

**ASIAN DEVELOPMENT BANK**

**TAR: SRI 32533**

**PROPOSED**

**TECHNICAL ASSISTANCE**

**TO THE**

**DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**

**FOR STRENGTHENING**

**PUBLIC EXPENDITURE MANAGEMENT SYSTEMS**

**October 1999**

## **CURRENCY EQUIVALENTS**

(as of 30 September 1999)

Currency Unit	=	Sri Lanka Rupee/s (SLRe/SLRs)
SLRe1.00	=	\$.0140
\$1.00	=	SLRs71.85

The exchange rate of the rupee is determined under a system of managed float against the currencies of Sri Lanka's major trading partners.

## **ABBREVIATIONS**

IT	–	Information Technology
MOFP	–	Ministry of Finance and Planning
MSD	–	Management Services Department
MTEF	–	Medium-Term Expenditure Framework
NBD	–	National Budget Department
NPD	–	National Planning Department
PEM	–	Public Expenditure Management
SAD	–	State Accounts Department
TA	–	Technical Assistance

## **NOTES**

- (i) The fiscal year (FY) of the Government corresponds to the calendar year.
- (ii) In this report, "\$" refers to US dollars.

## I. INTRODUCTION

1. During the March 1998 Country Programming Mission, the Government initiated discussions on improving the efficiency and effectiveness of the public service in general and public expenditure systems in particular. In response to the Government's request, the Bank granted a small-scale technical assistance (TA) for Institutional Modernization of the Ministry of Finance and Planning (MOFP).<sup>1</sup> In addition Bank staff reached an understanding with MOFP on the parameters for a broader program to strengthen public expenditure management. Further discussions on the design of the cluster TA, terms of reference for consultants, cost estimates, and implementation arrangements were held during a mission in April 1999 and during the Bank's Annual Meeting.<sup>2</sup> The TA framework is presented in Appendix 1.

## II. BACKGROUND AND RATIONALE

2. Sri Lanka's public institutions have helped the Government to achieve high levels of social development, economic growth, and low population growth. Notwithstanding these achievements, many public institutions are in need of modernization to face future challenges. The key governance and public management issues include high fiscal deficit, excessive size of the civil service, insufficient operating and maintenance expenditure, severe skill and motivation problems, and fragmented government structures and systems.<sup>3</sup>

3. The country's budgetary system performs well in terms of the first objective of public expenditure management (PEM)—aggregate expenditure control. However, performance is weak in terms of the other two objectives: sectoral resource allocation in conformity with policy priorities, and flexible and effective operational management. Thus, fiscal discipline has been fairly well served by the present system, but not the longer term development and public service goals. For instance, the shortened perspective of expenditure decisions precludes attention to the looming crisis of the publicly funded pension system, which in part stems from life expectancy increasing to one of the highest levels in Asia.

4. The lack of PEM effectiveness can be attributed to the general decline of the civil service and administrative apparatus—diagnosed over 12 years ago by the Government's Administrative Reform Commission. Reasons identified include insufficient incentives, obstacles to internal mobility, and a growing mismatch between civil servants' skills and their changing tasks. Although some action has been taken since then, most of the recommendations have not been implemented.<sup>4</sup> This persistent decline in administrative effectiveness has led to an erosion of the quality of social services for which Sri Lanka is justly praised.

5. The Government has taken some steps to address these problems. For example, an early retirement and severance program was enacted in 1990-1991 with World Bank support. This program did not have the desired results because it was not properly targeted, not time-bound, and not costed realistically. In 1996, the Bank provided TA to formulate broad-based administrative reforms<sup>5</sup> in cooperation with the International Monetary Fund and World Bank. A

---

<sup>1</sup> TA 3038-SRI: *Institutional Modernization of the Ministry of Finance and Planning*, for \$148,000, approved on 3 July 1998.

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* in December 1998.

<sup>3</sup> For a summary, see Schiavo-Campo, S. 1998. *Public Administration in Sri Lanka: A Bird's Eye View*. Strategy and Policy Office. Asian Development Bank, Manila.

<sup>4</sup> Wanasinghe, 1994. *Activating the Administrative Reform Process in Sri Lanka*. Research Studies, Governance Series No. 2. Colombo: Institute for Policy Studies.

<sup>5</sup> TA 2616-SRI: *Public Administration Reform*, for \$275,000, approved on 24 July 1996.

United Nations Development Programme-funded project supported the activities identified under the TA. However, other considerations, including the attention and resources absorbed by the civil conflict, have prevented the Government from launching a large-scale program of administrative and civil service reform.

6. The Government recognizes that there is an urgent need to shore up the quality of public services. The situation is conducive to constructive interventions to modernize selected important public sector functions, particularly the PEM system. Focused assistance can be especially effective. For example, the Bank-supported Financial Management Training Program loan,<sup>6</sup> which is nearing completion, has reduced financial reporting lags and provided valuable basic computing know-how and skills to a substantial number of civil servants at the national and subnational levels. Similarly, the World Bank is currently assisting MOFP's Fiscal Policy Department with expenditure monitoring. In another example, the Government has taken a strong stance against public sector corruption, establishing the Permanent Commission for the Prevention of Bribery and Corruption and appointing a special presidential commission to inquire into malpractices and irregularities in public bodies. The former investigated about 6,000 cases for prosecution between 1995 and 1997.

7. The Government's strategy is two-pronged: it seeks to position itself to launch a far-reaching administrative reform program when the circumstances are right, and at the same time, it seeks to improve targeted administrative functions and policies, thus establishing the basic conditions to facilitate the implementation of such a program. In this context, the 1998 Country Programming Mission agreed to proceed with the Government's request to support improvements in key aspects of PEM.

8. MOFP is responsible for the regulation, planning, revenue collection, management, and accounting of public finances. MOFP is divided into 13 departments, with a total of about 8,400 staff. Of these, five departments with about 700 staff are responsible for the key elements of PEM.<sup>7</sup> The proposed assistance to these departments will enhance financial accountability, help reduce corruption, provide a strong foundation for eventual comprehensive administrative reform, and improve public resource efficiency.

9. To improve fiscal discipline, new systems will be designed to better monitor and review the consistency of the expenditure plans, particularly the Public Investment Program, within an integrated macroeconomic framework covering the national accounts, budget, and balance of payments. To improve resource allocation, there will be better analysis and documentation of project proposals, a full set of forward estimates for all components of public outlays (including recurrent spending requirements) over a multiple-year horizon, and better alignment of foreign assistance with development priorities, avoiding overlaps and increasing the consistency of sector policies. To improve operational management, a new computerized system will integrate all key financial management functions into a cohesive system on a common database. The TA will help upgrade skills of relevant financial and planning cadres and enact requisite legislation. These new systems will better monitor disbursement, physical implementation, and economic targets, feeding back into a rolling, multiyear investment plan. The Government is strongly supportive of such initiatives.

