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MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

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திகதி } March 27, 2023
Date }

Circular No: MF/ERD/2023/01

- A/
- All Secretaries of Ministries
 - All Secretaries of State Ministries
 - All Chief Secretaries of Provincial Councils
 - All Heads of Departments
 - All District Secretaries
 - All Heads of Statutory Organizations

Rationalization of the Prevailing Mechanism on Engaging with Development Partners, Investors, Lending Agencies, Foreign Organizations and Missions

This refers to the Circular No: PS/SP/SB/Circular/06/2019 dated December 19, 2019 issued by the Secretary to the President on "Rationalization of the Prevailing Mechanism on Engaging with Investors, Lending Agencies, Foreign Organizations and Missions".

Having recognized the need for rationalization and simplification of the prevailing mechanism on engaging with development partners, investors, lending agencies, foreign organizations and missions, this circular is issued to provide necessary guidelines for all the agencies under the Central Government and Provincial Councils in relation to various financing programs, borrowing arrangements, credit lines and other similar types of instruments and entering into various Memoranda of Understanding (MOUs) and Agreements.

Government spending programmes, including projects, require prior approval of the Cabinet of Ministers alongside approval of the Parliament to make necessary budgetary allocations and incur relevant expenditure. Attention is also drawn to minimize the transaction costs/overhead costs in project management, consultancies, hiring of buildings, vehicles and logistic support through prudent and efficient management practices and using available facilities. Accordingly, you are instructed to adhere to the following guidelines when engaging with development partners, investors, lending agencies, foreign organizations and missions to discuss various financing programs,

borrowing arrangements, credit lines and other similar types of instruments and entering into MOUs and Agreements.

1. Engaging with investors

- a) Refer all investment proposals of prospective investors to 'Investment Facilitation Centre (IFC)' which was set up at the Board of Investment (BOI) with a view to provide an efficient service to new and existing investors while streamlining the investment approval process. The IFC consists of an Information Desk to share relevant information, Application Submission Desk to assist submission of application, supported by an Operational Unit representing internal departments of BOI to appraise the application and submit the proposals with evaluation to the Screening Committee of BOI for approval.
- b) When an investor visits IFC, the officers from relevant departments will be summoned to facilitate investor depending on the requirement
- c) Any delays in granting line agency approvals during this process, will be addressed through line agency coordination mechanism where senior level line agency representatives meet under the chairmanship of the Secretary of the Ministry in charge of the subject of investment promotion
- d) An application processing fee will be charged at the time of submission of the application to BOI since the process involves a significant effort to evaluate the investment proposal and also in order to ensure worthy investment proposals are submitted for evaluation
- e) BOI will grant investment approval within 14 days for the proposals which do not require intensive clearances from line agencies. Approval for the projects which requires the intensive clearances from line agencies will be given after obtaining all the relevant clearances

2. Engaging with development partners, lending agencies, foreign organizations and missions to discuss various financing programs, borrowing arrangements, credit lines and other similar types of instruments

External Resources Department (ERD) is the apex body of the Government responsible for securing foreign financing for development projects. ERD will engage in related activities based on the recommendations of the National Planning Department and in consultation with other Treasury Departments, as relevant. In this regard, details of the procedures/guidelines have already been published under the following circulars /guidelines and therefore you are requested to follow the instructions stipulated therein.

- 2.1. Guidelines for Submitting Development Project Proposals for Public Investment- Circular No. MNPEA/02/2019 dated 10th January 2019 issued by the then Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development, Vocational Training & Skills Development and Youth Affairs
- 2.2. Streamlining the Mobilization of Foreign Resources – Circular No. MOFP/ERD/2011/1 dated 21st April 2011 issued by the Ministry of Finance and Planning, Acceptance of Donor Assistance - Circular No. MOFP/ERD/2014/1 dated 26th June 2014 issued by the Ministry of Finance and Planning and

Streamlining the Fund Channeling Mechanism and Implementation Modalities of Grant Funded Projects
– Guideline No. ERD/AE/GEN/16 dated 2nd October 2020 issued by the Ministry of Finance

- 2.3. Ensuring Project Readiness for Effective Disbursement of Foreign/Local Financing and Strengthening the Project Management- Circular No. MOFE&PD/ERD/2020/1 dated 12th February 2020 issued by the Ministry of Finance, Economy and Policy Development
- 2.4. Foreign Aid Accounting- Circular No. 30/94 dated 20th April 1994 issued by the Department of State Accounts, and Guideline No. SC&PMU/Grants/19 dated 25th July 2019 and Guideline No. SC&PMU/Grants/20 dated 14th August 2020 issued by the Department of External Resources.

