



LAO PEOPLE'S DEMOCRATIC REPUBLIC  
Peace Independence Democracy Unity and Prosperity

## Terms of Reference

Job Title:	Consultancy services to support the preparation and implementation of a Financial Management Information System (FMIS)
Project Title:	Enhancing Public Finance Management Through Information and Communication Technology and Skills (E-FITS) Project (P167534); and Public Finance Management Reform Project (P167661)
Contracting Authority:	Project Implementation Unit, Department of Fiscal Policy and Law Ministry of Finance
Location:	Ministry of Finance, Vientiane Capital, Lao PDR.
Consultancy Duration:	At least 4 years (approx. from April 2019 until new FMIS is fully functional)

### A. Background

1. The Government of Lao PDR (GoL) is strengthening the management of its public finances through establishing guiding principles and policies for improved public finance management (PFM). As part of its objective to strengthen the management of its public finances, the Ministry of Finance has prepared a comprehensive Public Finance Management Development Strategy to 2025 to improve policy consistency, efficiency, transparency and accountability in public expenditure and revenue management by strengthening institutional systems and capacity, as well as making progress towards meeting appropriate international financial management standards. The Strategy foresees the use of ICT tools as an underlying support framework for the improvement of their PFM reforms, mainly through the implementation of a Financial Management Information System (FMIS).

2. The GoL has requested a US\$20 million credit from the World Bank to implement the Enhancing Public Finance Management through ICT and Skills Project, to support the implementation of MoF's Public Finance Management Development Strategy to 2025. This credit foresees also the financing of a new commercial-of- the-shelf (COTS) FMIS.

3. In addition, the GoL has received a EUR 1.5 million grant from World Bank, funded by the European Union to support in the implementation of the strategy by improving the legal framework and institutional capacity for budget preparation and execution, revenue management, and public procurement.

4. The Project Implementation Unit (PIU) was established in December 2018. Under the oversight of the MoF's PFM Reform Secretariat, the PIU will be responsible for the implementation of the E-FITS Project (P167534) and the PFM Reform Grant (P167661). The PIU will be the central executing agency,

responsible for overall implementation monitoring, fiduciary oversight, and provision of technical, procurement, and financial management support to MoF implementing departments responsible for the technical implementation of project/grant components.

5. Currently, the Government operates a GFIS (Government Financial Information System), which is a basic locally developed application to assist in the processing of government payment and receipt transactions. The system operates under a centralized architecture on a central server operating under Linux (Redhat-5). The enhanced application software operates on an Oracle 10g data base management system and is built with Power Builder (11). The system uses a client-server architecture.

6. All line ministries at the center of government and the provinces have access to GFIS for transaction processing. A total of about 40+ line ministries and central agencies are connected to the system at the center. This includes the Budget department, the Treasury and other departments of the MOF. Some departments in MOF have yet to be connected to GFIS and their connection would enhance their capacity to fulfil their responsibilities (e.g. State Assets, Internal Audit, and Procurement Monitoring Office – PrMO). All provincial and Vientiane Capital treasuries are also connected to GFIS over a wide area network. All 9 districts of the Vientiane Capital and key 2<sup>nd</sup>-tier budget units of the Ministries of Educations and Sports and Public Health are connected directly. Districts in other provinces are not connected. However, transactions from districts in 4 provinces are entered into the system by the respective provincial treasuries.

7. The current GFIS has been implemented at central and provincial levels of Government. This is currently a cash-only recording solution that captures all cash transactions of the Government throughout the described structures. The current solution does generate payments, either as electronic instructions for bank transfers through bilateral connections between the National Treasury and some commercial banks for limited scale cash withdrawals (Smart Cash), or through paper instructions for banks to make direct transfer to recipient bank account. Funds transfers for payroll payment are made through RTGS terminal in the National Treasury, while GFIS payment instruction is not transferred electronically. As Laos's banking infrastructure is improving and the implementation of an Automated Clearing House (ACH) housed at the Bank of Lao PDR is planned to be in place before the implementation of a new FMIS. Even without this project, banking in Laos is being enhanced through natural increases in service level demands and the introduction of new banks bring modern communications and banking facilities into the Laotian market. The Requirements must identify as much of the potential payment instruction requirements to ensure the selected FMIS solution permits the maximum flexibility in this and other regards. In developing the technical Requirements, the selected Consultant must clearly identify between current requirements and future desirable developments. It is also required that the selected Consultant should identify the planned direction of national banking infrastructure developments as part of describing the future functional requirements of the FMIS/TIMS solution. The integration with the National Payment System rules and requirements will require close coordination with the BOL.

