

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/ Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved economic and development assistance management for macroeconomic stability and sustaining macroeconomic development.</p>	<p>An increasing share of regular budget expenditures is financed out of own government revenues</p> <p>Increased accountability of line ministries in the use of public resources as measured by e.g. reduction in levels of irregularities reported by the Audit Office</p> <p>Improved ability to link resource allocation with the medium-term fiscal policy objectives</p> <p>Reduction in the Fiscal Deficit to GDP ratio</p> <p>Increase in tax to GDP ratio</p> <p>Stabilized debt to GDP ratio</p> <p>Timely completion of projects without cost overruns</p>	<p>Reports by the MCC on macroeconomic indicators, fiscal trends, fiscal sustainability of public expenditure policies, and debt sustainability.</p> <p>Budget Speech and how it links with the MTFF</p> <p>Reporting requirement under FMRA</p> <p>Findings from IMF Article IV Consultations</p> <p>ADB review missions</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Ownership of fiscal and financial management reforms to support Project implementation. • Government is aware of the Country's vulnerability to external shocks and has planned for them. <p>Risks</p> <ul style="list-style-type: none"> • Natural disasters may cause disruptions in the tourism inflows. • Increasing oil prices may increase Balance of Payment deficit with pressure on GIR.
<p>Outcome Achieving (i) better fiscal management, (ii) improved financial management, and (iii) enhanced project management.</p>	<p>Operationalize MTFF</p> <p>Compression and rationalization of expenditures is carried out as projected in the MTFF and allocated in MTEF</p> <p>Improved transparency and accountability of the budget process consistent with the fiscal policy targets set in the MTFF</p> <p>Legislation for BPT</p>	<p>Budget document</p> <p>Mid-term review of budget implementation</p> <p>Final budget position Report</p> <p>MTFF</p> <p>MTEF report</p> <p>Fiscal monthly report</p> <p>ADB review missions</p> <p>Auditor General's annual report</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Tourism arrivals continue at a steady pace and occupancy rate is maintained at >70%. • Line ministries collaborate in the preparation of MTFF. • Fiscal discipline at the level of individual line ministries is effectively enforced. • SEFM develops links with supportive institutions including

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	<p>Amendment of the tourism Act for <i>ad valorem</i> tourism tax</p> <p>Systematic and improved economic data dissemination process</p> <p>Operationalize an internal audit mechanism</p> <p>Operationalize debt management guidelines</p> <p>Setting up of TPMUs</p> <p>A minimum of 50 hours of training provided across each of the outputs identified below</p> <p>Private sector and civil society consultation into capacity development plan and in disseminating results</p> <p>Assessment of knowledge transfer and capacity build-up across key areas and follow-up recommendations</p>	<p>Capacity development plans that are realistic and useful</p> <p>Staff performance assessment (through surveys) prior to and after participation in training</p>	<p>Budget Committee of Parliament, Financial Controller's Department and the management of MMA.</p> <p>Risks</p> <ul style="list-style-type: none"> • Lack of capacity within individual line ministries to effectively operationalize MTFE expenditure allocations. • Lack of an effective communications strategy on the part of government. • Limited political will to carry through and implement reforms proposed under the project.
<p>Outputs</p> <p>1. Strengthen expenditure management</p> <p>A sound legal and institutional framework for effective implementation of Fiscal Policy Strategy are in place</p>	<p>A fiscal policy strategy and related MTFE is prepared and approved by Government (December 2008)</p> <p>The budget is elaborated in accordance with the MTFE and submitted to Parliament (December 2008)</p> <p>MCC is responsible for monitoring fiscal trends and sustainability of fiscal policy and provides inputs for budget elaboration and mid-term review of its execution (December 2008 and beyond)</p>	<p>Budget Speech</p> <p>Budget Document</p> <p>Cabinet Policy Paper</p> <p>Fiscal Monthly Review</p> <p>Mid-Term Budget Implementation Report</p> <p>Cabinet Policy Paper</p> <p>Official Gazette</p> <p>MOFT budget circular</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • MOFT recognizes the importance of having a medium term approach to fiscal policy planning. • Budget Department's staff has the necessary skills to anchor the budget to the MTFE. • Relevant laws are rigorously drafted. • MOFT has full ownership of reforms. • MCC is established in a timely manner