<sup>6</sup> Loan 1275-SR: *Financial Management Training*, for \$13 Million, approved on 29 November 1993.

<sup>7</sup> Asian Development Bank. 1999. *Sri Lanka: Institutional Modernization of the Ministry of Finance*, Final Report. Manila, 1998 data, p. 62 and Appendix D, 1999.

10. In preparation, MOFP has established the Management Services Department as a focal point for an improved personal record system, competency frameworks, revised employment conditions, and a fast-track, career-planning system. Other targeted improvements under consideration include sequestering vacant positions, freezing gross recruitment, placing the Public Service Commission under the authority of the President and restoring its legal autonomy, and proclaiming a moratorium on the creation of any new public sector bodies.

11. A TA cluster approach is considered the most appropriate modality to address the multifaceted problem. The TA is designed to address interrelated constraints, while providing flexibility to the responsible departments in developing detailed outputs, terms of reference, and budgets for individual subprojects. The strengthening of PEM and the public expenditure information system (PEIS) within MOFP and across all ministries of the Government requires careful sequencing of a number of specialist inputs from the fields of public investment planning, accounting, and information technology (IT) systems, and the human resources necessary to make the new systems and protocols work. The cluster approach will help to synchronize the sequencing of the subprojects as decisions in one could materially alter the design of another. For example, the determination of an IT strategy could affect activities under the Human Resource Management subproject, particularly the training requirements and the question of retention policies. Other linkages exist between subprojects, and call for flexibility in design and implementation.<sup>8</sup>

### **III. THE PROPOSED TECHNICAL ASSISTANCE**

#### **A. Objective**

12. The objective of the TA is to support comprehensive modernization of the Sri Lankan PEM to improve fiscal discipline and expenditure control, strategic allocation of resources consistent with policy priorities, and operational management.

#### **B. Scope**

13. The TA will consist of five closely related subprojects, managed respectively by the State Accounts, National Planning, National Budget, Management Services, and Public Finance departments of MOFP.

##### **1. Public Expenditure Information System**

14. An integrated PEIS will be designed, in cooperation with the State Accounts Department (SAD). The internal controls of the current accounting systems will be strengthened, with reference to the internal audit manual, followed by the development of a comprehensive IT strategy for the public expenditure function across the whole of government. The strategy will specify the software and hardware requirements for the system based on user needs, and identify capacity-building requirements to install, operate, and maintain the system. The IT strategy will have important implications for the Human Resource Management subproject, which must be responsive to the new system.

---

<sup>8</sup> The Board will be informed of the progress of the TA cluster through brief information papers.

15. The principal subproject output will be the development and specification of a PEIS capable of supporting data transfers from other agencies and of (i) budget classification, chart of accounts maintenance, and budget preparation; (ii) exchequer accounting and cash-flow forecasting and management; (iii) development fund accounting; (iv) commitment control; (v) payroll management with an interface to the personnel and pension systems; (vi) public debt accounting; (vii) general ledger accounting, including management and project accounting; and (viii) management and statutory reporting.

16. While the major determiners of the design criteria for the PEIS will be SAD, the National Planning Department (NPD), and the National Budget Department (NBD), the system will also meet the requirements of all other departments within MOFP as well as those for financial management information of chief accounting officers throughout the civil service.

17. To develop the PEIS and reinvigorate internal control procedures throughout the public service, task forces will be formed to look at groups of about 10 ministries to determine the state of their preparedness. These task forces will use the Internal Audit Reference Manual to progressively study each administrative unit in Government, ensure that internal control procedures are operational and understood, and that external controls on data processing are being followed. The distribution of administrative units to each task force will be assigned by SAD. As new accounting systems are developed, the task force will support operational areas in their introduction, operation, and maintenance.

18. Each task force will be supported by domestic consultants working under the general guidance of an international consultant. Each task force will include personnel from SAD, the auditor general, and from officers seconded from line departments. Secondments can be made for the time a task force is working in a particular administrative unit or for periods sufficiently long to enable an officer to be fully conversant with what the working party is doing. To make optimal use of the consulting support provided, staff will be seconded by line departments to each task force on a full-time basis.

## **2. Public Investment Program**

19. Under this subproject, coordination of the capital component of the budget will be improved, in collaboration with sector ministries and within the framework of a three-year rolling program. Tools and procedures will be improved for macroeconomic forecasting, project screening, budget preparation, and expenditure monitoring. The capacity of NPD and sector agencies to address public investment programming issues will have a major impact on the timing of the development of a medium-term expenditure framework and the appropriate level of disaggregation.

20. Key activities will include

- (i) design and implementation of a rolling medium-term expenditure framework (MTEF);
- (ii) establishment of a governing framework for capital and expenditure budgets, and methods for analyzing of the impact of the investment program on the recurrent budget;

- (iii) review of the present capital expenditure monitoring system with appropriate recommendations on reporting requirements, which will be an input to the design of the PEIS;
- (iv) development of capacity in at least three major line agencies to develop sector investment programs, evaluate project proposals, and produce effective advice on sector expenditure;
- (v) review of line agency organizational arrangements for preparing sector public investment programs; and
- (vi) collaboration with NBD to improve procedures, allocate tasks, and establish a calendar for the preparation of the multiyear expenditure program.

21. MOFP will establish two task forces for this subproject:

- (i) The first will work on developing line agency capacity for expenditure programming and project preparation. Led by an officer from NPD with staff seconded from line agencies, it will develop a set of training modules to build capacity of the Planning Service. It will be supported by the subproject consulting team, and in particular by the consultants assigned to help line departments improve their program planning.
- (ii) The second will design and introduce improved procedures for formulating the development budget and its subsequent monitoring within the overall logic of MTEF. It will need to work in parallel and collaboratively with the NBD team working on the development of the MTEF. This task force will include one officer from NBD to ensure that recurrent budget requirements are taken into account.

### **3. Medium-Term Expenditure Framework**

22. Under this subproject, the framework will be developed to improve coordination of the current and capital expenditure components of the budget in a multiyear perspective and in collaboration with sector ministries. As a result, expenditures will be allocated by the NBD in conformity with Government policy priorities.

23. Key activities will include

- (i) design and implementation of a rolling MTEF;
- (ii) determination of MTEF's coverage, procedures, and schedule for its preparation; and coordination mechanisms with the preparation of the annual budget including methods for updating cost estimates of programs and projects and for analyzing the impact of the investment program on the recurrent budget;
- (iii) enhancement of the World Bank-financed expenditure monitoring system within the framework of the proposed PEIS;
- (iv) design and implementation of improved procedures and allocation of tasks within NBD;

- (v) establishment of a schedule for the preparation of the multiyear expenditure program;
- (vi) laying down procedures to reinforce the prioritization of expenditure programs;
- (vii) improvement of methods to scrutinize sectoral programs;
- (viii) determination of strategies to improve the coordination of the various monitoring systems; and
- (ix) preparation of a functional analysis for a system to organize information for the preparation of the budget and the multiyear expenditure program.

