A ROBUST NATIONAL PLANNING FRAMEWORK FOR SRI LANKA

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 The report is based on extensive discussions with officials of the Government of Sri Lanka. The report draws heavily on in-depth analysis of the evolution of the planning process in India, the Republic of Korea, Malaysia, and Singapore, as well as Sri Lanka's own experience with national planning.

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ABBREVIATIONS

IT	information technology
CCPI	Colombo Consumer Price Index
COVID-19	coronavirus disease
DFA	development finance assessment
DNA	development needs assessment
EAC	Economic Action Council
EDB	Economic Development Board
EPU	Economic Planning Unit
GDP	gross domestic product
GNI	gross national income
HCI	Human Capital Index
HDI	Human Development Index
IMF	International Monetary Fund
INFF	integrated national financing framework
LMIC	lower middle-income country
MITI	Ministry of International Trade and Industry
MOF	Ministry of Finance
NCPI	National Consumer Price Index
NDC	nationally determined contributions
NDF	national development framework
NDP	national development plan
NEP	new economic policy
NGO	nongovernment organizations
NPC	National Planning Council
NPD	National Planning Department

NDPPF	National Development Policy and Planning Framework
NDPPS	National Development Policy and Planning System
NRC	National Recovery Council
OPL	official poverty line
PIP	Public Investment Program
PPP	purchasing power parity
REDA	Regional Economic Development Agency
SDG	Sustainable Development Goal
SEDC	State Economic Development Corporation
SOE	state-owned enterprise
UMIC	upper middle-income country

1 INTRODUCTION

Over the past 2 decades, governments around the world have increasingly tended to formulate and adopt national development plans to achieve holistic and integrated national development. Dismissed as a relic of centrally planned economies in the early 1980s and in the 1990s, this "comeback" seems to enjoy strong traction, especially in emerging economies. According to a landmark study by Chimhowu, Hulme, and Munro (2019), the number of countries with a national development plan has more than doubled, from about 62 in 2006 to 134 in 2018. The study indicated that nearly four-fifth of the world's population now lives in a country that has some sort of national development plan.

The "reemergence" of national development plans has been inspired by several factors. The most important of these factors have been (i) to respond to the challenges of the Sustainable Development Goals (SDGs)[1] and the nationally determined contributions (NDC), (ii) to emphasize "national ownership" of plans against the backdrop of rising nationalist tendencies, and (iii) to effectively manage the increasingly complex risks and make use of global opportunities. A country's commitment to global goals has strong implications for national planning. Given the intrinsic interdependence of the SDGs, a fully integrated national plan would perhaps be the only way for countries to keep the goals in mind as they work to meet the 2030 Agenda. Against this backdrop, many countries have sought to integrate the SDGs into their national development plans and establish commensurate monitoring and evaluation systems to track impact. Indeed, the vast majority of national development plans currently in place make explicit reference to the SDGs (e.g., Indonesia). The increasingly complex global risks and opportunities present perhaps one of the most important considerations for national planning, impacting nearly every country. Since the mid-1990s, the world has experienced a series of downturns—from the Asian financial crisis to the tsunami and other natural disasters to the global financial crisis (late 2009), and more recently with the outbreak of the coronavirus disease (COVID-19) pandemic followed by the Russian invasion of Ukraine. These episodes and the relative frequency of their occurrence have increased the global risk profile. Managing risk has become an essential rationale and component of modern national planning. Increasing globalization also presents significant opportunities, particularly for emerging economies. With major advances in information technology (IT) and increasing labor mobility, countries have discovered a new, previously untapped potential that could rapidly advance their development. A robust, forward-looking, and, most importantly, pragmatic national development plan has proved to be a vital tool for exploiting these opportunities. Several modern national development plans (NDPs) (e.g., Thailand) attest to this.

Against this backdrop, there is an urgent need for Sri Lanka to formulate a revamped national development plan. As will be pointed out later in this report, Sri Lanka had a strong and robust NDP system in the 1950s and 1960s. Although it was seen as a central planning mechanism that spoke to

[1] And prior to the SDGs, the Millennium Development Goals.

the conventional wisdom of planning at the time, it nevertheless had many features that speak to the modern approach of planning. In the wake of global trends, and especially after economic liberalization in the late 1970s, this planning machinery was significantly downsized. Unlike many other countries, however, it did not experience a resurgence in the modern context. Given the unprecedented crisis facing Sri Lanka, there is now an increased need to return to an integrated, holistic, and pragmatic NDP. This necessity is also warranted in light of the country's significant SDG and NDC challenges (accentuated by COVID-19), and as a means to address the complex risks facing the country and arising from the economic crisis.

The following sections outline how Sri Lanka could build a modern national development planning architecture. Section 2 discusses the current socioeconomic development of Sri Lanka since the 1950s—looking at what the country has achieved in absolute and relative terms compared with other countries. Section 3 then traces the history of the country's national planning system and how it has evolved to the present day. Section 4 sets out and discusses the main components of an integrated and holistic national development framework (NDF), considering all the main pillars: (i) the planning process, and (ii) the governance and institutional mechanisms. Considerable attention is given to bringing the experiences of comparator countries and their respective structures into the discussion. Section 5 concludes with next steps and a road map for formulating a sound NDP for Sri Lanka. This section draws on the extensive discussions the team has had with Sri Lankan government officials.

2 SRI LANKA'S DEVELOPMENT AFTER INDEPENDENCE

Sri Lanka has undergone significant changes in its economic structure over the years. Immediately after independence in the early 1950s, Sri Lanka's economy was predominantly agricultural. This changed later, however, as agriculture's contribution to gross domestic product (GDP) declined, while the services sector contributed an increasingly larger share. The contribution of the industry sector, on the other hand, remained relatively constant. This contrasts with the experience of the Republic of Korea and Malaysia, where a sectoral shift from agriculture to industry occurred at a very crucial time in history (mid-1970s), giving them a strong industrial (and export-oriented) base that supported economic development (Figure 1, panels A and B). In Sri Lanka, this occurred nearly 2 decades later (mid-1990s)—closer to the timing of the shift observed in India (Figure 1, panels C and D). However, this shift was not as pronounced as in the Republic of Korea and Malaysia.

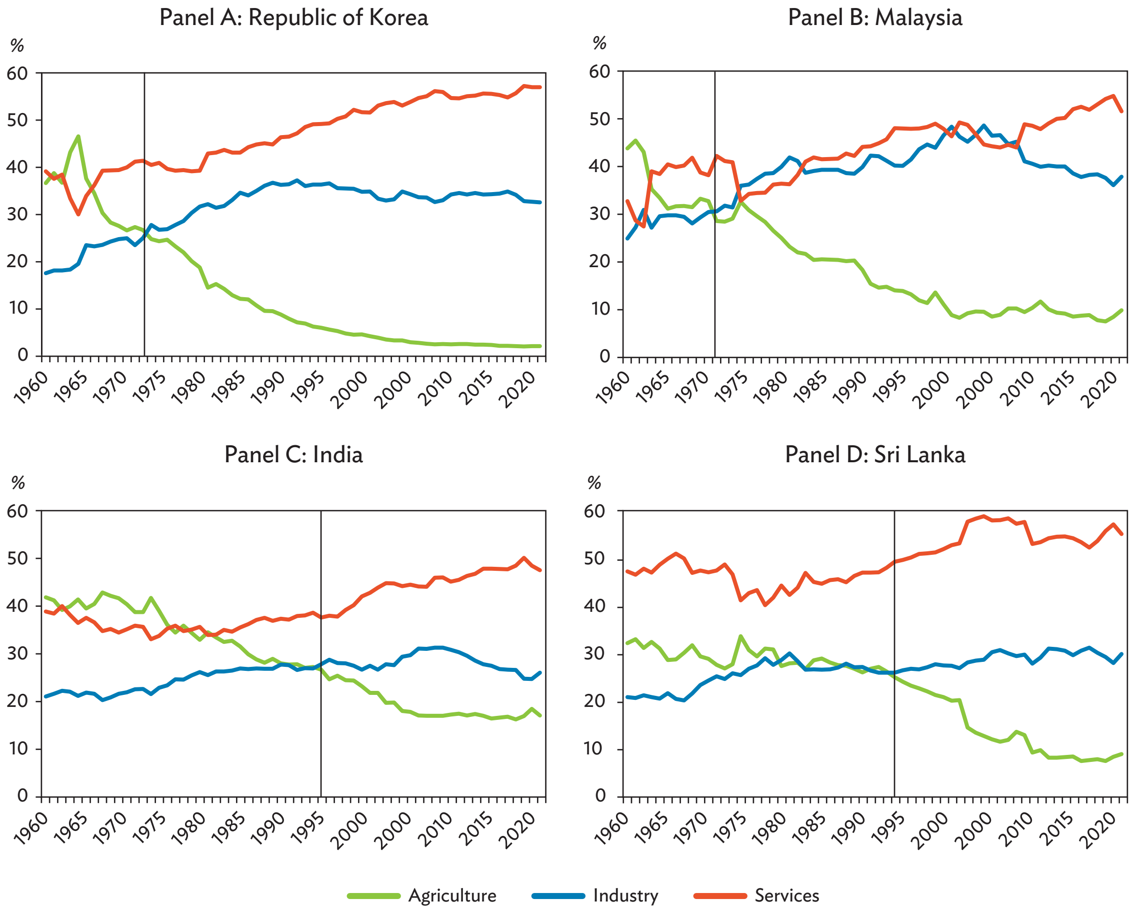
Prior to the COVID-19 pandemic and the current economic crisis, Sri Lanka experienced generally high but volatile economic growth. A characteristic feature of Sri Lanka's growth history is volatility—discrete episodes of growth spurts (such as in 1965, 1977, 1993, 2006, and 2010) have not been sustained in subsequent periods (Figure 2). The robust growth was achieved despite the 27-year civil conflict that afflicted the country from 1983 to 2009 and significantly prevented the country from reaching its full potential. Despite the end of the conflict, Sri Lanka was unable to achieve faster and more consistent growth, even with the initial peace dividend.[2] Weaknesses in the underlying structural reforms began to manifest themselves, leading the country to enter a period of low, stagnant growth. Of the 19 quarters since the beginning of 2018 and till the third quarter of 2022, Sri Lanka recorded contraction in 11 quarters, including 4 quarters before 2020. In addition to exogenous shocks such as the constitutional crisis in the fourth quarter (Q4) of 2018, the terrorist attacks in April 2019, the outbreak of the COVID-19 pandemic in 2020, the impact of the Russian invasion of Ukraine in 2022, and the subsequent global increase in commodity prices, the slowdown also reflects the country's persistent structural problems.