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	Fiscal Coordination Committee established to support budget elaboration and implementation (June 2008)		and ensures coordination. • MCC is held accountable for fulfilling its mandate.
<p>2. Enhance and diversify the revenue base</p> <p>A system (laws, rules, regulations) to diversify the revenue base.</p>	<p>The Parliament approves legislation on BPT Bill (December 2008)</p> <p>Amendment of Tourism Act to introduce an <i>ad valorem</i> Tourism Tax I (December 2008)</p>	<p>Official Gazette</p> <p>Amendment of the Tourism Act</p>	<p>Risk</p> <ul style="list-style-type: none"> • Low level of commitment from the part of MOFT may delay legislation of BPT Bill and amendment of the Tourism Act
Capacity development plans for strengthening DIR	<p>MOFT approves DIR implementation plan to support BPT implementation and administration December 2008)</p> <p>MOFT approves DIR implementation plan for <i>ad valorem</i> tourism tax (December 2008)</p> <p>Needs analysis of DIR skills mix and capability levels December 2008)</p> <p>Design of the training program (January 2009)</p>	<p>MOFT Circular</p> <p>ADB review Missions</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • DIR is able to recruit and retain qualified staff to perform BPT administration tasks. • Public and Private Companies are self compliant with BPT. • Tax auditing is efficient. <p>Risk</p> <ul style="list-style-type: none"> • Low level of commitment from the part of MOFT may delay legislation of BPT Bill and amendment of the Tourism Act.
<p>3. Developing Debt Management</p> <p>An effective and efficient forward looking debt management system.</p>	<p>MOFT approves a debt management policy December 2008)</p> <p>MOFT set up a debt management cell (December 2008)</p> <p>A debt management manual and operational toolkit for debt sustainability analysis are</p>	<p>MOFT circular</p> <p>ADB review missions</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Debt management and restructuring plan is consistent with MTFE and MTEF. • Adequate funds are allocated for setting up the cell. <p>Risk</p> <ul style="list-style-type: none"> • Low level of

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	<p>in place (December 2008)</p> <p>MOFT approves a capacity enhancement plan for the debt management cell staff (September 2009)</p>		<p>commitment from the part of MOFT may delay the necessary actions.</p>
<p>4. Improved Economic Data Dissemination Process</p>	<p>A blueprint for efficient and reliable economic data management system is in place. December 2008)</p> <p>A technical manual is in place (June 2009)</p> <p>Revised and new data series are being published (June 2010)</p>	<p>Various Government Documents</p> <p>ADB review missions.</p>	<p>Assumptions</p> <ul style="list-style-type: none"> The Government recognizes the importance of good and adequate economic data as a prerequisite for improved economic management. Adequate government staffs are available. <p>Risk</p> <ul style="list-style-type: none"> Staff do not have adequate academic background.
<p>5. An efficient internal audit mechanism</p> <p>A system that puts an effective internal audit system in place.</p>	<p>A strategic management plan is in place (December 2008)</p> <p>Human resource plan, draft legislation (if any), and audit and accounting standards are ready (June 2009)</p> <p>Corporate plan for the internal audit office is in place (June 2009)</p> <p>Risk base audit manual is prepared (December 2009)</p> <p>Risk assessment tools are ready (December 2009)</p> <p>Commencing of staff training (January 2010)</p> <p>Pilot testing is done for at</p>	<p>Government Circulars</p> <p>ADB review missions</p>	<p>Assumption</p> <ul style="list-style-type: none"> The Government recognizes the importance of better financial management as a prerequisite for improved macroeconomic management. <p>Risk</p> <ul style="list-style-type: none"> Vested interests within the Government may delay initiating necessary steps to implement an effective internal audit mechanism.

