

1. EXECUTIVE SUMMARY

1.1. Terms of Reference

1.1.1. This study is the design phase (Phase I) of a three phase programme to reform budget, expenditure control and accounting systems. The terms of reference for the design study required it to review present budget, expenditure control accounting and classification systems, propose changes including a training programme and the introduction of computers, and design an implementation programme.

1.1.2. This phase is envisaged as lasting nine months, and commenced on October 5, 1992. Most of the consultants investigative work has been completed prior to the presentation of this draft report in April 1993, with the remainder of the nine months allocated to discussion of, and amendments to, the draft report.

1.1.3. This Final Report takes account of all of the comments received by the consultants. In some cases, where there has been a lack of unanimity amongst commentators, the differing views have been noted. In other cases where we have accepted comments, these have simply been incorporated within the report.

1.2. Issues Identified

1.2.1. This study, and the earlier CORBEC Report, have identified major areas of weakness in relation to Government budgeting and expenditure control in Bangladesh. Of particular note in relation to budgeting are the failure to identify a resource envelope within which expenditure decisions are taken in advance of the start of the budget process; the failure to use budgets as a major resource allocation tool by Ministries and Divisions; the dichotomy between the Revenue and Development Budgets, making it difficult to identify expenditure in a meaningful manner; and the very cumbersome and complex presentation of budget information, exacerbating problems of informed decision making. Also in a system where costs are dominated by payroll, the lack of manpower planning and budget analysis is a noteworthy omission.

1.2.2. The inadequacies of the present classification systems are a major contributory factor to these failures. Again, there is a dichotomy between the classification systems used for the Revenue and Development Budgets. The present system makes it difficult to identify or analyse data by either programmes or responsibility. Net and gross flows of funds to autonomous bodies and public enterprises cannot be identified, and economic analysis is difficult. The present system was not designed for computerisation and would be inappropriate and fail to make full use of the potential of such technology.

1.2.3. Financial administration has been left in an unsatisfactory halfway situation between decentralisation, departmentalisation, and division of audit and accounting functions. These problems are compounded by the difficulty of obtaining copies of up to date financial rules and regulations, and the acute shortage of adequately trained personnel. The consequence is that there is no effective system of budgetary control. The system problems are exemplified by the failure to produce up to date government accounts, the lack of financial information, the growth of other systems outside accounting for financial monitoring, and the inability to reconcile the government accounts with balances on government bank accounts.

1.2.4. There are a number of specific issues in relation to accounting where problems are leading to real negative economic impacts. One example is the inadequate cash management by the Government of its own funds. Again, the failure to properly account for food transactions results in a lack of transparency which may be resulting in sub-optimal decisions being made. The lack of control over on-lending to autonomous bodies may also lead to sub-optimal resource allocation decisions. Donors insistence on procedures to meet their differing requirements has reduced the systems' ability to develop as a cohesive whole, and hence its effectiveness as a provider of financial information.

1.2.5. There has as yet been no general attempt to computerise the accounting system. This is fortunate, in that involvement in obsolete computer technology has been by-passed, but a stage has now been reached where it would be infeasible to develop a modern and useful budgeting and accounting system without widespread computerisation. The resources and expertise for this to take place are not available within the Government.

1.2.6. Finally there are the problems raised by the very inadequate training systems, not just for accounting personnel, but for all of those involved in the financial function, including those who are users of financial information.

1.2.7. In summary, the present system of budgeting and expenditure control exhibits very major problems which need addressing as a matter of priority.

1.3. Potential gains from improved budget and expenditure control

1.3.1. A move to more optimal resource allocation decisions is expected to result from the improvements in the systems. This will result both from a budget system which more clearly identifies policy alternatives and their implications, and also from an improved feedback of financial information on the performance of ongoing programmes.

1.3.2. Improved resource mobilisation is also anticipated, both from improved revenue collections, and also from the ability to better mobilise external development resources as a result of improved ability to manage and allocate local resources.

1.3.3. Improved information flows and the provision of key indicators in the form of an executive information system will enable managers to more effectively monitor and control the activities under their responsibility. It will also enhance accountability, and improved procedures will minimise opportunities for defalcation and misuse of public resources.

1.3.4. The upgrading of the financial management capability of government officers will encourage the development and application of market orientated skills and approaches to public sector activities.

1.3.5. The total of these changes will significantly improve accountability, both by individual officers to their superiors, and in broader terms by the executive to parliament. The improved monitoring against budgets, and the enhanced system of internal accounting controls, are all factors in this upgrading of accountability.

1.4. The legal framework

1.4.1. The most important requirements are contained within the Constitution. This contains provisions as to both the budget and the accounts of the government. It also places constitutional responsibility for the government accounts upon the Comptroller and Auditor General. Therefore any process of segregating accounting and auditing must eventually require a constitutional change. In other respects, the Constitution makes few detailed requirements, and nothing in this report conflicts with constitutional requirements. Note in particular that the division of the budget into Development and Revenue, and also the way in which demand for grants are currently presented, are not constitutional requirements. Also the presentation of separate Finance and Appropriation Accounts is a legislative, not a constitutional requirement (see below).

1.4.2. The only other legislation is the Comptroller and Auditor General (Additional Functions) Act 1974. This places specific requirements on the C&AG, and in particular the separate presentation of Finance and Appropriation Accounts.

1.4.3. Most of the detailed requirements for budget and accounts are contained in Government rules and regulations. These are published in the form of bound books, and are amended from time to time. Unfortunately there is in print no complete current text of the Rules and Regulations. Despite claims to the contrary, we have noted widespread and extensive failure to follow the rules and regulations.

