



Ministry of Finance & Planning

Be Alert....

Notice to all Government Officials, Civil Society Organizations and General Public

Date: 15th July 2014

Due diligence on the utilization of funds received from Foreign Funding Agencies, INGOs and any other sources to all Government Agencies, Local Institutions, Civil Society Organizations and General public.

The Government of Sri Lanka takes its best effort to ensure optimum use of Foreign Aid/Grants received from foreign parties for the national development programmes in coordination with development agencies, government institutions and the private sector and ensure that the disbursement and use of such funds will not cause financial risks and vulnerabilities and expose average citizens to financial hardship.

Sri Lanka has a National Development Framework within which all levels of government units are recognized and all development partners are involved in an inclusive manner to promote socio-economic development in the country. The Government has highlighted the necessity of implementing all development programmes aligning with the national development programmes to ensure consistency, continuity and transparency while avoiding duplicity of development projects in the national development process. Legal and regulatory framework is also in place for civil society, NGOs and private sector to undertake any social responsible activities.

Regrettably some of the grant aided projects financed by various foreign agencies are still being implemented outside the government budget undermining the national development programmes. Further, each such agency sponsored projects adopting their own procurement procedures, governance structures, accountability mechanisms etc., creating confusions and complexities in overall development planning and implementation and this has a risk involving governance shortcomings affecting the country's well practiced financial procedures and annual budgetary process.

Further, various parties including politicians, government officials, planners, implementing agencies, NGOs and general public have brought to the notice of this Ministry that there are different programmes including micro financing and other instruments are being funded by foreign agencies without proper approvals and compliance to local and national requirements. It was reported that some programmes are planned to train general public on voting on elections, performing social animator role, micro financing etc which Sri Lanka has deep rooted community based experiences from Kanna meetings, cooperative societies, group micro financing etc and free franchise itself being practiced from 1936 and appropriate agencies to oversee such activities.

A transparent and accountable mechanism is necessary to prevent financial operations at community level, by way of collecting deposits that have taken place in recent times, offering different interest rates that have exploited savings of innocent people. Accordingly, the Government has instructed all government agencies not to sought donor assistance for activities for which local expertise is available and funds can be allocated from the Consolidated Fund unless they are cleared by the Department of National Planning and Department of External Resources

In this context, we advise the general public that any private sector agency / non-government organization (NGO) or individual being a recipient of foreign aid and undertakes any assignment is required to have prior approval from the relevant government agencies and comply with tax laws, exchange controls, anti money laundering laws and the requirements of the Financial Intelligence Unit of Sri Lanka, Financial Transaction Reporting Act and Countering the Financing of Terrorism (CFT) in Sri Lanka etc. Accordingly, the recipients of foreign aids should disclose necessary information i.e. the details of funds received, purpose, expenditure report, etc; to the relevant authorities of the government regularly.

Meanwhile, the Ministry wishes to further advise the general public to refrain from participating the programmes that will undermine the smooth functioning of country owned management systems which have been evolved over long period of time and proven its ability to perform well without prior consultation with Grama Niladaries, Divisional Secretaries, District Secretaries and Chef Secretaries for assess such activities are legitimate.

Foreign development partners and civil society organizations are advised to obtain prior concurrence from the External Resources Department as all foreign loans and grants as per the Constitution of the Republic are receipts of the Consolidated Fund and disbursements are through appropriation votes approval in the Budget by Parliament annually.

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