24. MOFP will staff a task force led by NBD to design and introduce improved procedures for budget formulation within MOFP and the subsequent monitoring of budget performance. This task force will include an officer from NPD to ensure that development budget requirements are taken into account.

#### **4. Human Resource Management**

25. This subproject will focus on improving human resource management for the Sri Lanka Planning Service and the Sri Lanka Accounting Service, as well as for officers working in NBD, Public Finance Department, and Management Services Department (MSD) of MOFP. It will establish a personnel record system, competency frameworks, and revised employment conditions, and examine a fast-track career planning system.

26. Key activities will include the following:

- (i) prepare a diagnostic study of the personnel system operating for the Sri Lanka Planning Service and Sri Lanka Accounting Service, and recommendations, if appropriate, of options for change in their management.
- (ii) develop and implement a human resource management plan for each service. The plan will consider the strategies necessary to move staff to more performance-orientated conditions of employment. It will be consistent with the corporate plans developed in each department, including for MSD.
- (iii) design and implement a fast-track career planning program to ensure that planning and financial management throughout the public service are managed effectively. The system will include an accelerated training program, a set of secondments to expose trainees to a full range of requirements for a fully effective planning or accounting officer, and a mentoring scheme.
- (iv) develop MSD capacity, (e.g. through individual training, and improved processes and systems) to support the two service boards.
- (v) establish competency frameworks for core accounting, budgeting, and planning positions (including supporting indicative job descriptions).
- (vi) develop revised service conditions for the accounting and planning cadres consistent with current employment practices in the Sri Lankan public service,



ensuring that good staff are recruited and retained, and that positions are filled by competent officers.

- (vii) set establishment levels for all accounting and planning functions in the public service based on the new systems introduced by other subprojects in this cluster TA.

27. MSD will lead two task forces, one each for Sri Lanka Accounting Service and Sri Lanka Planning Service, to work on designing and implementing human resource management plans for the accountants and planning services. Each team will work closely with the teams implementing the MTEF and PEIS. The team working on the plan for the accountants service will be building on the training programs developed by the Financial Management Training Project. Close liaison will be maintained with the Ministry of Public Administration, Home Affairs, and Plantation Industries.

28. In addition to the lead officer from MSD, other members will be co-opted from each service. Each team will include staff from the Public Service Commission and the Ministry of Public Administration, Home Affairs, and Plantation Industries, either as a full-time member or as an observer and adviser.

## **5. Revised Finance Act and Internal Audit**

29. An overall financial legislative framework will be developed under this subproject in cooperation with the Public Finance Department to strengthen the Government's financial control over its programs and provide clear guidance to those with financial responsibilities. In addition, the internal audit function will be reinforced.

30. Key activities will include

- (i) review the financial accountability mechanisms within government including the effectiveness of the Public Accounts Committee in its role of nonpartisan oversight of agency efficiency and effectiveness; and development of a program to improve the effectiveness of the internal audit function;<sup>9</sup>
- (ii) prepare a set of manuals covering budgeting, accounting, administrative, and stores procedures to function under the authority of the financial regulations;
- (iii) review internal audit procedures and updating the Internal Audit Manual to include the improved procedures;
- (iv) draft an internal audit charter setting out the powers, duties, and responsibilities of the internal audit function;
- (v) publish a comprehensive set of financial regulations supporting the revised finance act; and
- (vi) draft instructions for a revised finance act.

---

<sup>9</sup> This work will, help to improve the quality of oversight over publicly-funded activities, as called for in the Bank's Anticorruption Policy (R89-98).

31. MOFP will staff three task forces to address each of the following (i) a revised finance act; (ii) a comprehensive set of financial regulations; and (iii) manuals covering budgeting, accounting, administrative, and stores procedures to be issued under the authority of the financial regulations.

32. Each task force will be supported by domestic consultants working under the general guidance of an international consultant. The task force on the revised finance act will consist of staff from the Public Finance Department, the Attorney General's Department, the Office of Auditor General, and the staff of the Parliamentary Committee responsible for passage of the finance act. The task forces on the financial regulations and the manuals will be extensions of the present teams currently in process of revising the financial regulations.

### **C. Cost Estimates and Financing Plan**

33. The total cost of the TA is estimated at \$3,765,000, comprising a foreign exchange cost of \$2,077,000 and local currency cost of \$1,688,000 equivalent. Detailed cost estimates and proposed financing arrangements are given in Appendix 2. The Bank will fund \$3,000,000 to cover the entire foreign exchange cost and \$923,000 equivalent of the local currency cost. The financing will be provided on a grant basis from the Bank-funded TA Program. The Government's contribution will be in kind and will cover items of expenditure estimated at \$765,000 equivalent.

### **D. Implementation Arrangements**

34. MOFP will be the Executing Agency (EA). The TA subprojects will be implemented by five departments within MOFP (Appendix 3). Each will assign counterpart teams to implement the planned subprojects. The External Resources Department will facilitate the essential coordination of activities, with the director general acting as TA director and liaising with the consulting team leader. The consulting team and counterpart team for each subproject in the TA cluster will report to the director general concerned. At specific milestones (e.g., completion of the IT strategy or the draft finance act would normally constitute a milestone), a workshop will be held to review progress and determine further work. Senior MOFP personnel and officials from other key ministries will attend and offer guidance. Bank staff will be intensively involved in the supervision and monitoring of the TA cluster to ensure proper implementation.

35. The counterpart teams will be guided by an international consulting team that will operate in a facilitative mode, and be coordinated and directed by the team leader of the PEIS subproject. The counterpart teams will be responsible for achieving the targeted outputs of each subproject, other than very technical outputs (like the IT strategy), which will be prepared by the consulting team. Study tours will serve the essential function of demonstrating to counterparts the operation of successful PEM systems elsewhere, and learning from in-depth discussions with the technicians responsible for implementing these systems.

36. The five subprojects will include participatory workshops and study tours. A program of training courses will be developed to ensure that there is a pool of competent officers ready to fill each position in the accounting and planning functions. The Government will seek funding for skills development from bilateral funding agencies like the Australian Agency for International Development, which has a grant training program available for Sri Lanka. An option that will be developed is a twinning arrangement joining an international training institution with at least two

Sri Lankan training institutes<sup>10</sup> to design and deliver training courses. The involvement of at least two Sri Lankan institutes will introduce an element of competition to ensure that the courses continue to be delivered effectively and meet MOFP's needs.