1.5. Financial management and reporting

1.5.1. Financial management in the public sector means more than "spending the budget, no more and no less" - it means allocating and managing resources in order to optimally achieve public objectives.

1.5.2. Reporting financial information is a key element in the process of both budgeting (by providing feedback), and for monitoring and control. Reports should meet certain criteria:

- related to span of responsibility and level of detail appropriate to recipient
- timely
- reliable
- reports should include a benchmark, some basis for comparison
- clearly presented
- simple

1.5.3. A reporting system meeting these criteria could be started by modifying the existing abstracts of accounts, e.g. including budget figures for comparison, showing monthly and cumulative figures, improving layout, making available by the 15th day of the month following period end, ensuring reliability, and rounding to Taka 1,000.

1.5.4. An "Executive Information System" is simply a reporting format that identifies and presents in very summarised format key indicators for a particular manager. Normally such a report would only contain one page, and would focus on exceptions which were significant to the person receiving the report.

1.6. Budgeting

1.6.1. The Budget in Bangladesh is divided into the Revenue and Development Budgets. The system is soundly based, but there are a number of issues which need to be addressed:

- (i) lack of a single manual documenting budgetary procedures, rules and regulations;

- (ii) the cycle for the Revenue Budget is too long;
- (iii) resource constraint data not made available to Ministries before budget preparation;
- (iv) three year plan only exists for Development Budget, and is not integrated into annual budget process;
- (v) supplementary estimate system fails to meet needs of financial control;
- (vi) inadequate co-ordination in production of Revenue and Development Budgets;
- (vii) within spending Ministries, the Budget process is not seen as a major resource allocation tool, and is downgraded to junior officers;
- (viii) despite the significance of payroll in the total Government expenditure, manpower planning is not integrated into the budget process;
- (ix) the Revenue Budget is prepared incrementally, and there is inadequate consideration of the impact of projects when they are eventually transferred to Revenue;
- (x) the Budget format is overly voluminous, confusing, repetitive, and yet lacking in critical information if it is to be an important resource allocation tool;
- (xi) the treatment of both Food accounts and Autonomous Bodies needs to be rationalised, so as to show clearly flows of funds, with detail in memoranda accounts.

1.6.2. It is not recommended that the Revenue and Development Budgets be merged; it is recommended that their preparation and presentation is more closely co-ordinated. The strategies deal with the other issues.

1.6.3. Computerisation is seen as an important tool in the budget process. A well designed computer system would enable alternatives to be evaluated, allow changes to be speedily incorporated, and shorten the printing time-scale. It is feasible for a computer system to provide budgets in both Bangla and English.

1.6.4. Improved and simplified presentation is seen as very important if the Budgets are going to function more effectively as a resource allocation tool.

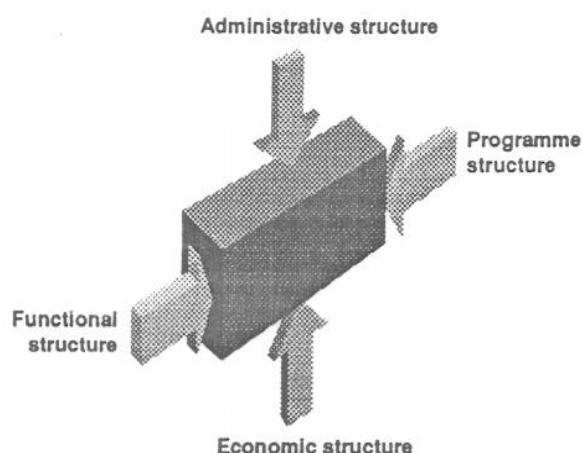
Strategies

No	Strategy	Comment
1	A resource envelope should be produced describing projected funding for the forthcoming year.	Budget preparation requires the production of a resource framework prior to commencement of the budget preparation process. This would facilitate the inclusion in the Budget Request Circular of indicative ceilings including growth and inflation predictions and would allow the process to move away from its current incremental base.

No	Strategy	Comment
2	Improvements should be introduced in the co-ordination of the Development and Revenue Budgets.	A Joint Budget Committee should be formed, with representatives of the Ministry of Finance and the Planning Commission, with responsibility for the issue of joint guidelines for the Revenue and Development Budgets. At the sector ministry level, budget committees would also need to be formed, who would be responsible for co-ordination of the preparation of the Revenue and Development estimates.
3	A ministerial budget committee should be established and be chaired by the Secretary in his role as the Principal Accounting Officer.	Secretary's in Sector Ministries are conferred with financial responsibilities through their appointment as Principal Accounts Officers. At present their role in budget preparation at the Ministries is minimal and there is therefore no guarantee that a Ministry's budget proposals correctly reflect its policies, objectives and priorities. To ensure PAO involvement it is recommended that a budget committee be established at each Ministry chaired by the Secretary in his role as the Principal Accounting Officer, and including the budget officers and staff of Planning Cells, with the CAO playing a strong role as adviser on all financial matters. This committee should be responsible for consideration and approval of the Ministry's overall objectives, plans for achieving them and should review all departmental and divisional submissions for the Revenue and Development Budgets. It should ensure the inclusion in the Revenue Budget of the effects of the Development Budget, collate departmental submissions and submit them to the Finance Division in the Ministry of Finance and to the Planning Commission.
4	Manpower planning should form part of the budget exercise and manpower numbers should be reconciled with approved establishments.	Manpower costs currently constitute some 60% - 70% of the revenue budget and are seldom reduced or amended. This limits the scope for the considered allocation of funds to meet ministerial objectives and whilst outside the Terms of Reference for this study it is considered that a manpower planning review should be instigated as soon as possible in order that optimum staff numbers are identified for each ministerial objective. Within this exercise consideration should be given to the forfeit of posts which have remained vacant for extended periods.

