduce poverty; (ii) systemic impact, by replacing the troubling nexus between public and private sector corruption by a private-public partnership on anticorruption; (iii) an effective institutional focus to anticorruption efforts; and (iv) a collective, balanced, and sectorally implementable focus on corruption prevention. Such a strategy is designed to overcome the limitations of a fragmented, piecemeal approach and the lack of sector leverage for a governance program in a challenging governance climate like Bangladesh.

3. The secured financing<sup>4</sup> sector is regarded as one of the most potentially dynamic segments of the economy in Bangladesh. Secured financing institutions extending credit against movable property collateral, including nonbank financial institutions like lease financing companies, are as yet a small but growing part of the credit market.<sup>5</sup> Small and medium sized enterprise debtors with relatively little land but more movable property collateral are an important potential growth engine for the Bangladesh economy. Even if debtors and creditors benefit from a reformed secured transactions regime in terms of enhanced credit delivery, there is a need to ensure that their true dynamic impact on the economy in Bangladesh is not hindered by corruption. As such, support for improved containment of corruption through

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<sup>1</sup> A. Rahman, G. Kisunko, K. Kapoor. 2000. *Estimating the Effects of Corruption*, World Bank Policy Research Working Paper 2479. Washington, DC, indicating that Bangladesh is the sixth most corrupt nation in its International Country Risk Guide (ICRG) among 123 countries. The World Bank paper indicated that an increase of Bangladesh's ICRG from 1.76 to 5 would result in an annual gross national product (GNP) per capita growth of 5.5% instead of 3.4%. P. Mauro. 1997. *Why Worry About Corruption?*, International Monetary Fund (IMF) Economic Issues No. 6. Washington, DC, noting that, if the corruption index improves by one standard deviation, the investment rate increases by more than 4 percentage points and the annual growth rate of per capita gross domestic product (GDP) increases by over half a percentage point.

<sup>2</sup> Memorandum for Bangladesh Development Forum 2002-2003 and the governance pillar of the Government's National Strategy for Economic Growth, Poverty Reduction, and Social Development, which is the Government's Interim Poverty Reduction Strategy (I-PRS).

<sup>3</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 1 April 2003.

<sup>4</sup> Secured financing means financing against movable property collateral like equipment, vehicles, shares, software, and other property that is not land.

<sup>5</sup> Although the Bangladesh credit market is still overdependent on bank credit (approximately 27% of gross domestic product [GDP] as of FY2002) as compared with nonbank credit (approximately 3% of GDP as of FY2002), there is substantial opportunity for growth of nonbank financial institutions as indicated by the increasing number registering under the Financial Institutions Act of 1993 and by the growth rate of leasing companies.

secured financing governance could materially promote economic growth and reduce poverty in Bangladesh.

4. The notion that a credible anticorruption strategy needs to address both the private and public sector is evident from ADB's Anticorruption Policy.<sup>6</sup> Consequently, the harnessing of private sector secured financing institutions into a partnership with public sector anticorruption efforts through the medium of secured financing anticorruption initiatives would be a critical component of an overall anticorruption strategy for Bangladesh that avoids a bias towards public sector anticorruption alone.

5. A reformed legal framework for secured financing could provide critical systemic impact to anticorruption in several important respects. For example, enabling secured creditors to statutorily trace movable property collateral that is converted into cash or other assets will foster the development of forensic accounting techniques. This would benchmark forensic accounting in public sector corruption prevention under legislation like the Anti Money Laundering Act enacted by Bangladesh in 2002.<sup>7</sup> Transparency of public registration and self-enforcement rather than relying on a congested public court system would drive private sector creditors and debtors away from nontransparent and corrupt methods of settlement of dues.

6. Promoting the sensitivity of secured financing institutions to corrupt transactions involving movable assets of clients through self-regulatory governance indicators based on governance surveys would make secured financing institutions more quickly responsive to initiatives to prevent public sector corruption, which may require speedy disclosure of bank accounts or freezing of accounts.