37. The TA cluster will be implemented over a 36-month period starting in January 2000 (Appendix 3). As the program must be responsive to MOFP's requirements and availability of key staff, adjustments may be made to the implementation schedule. The budget is based on a total of 69 person-months of international consulting and 112 person-months of domestic consulting. The consultants will be engaged by the Bank in accordance with the Bank's *Guidelines on the Use of Consultants* and other arrangements satisfactory to the Bank on the engagement of domestic consultants. A lead consulting firm (and possibly associated firms) will be selected on the basis of a full technical proposal specifying effective methodologies to address the outputs specified in Appendix 4. For quality control purposes, each subproject team will have consultants from the lead firm or from associated firms that have core businesses in technical areas relevant to the subproject. A phased-service agreement will be negotiated with the firm to allow the flexibility required for a cluster TA. At important milestones,<sup>11</sup> progress will be reviewed jointly by the Government and the Bank. Based on these reviews, indicative terms of reference in Appendix 4 will be further specified and adjusted as necessary.

38. The consultants will prepare inception, interim, draft final, and final reports for each subproject. The consultants will also assist in developing, and as appropriate, delivering international and domestic training programs, and act as resource persons in domestic workshops to be organized in accordance with arrangements satisfactory to the Bank. Procurement of equipment will be undertaken following the Bank's guidelines for procurement.

#### IV. THE PRESIDENT'S RECOMMENDATION

39. The President recommends that the Board approve the provision of technical assistance, on a grant basis, to the Government of the Democratic Socialist Republic of Sri Lanka in an amount not exceeding the equivalent of \$3,000,000 for the purpose of Strengthening Public Expenditure Management Systems.

---

<sup>10</sup> The training institutes to be considered will include the Institute of Public Finance and Development Accountancy, National Institute of Business Management, Sri Lanka Institute of Development Administration, and University of Sri Jayawardenepura.

<sup>11</sup> Milestones will be determined by MOFP management when each subproject is planned in detail. The completion of the IT strategy and the human resource management plan will certainly be two milestones. Other milestones will be points in the program where decisions about future directions are to be made by MOFP management to enable the subproject to progress.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>Establish the key prior conditions for budget formulation and public expenditure management to support a public sector reform program.</p>	<p>Improved strategic expenditure management by the Government</p>	<p>Budget papers Annual financial statement Annual reports of line agencies Audit reports</p>	<p>The Ministry of Finance and Planning (MOFP) will provide a core group of competent economists and financial experts to work as counterparts. MOFP will act on proposed information technology strategy and human resource management plan. There are organizational arrangements and other mechanisms established within MOFP to drive the program of change. The Public Service Commission is prepared to grant a degree of flexibility in cadre management.</p>
<p><b>Purpose</b></p> <p>Support the institutional modernization of key aspects of the Sri Lankan public budget and expenditure management system.</p>	<p>Improved resource allocation consistent with government priorities Timely, accurate, and secure expenditure reporting</p>	<p>Budget papers Annual financial statements MOFP reports Annual reports of line agencies Internal and external audit reports</p>	<p>MOFP is prepared to invest in appropriate systems and advice, and otherwise demonstrates it is committed to the technical assistance. The Government develops an overall policy framework to enable effective prioritization of programs and projects. Effective institutional arrangements are put in place at the political level to ensure appropriate planning and budgetary discipline. Line agencies are committed to submitting investment plans within the overall Government policy framework. Competent full-time counterpart teams are provided to implement subprojects. MOFP is able to ensure that financial regulations are fully observed in practice.</p>

<b>Design Summary</b>	<b>Performance Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Outputs</b> Design, develop, and document an IT-based integrated accounting system based on a consistent overall strategy.	IT strategy plan Design of integrated planning, budget, treasury, and accounting system architecture Specification of hardware and software requirements Recurrent budget-funded program for capacity building to operate and support systems	Consultant report MOFP budget	MOFP is prepared to acknowledge that effective systems are costly to implement and support. Future recurrent budgets are sufficient to maintain and continue to develop the systems. There is access to additional funds to install the systems and coach operatives in the processes.
Prepare a public investment program within a medium-term expenditure framework.	Public investment program Sustainable rolling, three-year, medium-term expenditure framework Investment projects linked to overall government priorities Clear linkages between capital and recurrent budgets Take into account contingent liabilities	Annual updated rolling, three-year, medium-term expenditure framework Budget papers Minutes of budget review committee	The minister of finance is fully committed to rolling plans and improving the budget process. Sufficient competent economic planners are recruited and developed. The National Planning Department (NPD) is willing to collaborate with the National Budget Department (NBD). Continued assistance is accessible beyond the end of this TA to guide development over a five-year period.
Prepare a medium-term expenditure framework.	Sustainable rolling, three-year, medium-term expenditure framework Clear linkages between recurrent and capital budgets	Annual publication of rolling, three-year, medium-term expenditure framework Budget papers Minutes of budget review committees	The minister of finance is fully committed to rolling plans and improving the budget process. Sufficient competent economic planners are recruited and developed. NBD is willing to collaborate with NPD. Continued assistance is available to guide the development over a five-year period.
Establish an effective HRM program for accounting and planning cadres, and training programs for all contributing departments.	HRM plan Resourced human resource units supporting service boards Competent personnel in accounting and planning services	Surveys of staff competencies	The Government is prepared to allocate sufficient resources to support human resource management programs. The Public Service Commission is prepared to allocate appropriate establishments to line ministries.
Develop a revised finance act, supporting regulations, and an internal audit function.	Completed drafting instructions for finance act Enactment of finance act Completed revised financial regulations Completed supporting financial manuals Internal audit charter Quarterly work programs Operational audit committees Competent internal audits	Government gazette Hansard Published regulations and manuals Published charter Minutes of audit committees Reports of the auditor general	The Government is prepared <ul style="list-style-type: none"> <li>• to place the requirements for a finance act on its legislative program, and</li> <li>• to allocate sufficient resources to revitalize the internal audit function.</li> </ul>

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Activities</p> <p><b>Public Expenditure Information System</b></p> <p>Upgrade internal controls with reference to the internal audit manual.</p> <p>Organize and deliver a launch workshop.</p>	<p>Effective operations of all systems of internal control throughout inner budget sector</p> <p>Key staff fully conversant with and committed to the TA</p>	<p>Enumerated questionnaire on status of each accounting installation</p> <p>Instructions to each accounting officer on steps to be taken to improve internal controls</p> <p>Temporary reinstatement of manual accounting systems</p> <p>Internal audit reports</p> <p>Auditor general's reports</p> <p>Survey of key staff</p>	<p>Competent, full-time counterpart teams are provided to implement the changes.</p> <p>Accounting officers are unwilling to resurrect manual systems and reconstruct all initial balances.</p>
<p>Deliver workshops to guide accounting staff in new internal control procedures.</p>	<p>Accounting staff fully conversant with new procedures</p>	<p>Auditor general's reports</p> <p>Competency assessments</p>	<p>Attendance at workshops is regarded as part of career development.</p>
<p>Develop an IT strategy for a comprehensive public expenditure information system (PEIS) for the Government.</p> <p>Develop detailed requirements for the PEIS.</p>	<p>IT strategy for financial management</p> <p>Detailed design of the PEIS as a basis for a loan or other financial arrangements to purchase hardware and software, and system installed</p>	<p>Phased and costed plan for an integrated accounting system</p> <p>Detailed, costed recommendations for inclusion of aid accounting systems into the PEIS</p> <p>Detailed proposals for integration of the public debt accounting system within the PEIS</p> <p>Detailed specifications for input of budget data and output of budget monitoring information</p> <p>Specification of training needs for staff to operate system</p> <p>Costed installation program</p> <p>Revised chart of accounts</p> <p>Report identifying improvements implemented in manual accounting systems</p> <p>Systems specifications for each unit of the PEIS</p> <p>Bid documents for procurement of hardware and software</p> <p>A human resource development program</p> <p>Developed systems and operations manuals</p>	<p>The Government demands an unrealistically cheap solution.</p> <p>Directorates-general are prepared to work collaboratively to a common goal.</p> <p>Establishments are provided for trained personnel to develop, operate, and maintain computer systems.</p>

