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We are lucky that you are here within one and half hours notice. Unfortunately that since we are in the recess many of the members at the movement, but luckily we are having quorum right away here. I would certainly open the process for all of to get introduce yourself. Me myself I am the chair of this committee. My name is Nihaan. And I am from Villi Male' constituency. This is part of the eleven, thirteen of Male' constituencies. Right away here....

(committee not recorded)

IMF International Legal Consultant Mr Eric Huitfeldt:

...the focus is public financial management. So, on the legal frame work that is that you are applying for a public financial management. The laws that are incentive here is the of course the constitution, the public finance law and financial fiscal responsibility law, so with their amendments. Now the task that I am charged with is trying to identify know what's called gaps you know where you will see that there is a deviation from what considered best international practice sort of point to that and come up with possible solutions. And then try to adjust them to the local situation. You know the challenge here is to get the international best practice to fit to your situation. So that it is sort like getting a suit to fit on to the body and so the, I haven't worked you know this short of with the start of the process. So we haven't gotten very far that what I think is that the legal, the frame work as you have it is fairly standard. It's you have a fiscal the responsibility and you have the public financial law which you know some other countries also have. So that should be you know, fine in its way. The issues that I am straggling with at the moment are that the parliament in the law has been provided with a lot of powers. And whereas for example initially I believe that the plan was that when the government where to borrow money that will be part of the budget. And but later on this being tightened up so the parliament now has to agree to approve all the loans. And that is not considered international best practice. It's strongly advised against that because it makes the work of the executive office very controversial and also difficult because often times timing of these loans are critical. And then if you have to get an approval by the parliament first it makes it much more costly or can make it more costly. So that sort of like one of these issues that we are, that I am struggling with them at the moment and here we will try to come up with some suggestions and also is not only the approval passes but it also in your fiscal responsibility that's also a limit to how much can be borrowed. It's you know

you have this limit of the 60% and this is also advised against. You know international best practices is what they are saying is that you shouldn't have that in the law because the problem with putting it in to the law is that it either put it to a law so it is unrealistic or alternatively you put it to high and then it doesn't you know; it doesn't have any effect. So, it's this is a restriction in the law which is not helpful and often times what happens is that because it's not workable in daily life the system will work itself around that. And then you would have you know law in the books and law in practice which is often becomes very different things. And that's a very unhealthy so we will also try to come up with some suggestion in relations to that. There will also other issues that I'm looking at also sort of thinking of the privatization act but also there is a trend here that the parliament has a little sort of involved in the little bit of too much integrity. So there is too much detail, instead of sort of setting up the broad principals and letting the executive office do it. So this structure where you have a board which is sort of overseeing on behalf of the parliament each of the state owned entities maybe a little bit too cumbersome. So we will also look at those issues and so now I'm starting to run after things here. I think that covers the most of what I'm looking at the moment. Let me see if there is, there is also other sort of more technical issues relating to definitions of what a T-bill is and so for that I will need to pay attention to. But I am not going to take your time with those issues. So I think I'll leave it... Yeah we are looking at decentralization and I am still trying to figure out exactly maybe you want to fill in about the decentralization. Yeah here I need to find a little bit more facts. But we will get back to that also. So I think I will stop there. And we will wait here.

Mr. Chairman:

Anyone else wants add anything extra other than that by Mr. Eric has mentioned. Please carry on.

Official from IMF delegate:

Just a little bit more back ground. Actually the initial design of the accounting system was done in 2000 at the time the frame work that was designed was we had three laws

drafted. One is the Audit, the public finance act and the public enterprise accountability bill. But since then when the actual implementation happened they have been issues so we are trying to get back the project is trying to address to get back on the track of good practice public financial management. So...