7. Apart from the economic and systemic impact of anticorruption initiatives through the secured financing sector, an effective strategy also needs to have an independent institutional focus for public sector anticorruption. The current Bureau of Anti Corruption has to seek permission from the Prime Minister's Office, often long delayed, for investigations and prosecutions. This potentially lends itself to politically motivated prosecution of corruption, which adversely affects the credibility of anticorruption efforts. Consequently, there is a need for design of a more credible institutional focus on public sector anticorruption that provides for integrity, independence, and effectiveness.

8. Finally, the development of a credible anticorruption strategy needs to focus in operational terms on prevention of corruption. The notion that prevention is better than cure reflects the emerging view on anticorruption.<sup>8</sup> The establishment, let alone operationalization, of an independent institutional focus takes time. In addition, the gradual development of effective, balanced corruption prevention will be time consuming in developing countries, which do not have long-established anticorruption commissions with a mature cooperative relationship between the public and private sectors on corruption prevention. Consequently, appropriate high level support for corruption prevention operations through balanced coordination of existing anticorruption agencies and sector-specific implementation in line ministries is critical.

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<sup>6</sup> ADB. 1998. *Anticorruption Policy*. Manila. Paragraph 1 states "...the linkage between public and private sector corruption is an area of particular concern for both developed and developing countries in the Asian and Pacific region."

<sup>7</sup> ADB. 2003. *Enhancing ADB's Role in Combating Money Laundering and Financing of Terrorism*. Manila. This was approved on 1 April 2003.

<sup>8</sup> ADB. 2000. *Combatting Corruption: Addressing Institutional Failure*, Annual Meeting of Board of Governors Seminar Report. Manila. This was published on 4 May 2000.

## THE TECHNICAL ASSISTANCE

### A. Purpose and Output

9. The objective of the TA is to support an integrated anticorruption strategy in Bangladesh through a combination of legal, registry, and private institutional anticorruption initiatives in the secured financing sector of private credit markets complemented by public sector anticorruption initiatives focused on institutional and corruption prevention operations.

### B. Methodology and Key Activities

10. The TA will comprise two parts. Part A will support secured financing sector anti corruption initiatives, and Part B will support public sector anticorruption initiatives.

11. The first component under Part A of the TA will entail assistance for legal reform on (i) consensus building for a modern legal framework for secured transactions, (ii) finalization of a new draft secured transactions law for Bangladesh,<sup>9</sup> and (iii) harmonization of a modern secured transactions regime with other laws.<sup>10</sup> Based on the foundation of a modern secured transactions law, this component will also support the development of the overall architecture for a transparent, electronic registration system.<sup>11</sup>

12. The second component under Part A will support institutional governance through governance surveys of a cross section of secured financing institutions. The governance surveys are designed to develop tailored governance indicators on rules, processes, and practices in core governance competencies for self-regulatory certification of secured financing institutions. Core governance competencies to be developed through governance surveys are integrity<sup>12</sup> and accountability.<sup>13</sup>

13. Finally, Part A will also support training and one study visit to a modern registry system for all the above-mentioned components of the TA. Such training will entail consultants, in consultation with the Ministry of Finance, designing and carrying out a comprehensive training program of workshops, seminars, and registry training sessions that encompass both the draft law and the prospective registration system. Training will target relevant government officials, lawyers, and other stakeholders.

14. The first component of Part B of the TA will support the establishment of an independent anticorruption commission (IACC). This will entail (i) consensus building on the nature, objectives, mandate, and structure of IACC; (ii) associated drafting of a statute, rules,

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<sup>9</sup> This includes review of a previous draft law prepared by the United States Agency for International Development (USAID) and others.

<sup>10</sup> These include laws relating to other existing movables registries, leasing companies, and debtor protection.

<sup>11</sup> Full development of a registry will be considered under future ADB financial sector projects in Bangladesh.

<sup>12</sup> The integrity component will include consideration of indicators on (i) integrity rules, such as codes of conduct, and codes of disciplinary procedure; (ii) integrity infrastructure, such as availability of specialist staff for an integrity unit, rules and procedures like hotlines, whistleblower programs, and integrity register actions; and (iii) integrity training with “train the trainers” models, case studies on potential breaches of codes, reporting obligations on breaches, and penalties for violations of codes.