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	least one line ministry (December 2010)		
<p>6. Improve Project Management</p> <p>An efficient system to strengthen project selection and implementation.</p>	<p>Establishment of TPMUs in selected line ministries (June 2008)</p> <p>Preparation of the project management guidelines (June 2009)</p> <p>Pilot testing the guideline for one selected ministry (September 2010)</p>	<p>Government circulars</p> <p>ADB review missions</p>	<p>Assumption</p> <ul style="list-style-type: none"> The Government recognizes the importance of better project management as a prerequisite for fiscal consolidation and debt sustainability. <p>Risk</p> <ul style="list-style-type: none"> Low level of commitment from the Government may delay the necessary actions.
<p>Input-based Activities with Milestones</p> <ol style="list-style-type: none"> Finalize training needs assessment for Outputs 1-6 above. (Milestone: Needs assessment completed by September 2008) <ol style="list-style-type: none"> Review mandates of each agency particularly against requirements under new legislation. Assess capacity in institution to carry out mandates Assess gaps in capacity (including any enabling mechanisms, such as legal framework, as well as internal processes) Specify the needs to be filled in each institution to strengthen them to fulfill their mandates better Collect benchmark data on the work of all five institutions Finalize completion of action plans for each of the outputs identified above. (Milestone: Action plans for the institutions completed by December 2008) <ol style="list-style-type: none"> Evaluate the overall context of action plans against various development options Evaluate any human resources, technical, and technological development options Complete the human resource, technical, and technological capacity development plans to effective support outputs 1- above. Implement action plans. (Milestone: Action plans implemented by December 2009) <ol style="list-style-type: none"> Implement solutions covering technical way forward, capacity development and IT/procurement. Disseminate manuals and other forms of systems and procedures (or knowledge transfer) to make effective use of these advances. 		<p>Inputs</p> <p>ADB Financing of (i) a TA loan of \$7.5 million from ADB Special Funds resources; and (ii) a TA grant of \$1.0 million from ADB's Special Funds resources to support targeted interventions for the Thematic Program Management and Implementation support component. A TA grant of \$500,000 from Australian Aid has also been approved targeting the internal audit component.^a</p> <p>Consulting services: 130 person/months international; 270 person/months national.</p> <p>MCC to submit monthly reports on trend on Fiscal Indicators and quarterly reports on progress in SEFM project implementation.</p> <p>Mid-term Reports</p> <p>Progress Reports</p> <p>Final Reports</p> <p>ADB review missions</p>	

Input-based Activities with Milestones	Inputs
<p>3.3. Revise training materials and modalities, if necessary, based on information from the post-training follow-up</p> <p>4. Perform project supervision and administration</p> <p>4.1. Establish project steering committee (January 2008)</p> <p>4.2. Engage consultants for project activities (May 2008)</p> <p>4.3. Conduct reviews:</p> <ul style="list-style-type: none"> (i) Steering committee review (quarterly) (ii) TA monitoring unit review (regularly) (iii) ADB review missions (at least once per quarter) <p>4.4. Prepare and submit:</p> <ul style="list-style-type: none"> (i) TA inception report (May 2008) (ii) TA mid-year reports (July/December 2008, July 2009) (iii) TA draft final report (September 2009) (iv) TA tripartite and final report (November 2009) 	

ADB = Asian Development Bank, BPT = Business Profit Tax, DIR = Department of Inland Revenue, FMRA = Fiscal Management Responsibility Act, GDP = gross domestic product, GIR = gross international reserves, IMF = International Monetary Fund, MCC = Macroeconomic Coordination Committee, MTEF = Medium Term Expenditure Framework, MTFF = Medium Term Fiscal Framework, MOFT = Ministry of Finance and Treasury, TPMU = Thematic Program Management Unit.

^a ADB. 2007. *Proposed Technical Assistance for the Development Partnership Program for South Asia (Financed by the Australia-ADB South Asia Development Partnership Facility) (Subproject 4)* (RETA 6337 approved on 18 August 2006). Manila.