<b>Design Summary</b>	<b>Performance Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
Develop training modules to meet capacity-building requirements of the new system.	Personnel competent to operate and maintain the new system	Formal assessments of staff competencies Up-to-date accounting systems throughout the inner budget sector Reports of systems support contractors on personnel capacity to maintain system	Funds to develop the necessary training modules are acquired (bilateral sources are being the most promising). Recurrent funds are made available to support a continuing staff development program. Appropriate incentives established to promote continuing professional development.
Provide workshops to prepare accounting staff to operate the proposed system and computer operations staff to meet requirements. Provide quality control of subprojects.	Accounting staff fully conversant with new regulations and procedures  Implementation schedule met Satisfied clients	Formal assessments of competencies of staff Up-to-date accounting systems throughout inner budget sector Reports of systems support contractors on capacity of personnel to maintain system Implementation plan Supervision missions Client reports	Attendance at workshops is regarded as part of career development.
<b>Public Investment Program</b>			
Develop an improved environment and tools for preparing macroeconomic forecasts for the budget.	Effective macroeconomic forecasts Effective organizational arrangements for finalizing forecasts	Enumeration of conditions to meet targets Merged or collaborative arrangements between NPD, NBD, and the Fiscal Policy Department	Macroeconomists of sufficient calibre are developed and recruited.
Establish improved procedures for development expenditure formulation.	A calendar for the preparation of the multiyear expenditure program Procedures to enable effective prioritization of programs and consequent projects Methodology to scrutinize sectoral programs and projects Effective mechanism for coordinating NPD and NBD budget inputs Rolling medium-term expenditure planning framework Review of agency submissions	Rolling medium-term expenditure framework Revised costs of subcomponents Circulation of hard budget ceilings based on medium-term expenditure planning framework Scrutiny of satisfactory integration between capital and recurrent budgets Revised budget	The minister of finance is prepared to require other ministers to improve their budget submissions. Effective organizational arrangements are in place to ensure coordination between NPD and NBD.
As part of the PEIS, develop a budget preparation information system.	An integrated budget preparation information system	Establishment of a local network between NPD and NBD Physical verification of the operating system Completed operation and procedure manuals Midterm and annual reviews of budget implementation	The Government allocates sufficient funds for the installation of the designed and specified PEIS.
Streamline the capital budget monitoring system.	Establishment of a common database Review of report users' needs Establishment of effective monitoring procedures		
Develop an effective methodology for improving economic analysis and preparing and screening projects throughout the Government.	Effective methodology Operating manual	Staff competent in application of methodology Peer reviews of screening reports	There is the requisite political will to screen projects based on agreed criteria.

<b>Design Summary</b>	<b>Performance Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p>Liaise with the HRM team on a program of development and training for members of the planning cadre including techniques for preparing and screening projects.</p> <p>Organize and support one study tour for planning officials to review other systems of capital expenditure programming and budgeting.</p> <p>Deliver a set of workshops to guide and train planning staff in new procedures and methodologies.</p>	<p>Pool of competent planning officers in the planning cadre Range of courses delivered by a choice of training institutions Distance course to be delivered in macroeconomic planning funded by a bilateral source</p> <p>Better informed planning staff Amended plan to incorporate additional changes into the budget process</p> <p>Planning staff competent in application of new procedures and methodologies</p>	<p>Scrutiny of capital budget submissions Peer reviews of special studies Management surveys Competency assessments Degree of supervision required of cadre members</p> <p>Study tour reports applicability of other approaches to the Sri Lankan situation Manager's reassessments of subsequent performance</p> <p>Peer reviews of quality of work</p>	<p>Funding is provided to resource the HRM unit and to support the requisite human resource development. The Government is prepared to reconsider its employment conditions to ensure that personnel with the required qualifications are recruited.</p>
<p><b>Medium-Term Expenditure Framework</b></p> <p>Develop an improved environment and tools for preparing macroeconomic forecasts for the budget.</p>	<p>Effective macroeconomic forecasts Effective organizational arrangements for finalizing forecasts</p>	<p>Enumeration of conditions to meet targets Merged or collaborative arrangements between NBD, NPD, and Fiscal Policy Department</p>	<p>Macroeconomists of sufficient calibre are developed and recruited.</p>
<p>Establish improved procedures for recurrent budget formulation.</p>	<p>An annual calendar for the preparation of the multiyear expenditure program and annual budget Procedures to enable effective prioritization of programs Effective mechanism for coordinating NBD and NPD budget inputs Rolling medium-term expenditure planning framework Review of agency submissions</p>	<p>Rolling medium-term expenditure framework Revised costs of programs Circulation of hard budget ceilings based on medium-term expenditure planning framework Scrutiny of satisfactory integration between capital and recurrent budgets Budget papers</p>	<p>The minister of finance is prepared to require other ministers to improve their budget submissions. Effective organizational arrangements are in place to ensure coordination between NBD and NPD.</p>
<p>As part of the PEIS, develop a budget preparation information system.</p>	<p>An integrated budget preparation information system</p>	<p>Establishment of a local network between NBD and NPD Physical verification of the operating system Completed operation and procedure manuals</p>	<p>The Government allocates sufficient funds for the installation of the designed and specified PEIS.</p>
<p>Streamline the budget monitoring system.</p>	<p>Establishment of a common database Review of report users' needs Establishment of indicators and areas to be monitored Establishment of effective monitoring procedures</p>	<p>Midterm and annual reviews of budget implementation</p>	<p>Proposed World Bank-funded project provides a good basis on which to build the framework.</p>