5	The current incremental base for budgeting should be revised with the emphasis placed on budgeting by objective predicated on a zero base and linked to programme.	Budgets should be prepared to identify the cost of provision and maintenance of ministerial objectives. The current incremental budget basis does not facilitate provision for new objectives or revised priorities and constrains performance measurement. In addition, in view of the inaccuracy of expenditure records, the use of previous levels of expenditure as the base for the future is questionable. Each Ministry should be required to totally justify proposed expenditures annually.
6	The Revenue and Development budgets should be simplified and prepared and produced showing a three year perspective.	<p>The current budget document is too complex and should be simplified. It contains duplicated and confusing information and it is difficult to identify the total provisions for individual ministries. A document should be developed which is capable of aggregation to levels commensurate with user requirements and the number of existing separate documents should be reviewed and rationalised.</p> <p>There is a need to integrate the processes of planning and budgeting by introducing a forward perspective for the development and revenue budgets. This would involve producing resource projections for a three year period, (these are already produced for the TYRIP and the Policy Framework Paper), requesting Sector Ministries to submit estimates for three years for both the revenue and development budget and presentation of the three year estimates in the Budget. The resource framework revenues and expenditure projections would be updated and rolled over each year, in the same way as the TYRIP is rolled over at present.</p>

1.7. Classification



1.7.1. The present classification system is based on a system of Major, Minor and Sub-heads. It was designed without the availability of computers for analysis, and attempts to combine functional, administrative and economic codes. The level of detail varies both within budgets, and between the Revenue and Development Budget. The present system does not adequately deal with the four dimensions of budgeting, illustrated in the diagram.

1.7.2. It is regarded as essential that a revised classification system is: (i) based on the existing administrative structures; (ii) can be implemented by clerks at a junior level. Therefore it should be as simple as is consistent with the analytic requirements. Also the system should be able to provide management with data linked to the administrative structure, or by Projects/programmes, as well as analysed by economic categories.

1.7.3. A structure is proposed which achieves these objectives. However, it is regarded as essential that this is pilot tested before being fully implemented. It is also seen as the basis of a system which could later be extended in terms of detailed level of analysis as computerisation becomes more widespread.

Strategy

No.	Strategy	Comment
7	Develop in detail a new classification structure, and implement in a planned manner	The classification structure should follow the structure outlined in the above sections, and illustrated in the Annexes, but be the result of discussions between Finance Division, ERD, the Planning Ministry and other concerned Ministries. As part of the process existing accounts should be reviewed and wherever feasible simplified or eliminated.

1.8. Financial administration

1.8.1. There is substantial evidence of major problems with the accounting systems. No Appropriation Accounts have been published since 1985/86, and no Finance Accounts since 1987/88¹. Bank reconciliations show large unexplained differences, e.g. Taka 5.2 billion in July 1992. For project financial monitoring, the IMED monitoring system is generally regarded as more reliable than the accounting system.

¹ Subsequent to the completion of this part of our work in Bangladesh, we are advised that Appropriation Accounts have been submitted to the President on April 20, 1993 up to 1987/88 for the Civil Accounts

