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දිනය } 21 April 2011
திகதி }
Date }

Circular No. MOFP/ERD/2011/1

All Development Partners

Dear Sir/ Madam

Streamlining the Mobilization of Foreign Resources

It has been brought to the notice of the Government that some development partners directly deal with Line Ministries, Provincial Councils, Local Government Authorities, and various other Government Institutions for formulation of project proposals without following the stipulated procedures. It has also been noted that some donor agencies summon meetings by requesting the government officials to participate at discussions for identification and formulation of development projects and submit them for the approval of the Ministry of Finance and Planning (MOFP) or the Cabinet of Ministers.

As per the accepted financial regulations, government spending programmes must have proper recognitions and clearance by the Department of National Planning (NPD) and thereafter approval by the Cabinet of Ministers. Source of funding is sought only after following these steps.

Transaction costs as well as complexities in programme management of having too many small projects, use of extensive sums of money for consultancies, too many missions, operation of project based and funding agency based steering committees, separate procurement procedures, excessive administrative methods, parallel project and administration work etc., are matters that have received our attention. This has resulted in a serious institutional by passing, affecting country's well practiced financial procedures. Further, such projects have weakened the budgetary process significantly and have remained sustainability issues of such projects in the long term.

The Department of External Resources (ERD) is the apex body of the government for exploring foreign assistance for development projects recommended by the NPD. I also wish to state that no government agency has authority to directly deal with donor agencies requesting foreign financing. The Secretary of the respective line Ministry when reviewing the progress of ongoing donor funded projects portfolio at the Steering Committee Meeting may request the MOFP if additional funding is necessary.

The Cabinet of Ministers recently decided that no donor funding should be raised or sponsored based on any specific geographical area or activities which can be financed by National Budget under government development initiatives.

Considering the above, all donor agencies and missions are requested to follow the following key steps.

1. Kick-off meeting at MOFP
2. Interaction with the Department of National Planning, Department of External Resources, Department of National Budget and Department of Public Enterprises
3. Interaction and operational work with the line ministries and agencies
4. Wrap-up meeting with relevant line ministries and agencies at MOFP

Your cooperation in this regard is highly appreciated.

Yours sincerely,



P B Jayasundera
Secretary to the Treasury

- Cc :
1. Secretary to the President
 2. Secretary to the Cabinet
 3. Auditor General
 4. Secretaries to all Line Ministries
 5. Heads of Departments
 6. Heads of Public Corporation and Statutory Boards
 7. Director General, Department of National Planning,
 8. Director General, Department of External Resources
 9. Director General, Department of National Budget
 10. Director General, Department of Public Enterprises