8. The Chart of Accounts structure is currently being updated for compatibility with IMF GFSM 2014 and to comply with IPSAS cash accounting standards as well as having the flexibility to permit possible future moves toward partial and full accrual accounting and other alternative views of data more focused on planning, management and control features reflecting the Government's reform agenda. The Chart of Accounts should enable recording the budgets and controlling the expenditure against these budgets for budget units in the Center, provinces, districts, and villages. It should enable reporting on the government revenues, expenditure, the stocks and flows of assets and liabilities. It should allow capturing the geographic information as well as ensure the custody of donor funds segregated from the general or special purpose government funds.

9. The GFIS currently captures some accrual information on debtors and creditors but, because of the heavy reliance on paper documents used in MOF as the basis of transaction approval and recording, the timing of capture of this accrual information is not optimal. GFIS does not capture commitment information but does use the point of recognition of creditors to validate both budget and cash allocations.

10. The communications infrastructure in Laos is undergoing continual improvement and development and will continue to do so. The Ministry of Finance has prepared an Information Communication and Technology (ICT) Strategy to improve its use of modern ICT tools. This Strategy will be made available to the selected consultants to include information from the ICT Strategy on the current and planned ICT platform and systems structure as part of the Draft bidding documents.

### ***Report on Business processes***

11. In 2012, a conceptual design for a full functionality Treasury Information Management System (TIMS) to be located in the Ministry of Finance (MoF) was prepared to identify major functional components for such a system to meet the functional requirements of the treasury, determine to what levels of government and agencies TIMS would be deployed to and what would be the accounting basis for the system. The TIMS system design included a) detailed functional requirements; b) technical requirements, translating the functional requirements into the IT hardware, software and implementation services necessary to deliver these functions; c) mapping and proposed re-engineering of treasury processes; d) a "gap assessment", comparing the current and future environment, drawing on a detailed situation analysis of the current IT environment, institutional environment, management processes and capabilities for public financial management; e) training needs assessment and a change management strategy; f) an estimated costing for the FMIS/TIMS solution, including communications networks, hardware, software, implementation services, training and change management services.

12. The implementation of a new system in 2012 did not materialize and consequently, a report to update the 2012 Report and to reflect policy changes in business processes that had taken place since 2012 was prepared in 2017. This report reflects the revision of the State Budget Law that provides the legal basis for financial management, budget classification structure and accounts classification, the institutional arrangements for banking government funds and processing expenditure and receipt transactions.

13. The Update 2017 is a report that lays out the changes in the mapping of financial transactions, from budget, transaction processing and payment, banking to reporting across central, line Ministries, Government Offices and all provinces in Laos taking into consideration policy and other changes that occurred since 2012. It also proposes further improvements to the processes established in the 2012 Report. Consequently, draft technical specifications for the new FMIS were prepared. The solution sought for Laos will cover all practicable financial transactions within Laos's central and provincial governments. These transactions include all transfers to District levels and also project expenditure where these projects are funded from central, provincial or donor sources.

### **B. Objectives**

14. To support the MoF's PFM reform agenda, proposals are requested according to these Terms of Reference (ToR) to provide consultancy services with the objective to finalize the technical requirements and to prepare the bidding documents for a COTS financial system-supported solution (to be financed by a World Bank credit), and to provide support to the Lao PDR's Ministry of Finance in the selection of a company to provide the afore-mentioned COTS solution, and in the supervision of the awarded contract.

15. In the context of these ToRs, the term “FMIS” includes all of the following items:

- The application or applications required to address the functional needs of all appropriate levels of the Lao Government structure and Ministries and 18 Provinces (where appropriate) as well as the Districts. Where applications rather than a single product are required all products must be integrated;
- The hardware required to host the applications software in appropriate locations in Laos;
- Networks required to complement the existing and planned networking capability of the Government, within the limits of existing communications networks;
- Communications software and equipment required to ensure the new applications are able to operate on the existing and planned networks of Laos;
- Database management systems and operating systems appropriate to the management and storage of the applications and data; and
- Data storage and management requirements for all locations in which the solutions will operate.

16. Objectives of the Government of Lao PDR include achieving improvement of financial management in line with best international practices, including the use of modern fit-for-purpose applications, compliance with all suitable and applicable internationally recognized accounting, auditing and reporting standards (including the International Monetary Fund’s Government Financial Statistics Manual (GFSM 2014) methodology and the International Public Sector Accounting Standards (IPSAS)), strengthening their ability to consolidate, analyze and report core fiscal data and creating a reliable basis for enhanced fiscal transparency and accountability.