Notwithstanding historical fluctuations in growth, per capita income in Sri Lanka has risen steadily. Based on per capita gross national income (GNI) calculated using the World Bank Atlas methodology, Sri Lanka was classified as a lower middle-income country (LMIC) in 2007 and an upper middle-income country (UMIC) in 2019 (based on 2018 data) before being reclassified as LMIC in 2020 (based on 2019 data). Sri Lanka maintains its LMIC status under the new classification on 1 July 2022.[3]

2 Sri Lanka's economic growth rose to an average of 8.4% immediately after the civil war during 2010–2012 but slowed down to an average of 4.7% during 2013–2018.

3 As of 1 July 2022, the following thresholds for World Bank income classification apply: lower middle-income economies are those with GNI per capita between $1,086 and $4,255, and upper middle-income economies are those with GNI per capita between $4,256 and $13,205. For Sri Lanka's income classification in 2022, the old GDP series data are used (World Bank. World Bank Country and Lending Groups – World Bank Data Help Desk).

Figure 1: Structural Shifts in GDP, 1960–2021 *(%)*



GDP = gross domestic product.

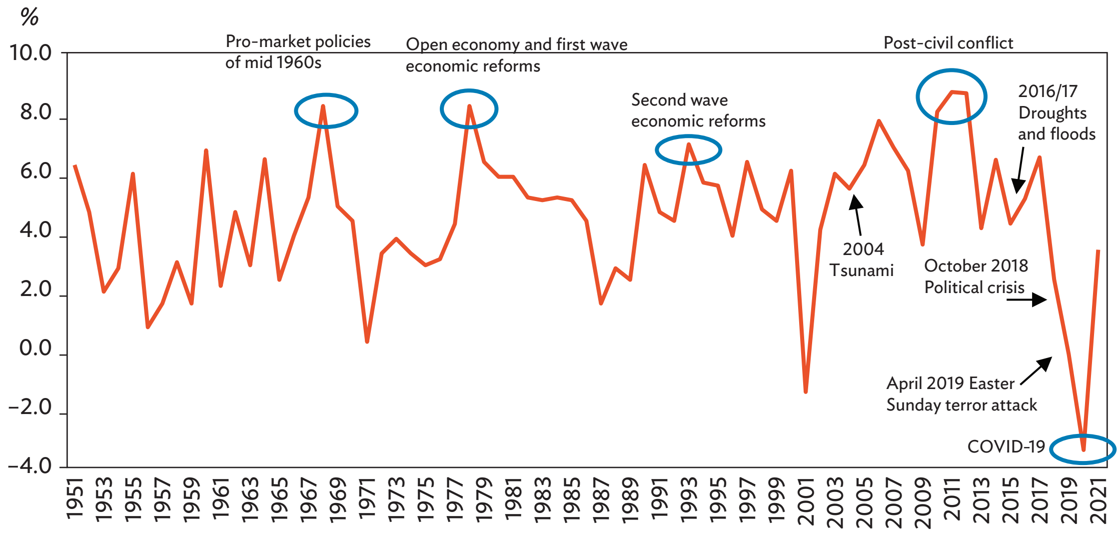
Note: The vertical line in each panel shows the year after which the share of the agriculture sector in the GDP falls below that of the industry sector.

Source: World Bank. 2022. World Development Indicators database. Washington, DC (data downloaded on 8 January 2023).

Meanwhile, GNI per capita (based on the Atlas methodology) decreased from $4,040 in 2018 to $3,820 in 2021.

Although Sri Lanka's economy has undergone major changes in recent decades, the employment shares of each sector have not seen a corresponding change. In the 1960s, the agriculture sector accounted for nearly 53% of employment. This share remained at this high level until the early 2000s and only then declined significantly. In 2021, this share was still 27.3%, while the share of employment in the industry sector was 26.0%. This shows that Sri Lanka has been trapped in low productivity agriculture for a long period compared with other countries. This has likely affected Sri Lanka's growth performance and achievement of higher levels of economic development compared with other countries.

Figure 2: Sri Lanka GDP Growth, 1951–2021



GDP = gross domestic product.

Note: GDP growth data from 2011 onward are as per the revised base year (2015=100).

Source: Department of Census and Statistics (2022a) and World Bank. World Development Indicators. Washington, DC (data downloaded on 8 January 2023).

Progress on socioeconomic dimensions. Despite a checkered history of growth, Sri Lanka has achieved considerable milestones in socioeconomic development and human development. Poverty (as measured by the national poverty line of approximately $3.88 per day, at 2017 purchasing power parity [PPP] terms) has declined rapidly, and the poverty ratio has fallen from 46.8% in 2002 to 14.3% in 2019.[4] However, the country is highly vulnerable to rising poverty, with even small income shocks pushing many people below the official poverty line.

Sri Lanka has also made significant progress in human development, such as life expectancy, maternal mortality, and secondary education. Sri Lanka's Human Development Index (HDI) in 2021 was 0.782, placing it in the high human development category with a global ranking of 73 out of 191 economies

[4] The official poverty line (OPL) was revised using data from the 2012/2013 Household Income and Expenditure Survey data and updated for 2016 and 2019 using the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI). The latter is considered more representative, but the poverty line based on the NCPI is only available for 2016 and 2019. For long-term comparisons, the OPL adjusted to the CCPI must be used. The new OPL (based on 2012/2013 data) takes into account changes in people's preferences and tastes and reflects more recent economic conditions. Sri Lankan households now spend a large share of their income on transportation, education, clothing, electronics, and other nonfood items. These changes fundamentally affect the minimum amount needed to meet people's basic needs. A reestimation of the poverty line taking into account these new lifestyle and consumption patterns shows that poverty is much more widespread in Sri Lanka. The poverty line calculated using the new criteria increased from SLRs3,624 (based on the old 2002 OPL adjusted to 2012/2013 using the CCPI) to SLRs5,223 per person per month in 2012/2013, which is equivalent to SLRs6,966 in 2019 (using the NCPI adjustment) and SLRs6,961 (using CCPI adjustment). Those living in households whose per capita total monthly consumption expenditure is below SLRs6,966 in 2019 are considered as living in poverty. Accordingly, the poverty headcount index for 2019 is 14.3% (using NCPI and CCPI) (Department of Census and Statistics 2022b).

(in 2020, Sri Lanka was ranked 75th out of 191 economies) (UNDP 2022). Sri Lanka's HDI is far ahead of that of economies in South Asia, and among those in East Asia and Southeast Asia, Sri Lanka's HDI is surpassed only by that of Hong Kong, China; Japan; the Republic of Korea; Malaysia; Singapore; and Thailand. In recent years, Sri Lanka's overall progress in HDI has been driven primarily by gains in the health sector (particularly life expectancy) and by the contribution of the education sector (especially improved enrollment rates).