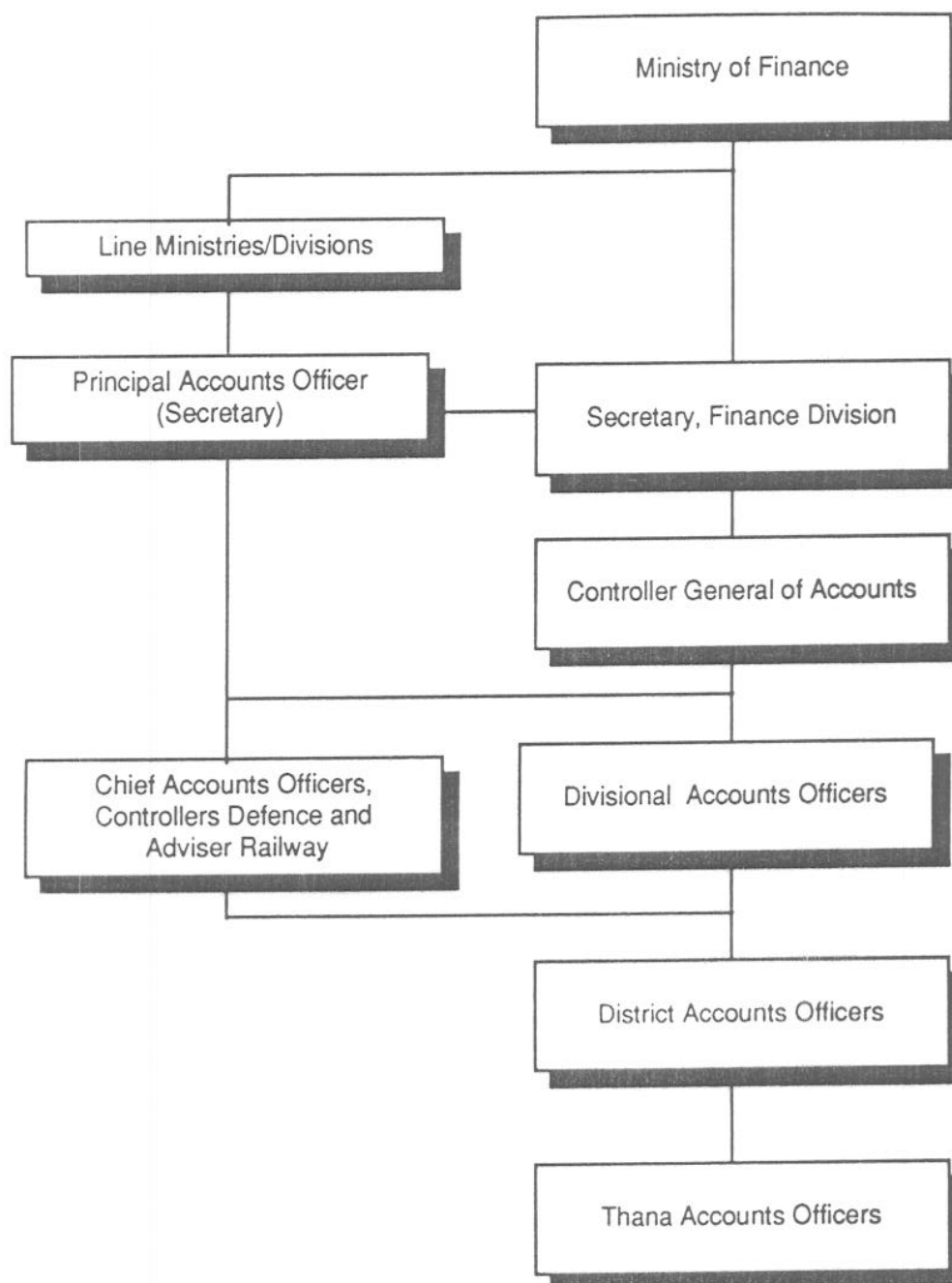
1.8.2. The institutional structure indicates a number of problems. A system of departmentalisation was initiated in the 1980s which was sound in concept, but never properly completed. In addition, a system of decentralisation to Districts and Thanas has added complexity. The result is a confusing pattern of responsibility and information flows.

1.8.3. A fundamental problem remains the lack of institutional separation of the accounting and auditing functions. This is considered of great importance, and requires legislation to formalise the separation. The Controller General of Accounts would become directly responsible to the Finance Division, and the Comptroller and Auditor General (C&AG) would be responsible only for Government audit. This will ultimately require constitutional changes, but may be implemented on a de facto basis pending such changes. However, the C&AG cadre could remain for promotion purposes.

1.8.4. Rules and regulations are generally unavailable, and most offices operate without copies. Even when copies do exist, only rarely so they include the many gazetted changes. There is no mechanism to obtain an up-to-date set of rules. Furthermore, the rules are mainly in English. Their substance has remained unchanged for some 60 years. There is an urgent need to bring the rules up to date, translate them into Bangla, and print and make them available to all offices. Accounting standards should be incorporated in the rules.

1.8.5. The proposed revised finance administrative structure is shown below; audit would be separate as indicated above.

1.8.6. Our TOR did not address the issue of audit. However, it must be recognised that parallel changes are needed to upgrade the effectiveness of government audit.