<b>Design Summary</b>	<b>Performance Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
Develop an effective methodology for improving economic analysis.	Effective methodology Operating manual	Staff competent in application of methodology	
Liaise with the HRM team on a program of development and training for NBD staff.	Pool of competent budget officers in NBD Short and long courses delivered by a choice of training institutions Distance course to be delivered in macro-economic planning funded by bilateral source	Peer reviews of special studies Management surveys Competency assessments Degree of supervision required of cadre members.	Funding is provided to resource the HRM unit and to support the requisite human resource development. Annual budgets are provided for staff development. The Government is prepared to reconsider its employment conditions to ensure that personnel with the required qualifications are recruited.
Organize and support a study tour for budget officials to review alternative budget preparation and management systems.	Better informed planning staff Amended plan to continue to develop the budget system	Study tour reports of other approaches to the Sri Lankan situation Manager's reassessments of subsequent performance	
Deliver a set of workshops to guide NBD staff in new procedures and methodologies.	NBD staff competent in applying new procedures and methodologies	Peer reviews of quality of work	
<b>Human Resource Management</b>  Develop a change management plan for MOFP including strategies to ensure that staff development is consistent with systems development.	Completed change management plan consolidating current departmental corporate plans	Plan adopted by secretary, MOFP, and endorsed by the minister of finance Action plans delegated to responsible officers Monitoring mechanism to monitor implementation of action plans	Senior management of MOFP are committed to the change management plan. Provision of access to senior personnel to enable the corporate plan to be developed by MOFP management
Provide advice to MOFP senior management on the orderly management of a change program.	Advice adopted by senior management	Minutes or diaries of meetings Feedback from senior management	
Establish an HRM plan for cadres under MOFP management.	Completed HRM plan Management Services Department (MSD) developed to manage and develop the plan	Plan adopted by relevant boards and the Public Service Commission, and resourced through the budget by MOFP. Targets in management plan being achieved	The Government and/or Public Service Commission are willing to endorse the program.
Establish a personnel record system for the planning and accountant cadres as a pilot scheme for all cadres.	All staff records on computerized personnel system linked to payroll MSD staff competent to operate the system	Documented system Operation manuals Up-to-date records	Resources are provided for computer software and hardware, and for the personnel to operationalize the database.
Examine a fast-track career planning system for cadres.	Completed system design Secondment program agreed with line agencies Training program established with training institute Program entrants recruited	Plan adopted by the Public Service Commission and resourced through the budget by MOFP Operational manual First group of entrants completed their initial two years and appointed to substantive positions and second group recruited Unit competent to continue program	Public service or cadre rules can be amended to enable talented personnel to be promoted on merit. Public service or cadre rules can be amended to enable personnel to enter into the service at other than base levels. The Public Service Commission is prepared to change promotion rules so that acquired competencies and performance form the basis for promotions.

<b>Design Summary</b>	<b>Performance Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
Develop competency frameworks for standard positions in planning and accountancy (including management) with supporting job descriptions.	Basic set of jobs described and evaluated for new systems Statement of competency frameworks Jobs evaluated	New job evaluations endorsed by boards and by the Public Service Commission Competency frameworks supported by established training programs	The notion of competencies fits easily into the present basis for promotion based on credentials and for ensuring equal opportunity to positions below the management level.
Develop a human resource development program for cadre membership and for personnel in the National Budget, Management Services, and Public Finance departments.	Development of specifications for training modules based on new systems requirements Accredited training programs developed and run by a small number of training institutes	Adequate budgets provided for training in all agencies and relevant departments Officers undergoing targeted amount of training annually Competent cadre membership Planning and accounting functions operating effectively	The Financial Management Training Project has designed a number of courses, that are currently being run in a number of institutions, and could form the basis for such a program. Provision for effective training programs will continue to be made in budgets.
Develop revised employment conditions for planning and accounting cadres.	Acceptable revised employment conditions	New conditions agreed to in principle by Cabinet and in detail by boards and the Public Service Commission Publication of conditions in the Government Gazette	The Government and/or Public Service Commission will be willing to endorse the program.
Develop agreement and finance new establishments for the planning and accounting functions based on new systems requirements.	Agreed establishment levels based on new systems requirements	New establishments agreed to by the Public Service Commission	The Public Service Commission supports changes to establishment levels based on needs of new systems.
Organize and support one study tour for Management Services Department officials to review other public service human resource management planning systems.	Better informed personnel Amended human resource management plan	Study tour reports on the applicability of other approaches to the Sri Lankan situation Manager's reassessments of subsequent performance.	
<b>Revised Finance Act and Internal Audit</b>  Prepare a revised finance act.	Revised finance act	Drafting instructions completed and passed to the attorney general Finance bill presented to Parliament	The Government accepts the need for a revised finance act The Government places the revised finance act on its annual legislative program. Competent full-time counterpart teams are provided to implement the changes.
Develop supportive financial regulations.	Revised financial regulations	Published financial regulations supporting the new finance act	
Develop financial manuals to cover budgeting, accounting, administrative, and stores procedures.	Completed budgeting, accounting, administrative, and stores manuals	Published manuals	
Deliver workshops to guide accounting staff in new regulations.	Accounting staff fully conversant with new regulations and procedures	Competency assessments	Attendance at workshops is regarded as part of career development.

<b>Design Summary</b>	<b>Performance Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
Review accountability mechanisms.	Appropriate recommendations for improvement	Consultant's report	There is political support for the review.
Upgrade current internal audit procedures.	Effective procedures	Scrutiny of revised manuals Endorsement of the auditor general	The auditor general supports changes to the internal audit function. Staff of sufficient calibre and potential are appointed to the internal audit function.
Establish an internal audit charter.	Internal audit charter	Adopted charter setting out the powers, duties, and responsibilities of the internal audit function	
Develop competency framework for internal audit staff.	Basic jobs described and evaluated Statement of competency frameworks Jobs evaluated	New job evaluations endorsed by the Public Service Commission Competency frameworks supported by established training programs	The Public Service Commission is prepared to use a competency-based system for promotions.
Develop a set of training modules for internal audit staff.	Development of specifications for training modules based on new systems requirements Accredited training programs developed and run by a small number of training institutes	Adequate training budgets provided Officers undergoing targeted amount of training annually (including accountancy) Cadre membership competent in accountancy and internal audit techniques	Funds to develop the necessary training modules are acquired (bilateral sources are the most promising)
Conduct a study tour to examine the development of financial regulations frameworks and internal audit systems in other countries.	Improved framework for financial regulations Audit charter reflecting appropriate international practices	Study tour recommendations	

