

FOREIGN AID MONITORING AND DONOR COORDINATION

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Sri Lanka receives significant sums of money from Donors for a wide variety of projects. This enables the country to undertake many more projects than it can undertake with its own finances. The projects funded by Donors include main infrastructure projects, skills and competency development projects and reform or restructuring projects. A relatively smaller part of donor funds are outright grants. The greater part are favourable loans and they are favourable because repayment do not commence immediately and are deferred for varying lengths of time and the other favourable aspect is that they are provided at rates of interest which are below market rates of interest. In all projects that come via long term loans some component of the total expenditure must be met by the Government.

The Ministry of Finance and Planning set up an unit last year to facilitate the implementation of Donor funded projects. This initiative addressed a major lacuna in the system. Until this unit was created there was no structured monitoring of the progress of Donor funded projects. Appropriate software was developed and all projects above US\$ 5 million were incorporated into the system. It provides spend by month and cumulative spend and has a detailed schedule of activities for each project and records progress and identifies activities running behind schedule. For such activities it has provision to provide comments on the cause of delay.

This is a web based system and the data is put into the system by the project directors. The system can be accessed by the relevant Ministries and it can be accessed by the Donors. Therefore now the two key stakeholders are kept fully in the picture about progress.

The objective of the new department is not to merely monitor what is happening. They have a far more challenging role, and that is to facilitate the implementation of projects. A dual approach is being adopted to pursue this objective. The first part can be called the problem solving approach and the other can be called eliminating the causes of problems approach. To pursue the first part an additional secretary or equivalent has been appointed in the 5 key ministries with the largest number of projects. Dedicated persons have been appointed in the new department to monitor each project and they have regular meetings with the ministry additional secretaries and the project directors to monitor progress and to address issues. Where the Foreign Aid and Budget Monitoring Department is unable to resolve a problem it is referred to the secretary Ministry of Finance and Planning who puts it on the

Agenda for the monthly secretaries meeting. If the issues relate to inter ministerial matters of significance or relate to matters of Government policy the matter is referred to a Cabinet Sub Committee that has been appointed for the specific purpose of dealing with problems relating to Donor funded projects. This Cabinet Sub Committee is chaired by H.E the President.

One of the key objectives of this review process is to identify the causes of problems and to address them. Some significant progress has been made already. A key problem was inadequate funds being provided to the projects by the Treasury. A new system of providing forward projections of cash requirements by projects has helped the Treasury to plan their cash disbursements and this has virtually solved this problem. This system is being improved to enable Project directors to provide a rolling six month forecast and to input directly on to the web based system. This will then become a paperless communication between projects and the Treasury

The Government has many demands on its revenue resources. To ease the burden a project has been initiated to accelerate reimbursement. The current system is that the Government funds its own share of project expenditure and also funds initially the Donors share of project expenditure. Subsequently the Government receives reimbursement. There is a need to improve processes so that reimbursement will be received quickly and faster reimbursement will reduce the burden on the Government. There is no real logic in the current practice where the Government has to pay a part of the costs of all projects. It will greatly facilitate the faster implantation of Donor funded projects if the total funds are provided by the Donor. This statement must be viewed in the context that Donor funds are long term loans and if they provide all the funds it means a larger loan. In many ways it will be better to have a smaller number of fully funded projects.

Two other areas have been identified in the quest for identifying causes of problems. Project start ups have been significantly delayed by tender processes .One reason for delays is that tender boards do not meet frequently and expeditiously complete the award of tenders. One reason for this is the frequent postponement of meetings and the major cause for this is that often Secretaries of ministries are Chairman of Tender Board and they are busy people. The simple solution is to appoint other people who can complete tenders without delay.

The other area throws up an interesting dynamic. Speed of execution of projects also depends heavily on the enthusiasm of all those involved. It has been observed that

there is a noticeable lack of enthusiasm where projects are designed by foreign consultants which result in foreign contractors and the use of foreign equipment. There are strong feelings about the lack of real benefits to the country from such projects.

The challenge is growth and the alleviation of poverty. We have also begun the analysis of all projects to identify their impact on GDP and the alleviation of poverty. These results in due course will help the task of formulating a more critical approach to the selection of projects.