Notwithstanding Sri Lanka's performance on largely *quantitative* indicators such as the HDI, the country's performance on more *quality-adjusted* indicators such as the World Bank's Human Capital Index is weaker. Sri Lanka performs only moderately well on the Human Capital Index (HCI), with an overall score of 60% in 2020, meaning that children born in Sri Lanka just before the COVID-19 pandemic will be only 60% productive in adulthood (at age 18) compared with children who were fully educated and in full health.[5] In contrast, children born in Singapore today can reach 88% of their potential, children born in the Republic of Korea can reach 80%, and children born in Malaysia can reach marginally higher, 61%.[6] According to the HCI, Sri Lanka performs well in the probability of children surviving to age 5 (99%) and in the expected number of years of schooling (13.2 years), and is on par with high-income countries. In terms of child nutrition, data show that 83 out of 100 children are not stunted, which is better than Malaysia (79 out of 100) and India (65 out of 100). However, learning-adjusted years of schooling in Sri Lanka (8.5 years) is much lower than in Singapore (12.8 years) and the Republic of Korea (11.7 years) and slightly lower than in Malaysia (8.9 years). The latter is also reflected in the HCI harmonized test score index (which measures the overall quality of education), where Sri Lanka scores 400 out of 625 (about the same as India), much lower than Singapore (575), the Republic of Korea (537), and Malaysia (446). The HCI is expected to be lower in many countries after the pandemic, and in the case of Sri Lanka, the HCI may also be affected by the economic crisis.

Inequality remains a pressing concern. Inequality in Sri Lanka (as measured by the Gini coefficient) was 0.46 in 2019, up slightly from 0.45 in 2016. This is similar to the level of 0.46 recorded in the mid-1980s. Income growth for the lowest income strata (lowest 4 deciles) averaged 6% in 2016–2019, compared with 10.0% in 2006–2016.[7] In comparison, income growth for the highest income strata (top income decile) was 19.5% in 2016–2019, compared with 4.4% in 2006–2016. The income share of the lowest income strata (lowest 4 deciles) improved only marginally to 14.1% in 2019, compared with 13.2% in 2006.

Despite the solid human development results, Sri Lanka does not perform as well in the *inequality-adjusted* human development. In 2021, Sri Lanka's inequality-adjusted HDI score was 0.676, representing a 13.6% loss in human development due to inequality—caused by inequality in income and education (UNDP 2022). The loss of human development due to inequality in Sri Lanka is higher than the Republic of Korea (9.4% loss) and Singapore (13.0% loss), but relatively better than the loss in South Asian countries (Bangladesh with a 23.9% loss, India with a 25.0% loss, Nepal with a 25.4% loss, and Pakistan with a 30.1% loss).

5 Sri Lanka, however, remains ahead of other South Asian countries such as Bangladesh, where children are expected to achieve 46% of its potential, and India at 49% (World Bank 2023).

6 World Bank. 2020 HCI: Country Briefs and Data.

7 Department of Census and Statistics. *Household Income and Expenditure reports*. Colombo. *various years*.

Impact of COVID-19 and the economic crisis on Sri Lanka's economy. Sri Lanka is facing an unprecedented balance of payments crisis. Despite some consolidation of the external account in the face of COVID-19,[8] enormous external pressures emerged toward the end of 2021 and in 2022 as a result of the steep increases in global energy prices and supply disruptions caused by the Russian invasion of Ukraine. The Sri Lankan rupee depreciated by 44.5% year-on-year by the end of 2022—partly due to pent-up pressure, as the exchange rate was de facto pegged for most of 2021 despite mounting external pressures. Foreign exchange reserves fell to perilously low levels, from $5.66 billion in December 2020 to $3.14 billion at the end of 2021.[9] These fell further to $1.92 billion in March 2022, coming under severe pressure following the Russian invasion of Ukraine. The balance of payments crisis led to shortages in the supply of key commodities such as petrol, diesel, gas, essential medicines, and fertilizers. Unable to meet maturing debt service obligations, the government announced it would suspend repayment of certain categories of external debt in April 2022 (Ministry of Finance 2022a). The country's sovereign rating was subsequently downgraded to "default" status—for the first time in history.[10] The pace of foreign reserve deterioration has slowed since March 2022, helped by the suspension of external debt service and restrictions on imports and foreign exchange outflows, as well as the mandatory conversion rule on exports and remittance proceeds. At the end of 2022, the country's foreign exchange reserves amounted to only $1.9 billion, of which less than $500 million was usable. The government requested assistance from the International Monetary Fund (IMF) and entered into negotiations with external commercial and official bilateral creditors to restructure the debt. On 1 September 2022, a staff-level agreement was reached with the IMF for a 4-year program under the Extended Fund Facility in the amount of $2.9 billion (IMF 2022a).

Sri Lanka entered the COVID-19 crisis on a weak footing. As noted earlier, growth had already stalled before the spread of the coronavirus disease. Weak public finances and a delicate external position (reflected in a fiscal deficit and a current account deficit—the so-called twin deficits) severely limited an effective response to the crisis. This was compounded by vulnerability to poverty, high inequality, poorly timed policies (the 2019 tax cuts and the 2021 ban on chemical fertilizers which was then lifted in November 2021), and other structural imbalances that were likely aggravated by the crisis. Sri Lanka's economy contracted by 4.6% year-on-year in 2020, mainly due to the COVID-19 crisis. In 2021, the country recorded modest year-on-year growth of 3.5% as the economy rebounded in the first half of 2021 following the lockdown in the first half of 2020. Economic activity weakened in the second half of 2021 and continued to do so in 2022—it contracted by 3.6% year-on-year in the first half of 2022 and by a further 11.9% in the second half of the year. Overall, the economy contracted by 7.8% year-on-year in 2022.

The weak fiscal position was perhaps the most pressing problem, as the government did not have sufficient fiscal space (or buffer) to respond to the crisis. Government revenues declined considerably in the wake of the crisis, from 12.6% of GDP in 2018 to 8.3% of GDP in 2021, but this

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8 The country's current account deficit declined from 2.1% of GDP in 2019 to 1.4% of GDP in 2020, due to a lower trade deficit and an increase in remittances, as well as an improved primary income balance (due to lower interest payments). This widened to 3.7% of GDP in 2021.

9 Since December 2021, the size of reserves has included the renminbi swap from the People's Bank of China, which was then equivalent to $1.5 billion.

10 S&P and Fitch Ratings downgraded Sri Lanka's sovereign rating to selective/restrictive default (SD/RD) category, following the country's first-ever hard default recorded on 18 May 2022. Moody's, which does not have a default category, downgraded the sovereign rating to Ca from Caa. Faced with successive downgrades of its credit rating to the point of default status, Sri Lanka lost access to international capital markets.

occurred against a backdrop of significant revenue reduction measures announced in late 2019. COVID-19 continued to affect revenues, while expenditures increased to meet COVID-19 crisis-related health measures and provide necessary support to affected sectors. The primary deficit increased from 1.9% of GDP in 2019 to 5.9% in 2020 and decreased to 5.7% in 2021, while the overall deficit increased from 7.5% in 2019 to 11.7% in 2021.[11] Provisional estimates put the primary deficit at 3.7% of GDP in 2022 and the overall deficit at 10.2% of GDP. Central government debt increased from 81.9% in 2019 to 100.1% of GDP in 2021. Total public debt (including publicly guaranteed debt) stood at 125.7% of GDP in 2022.[12]

Monetary policy faced enormous challenges in the face of the crisis. Faced with COVID-19, the Central Bank of Sri Lanka implemented an extensive monetary easing program, supported by a 200 basis point reduction in policy rates and a 300 basis point reduction in statutory reserve requirements, which injected substantial liquidity into the system.[13] However, with the Russian invasion of Ukraine and the subsequent rapid rise in global commodity prices combined with shortages of chemical fertilizers, inflation rose rapidly and the country came under significant balance of payments pressure. The central bank then moved to tighten monetary policy aggressively to contain both inflation and external pressures. Accordingly, policy rates were raised by an unprecedented 950 basis points from January to July 2022, leading to a historic increase in market interest rates. This led to a gradual decline in headline inflation from a record high of 69.8% year-on-year in September 2022 to 57.2% year-on-year by the end of 2022.[14] Private sector credit growth also contracted for 5 consecutive months through October 2022 due to the high interest rate environment.[15] With little access to international markets for refinancing, the central bank financed the government starting in 2020 by using monetary policy to support fiscal operations—so-called fiscal dominance. This led to a significant increase in central bank lending to the government, which increased more than sixfold from late 2019 to the end of 2022.