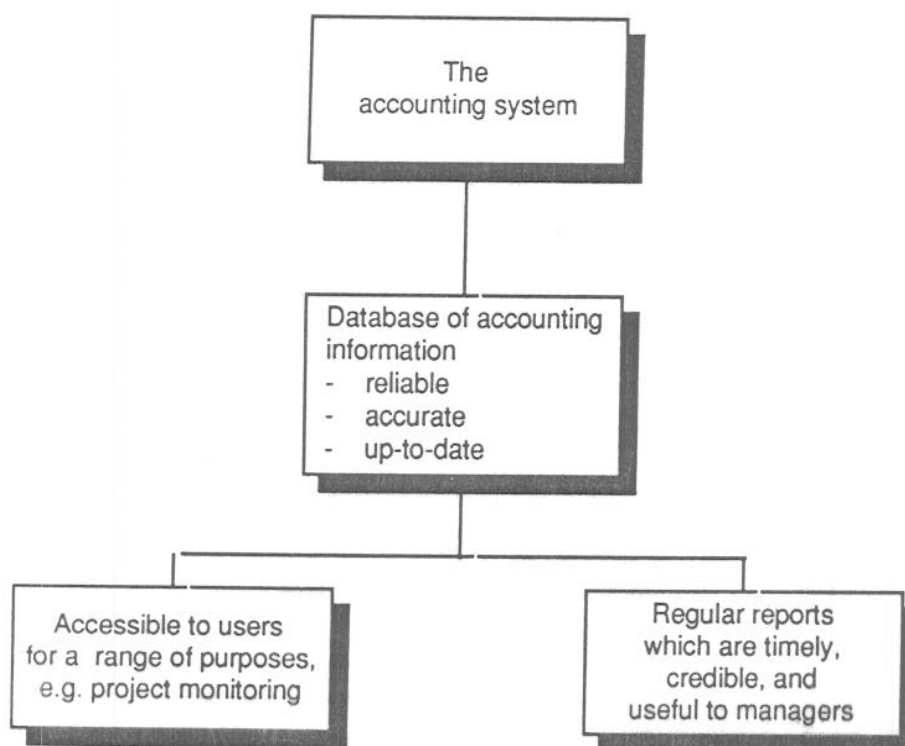


Strategies

No.	Strategy	Comment
8	Accounting and auditing should be formally and legally separated	The separation of accounting and auditing needs to be formalised by the passing of legislation
9	Departmentalisation should be completed in a planned manner	All Ministries/Divisions should have CAOs, should be responsible for their own pre-audit and eventually take over accounting functions
10	CAOs should become responsible to PAO for financial management in their Ministry	This is an extension of the role of CAOs, so they become responsible not only for accounting, but also for all aspects of financial management including budgeting. This is linked to the distributed computer system being proposed
11	Thanas should become sub-treasuries under districts, regional offices closed, and support offices established in Administrative Divisions	Districts will consolidate data and submit directly to CGA and CAOs. Divisions become accounting support points. The new Divisional offices will act as support and training centres
12	A unit in Finance Division be established to update rules, regulations and accounting standards and issue in loose leaf format	Rules will be organised in hierarchical format, with Financial Regulations incorporating accounting standards, and departmental procedures. A special unit will be equipped with desk top publishing technology to produce the manuals in Bangla in loose leaf format

1.9. Expenditure control, accounting systems and procedures

1.9.1. The objectives of the accounting system are summarised in the diagram below.



1.9.2. The existing systems are largely manual based, and use a form of modified cash accounting. For pragmatic reasons the continuance of this basis is recommended. There is also a need to develop procedures to ensure that development funds unused at the end of one financial year are automatically carried forwards to the next year.

1.9.3. The present system does not provide effective expenditure control. The only check against budget authority is pre-audit, and this is circumvented for much development activity. Transfers between components of government effectively become lost in the system. Suspense and personal ledger accounts have proliferated as solutions to symptoms, when in fact they serve to exacerbate the underlying problems of the system. Funds are deposited in commercial bank accounts in a manner which is against the public interest.

1.9.4. Accounting systems simply fail to capture many transactions, and others are inaccurately recorded because of the lack of effective reconciliation procedures. This particularly applies to the failure to reconcile with the Bangladesh Bank, a fundamental systems failure. All of these problems are made worse by the lack of properly printed stationery, and of copies of rules and regulations referred to above.

Strategies

No.	Strategy	Comment
13	A crash programme should be undertaken to bring the accounts up-to-date and complete all reconciliations	This is the starting point for all other reforms in the Government accounting system, since it will provide a clean starting point. Unidentifiable differences should be written off.
14	A system should be developed to provide for the carry forward of unspent development funds	This could be achieved by the system outlined in the text of allowing Project Directors in February to estimate their underspend and have this automatically transferred to the next years budget
15	The Finance Accounts and appropriation Accounts should be merged	The existence of the two documents substantially increase the accounting workload, and no major reason for their continued separate existence
16	The use of exchange accounts should be discontinued, and suspense and personal ledger accounts severely restricted	These measures are designed to stop the excessive use of accounts intended to have only limited specialised use
17	Actions should be undertaken to make budgetary control more effective, including the establishment of a Budgetary Control Unit in Finance Division	These steps include reviewing pre-audit, including budget figures in accounting reports, and the establishment of the new monitoring unit.

1.10. Specific issues

1.10.1. A number of specific issues in relation to accounting have been identified and are detailed below with proposed solutions.

1.10.2. Revenue receipts were not specifically included in our terms of reference, but have been identified as an issue as part of our review of accounting systems. The present systems provide very limited control over receipts, and the complexity of the procedures positively discourages private individuals from paying monies to the Government. This area requires its own Revenue Collection Study, though some of the solutions are already identified in our report. It is considered there is real scope for enhanced domestic resource mobilisation.

1.10.3. The treatment of food operations has attracted much attention. The present procedures lack transparency, and substantial sums of money are left idle in commercial bank accounts. A review of the present system indicates that the accounting treatment is simply wrong, and that a simple commercial-style trading account is required for transparency. There is no justification for keeping large sums in commercial bank accounts.

1.10.4. There are a bewildering variety of systems which have evolved for handling foreign aid, in order to deal with perceived problems in the accounting and funds disbursement procedures. As a result there is little control over these funds, and the accounting systems fail to capture many of the transactions, thereby removing the value of the accounts as a source of financial monitoring information. In fact there is no reason why all donor funds should not be handled consistently through the Bangladesh Bank.

1.10.5. There are a number of problems related to the Autonomous Bodies: treatment of debt, on-lending, equity participation. On-lending is the major problem, with no adequate records of amounts on-lent, nor control over interest and repayments. The Bangladesh Shilpa Bank project to resolve this deficiency lacks direction, and has not begun to establish a system.

1.10.6. As noted earlier, bank reconciliation procedures are ineffective. There is no system of cash management. The first step is to introduce effective regular reconciliation procedures. The numbers of commercial bank accounts used should be minimised. In general, the concepts of cash management need to be developed.

