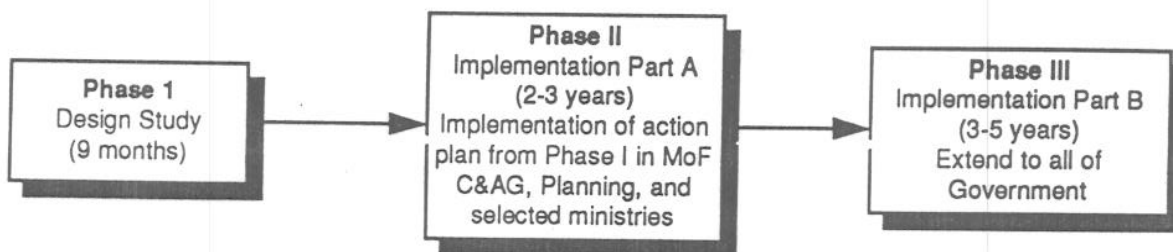


2. INTRODUCTION

2.1. Terms of reference



2.1.1. The terms of reference for this assignment see it as the Phase I of a three phase programme to upgrade budgeting and expenditure control. These are summarised diagrammatically. From this it is seen that this Phase I is a design phase. The full Terms of Reference are reproduced in Annex 1, but in summary they involve:

- (i) review the present budget system and propose changes;
- (ii) review classification system and prepare revised system;
- (iii) review accounting systems and required changes;
- (iv) prepare a plan for computerisation;
- (v) design training programmes;
- (vi) prepare an implementation plan.

2.1.2. In addition to these specific requirements, the title of the assignment is "Reforms in Budgeting and *Expenditure Control*" (italics added). Therefore accounting must be seen in the context of expenditure control, and as a tool in that process rather than an end in itself.

2.1.3. An important factor assisting this design study has been the report produced by the Committee on Reforms in Budgeting and Expenditure Control - "The CORBEC Report". This comprehensive report has formed the basis of the whole project, and has identified the major issues and problems. In many cases solutions and approaches to resolving problems have been indicated. This report draws heavily on the CORBEC Report. Though reference is sometimes made to the CORBEC report in the text, in general this has only been done by way of special emphasis, since it would take too much space to acknowledge every coincidence of conclusions.

2.2. Structure of the report

2.2.1. This report is divided into 11 sections, summarised as follows:

Section 1	Executive Summary	This section stands alone and can be read without reference to the full report
Section 2	Introduction	This section
Section 3	Financial Management	A general review of the concepts of public sector financial management and reporting
Section 4	Budgeting	The budgeting system and links with planning
Section 5	Classification system	The present classification system and structure of the proposed new system
Section 6	Financial Administration	The structure of the financial administration, including the constitutional, statutory and regulatory framework
Section 7	Accounting	The accounting system
Section 8	Specific issues	A series of identified important issues that have emerged as part of the study
Section 9	Information technology	This section deals with both computerisation and intermediate technology
Section 10	Training	Training programmes essential for sustainable change
Section 11	Implementation plan	The implementation approach to be adopted

2.2.2. In every section, a brief summary of the issues is followed by the conclusions and proposed strategies. In addition to the strategies, a number of recommendations are made. These deal with issues either peripheral, or too detailed, to be included within the strategies. Strategies are always highlighted and summarised at the end of each section. In addition they form the basis of the action plan in Section 10.

2.2.3. In addition to this report, two other documents will be produced as part of the Phase I assignment:

- (i) A Project Document for Phase II setting out the terms of reference, and including budgets; and
- (ii) Copies of the detailed technical papers that have been prepared on an ongoing basis during this study. These contain in particular information on the present systems which would be too voluminous to include within this report. These are summarised as follows.

Technical Paper No.	Title
1	The interface between planning and budgeting
2	The budget system
3	Financial Administration
4	Accounting systems and procedures
5	Computerisation and Financial Management Information System
6	Training

2.2.4. Copies of the Technical Papers may be obtained from the British High Commission, Aid Section, in Dhaka.

2.3. Approach to the study

2.3.1. The approach to this study has been based on six distinct approaches:

- (i) desk research of all existing reports and other documents on the existing system;

- (ii) examination of the various budgets and financial statements produced by Government;
- (iii) field visits to accounting and budget offices, both in Dhaka and in other areas of Bangladesh;
- (iv) interviews with the key personnel involved in these and related processes;
- (v) a series of presentations and courses, which have allowed us to test our ideas with a larger group;
- (vi) a follow up visit to Dhaka some six weeks after this issue of the draft Final Report to obtain comments and discuss the issues raised.

2.3.2. The presentations and courses have comprised the following:

- a presentation of the Inception Report to the CORBEC Committee and certain of the donors;
- a course for mid-level officers from accounting, finance, budget, planning, projects and other related activities;
- a seminar with BCS probationers for the Comptroller and Auditor General cadre;
- a residential course for senior officers from similar backgrounds to the above;
- a presentation to a selection of very senior officers, the CORBEC committee and some of the donors of the draft final report.

2.3.3. Phase I (Design Phase) was scheduled to last nine months; field work commenced in October 1992. The Final Report has been submitted in June 1993, a month ahead of the scheduled date. It either incorporates comments received, or notes where there have been major areas of disagreement.