The economic crisis has significantly aggravated poverty and inequality in the country. According to World Bank estimates, poverty levels measured at $3.65 per day (2017, PPP terms), are estimated to have doubled from 13.1% in 2021 to 25.6% in 2022. This represents about 2.7 million additional citizens falling into poverty in 2022 as a result the economic crisis. The World Bank estimates that half of the population in the real estate sector is likely to have fallen below the poverty line (World Bank 2022). The sharp increase in poverty levels is mainly due to the sharp rise in prices, which limits access to essential goods, as well as weak economic activity and the inadequacies of social safety nets in the current crisis.

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11 Fiscal data used in this section for 2019 and 2020 do not consider the revisions made to expenditure by the government and instead rely on the adjustment made by the IMF (IMF 2022b).

12 Public debt (including overdue debt service payments since 12 April 2021) ratios have been recalculated against the revised GDP data under the new base year (2015). Central Bank of Sri Lanka (2021), Department of Census and Statistics (2022c) and Ministry of Finance (2022b).

13 These measures were introduced from Q1 2020 to Q3 2021 in response to the weakening economic activity as the COVID-19 pandemic spread. Subsequently, monetary policy was tightened by 950 basis points in 2022.

14 Department of Census and Statistics. *Monthly Colombo Consumer Price Index*.

15 Central Bank of Sri Lanka. *Interest Rates – Monetary Sector*.

The economic crisis has brought to light long-standing structural weaknesses and policy inconsistencies that have significantly affected Sri Lanka's socioeconomic stability. Beyond the immediate and root causes,[16] Sri Lanka's inherent *social contract* would need to be seriously debated and reconsidered. Since independence, Sri Lanka's *social contract* has been underscored by its heavy reliance on the public sector, which plays an active role in providing free education, free health care, public sector employment, and subsidized products from state-owned utilities, without adequate thought about how to sustainably obtain resources for these purposes. A new social contract could be based on assuring fundamental securities to the country's citizens in a sustainable way.[17] This will require debate and contestation in the country among a wide range of stakeholders. Ideally, a new national development plan could play a key role in facilitating this structured process.

[16] Sri Lanka's long-standing structural weaknesses are seldom addressed in public policy response, given the depth and complexity of the issues.

[17] Fundamental securities that may be considered are (i) national security; (ii) food security; (iii) energy security; (iv) social security (encompassing health, education, and social welfare); (v) economic and financial security; and (vi) environmental security, among others.

3 HISTORY OF NATIONAL PLANNING IN SRI LANKA

National planning has a long-established history in Sri Lanka. The need for a robust planning process to support the development of the newly independent Sri Lanka was underscored in 1947 by the then Governor General in his address to Sri Lanka's first modern Parliament. However, it took until 1956 for the National Planning Council (NPC) to be established with the passage of the National Planning Council Act of 1956 (Box 1). It was presided over by the government of S. W. R. D. Bandaranaike, Prime Minister of Sri Lanka 1956–1959, and his government was perhaps the most focused on national planled development in the country.

The administration developed a comprehensive 10-year plan, with work overseen by the NPC (chaired by the Prime Minister himself) and the secretariat, which was led by a competent economist. The 1956 10-year plan was a comprehensive NDP, transcending not only the country's standards but also international standards (Box 2). However, the (promising) 10-year plan was short-lived and was shelved in 1960 with the assassination of the Prime Minister. Thereafter, the planning function and process were never firmly established in Sri Lanka. Due to frequent changes in government and the lack of a consistent development policy framework, there was no clear path for the planning function and process.

Box 1: Sri Lanka National Planning Council Act No. 40, 1956

The National Planning Council (NPC) Act was passed by Parliament in September 1956 and ratified into law. The salient features of this law are as follows:

- Establishment of a National Planning Council (NPC) to advise the Cabinet on the planning of agriculture, industry, commerce, education, housing, health, social services, and all other matters about the national economy.
- Composition of the planning council to comprise (a) the Prime Minister (chairman of the NPC), (b) the Minister of Finance (Deputy Chairman), and (c) not more than 15 other persons appointed as members by the Prime Minister.
- A planning secretariat was to be established under the act, reporting to the council. The core responsibilities of this secretariat were to provide advisory services and other needed information to the council. The secretariat was to be headed by a competent professional who would also serve as secretary to the NPC.
- The council's work was subjected to general direction and control of the Cabinet.
- The council was empowered to appoint consultative bodies or engage experts, to inquire into and report on such aspects of planning the economy of Sri Lanka as may be specified by the council.

Upon its inception, Gamini Corea was appointed head of the planning secretariat. By virtue of the act, he also served as the first secretary of the NPC. The NPC Act is still in force.

Sources: Gunatilleke (2017) and Government of Sri Lanka (1956).

Box 2: Sri Lanka's 10-Year National Development Plan of 1956

The 10-year plan developed by the government of Prime Minister Bandaranaike could perhaps be considered the "gold standard" for national development plans (NDPs). It was well ahead of its time and contained many elements of modern NDP formulation:

- **Independence:** The planning machinery had considerable independence in the preparation of the 10-year plan. Its development was overseen by the National Planning Secretariat, which was established by the 1956 Act.
- **Macroeconomic framework:** The plan was underpinned by a comprehensive macroeconomic framework and targets for growth and other economic variables that were internally consistent.
- **Comprehensive investment needs assessment** and identification of public and private investment contributions.
- **Alignment of sectoral policies with the NDP:** Under the 10-year plan, several sectoral plans were revisited and revised with the national development plan.

Source: Gunatilleke (2017).

The modern National Planning Department (NPD) was established in 1962 to take over the functions of the original NPC and was instrumental in the preparation of three short-term national plans, which did not have widespread traction. During 1965–1970, it was entrusted the task of managing the government capital expenditure budget and foreign exchange budget (external resources budget) and the formulation of related policies, as well as other priority sectoral strategies. During this period, the NPD was brought into the fold of the newly created Ministry of Planning and Economic Affairs (under the Prime Minister). In addition to the NPD, the new ministry included a new division tasked with perspective planning using input–output modeling tools.[18] This resembled the methodology of India's planning machinery at the same time. The new unit promised to become an independent and competent planning machinery. But the change of government in 1970 changed course again. The new regime in 1970—after promising a comprehensive national plan in its election pledges—retained the ministry, but changed the title to the Ministry of Planning and Employment to emphasize the overarching focus of the new government, which came to power after the first youth uprising in the country. The ministry's previous functions (i.e., related to the government's capital and foreign exchange budgets) were retained, and the ministry produced its first 5-year plan (1972–1976), which also coincided with and was supplemented by the national strategy for employment creation supported by the International Labour Organization. Although the initiative raised hopes of emulating the promise of the 1956 initiative, it was undermined by several factors: (i) the lack of independence and autonomy of the planning function; (ii) the difficulty of implementing a consistent national plan in a "mixed economy" context; and (iii) the lack of predictability of a national plan largely driven by the political party in power at the time and lacking broad bipartisan consensus. Indeed, the new government of 1977, which introduced open economic reform and liberalization, did not see much of a role for national planning; rather, it allowed the proverbial "invisible hand" to work through a market structure and steer the economy toward progress and development. However, it failed to do so because, in the absence of systematic plans and processes, the increasingly complex socioeconomic

[18] This was carried out on a pilot basis, but it could not establish solid ground.

issues (fueling inequality, ethnic tensions, and youth insecurity) were not fully internalized. The long period of conflict led to vast destruction of economic assets and systematic undermining of the country's potential. During this period, there was a large "brain drain"—an exodus of capable and highly educated professionals from the country, depriving it of much-needed human capital.

a. Subnational Level Planning in Sri Lanka

The development of backward areas has been a priority of all governments since independence. Until the mid-1980s, however, this was largely done within a *deconcentrated* structure in which the central government exercised considerable control.

The first attempts to decentralize central government functions in Sri Lanka were made in 1973 with the establishment of district coordinating committees. The government agent in each district headed this committee, which coordinated the functions of all government departments at the district level. In 1973, a district political authority system was established which involved political leadership in the development process at the district level. In 1974, a decentralized capital budget was introduced, further consolidating the deconcentrated structure. Members of Parliament were made responsible for disbursing funds allocated to individual districts on a priority basis. Another development was the establishment of district development councils in 1980, formed under the District Development Councils Act and responsible for planning and implementing plans. The Planning Ministry strengthened the district planning units by adding cadres and conducted training programs to prepare officials to carry out planning. The district planning office in each district was responsible for preparing and allocating funds under the decentralized capital budget under the guidance of the district's political authority.