17. In this context, Financial Management includes budget development for the National Budget process and for all levels of Lao Government structures, accounting on a cash basis for all transactions of the Lao Government and its administrative structure and the capture of some basic accrual information (such as Debtors and Creditors) leading in time to the possible transition to comprehensive accrual budgeting and accounting. The development of full accruals will be constrained because of the limited existing capacity and are unlikely to be introduced for a number of years. The emphasis at this stage is on cash basis accounting for recording budget transactions and reporting on budget execution.

18. Systems support currently provided within the government sector in Laos is cash based, simple and basic, with fragmented systems developed in house. Current enhancement plans for these internally developed systems attempt to mirror the reforms of Government and address some identified deficiencies in those systems.

### **C. Tasks and deliverables**

19. The Consultancy, in addition to providing timely advice of implementation of the FMIS, is expected to deliver 4 main products, which are closely interlinked. The first Deliverable is to support the Ministry of Finance in the finalization of the Technical Requirements and draft technical specifications, the second will be assistance in the preparation of the bidding documents for an international competitive bidding process. The third deliverable would be to support the Ministry of Finance during the selection stage of the bidding process of the providers for the FMIS, and fourth, in the supervision of the awarded contract.

## **Scope of Deliverable 1 (“As is” GFIS recommendations and the “to be” FMIS Final Technical Requirements)**

20. Deliverable 1 will include 2 reports. Firstly, a review of the “as is” GFIS including recommendations for the transition period from GFIS to FMIS bearing in mind that the expected period will be a minimum of 4 years. Secondly, based on the existing draft Requirements, the Consultant will finalize the Technical Requirements for FMIS.

21. The first report will be a full description of the “as is” GFIS, including a detailed description of the existing hardware and infrastructure. This should include a description of the current interfaces with other software.

22. Bearing in mind that the existing GFIS will be expected to be in production for at least another 3 years, the consultant should make recommendations for this transition period from the “as is” GFIS to the future FMIS. This should include any investments that might be necessary from GFIS the remain fully operational during this transition period.

23. Any investments recommended should take into account future requirements and repurposing of existing hardware and software. The recommendation has to support the expansion of related systems and interface (e.g. TaxRIS, ASYCUDA, ACH ...) in the future. It should also include the design of data recovery system and site, monitoring and security systems, in which advanced technology such as cloud computing should be considered.

24. The second report is to support the Ministry of Finance in the finalization of the technical requirements and specifications for a new Financial Management Information System with the objective that those will form an integral part of the Bidding Documents.

25. This report aims to provide support to and work closely with the Ministry of Finance’s Institute for Financial Information Development (IFID), Fiscal Policy and Law Department (FPLD), Accounting Department (AD), the National Treasury (NT), and the Budget Department (BD). These departments are tasked to oversee the preparation and implementation of a new FMIS.

26. The technical requirements should include sections on Computing Hardware Specifications, Network and Communications Specifications, Software Specifications, System Management, Administration and Security Specifications, Business Continuity Plan (supporting the design of data recovery system) and Service Specifications, including end user training and training for maintenance.

27. In addition, the requirements will include extension to detailed transaction capture at the district and commune level, which currently is recorded at Province, is envisaged to be facilitated through a web-based solution with appropriate security level to be hosted through internet and appropriate performance optimization to be used with limited internet bandwidth in Lao regional Treasury offices. Similarly, this application should also facilitate the cash transactions of all Ministries and their Spending Units through the Ministry structure and attached service providers (including hospitals, schools etc.). The hardware will be located in the offices of the Ministry of Finance in Vientiane and is expected to be a single central installation of the system, with communications reliant on a country-wide network. This will allow connection from all 40-odd Ministries and Offices in Vientiane, the Vientiane Capital and the 17 country-wide Provinces, and the connection of district level of the National Treasury and Budget Department and spending units at all levels through a web-based application.

28. Access to the FMIS solution by the User community must be discussed and determined during the consultancy to ensure access and access control to the system and its information is clearly documented and accords with the philosophy of the Government and the needs of users and User structures.

29. It will also be a requirement of the selected consultants to determine and document any data migration requirements to the FMIS solution. As data migration is often at the root of system failures, the requirements must outline the expectation of both the MoF and the eventual Vendor, so that responsibilities are clear from the outset, and properly transferred to the technical specifications and bidding documents.

30. To conduct this assignment, the Consultants must be prepared to organize and deliver a number of training workshops, to be held in Vientiane to familiarize key government officials at central and provincial level with the proposed Requirements. The developments of GFIS have largely been entirely the responsibility of the Ministry of Finance's Institute for Financial Information Development (IFID) with limited active involvement of other areas of Government (until recently) in system design and enhancement.