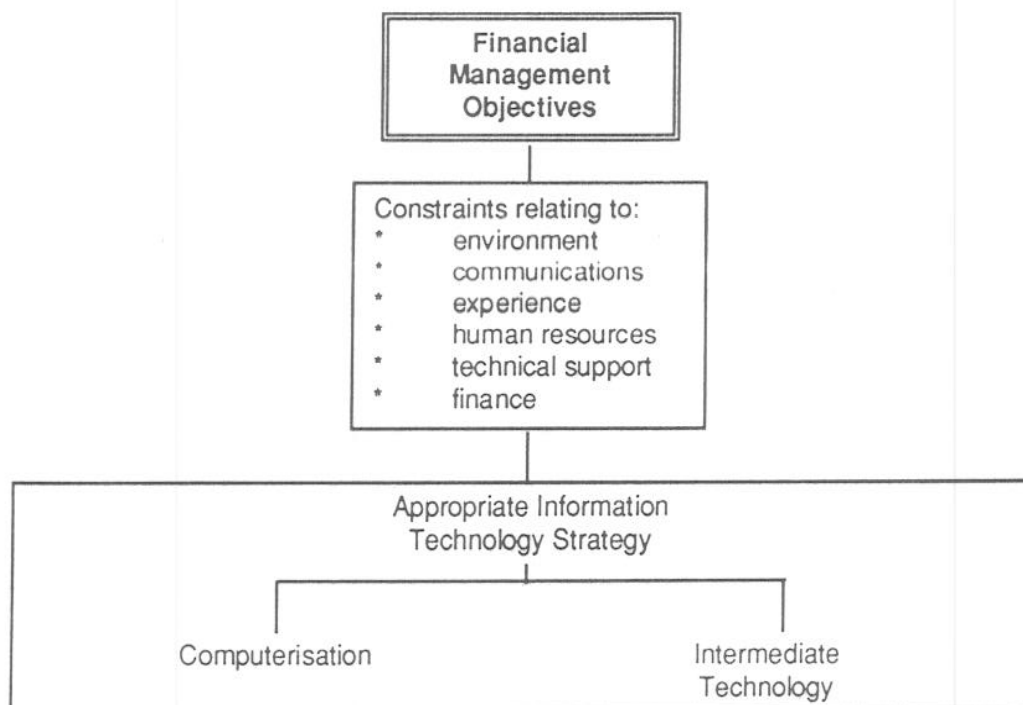
Strategies

No.	Strategy	Comment
18	Revenue Collections Undertake a study to identify mechanisms for improving revenue collection procedures	(1) the need for more uniformity and simplicity in the systems of collecting and accounting for Government revenue receipts; (2) whether Departments should be made responsible for collecting their own receipts; and (3) the need for effective reconciliation procedures both internally and with the collecting banks
19	Food operations Introduce proper accounting procedures, and ensure all funds banked in accounts with Bangladesh Bank	(1) whether the state trading food account operations be treated as part of the Consolidated Fund; (2) the establishment of correct and simple accounting entries for dealing with the creation and use of counterpart funds arising from food aid; and (3) the need to open deposit accounts with commercial banks for food aid counterpart fund

No.	Strategy	Comment
20	<p><u>Foreign aid and Development Expenditure</u></p> <p>Improved procedures putting transactions through special accounts with Bangladesh Bank, stopping most commercial bank accounts, and improving accounting procedures including revised procedures for carrying over unused funds at the end of the financial year</p>	<p>(1) foreign aid monies from donors being passed through the Bangladesh Bank to the spending project agencies without being put through the Government's accounts with the Bank;</p> <p>(2) the absence of accounting entries recording direct payments for goods and services, including technical assistance, by donor and lending agencies;</p> <p>(3) differing accounting procedures, that do not satisfy the Government's needs for development expenditure financed by foreign aid, resulting from ad hoc arrangements introduced for the disbursement of these funds;</p> <p>(4) the unnecessary use of commercial bank accounts for development projects resulting in the lack of expenditure control; and</p> <p>(5) the absence of budgetary control in relation to development projects.</p>
21	<p><u>Autonomous bodies on-lending and equity participation</u></p> <p>Establish a system for recording and monitoring all on-lending in the Development Wing of Finance Division responsible. Where existing on lending cannot be identified it should be ignored.</p>	<p>(1) whether it is necessary to include the borrowings of non-commercial autonomous bodies in the budget and accounts of the Government as public debt or whether a simple monitoring system will suffice;</p> <p>(2) action to be taken to establish an interim system for processing, recording, budgeting and accounting in respect of on-lending subsidiary loan agreements;</p> <p>(3) the development of a system for equity participation that is consistent, transparent in the budget and does not allow the giving of hidden subsidies by converting outstanding loans into equity</p>
22	<p><u>Guarantees</u></p> <p>Establish comprehensive register and implement parliamentary approval procedures</p>	<p>(1) the need for a fully documented system for approving, recording and monitoring guarantees; and</p> <p>(2) the recreation of the guarantees register for outstanding guarantees given prior to 1984/85.</p>
23	<p><u>Banking and cash management</u></p> <p>Make reconciliation procedures work, avoid unnecessary use of commercial bank accounts, initiate cash management procedures</p>	<p>(1) monies being held in commercial bank accounts instead of in Government's accounts with the Bangladesh Bank;</p> <p>(2) the absence of proper bank reconciliation; and</p> <p>(3) the lack of cash flow forecasting and effective cash management.</p>

1.11. Information technology

1.11.1. Information technology is a tool in the achievement of the objectives of financial management.



1.11.2. In Bangladesh there are considerable potential gains from simple intermediate technology, e.g. having pre-printed forms and registers available in all offices, add-listing machines and calculators.

1.11.3. Nevertheless, computerisation must be the way forward, despite the obvious constraints identified above. The Bangladesh Computer Council has recommended systems should use UNIX open operating systems and a proprietary relational database management system (RDBMS). The computerisation in this project should comply with these standards in so far as it cannot be carried out on micro-computers (either networked or stand alone). Specifications for tender should require that output can be in both English and Bangla. However, it is infeasible for input and intermediate documentation to be in anything other than English.