The incorporation of the 13th Amendment to the Constitution in 1987 marked a change in policy regarding subnational planning and paved the way for the 1987 Provincial Councils Act No. 42. This law established several structures for planning at the subnational level:

(i) The Provincial Development Policy, Strategy and Program sets out priorities in the province. The strategy consists of 5-year rolling plans with annual programs for implementation.
(ii) The District Development Program coordinates government and provincial programs.
(iii) The Divisional Development Plan is a component of the District Development Program, which also incorporates the village development plans of village organizations. It is implemented based on a 3-year rolling plan, which is executed annually.
(iv) The Village Development Plan comprises village-level development initiatives that are identified in direct consultation between the village organization and the community. It is implemented on the basis of a 3-year rolling plan.

The 13th Amendment to the Constitution also facilitated the establishment of the Finance Commission, a de facto finance ministry for the subnational administration. The Finance Commission was established with the aim of facilitating fiscal decentralization, which would help strengthen subnational administration and provide leverage for the development and implementation of development plans at the subnational level. Based on the recommendations of the Finance Commission, the government allocates resources to the provinces from its annual budget to meet the financial requirements of the provinces. The Finance Commission formulates its recommendations based on the *provincial needs assessment* prepared by the Office of the Director of Provincial Development Planning in the Provincial Council. The provincial councils are provided with guidelines by the Finance Commission on how to conduct their needs assessment. The needs assessment is underpinned by the provincial development policy framework and a medium-term financing framework.[19]

b. Status of National Planning in Sri Lanka

The Department of National Planning became part of the Ministry of Finance in 1977. Many of its current responsibilities continue from this historical inheritance. The NPD's core responsibilities include policy development, planning, and implementation; accelerating economic growth and social progress in Sri Lanka; and providing a national perspective on policies, programs, and projects (Box 3).

Figure 3 shows the organizational structure of the NPD. As can be seen, the current structure of the NPD is divided into five key pillars, some of which are closely linked to its historical roots. Below these lie various clusters that are served by the department.

Box 3: National Planning Department (Broad Mandate)

Vision: To be the most competent policy advisor and development facilitator to the nation.

Mission: Optimize the use of the country's limited resources through a well-planned approach to the development of policies, programs, and projects by maintaining the highest level of professionalism and continuously upgrading planning skills to international standards.

The NPD's **core responsibilities** are to

- Assist in the formulation of national and sectoral policies
- Prepare the Medium-Term Investment Framework: Public Investment Program (PIP)
- Conduct project appraisals
- Provide observations for the Cabinet Memorandum
- Take the lead to build sectoral approach: Project pipeline
- Prepare planning guidelines
- Provide guidance in the preparation of sub-national level development plans
- Decentralize the capital budget
- Manage development partner missions
- Manage special assignments
- Ensure capacity development of staff
- Perform general administration

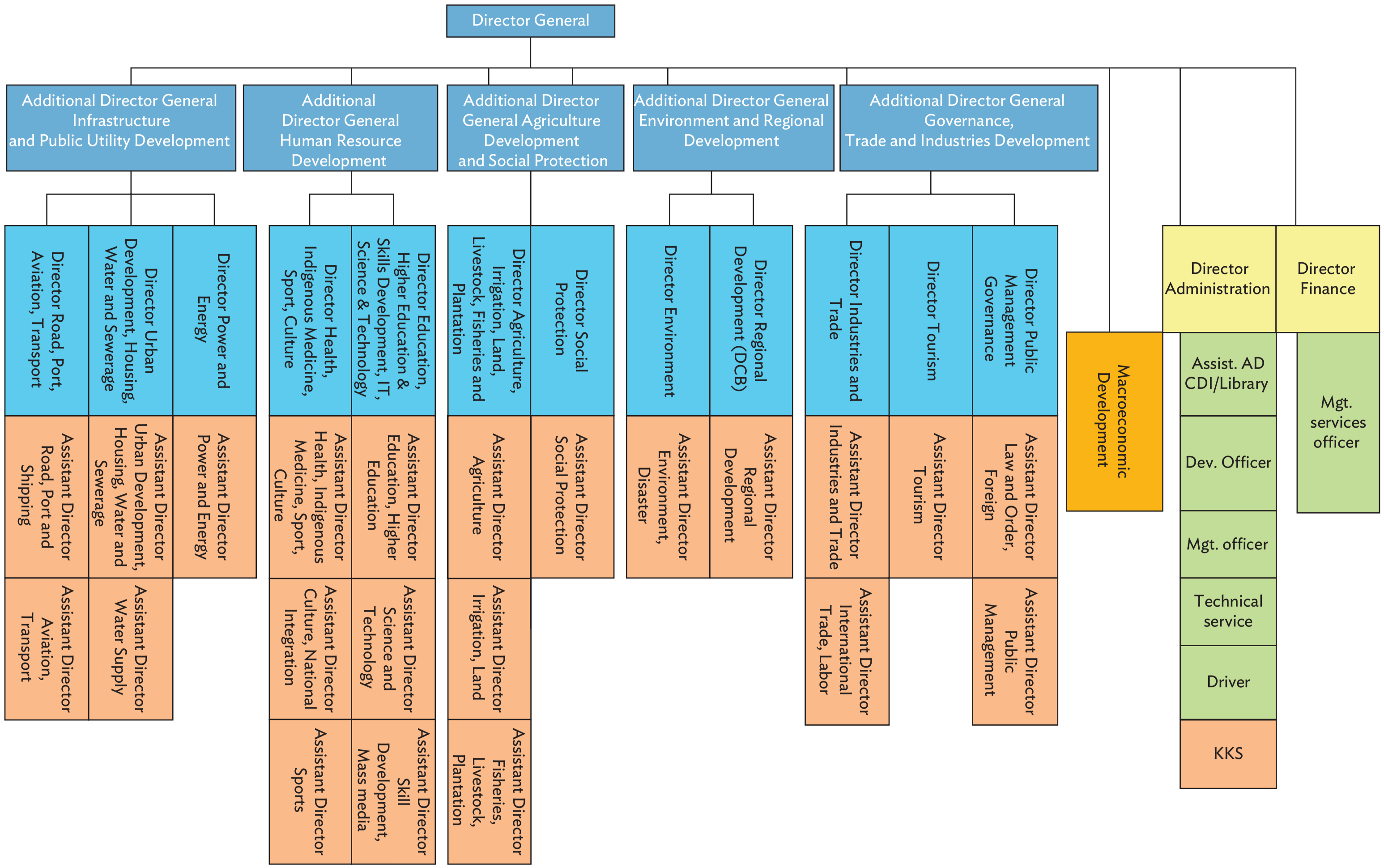
Clusters within the NPD include the following

- Macroeconomic Development
- Agriculture, Irrigation, Land, Livestock and Fisheries
- Industries and Trade, Power and Energy
- Road, Ports, Aviation and Transport
- Urban Development, Housing, Water and Environment
- Health and Indigenous Medicine, Sports and Culture
- Education, Higher Education and Skills Development, IT, Science and Technology
- Regional Development and Social Protection
- Public Management and Governance
- Decentralized Capital Budget

Source: Department of National Planning. Overview; Clusters.

[19] The execution in relation to previous allocations is also a basis for the Finance Commission's consideration of allocations.

Figure 3: Organizational Structure of the National Planning Department



AD = Administration Director, CDI = Centre for Development Information, Dev = development, KKS = Office Employees' Service Grade III (Office attendant), Mgt = management.
Source: Department of National Planning. Performance Report 2020. Colombo.

Some of the key functions of the current NPD structure are summarized as follows:

(i) Government Public Investment Program

The Public Investment Program (PIP) is the government's medium-term capital budget and traces its historical roots to when the Ministry of Planning was entrusted with managing the government's public investment budget. The PIP is prepared by the NPD to provide a notional framework for the government's medium-term capital investments (to be reflected in annual budgets) that are consistent with the government's stated policy framework and objectives. The current PIP of the NPD covers the period 2021–2024 and envisages an outlay of just over SLRs3 trillion across eight clusters: social infrastructure; agriculture; industry, trade, investments and tourism; commercial infrastructure; governance; environment; social protection; and regional development (National Planning Department 2021).

(ii) Indicative Macroeconomic Framework

Historically, the NPD also prepares the overall macroeconomic framework for the country, which must be coordinated with other departments of the Ministry of Finance and the central bank. This is a crucial part of national development plans, but must be underpinned by a robust process of macro forecasting and risk simulation. This is an area where NPD capacity should be strengthened to ensure its independence and enable it to engage in public debate on pragmatic policy formulation.