31. The draft technical requirements and technical specifications are expected to be presented to the Ministry of Finance and to include comments from MoF before submitting a final version.

#### **Scope of Deliverable 2 (Bidding Documents)**

32. Based on the approved Deliverable 1, the output of Deliverable 2 is to support the Ministry of Finance in the preparation of Bidding Documents for the procurement process to select the provider to implement the new FMIS. As the FMIS will be financed through a requested World Bank Credit, the World Bank Procurement Regulations for IPF Borrowers<sup>1</sup> and its standard bidding documents for Information Systems will be used. This deliverable aims to provide support to and work closely with the Ministry of Finance's Project Implementation Unit (PIU), the Unit Department tasked to oversee the preparation and implementation of a new FMIS and the relevant technical departments within FMIS.

33. Due to the complex nature of procuring a new FMIS and in order to avoid deviations from the Borrower's specifications, multi stage bidding procedure is envisaged starting with an Initial Selection of Applicants. The aim of this stage will be to identify a selected (between 3 and 5) number of applicants that will be invited to prepare full proposals for the FMIS. Following the Initial Selection, the selected applicants will be requested to provide their proposals. This will be either a single or two stage process. In the case of two stage process, in the first stage, un-priced technical proposals on the basis of a conceptual design or performance specifications are invited, subject to technical as well as commercial clarifications and adjustments, to be followed by amended bidding documents and the submission of final technical and priced bids in the second stage. In either case, the bidding will follow a two-envelope system and during the technical stage there will be demonstration-based test scenarios.

34. Deliverable 2 consists of the following outputs:

- i. Preparation of an Initial Selection Document to enable MoF select the 3-5 applicants to whom the RFP will be issued. The resulting contract will be a single responsibility contract;

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<sup>1</sup> Following the new procurement framework and regulations for Projects after July 1, 2016; for more information see: <http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework>

- ii. Preparation of with the RFP following World Bank Standard Bidding Document for Information Systems (either single or two stage) format for the procurement process. Technical Specifications should include requirements for the functionality needed in provincial and district level to be developed as web applications with full HTML5 support with appropriate security level to be hosted through internet and appropriate performance optimization to be used with limited internet bandwidth in Lao regional Treasury offices and spending units. They must also address the required outputs from the system, including the controls, data security, reporting, and performance measures appropriate to a financial system. The specifications should consider the planned changes of the public finance management reform process of the Lao Government, as defined in Deliverable 1. Technical specifications must include identification of all required hardware and software, IT architecture, data storage; and multi-language support.
  - iii. develop an estimated costing for the FMIS solution that includes any required communications network investments, hardware, software, implementation services, training and ongoing maintenance and support under contract to the successful provider of the FMIS solution.
  - iv. Development of Bidding Documents (RFB) for end user devices that will be based on a survey finalized by the Consultant of the hardware needs of all identified users;
35. The Draft bidding documents must include sufficiently documented User Requirements to allow Respondents to the Request for Proposals to frame tenders that are fully appropriate to the nature and extent of the FMIS solution. In framing the Draft bidding documents (both Stages), the Consultant must structure the Draft in accordance with World Bank Procurement Regulations for Borrowers and must identify:
- Scope of FMIS coverage
  - Data storage requirements and data transmission between sites
  - Tendering requirements and conditions
  - Deliverables demanded of the Bidders
  - Scope of solution and implementation services
  - Interoperability of the new FMIS with existing government systems
  - Support requirements
  - ICT compliance requirements
  - Knowledge transfer needs and requirements
  - Evaluation criteria as a sufficiently detailed structure to permit bidders to understand the relative importance of the requirements
  - Contractual arrangements and obligations

36. The draft bidding documents are expected to be presented to the Government of Laos and to include comments in the draft before submitting a final version.

**Scope of Deliverable 3 (Support during the Bidding Process)**

37. The third deliverable is to assist the Project Team of the Ministry of Finance’s PIU in the Bidding processes including technical support to the evaluation and preparation of the Bid Evaluation reports. Ensuring good governance in the evaluation process. This will include to assistance to the Government throughout the different stages of the procurement process, including the initial selection of bidders and a single or two stage (2 envelope) selection process, including demonstrations of test scenarios.