<sup>13</sup> The accountability component will include consideration of indicators for accountability for different risks (credit risk, foreign exchange risk, asset/liability risk, and statute-based compliance risk like the Anti Money Laundering Act 2002) to owners, regulators, and customers in terms of (i) management of operations, (ii) data compilation and management, and (iii) allocation of human and other resources.

regulations, and procedures;<sup>14</sup> (iii) public dissemination and consultation with stakeholders on IACC, the law, rules, regulations, and procedures related to it and the ensuing anticorruption strategy of the Government; and (iv) formulation of the Government's anticorruption strategy.

15. The second component of Part B will support a national committee on corruption prevention (NCCP), which will (i) examine the need for changes to or improved enforcement of substantive laws, rules, and regulations;<sup>15</sup> (ii) facilitate a collective cross-verification by investigative and regulatory agencies that will enable more integrated and balanced prevention of corruption by the Government; and (iii) seek feedback from civil society and other stakeholders on the output of the proposed NCCP.

16. The third component of Part B will support prevention of institutional corruption in line ministries through governance audits,<sup>16</sup> which will result in indicators for implementing rules, regulations, procedures, and mechanisms<sup>17</sup> for corruption prevention in line ministries. Access to line ministries will be obtained as needed after consultation with NCCP.

17. Finally, Part B will also support preparation of training and capacity building for IACC, NCCP, and line ministry corruption prevention through (i) a train-the-trainers corruption prevention program; (ii) initial training, including through two external study visits in the region, for specialist skills required in line ministries for corruption prevention (such as monitoring and evaluation for forensic accounting and auditing, and administrative review); and (iii) time-bound phasing of activities for corruption prevention-related training programs with estimates of required resources and identification of possible sources for such resources.<sup>18</sup>

### **C. Cost and Financing**

18. The TA, estimated at \$1,187,500 equivalent, includes a foreign exchange cost of \$832,000 and \$355,500 equivalent in local currency cost. ADB will finance \$700,000 equivalent on a grant basis from ADB's TA funding program and will administer \$250,000 equivalent financed on a grant basis from the Governance Cooperation Fund. ADB will thereby finance the entire foreign exchange cost and \$118,000 equivalent of the local currency cost of the TA. The Government will provide a total of \$237,500 equivalent to finance part of the local currency cost to cover counterpart staff, office facilities, administrative support, and other expenses such as for in-country study facilitation. The detailed cost estimates and financing plan are in Appendix 2.

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<sup>14</sup> Draft rules, regulations, and procedures will include performance accountability, incentives structures, and a strategic plan. The Government has assigned the principal secretary, Prime Minister's Office and secretary, Finance the task of preparing a draft act for an IACC with the assistance of the Ministry of Law for introduction in the budget session in 2003.

<sup>15</sup> This will include considering statutory provisions on prohibition of benami transactions (those undertaken in someone else's name) and on effectiveness of asset freezing under Section 11(1) of the Anti Money Laundering Act 2002, and overriding of bank secrecy under Sections 4 and 5 of the Anti Money Laundering Act of 2002 and Section 113(f) of the Income Tax Ordinance of 1984.

<sup>16</sup> Reinikka and Svensson. 2003. *Survey Techniques to Measure and Explain Corruption*, World Bank Policy Research Working Paper 3071. Washington DC. This was published in June 2003. Governance audits will include public expenditure tracking surveys.

<sup>17</sup> This will include rules, regulations, and procedures on recruitment, administrative review mechanisms, and public expenditure tracking systems.

<sup>18</sup> Line ministries that actively participate in corruption prevention under the TA will be given preference for training opportunities.

## D. Implementation Arrangements

19. The Finance Division, Ministry of Finance (MOF) will be the Executing Agency for Part A of the TA. A senior official of the Finance Division will be designated as the project director for Part A. The Finance Division will need to assign counterpart staff to work closely with the Part A consultants. A steering committee will be established for this part of the TA, to be chaired by the secretary, Finance with representatives from the Ministry of Commerce, Ministry of Law, secured financing institutions, chambers of commerce, and other stakeholders. The steering committee will monitor and guide implementation of Part A of the TA; resolve issues that may arise in the process of executing the TA; be responsible for screening candidates for seminars, workshops, and training; and consider Part A TA consultant reports.