(iii) Project Appraisal and Sectoral Plans

The department plays a key role in appraising project documents (proposals) and providing feedback on all projects of national importance. Project appraisal is primarily the responsibility of the various clusters within NPD, with each cluster led by an assistant director. In addition, the department (through its cluster focal points) also participates in and guides the development of various sectoral plans.

4 A BROAD FRAMEWORK FOR NATIONAL DEVELOPMENT PLANNING IN SRI LANKA

Based on the preceding discussion and incorporating the elements of (i) modern national development planning, (ii) Sri Lanka's own history in national planning and the current context, and (iii) the considerable challenge posed by the current economic crisis and the need for a solid policy anchor for recovery and development, a comprehensive framework for national development planning is presented herewith. The discussion also draws on the experiences and lessons learned from comparator countries and their implications for Sri Lanka.[20]

Successfully recovering from the crisis and addressing development challenges will require a robust platform and policy anchor in the form of a national development framework (NDF). The NDF will identify Sri Lanka's key development needs (or development accelerators), priorities, and risks, complemented by a comprehensive assessment of costs and financing requirements. In parallel, the NDF would also need to have a formal institutional and governance mechanism in place to ensure that a plan is truly nationally owned and has sufficient traction independent of the incumbent government (i.e., to effectively depoliticize national planning). Structured in this way, an NDF for Sri Lanka will serve as a sound platform to emerge from the crisis and achieve the SDGs and other global commitments such as the NDC (Figure 4).

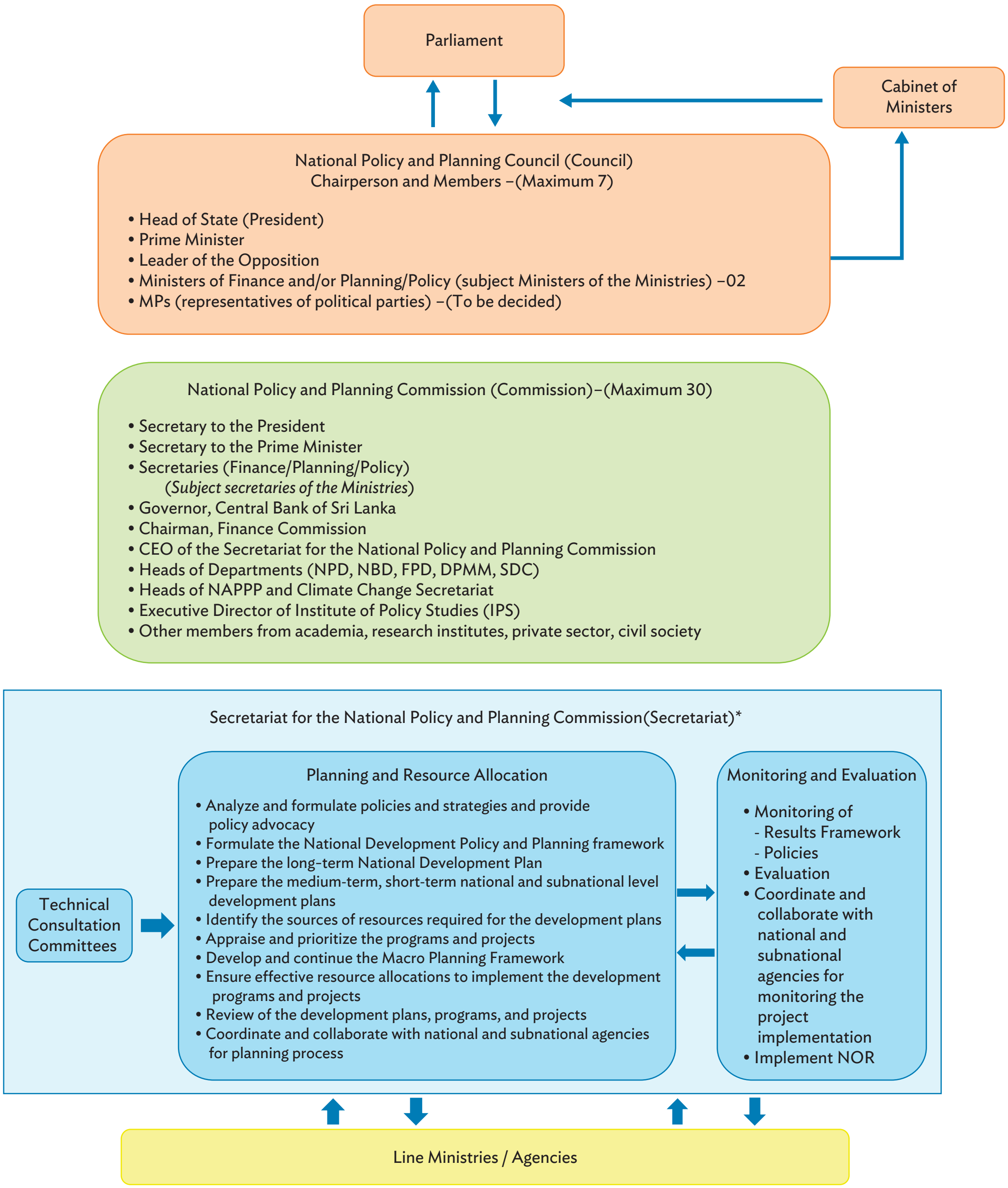
A. Governance and Institutional Mechanisms

Several countries have had sound apex structures in their history of national planning. India's National Development Council was established in 1952 to oversee and support the 5-year plans prepared by the Planning Commission. The National Development Council was chaired by the Prime Minister and comprised selected union cabinet ministers, chief ministers of all states, representatives of the Union Territories, and members of the Planning Commission.[21] However, the council was abolished in 2014 when the Planning Commission was replaced by the new National Institute for Transforming India (NITI) Aayog. In the Republic of Korea, the Economic Planning Board was established in 1961 to oversee development planning, policy formulation, and coordination. It was headed by a deputy prime minister, the most senior cabinet member. However, the Economic Planning Board was dissolved in 1994. Many other countries have established similar structures to guide national development planning.

20 India, the Republic of Korea, Malaysia, and Singapore were selected as comparator countries for this task.

21 The Planning Commission was established in 1950 (by government decree) with the creation of the National Development Council. It was chaired by the Prime Minister, who was also the head of the council, but it was administered by a high-ranking deputy chairman.

Figure 4: Proposed Structure of the National Development Policy and Planning System for Sri Lanka



DPMM = Department of Project Management and Monitoring, FPD = Fiscal Policy Department, NAPPP = National Agency for Public Private Partnerships, NBD = National Budget Department, NOR = National Operations Room, NPD = National Planning Department, SDC = Sustainable Development Council.

Note: *Under the proposed secretariat, the existing relevant departments (NPD, NBD, FPD, DPMM, and SDC), the Finance Commission, the SDC, the NAPPP, and the Climate Change Secretariat that perform the functions listed under planning, budgeting, monitoring and evaluation are expected to continue to perform the additional functions.

To effectively support the apex planning body, some countries have established what may be considered a secretariat or a working arm. Such a secretariat should have sufficient independence and autonomy while being equipped with adequate capacity. Several examples underscore the importance of a sound secretariat. In Singapore, the Economic Development Board (EDB) was the effective "live wire" in the national planning process and had considerable autonomy and power.[22] It ensured close coordination with key government ministries, as well as with the private sector and other stakeholders, to guide the development and implementation of key policies. The EDB was staffed with highly competent professionals. A meritocratic system enabled them to excel while advancing Singapore's development. In Malaysia, the secretariat function was performed by the Economic Planning Unit (EPU),[23] which played a key role in guiding Malaysia's economic development. As the central planner and coordinator, the EPU worked with relevant stakeholders at all levels—federal, state, and even local—including other ministries, government agencies, industry players, and civil society. In India, the Planning Commission played a similar role, overseeing the development and implementation of successive 5-year plans from 1951 to 2014.

(i) Parliament

Strong legislative oversight and monitoring of the national development planning process would be important. The Parliament would provide crucial support in enacting, revising, and amending relevant laws necessary for the establishment of the National Development Policy and Planning System (NDPPS or the "system") and for the formulation of the country's National Development Policy and Planning Framework (NDPPF or the "Framework") and successive plans that align with the Framework.[24] The Cabinet of Ministers will need to recommend the system to the Parliament for approval.

As the validating authority, the Parliament's approval of the Framework should be obtained. As representatives of the people, members of Parliament, through the National Policy and Planning Council ("the Council"), can help guide the formulation of an effective consultation and contestation process during the preparation of the Framework to ensure that all segments of society are represented in the deliberative process. In addition, the Parliament can oversee the implementation of the Framework and the resulting medium-term and short-term plans and review the results (impacts). However, this may require building sufficient capacity among parliamentarians and within the Parliament secretariat, with the latter also maintaining close links with the "Secretariat" (see below). It is also tasked with obtaining necessary public financing and creating a conducive environment for private investment to effectively implement the Framework.