1.11.4. Major target applications are a core accounting and reporting system in the CGA's office, a payroll system, and a system for the process of preparing and printing the budget. These should be custom developed using UNIX, and the recommended RDBMS referred to above. In addition, an interim system based on networked micro-computers and a "packaged" accounting system should be installed for the CAOs to consolidate Thana/District data and produce Presidency accounts and financial reports.

1.11.5. There is a need for considerable training in Management Information Systems (MIS) and computers, which is built into the training plan. It is essential that an MIS wing be instituted in Finance Division to manage all of the computerisation programmes. All software should be developed using a structured approach to systems development.

Strategies

No.	Strategy	Comment
24	Improve use of intermediate technology pending full computerisation by availability of existing and redesigned forms, and add-listing machines in all offices	Since full computerisation is some considerable time away, the existing manual systems must be made to work effectively. Whilst no general re-design of the manual system is recommended, considerable gains can be made by ensuring an adequate supply of standard forms, which need in some cases to be re-designed to take account of other changes, and to ensure that all offices have add-listing machines.
25	Initial target computer applications: (i) budget system; (ii) accounting, expenditure control and reporting in CGA's office; (iii) interim expenditure control and reporting system in CAOs; (iv) pilot computerisation in two District offices; (v) interim Financial Reporting System	These have been selected as a feasible group of applications for computerisation in Phase II. The budget system is required urgently as being fundamental to the improved budget presentation and its more effective use as a resource allocation system. The system in the CGA's office is intended to be the core source of central financial information for expenditure control and reporting to Government. The interim systems in the CAOs is to focus control at the point closest to operational responsibility. The pilot projects at DAOs are intended to lead the way to a distributed data processing approach in Phase III.
26	Establishment of an MIS Directorate in the Finance Division, Ministry of Finance	This organisational change is essential if the computerisation programme is to be effective. It will develop a core of MIS and computer expertise which will be used for all systems development.
27	Training programme to enhance computer skills as required	The computerisation will not be sustainable unless expertise is developed amongst users. Training is therefore fundamental to the programme. It is recognised that there will be leakage of trained personnel, and the volume of training must take account of that factor.

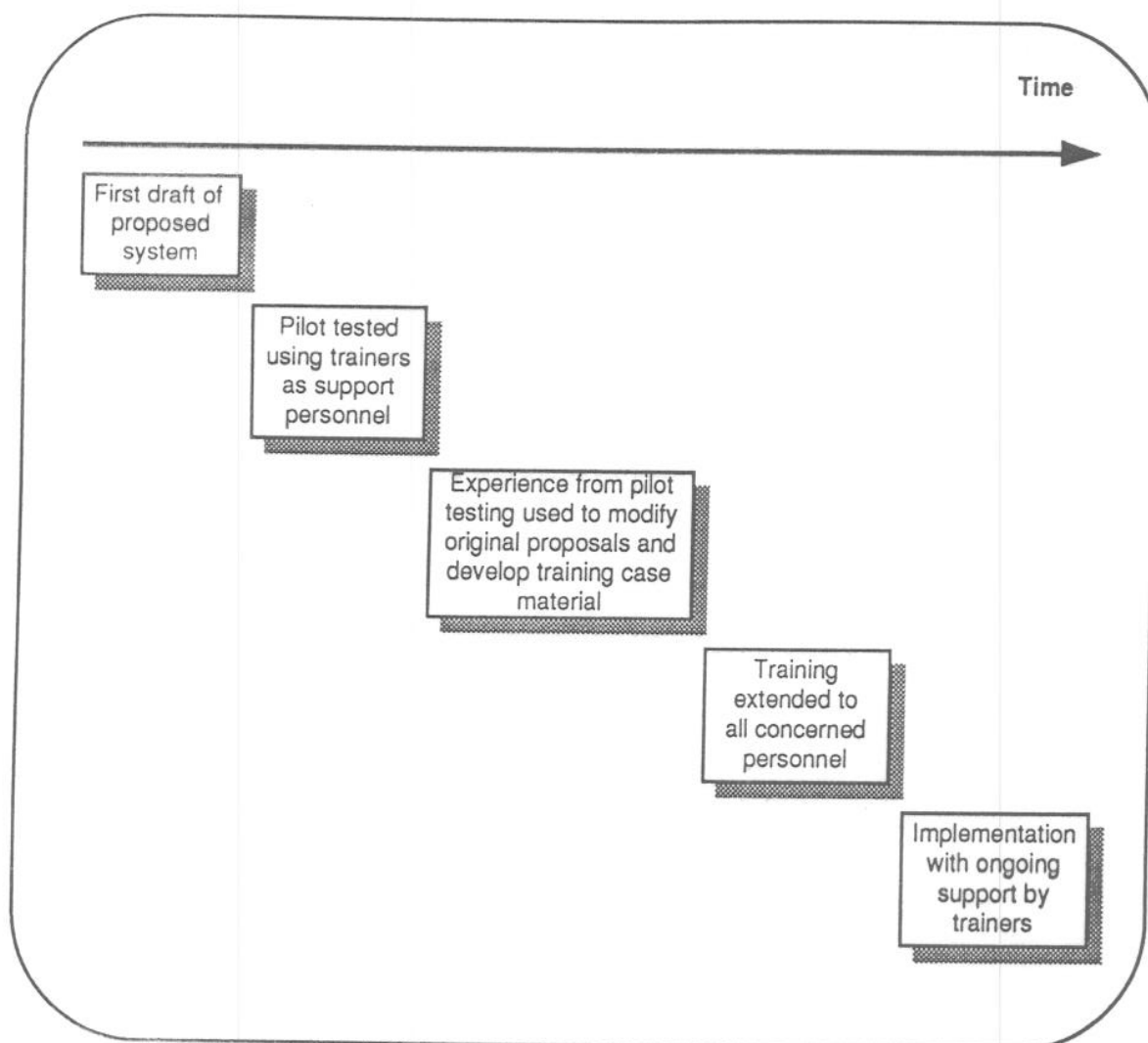
1.12. Training

1.12.1. In order to achieve sustainability, training must be an essential and fundamental part of the implementation programme. Present training shows major inadequacies. There is no training at all in finance for the many officers outside the C&AG cadre. Even within the cadre, the training is limited, reaches few personnel, is rule orientated, and takes place early in the officer's career.