20. The Prime Minister's Office (PMO) will be the Executing Agency for Part B of the TA, and a senior level official will be the project director, with counterpart staff being assigned by the PMO to work with the Part B consultants. A steering committee will be established for this part of the TA, to be chaired by the principal secretary, PMO with representatives from the Comptroller and Auditor General, Ministry of Law, and anticorruption agencies, and invitees from line ministries who are actively participating in the program. The steering committee's responsibilities will include consideration of the reports of the Part B TA consultants, and monitoring and guiding implementation of Part B.

21. ADB will engage a team of individual consultants for Part A of the TA to provide consulting services for a total of 16 person-months. Consultants' input will comprise 12 person-months of international and 4 person-months of domestic consultants, consisting of (i) a secured transactions expert (legal) (international, 4 person-months); (ii) a secured transactions expert (registry) (international, 4 person-months); (iii) a secured financing governance expert (international, 4 person-months); and (iv) a legal expert (domestic, 4 person-months). ADB will also engage a firm of international consultants for Part B to provide consulting services. Input will comprise 17 person-months of international consultants and 15 person-months of domestic consultants consisting of (i) a team leader/governance audit expert (international, 6 person-months); (ii) a deputy team leader/forensic accounting expert (international, 6 person-months); (iii) an anti corruption commission legal expert (international, 5 person-months); (iv) an administrative review and legal expert (domestic, 5 person-months); (v) an accounting expert (domestic, 5 person-months); and (vi) a training expert (domestic, 5 person-months). All consultants will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants. The simplified technical proposal procedure and quality-based selection (QBS) will be used for Part B. QBS will be used because of the sensitivity of specialist skills required. Outline terms of reference are attached in Appendix 3. Equipment will be procured in accordance with ADB's *Guidelines for Procurement*. The TA is planned to commence in October 2003, and its expected completion date is May 2004, a period of 8 months.

### THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$250,000 to be financed on a grant basis by the Governance Cooperation Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$700,000 on a grant basis, to the Government of Bangladesh for Supporting Good Governance Initiatives, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risk
<p><b>Goal</b></p> <ul style="list-style-type: none"> <li>• Improvements in private credit markets anticorruption (secured financing sector):</li> </ul> <ul style="list-style-type: none"> <li>(i) Legal and registry framework reform for secured transactions</li> <li>(ii) Institutional governance for secured financing institutions</li> </ul>	<ul style="list-style-type: none"> <li>(i) Improved and varied access to credit</li> <li>(ii) Indicators for measuring improved self-regulation</li> <li>(iii) Indicators for measuring improved partnership for governance between private and public sectors by more sensitized and responsive private sector</li> </ul>	<ul style="list-style-type: none"> <li>(i) Tripartite review and interim reports after workshops</li> <li>(ii) Evaluation of participants in workshops and stakeholder response</li> <li>(iii) Steering committee</li> </ul>	<ul style="list-style-type: none"> <li>(i) Political commitment to enact changes required for legal and registry framework and commitment to implement governance survey benchmark indicators</li> <li>(ii) Issues related to creditors' self-enforcement rights in Bangladesh context</li> <li>(iii) Capacity to use secured financing governance framework, including transition issues from manual to electronic registry system</li> <li>(iv) Active participation of private sector personnel in private-public partnership to prevent corruption</li> </ul>
<ul style="list-style-type: none"> <li>• Improvements in public sector anticorruption:</li> </ul> <ul style="list-style-type: none"> <li>(i) More effective institutional focus for anticorruption</li> <li>(ii) Better coordinated, collective, balanced, and responsive prevention of corruption efforts</li> <li>(iii) Governance rules, regulations, procedures, and mechanisms and governance-oriented personnel within the line ministries</li> </ul>	<ul style="list-style-type: none"> <li>(i) Increased credibility in corruption prevention</li> <li>(ii) Increased confidence in new institutional framework on anticorruption</li> <li>(iii) Improved anticorruption, measured through governance audit indicators</li> </ul>	<ul style="list-style-type: none"> <li>(i) Government own reports to be reviewed by the public</li> <li>(ii) External monitoring reports and feedback from stakeholder consultations with NGOs/civil society</li> </ul>	<ul style="list-style-type: none"> <li>(i) Politicization of the process and priority accorded by Government</li> <li>(ii) Unwavering political will to tackle governance weaknesses and prevent corruption</li> <li>(iii) Active participation of officials in preventing corruption</li> <li>(iv) Active participation of civil society groups</li> </ul>