Mr. Chairman:

I guess basically since Mr. Eric has mentioned few words regarding the existing laws and the amendments perhaps might be needed. Well that's often due to the political tension that we were having since the last 7 years. I think certainly I think on record I could be able to say that. The parliament must play a more vital role rather than I mean in the name of scrutinization what we have done or something that beyond explanation since 2010, 2011, 2012, 2013. And part of those amendments which were brought to public financing act is now to be altered. And already the amendments are there. Under way already being submitted to the parliament probably after the recess one of the very first readings that will go along is these amendments were brought to the PAC. And since regard to that the few other things like the one which we were actually focusing on is fiscal responsibility act amendments which are also under way. And I am sure might of the members of this committee are very helpful and they would certainly I would be happy if even the opposition representation were here that they could be able to here few words from an international legal consultant at least by mentioning these two remarks special regarding the overriding of the executive authorities regarding especially of a development when it related. Usually this goes through with the budget process. But that's true after all these amendments were brought as per gentlemen has just mentioned. When these things begin in 2000 much of these things were actually in the right track. But after the 2005 and 2006, 2007, 2008, 2009 we saw all these tremendous changes which we were trying to bring out. And after 2008 with the new constitution we have almost forgotten actually to go along carrying in the line with these things. And I am sure that we got a broader explanation of how and why these things are now going on with the ministry of finance. And obviously we are there always to help ministry of finance and the auditor general's office in order to scrutinizing more. The auditor general is certainly issue the reports of public finance are been used in the good hands or in the right way or not. So we are there to decide something on that. Not particularly about the loans which

we were to be taken on behalf of the Maldivians. I am sure that the committee members would, certainly would like to elaborate few of the awards and we could go along with on much easy route. If you all have anything else to say that we will take it for. So I'll carry it to the committee member's if anyone wants to say anything. Faisal from Kaashidhoo constituency.

Kaashidhoo constitutional area MP Faisal Naseem:

Thank you very much. I think there is, there is actually nothing more for me to add. I support for the chair but he has mentioned is I think that's what we are trying to do and I find that our committee is very much willing and we are you know keen to do whatever necessary changes that has to be brought. So that's what I have to say.

IMF International Legal Consultant Mr Eric Huitfeldt:

I think you know it would be good if you could sort of, now it's the financing is very short term and it could sort of get in to the system which has a little bit longer time horizon, it will be good. You know now it OPEC with the short term financing things are expensive and not healthy. So if you could sort of start down that draw may be get a better system to for issuing government security. May be even getting a secondary market and eel curve and all these things start a day. That will be good. So, those are the things we will touch on and also the growingly back to the state owned entities. We gonna look at if there is really need for this privatization board, because you know that seem to be, you know may be unnecessary duplication. So but we will look in that. Especially for the existing state owned entities, may be you know it's more justifiable in terms of trying to get privatization on track. But it's not clear to me that you know, many entities at this point is in line to be privatize, but I may be wrong.

Mr. Chairman:

Have you got any points regarding the decentralization? I heard someone saying that you are concentrating on that. What are the points on that? Actually we are focusing and personally I am actually engaged in bringing some of the amendments to the currently existing decentralization act which I already had several meetings with the stake holders, but unofficially we will be doing it soon. So that why I would even certainly want because it related with of course the large chunk of public finance, yes.

Official from IMF delegate:

Ok, thank you chair. Actually in the, if we say something in the practical sense of things that, for the treasury there is a bunch of laws like financial laws as Eric mentions. We have laws that are in standard. But difficulties, it is very difficult to implement those laws. So, and may be the parliament can have a look into the all this package of laws and have at least an alignment of those laws other than look individually. So when we look in to the public finance act and also the decentralization act there is a practical difficulties like the ownership of properties and also the accounting, management of the accounting perspective there is practical difficulties when we look in to the implementation of those laws. Then the, with regard to the privatization board it seems that under the financial act ministers is actually mandated to look after the state owned enterprises. However again there is a dual role allocated to the privatization board and there is confusion between this role of the privatization board and also the mandate of the minister. Then again we have submitted amendment to the fiscal responsibility and also when we look in to the contents of the fiscal responsibility act it is practically impossible to implement that law. So I think in the parliament they have to have a overall look into the whole package of laws rather than individual laws.