[22] The EDB was established in 1961 as a statutory institution and a dedicated agency to attract foreign capital and drive Singapore's industrialization. This agency pioneered several development initiatives that have made Singapore what it is today.

[23] The EPU was established in 1961 and placed under the Prime Minister's office, where it remains today. It is currently headed by a director-general who holds a rank similar to that of the secretary-general of a senior government ministry, underlining its prominent position in the government machinery.

[24] The NDF, as commonly referred to in the literature and discussed earlier in this section, comprises the enabling governance and institutional mechanisms and the NDP. From here on, these two components of NDF are referred to separately. The NDPPS (the system) is the enabling governance and institutions and the NDP is the NDPPF (the Framework) and the successive plans. Therefore, the Framework should not be mixed with NDF.

(ii) National Policy and Planning Council (the Council)

The Council will provide guidance on the development and approval of the Framework. The Council's multiparty membership will help build consensus among political leaders to implement the Framework regardless of changes in the administration. The head of the Council will submit the Framework to Parliament through the Cabinet. Thereafter, the National Policy and Planning Commission Secretariat (the Secretariat) will develop an implementable Framework with the guidance and support of the National Policy and Planning Commission (the Commission). The Council will oversee and review the implementation of the Framework and plans and provide guidance to the Commission from time to time.

It is proposed that the Council be chaired by the Head of State. The Council is proposed to comprise the President, the Prime Minister, the leader of the opposition, the ministers of finance and policy/planning (if finance and planning issues are handled by two separate ministers, both ministers should be on the Council), and may also include few members of Parliament representing the political parties as decided by the Parliament. It is envisaged that the Council will consist of up to seven members including the head of the Council.

(iii) National Policy and Planning Commission (the Commission)

The secretary to the President is proposed as the head of the Commission. Other ex-officio members of the Commission may include the secretary to the Prime Minister; the secretaries of finance and/or planning/policy (subject secretaries of the ministries); the governor of the Central Bank of Sri Lanka; the chairperson of the Finance Commission; head of departments (the NPD, the National Budget Department, the Fiscal Policy Department, the Department of Project Management and Monitoring, the Sustainable Development Council); the heads of the Climate Change Secretariat and the National Agency for Public–Private Partnerships (NAPPP); and the executive director of the Institute of Policy Studies. In addition, representatives from academia, research institutes, the private sector (which may be represented by chambers of commerce), civil society may be appointed to the Commission. The term of office for non-ex-officio members (academia, research institutes, and private sector is proposed to be 3 years and may be extended as needed. It is proposed that the Commission consist of no more than 20 members. If necessary, the Commission may from time-to-time call upon experts with relevant knowledge and experience.

(iv) Secretariat for the National Policy and Planning Commission (the Secretariat)

It is proposed that a Secretariat be established to assist the Commission. Such a Secretariat may be headed by a competent chief executive officer (CEO) who may be appointed by the Cabinet upon the recommendation of the Council. The CEO is expected to be a well-qualified, multidisciplinary professional with local and international experience. The Secretariat may also include the heads of the NPD, National Budget Department, Fiscal Policy Department, Department of Project Management and Monitoring; the Sustainable Development Council; the head of the Climate Change Secretariat and NAPPP; and the secretary of the Finance Commission. The work of the Secretariat can be supported by the staff of the said agencies. The CEO can coordinate with the said agencies in performing the tasks and functions assigned to the Secretariat.

The broad representation of the Secretariat under the leadership of the CEO is a clear indication of the "ownership" of national development in the country and provides overall governance of national development planning in the country. The Secretariat will play the role of governance and institutional mechanism, overseeing the entire process of formulating the Framework and the subsequent plans.

The Secretariat's main responsibilities under the system include the following:

(i) Analyze and formulate policies and strategies and policy advocacy.
(ii) Formulate the National Development Policy and Planning Framework.
(iii) Prepare the medium-term and short-term development plans at the national and subnational levels.
(iv) Identify the sources of resources required for the development plans.
(v) Appraise and prioritize the programs and projects.
(vi) Develop the macro planning framework.
(vii) Ensure effective allocation of resources to implement the development programs and projects.
(viii) Review the development plans.
(ix) Monitor and evaluate the implementation of development plans.
(x) Coordinate and collaborate with national and subnational agencies.

The main task of the Secretariat will be to formulate the Framework that will provide directives for the development of the country with a long-term horizon, i.e., 20–25 years. Medium-term and short-term development plans will then be prepared in accordance with the Framework. The framework for development at the subnational level should also be developed in accordance with the Framework. Similarly, the medium-term and short-term development plans at the subnational level will be based on the subnational development framework.

In addition, the Secretariat is responsible for regularly reporting and updating the progress of the Framework and the medium-term and short-term development plans to the Parliament and the public through the Commission, the Council, and the Cabinet of Ministers. To perform these tasks effectively, the secretariat should be vested with sufficient independence and autonomy and equipped with adequate capacity.

Existing government agencies and departments responsible for planning, financing, budgeting, monitoring, the Finance Commission, the Sustainable Development Council, the Climate Change Secretariat, and the NAPP, may carry out the Secretariat's envisaged functions. To fulfill the Secretariat's intended role, these institutions should be further strengthened, given greater autonomy, and be integrated holistically into the country's overall planning system. This will enable the Secretariat to formulate and execute a realistic national development plan in a consistent and competent manner.

The Framework prepared by the secretariat under the guidance of the Commission will be submitted to the Council. After reviewing the Framework, the Council will submit it to the Cabinet of Ministers and thereby to the Parliament.

(v) Technical Consultation Committees

The technical consultation committees shall assist the secretariat in carrying out its functions by providing necessary technical input on policies, sectors, and/or subject-specific matters whenever required.

These committees will comprise sector and/or subject matter experts such as those from academia, research institutes, the private sector, other professionals, and civil society as needed by the Secretariat, and will be met as and when required. Policy incubators and macro planning tools will also be used to strengthen capabilities in policy analysis, macroeconomic forecasting, resource allocation, investment prioritization, etc.

B. Legislation

The proposed NDPPS should ideally be underpinned by an overarching piece of legislation. This will achieve two objectives, among others: to underpin national ownership of an NDPPS and to effectively depoliticize national development. Chimhowu, Hulme, and Munro (2019) identify 27 countries worldwide that have constitutional and/or legislative provisions for national development planning. Perhaps the best-known example of a comprehensive legislative framework for national development comes from Ghana. The country's 1979 Constitution provided for the establishment of a national development commission chaired by the vice-president. The commission was responsible to the President and was to advise and guide Ghana's President on national policy and development strategies. Constitutional support for national development planning was preserved in the 1992 Constitution, and to further strengthen it, Ghana's Parliament passed two laws in 1994—the National Development Planning Commission Act (Act 479 of 1994) and the National Development Planning (System) Act (Act 480 of 1994). However, some countries, such as Jamaica, have achieved this without constitutional/legislative provisions. Jamaica's *Vision 2030* is the country's first long-term national development plan. It has been endorsed by the country's major political parties, who have committed to take it forward regardless of changes in government.

Legislative (or constitutional) enactments require due process. However, with strong bipartisan political will and resolve, a comprehensive legislative canvass for national development would be a considerable asset to Sri Lanka.

The existing National Planning Council Act No. 40 of 1956 (the Act), as amended in 1957 (Planning Council Act No. 58 of 1957), may be empowered with necessary amendments to include the proposed NDPPS.

The act may include the following provisions:

- Criteria for the preparation of the Framework endorsed by the Parliament, emphasizing the need for continuity regardless of changes in government;
- Criteria for the preparation of medium-term and short-term plans;
- Provisions to ensure adequate financing and budgetary allocations for the implementation of the plans;

- Provisions to ensure monitoring and evaluation of the outcomes of the plans;
- Provisions that a policy, program, or project that has not been approved by the Council shall not be implemented under any circumstances;
- Provisions requiring ministers, secretaries to the line ministries, heads of SOEs, and senior officials of government agencies to implement the national development plans prepared based on the Framework, which may consider incentives based on performance.