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

Item	Public Expenditure Information System			Public Investment Program and MTEF			Medium-Term Expenditure Framework			Human Resource Management			Revised Finance Act and Internal Audit			Total Cost		
	Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total	Foreign	Local	Total
	Exch	Currency	Cost	Exch	Currency	Cost	Exch	Currency	Cost	Exch	Currency	Cost	Exch	Currency	Cost	Exch	Currency	Cost
<b>A. Bank Financing *</b>																		
1. Consultants																		
a. Remuneration and Per Diem																		
i. International Consultants	685	0	685	240	0	240	120	0	120	280	0	280	100	0	100	1425	0	1425
ii. Domestic Consultants	0	486	486	0	108	108	0	48	48	0	66	66	0	24	24	0	732	732
b. International and Local Travel	90	5	95	40	5	45	25	5	30	45	5	50	25	0	25	225	20	245
c. Reports and Communications	0	5	5	5	5	10	5	0	5	0	10	10	0	5	5	10	25	35
2. Equipment	25	0	25	8	0	8	8	0	8	7	0	7	0	0	0	48	0	48
3. Training, Seminars, and Workshops	20	10	30	10	5	15	10	5	15	20	0	20	10	5	15	70	25	95
4. Study Tours	29	0	29	14	0	14	14	0	14	28	0	28	28	0	28	114	0	114
5. Miscellaneous Admin and Support Costs	4	5	9	4	5	9	4	5	9	4	5	9	4	5	9	20	25	45
6. Representative for Contract Negotiations	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0	5	0	5
7. Contingencies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	96	256
<b>Subtotal (A)</b>	<b>858</b>	<b>511</b>	<b>1369</b>	<b>321</b>	<b>128</b>	<b>449</b>	<b>186</b>	<b>63</b>	<b>249</b>	<b>384</b>	<b>86</b>	<b>470</b>	<b>167</b>	<b>39</b>	<b>206</b>	<b>2077</b>	<b>923</b>	<b>3000</b>
<b>B. Government Financing</b>																		
1. Office Accomodation and Transport	0	5	5	0	5	5	0	5	5	0	5	5	0	10	10	0	30	30
2. Remuneration and Per Diem	0	265	265	0	45	45	0	45	45	0	120	120	0	75	75	0	550	550
3. Workshops	0	30	30	0	15	15	0	15	15	0	60	60	0	30	30	0	150	150
4. Others	0	5	5	0	5	5	0	5	5	0	5	5	0	15	15	0	35	35
<b>Subtotal (B)</b>	<b>0</b>	<b>305</b>	<b>305</b>	<b>0</b>	<b>70</b>	<b>70</b>	<b>0</b>	<b>70</b>	<b>70</b>	<b>0.0</b>	<b>190</b>	<b>190</b>	<b>0.0</b>	<b>130</b>	<b>130</b>	<b>0</b>	<b>765</b>	<b>765</b>
<b>Total</b>	<b>858</b>	<b>816</b>	<b>1674</b>	<b>321</b>	<b>198</b>	<b>519</b>	<b>186</b>	<b>133</b>	<b>319</b>	<b>384</b>	<b>276</b>	<b>660</b>	<b>167</b>	<b>169</b>	<b>336</b>	<b>2077</b>	<b>1688</b>	<b>3765</b>

MTEF = medium-term expenditure framework.

Note: Contingencies will be allocated among the different subprojects during implementation. Adjustments may be made to the cost estimates and financing plan for each subproject prior to the start of its implementation, particularly, but not limited to, the compensation rates for demestic consultants.

\* Financed by the Bank from the Bank-funded TA program.

## IMPLEMENTATION ARRANGEMENTS

Item	Subproject <sup>a</sup>				
	Public Expenditure Information System	Public Investment Program	Medium-Term Expenditure Framework	Human Resource Management	Revised Finance Act and Internal Audit
<b>Executing MOFP Department</b>					
No. of Counterparts	SAD 15	NPD 10	NBD 5	MSD 6	PFD 12
<b>Implementation Schedule</b>					
Commencement	Jan 2000	Mar 2000	Mar 2000	May 2000	Jun 2000
Completion	Dec 2002	Jun 2002	Dec 2002	Dec 2001	Jun 2001
<b>Consulting Services (person-months)</b>					
International	32	12	6	14	5
Domestic	71	18	8	11	4
<b>Total</b>	<b>103</b>	<b>30</b>	<b>14</b>	<b>25</b>	<b>9</b>

MOFP = Ministry of Finance and Planning; MSD = Management Services Department; NBD = National Budget Department; NPD = National Planning Department; PFD = Public Finance Department; SAD = State Accounts Department

<sup>a</sup> Data are based on best available information and are subject to change if MOFP experiences unanticipated problems relating to counterpart staff, suitable facilities, policy decision making, and other matters.

## OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES<sup>1</sup>

### A. Public Expenditure Information System

1. The team leader of this subproject, who will be responsible for managing the technical assistance (TA) cluster, will establish the appropriate conditions for each of the subprojects to commence, exercise a strong level of quality control over the implementation of the whole TA, and play a major role in developing the strategy for the study tours.

**Table A4.1: Consulting Services for the PEIS Subproject**

<b>Expert</b>	<b>Duration (person-months)</b>
<b>International</b>	
Public Expenditure Management Specialist/Team Leader	22
Internal Control Specialist	2
Systems Consultant for IT Strategy	4
Technical Architect	1
Network Specialist	1
Accountant (to revise chart of accounts)	2
<b>Domestic</b>	
Internal Control Specialists	6
Systems Consultant for IT Strategy	3
Systems Consultants (to revise the FMIS)	60
Accountant (to revise chart of accounts)	4

FMIS = Financial Management Information System ; IT = information technology;  
PEIS = Public Expenditure Information System.

2. The consulting team's responsibilities will include the following:
- (i) Provide advice on the specification and preparation of tender documents for a public expenditure information system (PEIS).
  - (ii) Assist in upgrading internal controls outlined in the Internal Audit Manual.
  - (iii) Organize and deliver a launch workshop.
  - (iv) Develop an information technology (IT) strategy for a comprehensive PEIS for the Government.
  - (v) Assist the Ministry of Finance and Planning (MOFP) to develop detailed requirements for the PEIS.

<sup>1</sup> The use of the TA cluster modality provides flexibility in the development of detailed terms of reference. Thus, it is possible that some of the following tasks may change, and other tasks may be added to those listed as more information becomes available from basic planning activities, e.g., development of an information technology plan for the Ministry of Finance and Planning.

- (vi) Prepare technical specifications for the hardware and software required by the system.
- (vii) Develop training modules to meet capacity building requirements of the new system. Deliver a set of workshops to train accounting staff in new internal control procedures and new operating procedures, and computer operations staff in maintenance requirements.

## **B. Public Investment Program**

3. The consulting team will assist the director general, National Planning Department (NPD) enhance the formulation of a multiyear public investment program within the process of formulating a medium-term expenditure framework, together with developing necessary information systems and monitoring mechanisms. The principal output of the subproject is the strengthening of the public investment program and capital budget within a realistic medium-term framework. The same consulting team will also implement the medium-term expenditure framework subproject, managed by National Budget Department (NBD).

**Table A4.2: Consulting Services for the Public Investment Program and Medium-Term Expenditure Framework**

<b>Expert</b>	<b>Duration (person-months)</b>
<b>International</b>	
Public Finance Specialist	8
Macroeconomist	2
Budget Specialist	2
Sector Specialists	6
<b>Domestic</b>	
Sector Specialists	18
Budget Specialist	8

4. The consulting team will have the following responsibilities:
- (i) In collaboration with NBD, design and implement a rolling multiyear development expenditure program.
  - (ii) Review and recommend improvements to the present capital expenditure monitoring system.
  - (iii) Review the presentation of programming documents.
  - (iv) Design and implement improved procedures and allocation of tasks in NPD.
  - (v) Provide on-the-job training to counterpart teams in all key matters related to their new tasks in public investment programming and macroeconomic planning.
  - (vi) Strengthen methods and tools for preparing a macroeconomic framework.