3. Signing of MOUs /Agreements

3. (a) Signing MOUs/Agreements regarding research/ scholarship grants provided by foreign universities / foreign countries / agencies etc.

- (i) These Research Proposals together with the relevant Agreements/ MOUs need to be brought to the attention of the Department of National Planning (NPD) with a copy to the Department of External Resources to obtain the clearance from NPD, by the UGC through the Ministry of Education. Thereafter, it will be referred to the Ministry of Foreign Affairs for their recommendation by NPD. If the content of the Agreement/ MOU is detrimental to the country in areas such as national security, national heritage, national health, natural resources, and biodiversity, etc., the Ministry of Foreign Affairs will instruct the Ministry of Education to obtain approval of the Cabinet of Ministers and/or the Attorney General's Department for the relevant Agreement/MOU. Upon receipt of clearances from the Ministry of Foreign Affairs and the Department of National Planning (and the Cabinet of Ministers / Attorney General's Department, where necessary), the Ministry of Education can proceed with signing of the Agreement/MOU.
- (ii) It is required to follow the instructions given in 3 (c) for fund channeling mechanism. It is noted that there are instances where some universities conduct research as the lead researcher, and in such a situation total research grant is received by that particular university with the understanding that they will provide required research fund to other relevant universities in the world. In order to encourage universities to be the lead researcher, and also to ease the procedural delays in fund channeling mechanism, it is suggested that the university should follow the procedures indicated in paragraph 3. (c) below only for the research grant portion allocated to our country. The money allocated to be apportioned to other countries for conducting research need not be channeled through the Treasury.
- (iii) Universities are also encouraged to develop a mechanism similar to that of most foreign universities where there is a transparent and accountable mechanism in disseminating research findings with relevant line Ministries and other universities / agencies. It is noted that some research findings belonging to public / state universities are very much important in making policy decisions by the central government

3. (b) Signing of all other MOUs/ Agreements

In relation to entering into all other MOUs and Agreements, please refer to Circular No. PS/EAD/Circular/16/2022 and dated January 09, 2023 issued by the Secretary to the President.

3. (c) Fund Channeling Mechanism

If any funds are channeled to the country through the respective MOU/Agreement, the fund channeling mechanism should be in accordance with the Financial Regulations and therefore, ERD guidelines referred to in the para 2.4 should strictly be adhered to. Budgetary allocations should be requested from the National Budget Department whenever necessary. All institutions should send a copy of the signed MOU/Agreement, drawdown plan of grant money, and disbursement records to ERD for recording purposes and copy of signed MOUs/Agreements to the Auditor General's Department and Ministry of Foreign Affairs.

4. **Financing Proposals** - Advise all bilateral and multilateral lending agencies, project financiers and their agents that the focal point in relation to all their financing proposals is the General Treasury, which will also set up 'Front Desk Office' to give best guidance and advise on such matters. The project formulation for related development activities coming under the purview of any Ministry or agency should be carried out under the guidance of the National Planning Department of the Ministry of Finance, Economic Stabilization and National Policies.

Please note that this circular is issued with the consent of the Presidential Secretariat and the provision of this Circular will be applicable with immediate effect, and the Circular No. PS/SP/SB/Circular/06/2019 and dated December 19, 2019 issued by the Secretary to the President on the above is hereby revoked.



K. M. Mahinda Siriwardana
Secretary to the Treasury

Copy:

1. Secretary to the President
2. Secretary to the Prime Minister
3. Secretary to the Cabinet of Ministers
4. Auditor General
5. Governor, Central Bank of Sri Lanka
6. Chairman, Board of Investment of Sri Lanka