NGO = nongovernment organization

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risk
			(v) Responsive public sector partnership for private-public anticorruption
<p><b>Purpose</b></p> <ul style="list-style-type: none"> <li>• Improvements in private credit markets anti corruption (secured financing sector):</li> <li>(i) Enhanced access to credit through diversified formal financial sector and less dependence on formal bank credit, contributing to more dynamic, and competitive credit markets that are consequently less corruption prone</li> <li>(ii) Improved private sector development in terms of growth of nonbank creditors and their clients through a self-regulatory structure that contributes to good governance</li> <li>(iii) Enhanced responsiveness of private sector creditors and regulators to public sector anticorruption initiatives through governance indicators</li> </ul>	<ul style="list-style-type: none"> <li>(i) Submission of modern secured transactions law for enactment</li> <li>(ii) Submission of secured financing governance survey benchmark indicators for adoption by self-regulatory certification authority</li> </ul>	<ul style="list-style-type: none"> <li>(i) Tripartite review and interim reports after workshops</li> <li>(ii) Evaluation of participants in workshops and stakeholder response</li> <li>(iii) Steering committee</li> </ul>	<ul style="list-style-type: none"> <li>(i) Laws not developed in accordance with principles of modern secured transactions regime, or not enacted</li> <li>(ii) Architecture for modern registry not development in a user-effective fashion</li> <li>(iii) Insufficient understanding of new law, self-regulatory structure, and vested interests</li> </ul>
<ul style="list-style-type: none"> <li>• Improvements in public sector anticorruption:</li> <li>(i) Establishment of an IACC including structure, mandate, law, rules, regulations, and procedures</li> <li>(ii) Operationalization of corruption prevention focus in public sector through an NCCP</li> </ul>	<ul style="list-style-type: none"> <li>(i) Consensus on structure and mandate of IACC</li> <li>(ii) Submission of law for an IACC for enactment</li> </ul>	<ul style="list-style-type: none"> <li>(i) Tripartite review, interim reports, and steering committee</li> <li>(ii) Evaluation of participants in workshops and stakeholder consultation response</li> </ul>	<ul style="list-style-type: none"> <li>(i) No consensus reached on mandate and structure of IACC due to politicized environment</li> </ul>

IACC = independent anticorruption commission  
NCCP = national committee on corruption prevention