- (vii) Strengthen MOFP's capacity to prepare macroeconomic analyses.
- (viii) Develop the capacity of at least three major line agencies to prepare sector expenditure programs, evaluate project proposals, and make effective decisions on priority expenditures.
- (ix) Strengthen methodologies for identifying and prioritizing projects.
- (x) Review line agency organizational arrangements for preparing sector public investment programs.
- (xi) Define procedures to reinforce the prioritization of expenditure programs.
- (xii) Develop improved methods to scrutinize sectoral programs.
- (xiii) Design reports to meet the needs of various kinds of users.
- (xiv) Develop strategies to improve the coordination of the various monitoring systems.
- (xv) In conjunction with the PEIS team
  - (a) prepare a functional analysis for a system to organize public investment information for the preparation of the budget and multiyear expenditure program; and
  - (b) specify software and hardware for an online system to provide MOFP with the requisite information to manage such a program.
- (xvi) In conjunction with the human resource management team
  - (a) prepare a work program for training members of the Planning Service on expenditure programming and project preparation;
  - (b) specify courses to train members of the Planning Service in expenditure programming and project preparation;
  - (c) specify courses to train new recruits in the Planning Service;
  - (d) specify and arrange for a distance education to be delivered in macroeconomic planning funded by a bilateral funding agency or from the recurrent budget;
  - (e) organize and provide support for a study tour for planning officials to review other systems of expenditure programming and budgeting; and
  - (f) deliver workshops to guide planning staff in new procedures and methodologies.



### **C. Medium-Term Expenditure Framework**

5. The consulting team will assist the director general of NBD develop a medium-term expenditure framework, appropriate budget cycle, necessary information systems, improved monitoring mechanisms (building on the World Bank financed project), and strategic linkages with all sector ministries.

6. The consulting team's responsibilities will include the following:

- (i) In collaboration with NPD, design and implement a rolling multiyear expenditure framework and program (including definition of its coverage, procedures, and calendar for its preparation; coordination mechanisms with the preparation of the annual budget; methods for updating cost estimates of programs; and methods for analysis of the impact of the investment program on the budget).
- (ii) Enhance the World Bank-financed expenditure monitoring system within the framework of the proposed PEIS.
- (iii) Review the presentation of programming documents.
- (iv) Help to design and implement improved procedures and allocation of tasks within NBD.
- (v) Develop appropriate methods and tools for preparing the macroeconomic framework.
- (vi) Develop capacity within MOFP to prepare macroeconomic analyses.
- (vii) Assist in establishing a calendar for the preparation of the multiyear expenditure program.
- (viii) Define procedures to reinforce prioritization among expenditure programs.
- (ix) Develop improved methods to scrutinize sectoral programs.
- (x) Design reports to meet the needs of various kinds of users.
- (xi) Implement strategies to improve the coordination of the various monitoring systems.
- (xii) In conjunction with the PEIS team, prepare a functional analysis for a system to organize information for preparing the budget and a multiyear expenditure program.
- (xiii) In conjunction with the human resource management team.
  - (a) specify courses to train members of NBD in all aspects of budget management and preparation;
  - (b) specify courses to train new NBD recruits;

- (c) specify and arrange for a distance education course to be delivered in macroeconomic planning funded by a bilateral funding agency or from the recurrent budget;
- (d) organize and support a study tour for planning officials to review overseas systems of expenditure programming and budgeting; and
- (e) deliver workshops to guide budget officers in new procedures and methodologies.

#### **D. Human Resource Management Team**

7. The human resource management team will be responsible for establishing a system that will lead to effective human resource planning for the planning, budgeting, and accounting functions within the Sri Lankan public service. The principal output is the development and implementation of a realistic human resource management plan for the planning and accountants services. Equally important outputs will be the design of a set of training programs for officers working in the National Budget and Public Finance departments.

**Table A3.3: Consulting Services for the Human Resource Management Team**

<b>Expert</b>	<b>Duration (person-months)</b>
<b>International</b>	
Human Resource Specialists	12
Competency Framework Specialist	2
<b>Domestic</b>	
Accountants and Planning Services	4
Competency Framework Specialist	3
Training Specialist	4

8. The consulting team's responsibilities will include the following:
- (i) Carry out a diagnostic study of the personnel system operating for the planning and accountants services and recommendations, if appropriate, of options for change in their management.
  - (ii) Survey agency heads and senior managers to identify problems they experience with the way the service officers are managed by their agencies.
  - (iii) Assess any additional requirements the two service boards have to enable them to effectively manage personnel and professional requirements.
  - (iv) Review the current personnel data bases of the two services with a view to computerizing them as part of the implementation of the proposed PEIS.
  - (v) Assess barriers to mobility and merit-based advancement.

- (vi) Develop and implement a human resource management plan for each service, including a fast-track career planning program, an accelerated training program, competency frameworks, revised service conditions, and a set of secondments.
- (vii) Develop the Management Services Division's capacity to support the two service boards.
- (viii) Specify a sustainable program of training courses to ensure that there is a pool of competent officers ready to fill each position in the accounting and planning functions.
- (ix) Specify training courses for officers in the National Budget and Public Finance departments.
- (x) Advise on setting establishment levels for all accounting and planning functions in the public service based on the new systems introduced by other subprojects in this cluster TA.
- (xi) Organize and provide support for a study tour for Management Services Department officials to review overseas systems of public service human resource management planning.

#### **E. Revised Finance Act and Internal Audit Team**

9. The revised finance act and internal audit team will support the director general of the Public Finance Department by providing detailed proposals for an overall financial legislation framework, including a revised finance act and supporting regulations and procedures, to enhance the internal audit function of the Government.

**Table A4.4: Consulting Services for the Revised Finance Act and Internal Audit Team**

<b>Expert</b>	<b>Duration (person-months)</b>
<b>International</b>	
Finance Act and Regulations Specialist	3
Internal Audit Specialist	2
<b>Domestic</b>	
Financial Regulations Specialist	2
Internal Audit Specialist	2

10. The consulting team's responsibilities will include the following:
- (i) Draft instructions for a revised finance act and a comprehensive set of financial regulations.
  - (ii) Assist in publishing an appropriate set of manuals in support of (i).

- (iii) Deliver a set of workshops to guide accounting staff on the impacts and applications of the new regulations.
- (iv) Carry out a review of financial accountability mechanisms within the Government.
- (x) Update the Internal Audit Manual to include improved personnel arrangements, and an internal audit charter.
- (x) Design a participatory workshop on accountability.
- (x) Organize and support a study tour for Public Finance Department officials to review the operation of finance acts and the internal audit function.