1.12.2. The present Audit and Accounts Academy needs to become the focal finance training institute for all Government personnel. Its should be renamed the Institute of Public Financial Management. It needs much enhanced resources, both human and physical.

1.12.3. The general foundation training programme at PATC for BCS Probationers of all cadres should include a substantially increased content on financial management.

1.12.4. A range of training programmes are required. These include practical training for middle managers using a structured approach to introducing change, as illustrated below.



1.12.5. Training is also required for senior officers, in computers as indicated above, and a major move to professionalise training for all officers engaged in finance. This will involve making the SAS examination much less of a departmental rule orientated examination, and making it open to all Government employees. The syllabus should be re-designed so that Part I becomes a Technician (or Licentiate) examination, and Part II a professional examination, with much more emphasis on both concepts and practical systems. BCS probationers to the C&AG should study the same syllabus in their own course.

1.12.6. It is estimated that these changes will require 34 full-time trainers. There should be a core of permanent career trainers, leavened with young BCS officers spending an early part of their career as trainers. All trainers will require both technical training, and training as trainers.

Strategies

No.	Strategy	Comment
28	Upgrade the present Audit and Accounts Training Academy to become the Institute of Public Financial Management, the focal finance training institute directly under the Finance Division	The upgraded institute would be headed by a Director General, and would require adequate resourcing in terms of both training personnel and also by the provision of adequate physical facilities. Considerable support would be needed at the start of the institution's new role, including new premises
29	Introduce a programme of training for all middle managers closely linked to the implementation of changed systems	This will be a very practical programme, focusing on the simulation of actual workplace situations and problems, designed to upgrade performance of existing tasks, and manage the introduction of new procedures and systems
30	A training programme for senior and very senior officers outside the C&AG who are involved in some aspects of financial management	This programme would extend from Principal Accounting Officers to Deputy Secretaries in line Ministries and in Finance Division, and would be designed to make them more aware of and capable of implementing their financial management role
31	Professionalise training by replacing the SAS examinations with a Government wide examination in all aspects of financial management	This new examination would include a range of choices so that the course would be suitable for a range of officers engaged in finance. A parallel syllabus would be introduced for BCS Probationers in the C&AG cadre.
32	Updating courses for professionals currently working in financial management	A programme of short courses designed to upgrade the knowledge of key personnel
33	Study of human resource management	As part of a longer term policy to identify appropriate strategies for the development of technical financial skills.

1.13. Implementation

1.13.1. The timescale and activities for the remainder of the Project are seen as follows:

Phase	Duration (months)	Activities
I	9	Design study
II	36	Implementation of programme from design study - priority applications, pilot computer systems, intermediate technology, training programmes
III	48	Completion of implementation process, including extending computerisation to all areas, change in legal relationship of accounts and audit
Total	93	

1.13.2. Sustainability must be a major objective of the implementation. This requires extensive human resource development. Training must be a major focus (see above).

1.13.3. A Project Implementation Unit needs to be established in the Finance Division under an Additional Secretary. This would be responsible for all activities in the programme. Sub-projects should be staffed as far as feasible by Government employees on secondment, for reasons both of economy and sustainability. The separate project document sets out the terms of reference for the sub-projects.

1.14. Strategies cross-walk

1.14.1. The next two pages show how the strategies listed above can be combined into a limited number of broad strategies. This will be the basis of the action plan.

Strategies In body of report

- 1 Resource envelope
- 2 Co-ordination two budgets
- 3 Ministerial Budget C'ttee
- 4 Manpower planning inc in budget
- 5 Zero based and objective basis
- 6 Three year budgets for both budgets
- 7 New classification system

Revised budget system
Zero based, multi year, incorporating manpower planning, better co-ordination between budgets, computerised budget preparation, and based on new classification system

- 8 Separate accounting & auditing
- 9 Complete departmentalisation
- 10 CAOs made financial managers
- 11 Thanas sub-treasuries under Districts

Re-structure accounts and audit
Legally separate accounts and audit, make Thanas sub-treasuries under Districts, Admin Divisions as support units, new unit to update rules, complete Departmentalisation with computers for CAOs

- 12 Rules updating
- 13 Crash accounts updating programme

Crash accounts updating
To bring accounts up-to-date and reconcile bank accounts

- 14 Carry forward development funds
- 15 Merge Finance & Appropriation A/c's
- 16 Discontinue exchange accounts

Existing accounting systems
Make function with improved information flows, simple intermediate technology, proper reconciliations, better and more timely procedures

- 17 Enhance budgetary control
- 18 Study of revenue collections

New budgetary control wing in Finance Division

Broad strategies

Specific strategies

Support strategies

Project Implementation Unit
Establish Project Implementation Unit in Finance Division

Rules updating unit in Finance Division

Study of revenue collections

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Strategies in body of report

Broad strategies

Strategies Cross-walk

Specific strategies

Support strategies