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risk
<p>(iii) Strengthening implementation of corruption prevention through governance audits of selected line ministries</p>	<p>(iii) Submission of procedures, rules, and regulations for IACC</p> <p>(iv) Submission of anticorruption strategy for adoption by the Government</p> <p>(v) Submission of governance audit results and indicators for rules, regulations, and administrative review mechanisms for line ministry corruption prevention</p> <p>(vi) Incidence of corrupt acts reduced over the medium to long term</p>		<p>(ii) Laws/rules/regulations/procedures/mechanisms/strategy not developed in accordance with comparative analysis of best practice, or not enacted/issued</p> <p>(iii) Active participation of civil society groups</p> <p>(iv) Active participation of government officials</p>
<p><b>Outputs</b></p> <ul style="list-style-type: none"> <li>• Improvements in private credit markets anticorruption (secured financing sector):</li> </ul> <p>(i) New secured transactions law, evaluation and consensus building workshops, simulated modern registry system, capacity building workshops, training, and public awareness program</p> <p>(ii) Governance survey benchmark indicators</p>	<p>(i) Reports of workshops, training, and public awareness programs, and tripartite review contributing to a modern, transparent secured transactions legal regime that establishes a platform for a modern, transparent registry</p>	<p>(i) Tripartite review and interim reports after workshops</p> <p>(ii) Evaluation of participants in workshops and stakeholder response</p>	<p>(i) Effective utilization of workshops and training to enable laws to be developed in accordance with principles of modern secured transactions regime, or no enactment of such law</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risk
(iii) Training and capacity building of participants in new secured financing governance regime	(ii) Governance survey benchmark indicators for secured financing institutions	(iii) Steering committee	(ii) Architecture for modern registry not developed in user-effective fashion  (iii) Insufficient understanding of new legal regime/modern registry/governance survey indicators/vested interests  (iv) Lack of commitment to self-regulation
<ul style="list-style-type: none"> <li>• Improvements in public sector anticorruption:</li> <li>(i) Consensus on nature, objectives, mandate, and structure of IACC</li> <li>(ii) Comparative analysis and review of international laws and practices related to independent anticorruption commissions as tailored to Bangladesh for establishing institutional design and law, regulations, rules, and procedures of IACC in Bangladesh</li> <li>(iii) Operationalization of collective, balanced and cross-verified corruption prevention by Government under the aegis of NCCP</li> <li>(iv) Governance audit-based indicators for line ministries</li> <li>(v) Training and capacity building on corruption prevention and an assessment of future training needs</li> </ul>	<ul style="list-style-type: none"> <li>(i) Reports for public review and participation processes developed and implemented on public consultation on mandate and structure of IACC</li> <li>(ii) Reports of workshops considered in country analysis and external good practices and lessons learned on IACC</li> <li>(iii) Law, regulations, rules, and procedures of IACC and anticorruption strategy of the Government</li> </ul>	<ul style="list-style-type: none"> <li>(i) Tripartite review and interim reports after workshops</li> <li>(ii) Steering committee</li> </ul>	<ul style="list-style-type: none"> <li>(i) Effective supervision of steering committee and other monitoring mechanisms</li> <li>(ii) Effective utilization of workshops and training</li> <li>(iii) Active participation of government officials and civil society groups</li> <li>(iv) Leadership and human resources of IACC and NCCP</li> </ul>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risk
	(iv) Reports of workshops considering NCCP recommendations and governance audit indicators recommendations for laws, rules, regulations, procedures, and mechanisms for line ministries		
<b>Inputs</b> <ul style="list-style-type: none"> <li>• \$950,000 (TA resources)</li> <li>• International consultants (29 person-months)</li> <li>• Domestic consultants (19 person-months)</li> <li>• Counterpart staff</li> <li>• Local workshops/ Training (\$6,000 TA resource)</li> <li>• Equipment (\$5,400 TA resource)</li> <li>• External training (\$32,200 TA resource)</li> </ul>		<ul style="list-style-type: none"> <li>(i) TA implementation reports</li> <li>(ii) Project accounts</li> <li>(iii) NGO/civil society reviews</li> </ul>	<ul style="list-style-type: none"> <li>(i) Effective consultants</li> <li>(ii) Effective counterpart staff and support</li> <li>(iii) Full participation of civil society/stakeholder groups</li> </ul>

**COST ESTIMATES AND FINANCING PLAN**  
**(\$'000)**

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration			
i. International Consultants	568.5	0.0	568.5
ii. Domestic Consultants	0.0	57.0	57.0
b. Per Diem			
i. International Consultants	138.4	0.0	138.4
ii. Domestic Consultants	0.0	0.0	0.0
c. Travel: International Consultants	39.5	0.0	39.5
2. Communications, Reports, and Documents	3.0	0.0	3.0
3. Workshops			
a. Local Workshops/Seminars	0.0	6.0	6.0
b. External Training	32.2	0.0	32.2
4. Contract Negotiation	5.0	0.0	5.0
5. Equipment	5.4	0.0	5.4
6. Contingencies	40.0	55.0	95.0
<b>Subtotal (A)</b>	<b>832.0</b>	<b>118.0</b>	<b>950.0</b>
<b>B. Government Financing</b>			
1. Local Counterpart Staff	0.0	90.0	90.0
2. Office Accommodation and Facilities	0.0	90.0	90.0
3. Administrative and Other Expenses	0.0	57.5	57.5
<b>Subtotal (B)</b>	<b>0.0</b>	<b>237.5</b>	<b>237.5</b>
<b>Total</b>	<b>832.0</b>	<b>355.5</b>	<b>1,187.5</b>

<sup>a</sup> Financed by ADB's TA funding program and the Governance Cooperation Fund.  
Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. International Consultants (Part A)