38. The consultants are requested to cover the following tasks:
- i. Support to the Ministry of Finance in the initial selection of bidders, including the definition of selection criteria and the preparation of a report on the selection of bidders.
  - ii. Support to the Ministry of Finance in a single or two stage, two envelope process for the final selection of the FMIS provider. The first envelope would involve a technical proposal, including a demo of test scenarios by the selected bidders. The consultants would support MoF in the definition of selection criteria and in the evaluation of the technical proposals, in accordance with the approved bidding documents and World Bank Regulation for Borrowers.
  - iii. Support to the Ministry of Finance in the preparation of an evaluation report for the technical evaluation.
  - iv. Evaluation support to the Ministry of Finance of the financial proposals (2<sup>nd</sup> envelope), in accordance with the approved bidding documents and World Bank Regulations for Borrowers.
  - v. Support to the Ministry of Finance in the preparation of a final evaluation report.
  - vi. Assist MoF in contract finalization;

#### **Scope of Deliverable 4 (Support in the contract supervision)**

39. The fourth deliverable is to assist the Project Team of the Ministry of Finance's PIU and the relevant technical departments in the supervision of the contract, and contract management. Specifically, on the assessment of the technical quality and appropriateness of the vendor deliverables to be provided by the selected FMIS supplier, including all stages of implementation and testing.

#### **D. Consulting Firm Qualifications**

40. This assignment requires services of a firm with expertise in Public Financial Management (PFM), design of information systems to support government financial management, business processes re-engineering, experience in the design and procurement of financial management information systems (FMIS) and e-payment systems and their interfaces with banking and other applications, and ICT Expertise. The firm is free to propose the best team composition but would need to fulfill the following minimum qualification criteria:

41. The firm should have at least 7 years of recent working experience in the field of design and procurement of FMIS and at least one successful implementation of an operational FMIS or FMIS in the public sector (government) operating simultaneously at various levels of government.

##### **1. Team Leader**

- Master's in Public Policy or MBA or other related disciplines **with** demonstrated experience in Public Finance or related fields
- At least 7 years' experience in managing teams. Minimum 10 years of professional experience in information systems consultancy services in corporate or public sector. Expertise in contract

management of large public sector ICT projects especially in the field of public financial management systems is essential.

- Extensive skills and knowledge of international public sector standards and control frameworks will be essential, and Information systems certifications such as IT Service Management (ITSM[1]) will be an added advantage.

## **2. PFM Specialist**

- At least Master's in Public Finance or Accounting or related field.
- Minimum 7 years of professional experience in public finance. Extensive experience in at least five years of consulting experience with hands-on experience of FMIS implementation or supervision. Expertise in managing large public sector ICT projects especially in the field of public financial management systems will be an advantage.
- Extensive skills and knowledge of international public sector standards and control frameworks in Public Finance will be essential.

## **3. IT Expert**

- At least Master's in IT Engineering or Computer Science or other IT related disciplines.
- At least five years of consulting experience in similar assignments in corporate or public sector including developing financial systems technical specifications, validating blueprints etc. Good understanding of public finance business processes and expertise in integration of various sub-systems.
- Strong skills and knowledge of international standards, practices and control frameworks in Public Finance will be essential.
- Should possess certifications such as - Certified Information Systems Security Professional (CISSP), Certified Information Systems Manager (CISM), Certified Information System Auditor (CISA), or Certified Ethical Hacker (CEH).

## **4. Procurement Expert**

- At least Bachelor degree in procurement, engineering, business administration or relevant disciplines,
- Minimum 10 years of specific experience in procurement and contract management of national scale public financial management systems projects;
- Has participated in preparation of bidding documents and bid evaluation for at least two (2) public financial management system projects with similar nature and complexity
- Sound knowledge and successful practical application of Multilateral Development Bank procurement rules and procedures, preferably the World Bank's Procurement Guidelines/Regulations

## **E. Payment Arrangements**

42. Payment for the consultancy services is planned as below. However, further detail of payment arrangements, including deliverable timeframe will be defined in the contract.

1. For Deliverable 1 and 2, consulting fees will be financed from the Public Finance Management Reform Project (P167661)
2. For Deliverable 3 and 4, consulting fees will be financed the Enhancing Public Finance Management Through Information and Communication Technology and Skills (E-FITS) Project (P167534)

## **F. Institutional and Reporting Requirements**

43. The selected firm will work closely with the PIU, the Unit Departments tasked to oversee the preparation and implementation of a new FMIS and the relevant technical departments within FMIS. However, for effective implementation a technical detailed work plan should be discussed between the firm and relevant technical departments and agreed by the PIU.

44. Report on progress or any challenges during the implementation of activities should be direct to the Head of PIU. The PIU will then report to the PFM Reform Secretariat and then to the Steering Committee if it is necessary for further guidance.