#### 1. Secured Transactions Expert (Legal) (4 person-months)

##### 1. The expert will

- (i) review current laws, regulations, and practices relating to secured transactions in Bangladesh and identify major gaps;
- (ii) consult with stakeholders in assessing the impediments faced in potential secured transactions;
- (iii) assist the Ministry of Finance (MOF) in undertaking consensus building workshops with public and private interest groups;
- (iv) assist MOF in undertaking an evaluation workshop after the conclusion of a secured transactions legal and registry systems study visit;
- (v) provide MOF with a timely final draft secured transactions law tailored for Bangladesh, taking into account (a) experience from other countries and legal jurisdictions that have undertaken such reform; (b) relevant ADB, Bangladeshi, and other reports; and (c) the consensus building workshops and evaluation workshops; and
- (vi) in coordination with the training expert, identify training and information dissemination needs for putting into practice a modern secured transactions regime; assist in the preparation of training materials; and undertake train-the-trainers and actual training.

#### 2. Secured Transactions Expert (Registry) (4 person-months)

##### 2. The expert will

- (i) review the performance of other electronic registration systems in Bangladesh to assess technical, technological, consumer acceptance, maintenance, and other logistical barriers to their effective functioning and utilization;
- (ii) consult with secured transactions stakeholders in assessing impediments for potential secured transactions;
- (iii) in coordination with the secured transactions expert (legal), assist MOF in undertaking consensus building workshops with public and private interest groups;
- (iv) in coordination with the secured transactions expert (legal), assist MOF in undertaking an evaluation workshop after the secured transactions legal and registry systems study visit;

- (v) in coordination with the training expert, build capacity through simulated registry system workshops; and
- (vi) in coordination with the training expert, identify training and information dissemination needs, prepare manuals and other appropriate training materials, conduct demonstration training sessions, and certify a core group of trainers as competent to discharge the required training to others.

**3. Secured Financing Governance Expert (4 person-months)**

3. The expert will

- (i) review past efforts at curbing corruption in Bangladesh in the secured financing sector;
- (ii) undertake governance surveys of secured financing institutions;
- (iii) review and apply experiences of other countries, institutions, laws, rules, regulations, procedures, and practices in effectively curbing corruption in secured financing; and identify lessons and best practices that may be particularly germane to Bangladesh;
- (iv) develop governance survey-based benchmark indicators for secured financing institutions for self-regulatory certification;
- (v) be responsible for delivery of an integrated plan for anticorruption in the secured financing sector of private credit markets, leading to (a) a modern enabling legal and registry framework for secured financing, (b) governance survey indicators for self regulatory certification, and (c) a training program; and
- (vi) be responsible for submission to the MOF and the steering committee for Part A of the technical assistance (TA) and to the Asian Development Bank (ADB) of (i) an inception report within 4 weeks of the start of consulting services, including a time-bound work plan for TA implementation; (ii) an interim report within 2 months of the start of consulting services; (iii) a draft final report 1 month before the end of consulting services; and (iv) a final report within 1 month of a tripartite meeting.

**B. International Consultants (Part B)**

**1. Team Leader/Governance Audit Expert (6 person-months)**

4. The expert will:

- (i) review past efforts at curbing public sector corruption in Bangladesh;
- (ii) review and apply experiences of other countries, institutions, laws, rules, regulations, procedures, and practices of other countries relevant in effectively curbing corruption in government;

- (iii) be responsible for delivery of an integrated plan for corruption prevention in the public sector leading to (a) an enabling institutional framework for corruption prevention (an independent anticorruption commission [IACC] law, rules, regulations, and procedures); (b) an operational focus on corruption prevention through a national committee on corruption prevention (NCCP); (c) establishment of corruption prevention rules, regulations, procedures, and mechanisms in line ministries in Bangladesh; and (d) a training program for operationalization of corruption prevention by NCCP and for line ministries in Bangladesh based on identification of specific training needs and other essential inputs;
- (iv) lead the governance audit of public sector line ministries, including public expenditure tracking systems and service provider surveys; and
- (v) be responsible for submission to the Prime Minister's Office (PMO), the steering committee for Part B of the TA, and ADB of (i) an inception report within 4 weeks of the start of consulting services, including a time-bound work plan for TA implementation; (ii) an interim report within 4 months of the start of consulting services; (iii) a draft final report 1 month before the end of consulting services; and (iv) a final report within 1 month of a tripartite meeting.

**2. Deputy Team Leader/Forensic Accounting Expert (6 person-months)**

5. The expert will

- (i) review past efforts at curbing public sector corruption;
- (ii) review and apply experiences, institutions, laws, regulations, procedures, and practices of other countries relevant in effectively curbing corruption;
- (iii) contribute to governance audits of line ministries using forensic accounting techniques for development of improved corruption prevention rules, regulations, procedures, and mechanisms for line ministries and consensus building with line ministries for establishing acceptability of indicators for corruption prevention rules, regulations, procedures, and mechanisms;
- (iv) devise means of improving current regulatory and investigative techniques on corruption prevention on behalf of NCCP; and
- (v) in close consultation with the training expert, develop modules/manuals/curricula/initial training in the training programs for Part B (corruption prevention for line ministries and NCCP) using forensic accounting case studies.

**3. Anticorruption Commission Legal Expert (5 person-months)**

6. The expert will

- (i) review current anti corruption laws, regulations, rules, and mechanisms in Bangladesh and identify any major gaps for prevention of corruption;

- (ii) assist the PMO in organizing consensus-building workshops with stakeholders in the professions and civil society on the nature and objectives of an IACC and NCCP;
- (iii) assist the PMO in undertaking an evaluation workshop at the conclusion of a study visit on public sector anticorruption;
- (iv) provide the PMO with a timely draft law, regulations, rules, and procedures on the IACC; draft statutory amendments and governance audit-based laws, rules, regulations, and procedures for corruption prevention, including administrative review; and draft anticorruption strategy; and
- (v) provide training materials, modules, train-the-trainers sessions, and actual training on the IACC and corruption prevention operations.

**C. Domestic Consultant (Part A): Legal Expert (4 person-months)**

7. The expert will

- (i) in collaboration with the secured transactions expert (legal), assist in (a) review and amendment of existing laws pertinent to secured transactions, and identification of any constitutional/existing statutory impediments; and (b) consensus building;
- (ii) in collaboration with the secured financing governance expert, assist in (a) the review and amendment of existing laws, rules, and regulations on the integrity program and accountability in governance surveys of secured financing institutions; and (b) consensus building, evaluation, and training regarding the new integrity and accountability program for secured financing institutions;
- (iii) in collaboration with the secured financing governance expert, assist in the review and amendment of existing laws, rules, and regulations on accounting, tax, and disclosure issues that constrain accountability in secured financing institutions; and
- (iv) coordinate with all international experts on providing the required administrative and secretariat support in the conduct of local training programs, presentation materials, and preparation and processing of feedback and evaluation forms for Part A of the TA.

**D. Domestic Consultants (Part B)**

**1. Administrative Review and Legal Expert (5 person-months)**

8. The expert will

- (i) in collaboration with the anticorruption commission legal expert, assist in (a) the review and amendment of existing laws, rules, and regulations pertaining to the establishment of the IACC; line ministry corruption prevention, and the NCCP; (b) review of any constitutional/existing statutory impediments to such establishment; and (c) consensus building, evaluation and training; and

- (ii) in collaboration with the team leader and deputy team leader, assist in (a) the development of new laws, rules, and regulations for the integrity program and accountability; and (b) consensus building, evaluation, and training regarding the new integrity program and accountability.

**2. Accounting Expert (5 person-months)**

9. The expert will in collaboration with the anticorruption commission legal expert and deputy team leader, assist in (i) the review and amendment of existing accounting, tax and disclosure-related rules, regulations and laws that constrain corruption prevention; and (ii) consensus building, evaluation and training.

**3. Training Expert (5 person-months)**

10. The expert will

- (i) assist in training and coordinating all training programs under Part B of the TA;
- (ii) coordinate with all international and domestic experts on the workshops and training content and organization for Part B of the TA; and
- (iii) provide the required administrative and secretariat support for the conduct of the training programs, presentation materials, and preparation and processing of feedback and evaluation forms for Part B of the TA.