C. The Planning Process

(i) Preparing a Development Needs Assessment

A consistent approach to ascertaining a development needs assessment (DNA) could follow either a top–down or a bottom–up approach. Contemporary literature, such as Chimhowu, Hulme, and Munro (2019), identifies two main approaches:

- Type A is a top–down approach that includes expert-led plans with a strong evidence base but limited social embeddedness; and
- Type B is a bottom–up approach involving collaboratively created plans with a strong evidence base and high social embeddedness.[25]

Empirical evidence suggests that most of the NDPs in operation today (over 40%) follow a bottom–up Type B approach, while about a quarter of the plans follow a top–down Type A approach. National plans that follow Type A have typically been developed by technical teams in core economic and finance ministries or, in some cases, by global consulting companies. The content of such plans is often pedantic and aimed at specialists and technocrats rather than the general public. Type A plan documents, however, are generally well written, contain clear goals and targets, and are accompanied by cost data. Type B national plans are formulated through a broad consultation process on a sound evidence base. The national development plan is therefore seen as a "consensus" on a common vision and aspiration, the policies needed, and a set of interventions to achieve the desired future. It is often written in less complex language that appeals to a broader audience than Type A plans. Type B plans are also seen as a more effective bridge between national development goals and broader global goals (such as the SDGs and NDC). As a result, they are often considered the ideal type for national development plans. However, compared with Type A plans, Type B national plans would likely take more time to develop as a comprehensive and inclusive consultation (and contestation) process takes longer time. In many countries pursuing Type B national development plans, the important element of "consensus" may be difficult to achieve, especially in the context of deep socioeconomic and political divides.

Experience from India, Singapore, Malaysia, and the Republic of Korea suggests that in most cases a top–down approach to national planning was used. The main interlocutor in the planning machinery would develop the DNA based on the existing policy framework (largely derived from the incumbent government), which is then deliberated at various levels (primarily within the government, but in some

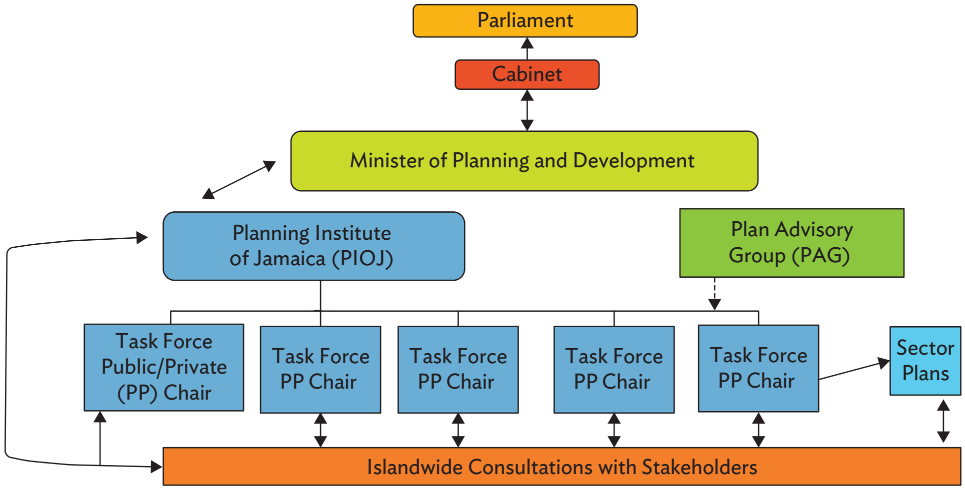
[25] In between, there are also two hybrid forms: Type C and Type D, which are either top–down or bottom–up but have a weak evidence base and limited social embeddedness.

cases also outside the government) before being submitted to the cabinet and then to Parliament for approval. The success of these arrangements has varied. In the case of Singapore, the considerable leeway given to the EDB to experiment and learn lessons through pragmatic and practical approaches within a top–down structure has proved successful. This has also been the case in the Republic of Korea.

However, there are compelling examples around the world that an inclusive (bottom–up) approach to NDP can be fruitful. The example of *Vision 2030 Jamaica* stands out; it began with the articulation of a draft vision statement (Planning Institute of Jamaica 2009), followed by the identification of strategic focus areas and a set of guiding principles. This was followed by broad public consultation to ensure the successful preparation, implementation, and ownership of the national plan (Figure 5). A similar approach was taken in the preparation of the Maldives Strategic Action Plan (2018–2022).

In the case of Sri Lanka, a "blended" approach of Type A and Type B approaches could also be considered. This needs to be carefully designed and include the basic principle of broad stakeholder consultation, *enabled* by a layer of thematic (topical) or sectoral "anchors" that include relevant core representatives (of central and subnational governments, the private sector, academia/think tanks, and also civil society).

Figure 5: Organizational Chart for Plan Preparation Process in Jamaica



Source: Planning Institute of Jamaica (2009).

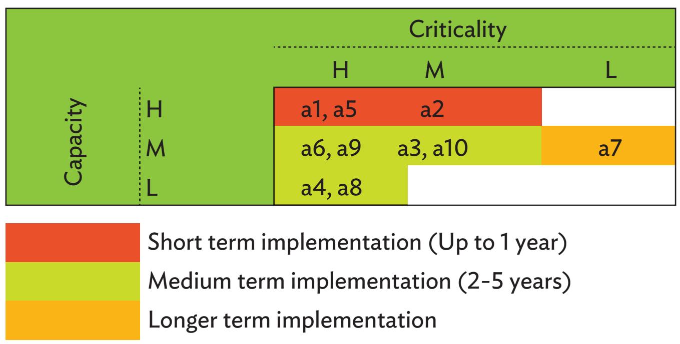
(ii) Prioritization

Prioritization of the development needs is an essential part of the NDPPF formulation process (and also of the subsequent plans) that determines the order (timing) of implementation as well as the allocation of financing. There are several methods of prioritization, but perhaps one of the simplest is to assess the capacity and criticality (known as C-C mapping) of the development needs accelerators (Figure 6).[26] Initiatives with high criticality and high implementation capacity

[26] This systematically ascertains the criticality of the intervention and the current implementation capacity.

(the so-called "low-hanging fruit") would be a first priority for near-term implementation (perhaps as part of a 100-day plan), while interventions with high criticality but low implementation capacity could be placed in a medium-term implementation framework. Interventions with low criticality could be placed in a longer-term implementation framework. Development needs prioritization was very much evident in the case of the Republic of Korea. In the formulation of successive 5-year plans in India, priorities were largely assigned on a sectoral basis (e.g., heavy industry in the late 1950s, agriculture and food security in the 1960s) and in encouraging the private sector (1990s to early 2000s) and fostering inclusive growth (after 2002).

Figure 6: Mapping of Development Needs Based on Criticality and Capacity



Note: a1–a10 are the various development needs that are categorized based on their implementation capacity and criticality.
Source: Authors' construction.

(iii) Risk Assessment

A comprehensive risk assessment is an integral part of the NDPPF process that warrants special attention. This is because while an NDPPF is formulated under baseline assumptions, a thorough risk assessment would underpin the robustness and stability of the Framework for the future. The risk framework includes (i) identification of relevant risk factors, (ii) determination of the likelihood and severity of the identified risk factors, and (iii) identification of mitigation measures. Vision 2030 Jamaica, for example, emphasizes the importance of identifying risk factors beyond occasional natural disasters (Planning Institute of Jamaica 2009). Jamaica's NDP identified specific risk mitigation strategies to protect vulnerable populations, sustain the country's health system, and ensure the country's fiscal and debt sustainability.

(iv) Costing

Innovative methods for costing development needs and risk mitigation measures have been developed. Several countries have undertaken costing exercises in connection with their national development plans. In many of these countries, costing has been done in the context of the SDGs (which are embedded in the national plans). Bangladesh, Nepal, and more recently Mongolia have conducted comprehensive cost assessments.[27]

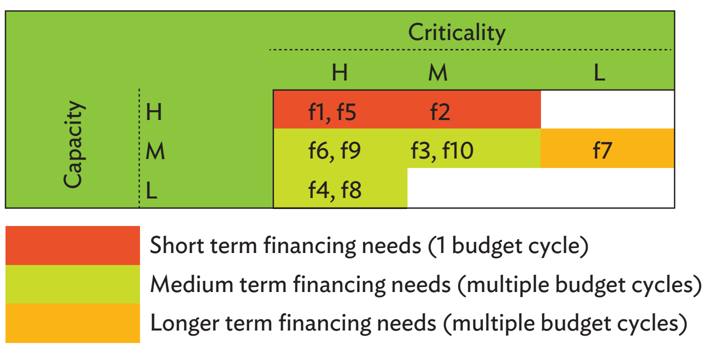
[27] In all cases related to the SDGs.

(v) Identifying Financing Needs

An important part of the process resulting from the cost calculation is the identification of financing needs for implementing the NDPPF and risk mitigation measures (Figure 7). Identifying financing gaps involves assessing existing development funding resources and reconciling them with the costs of the identified accelerators (which are derived from the costing process). The financing gap, together with the financing required for risk mitigation, comprises the total financing requirement (or envelope) for the NDPPF. This must then be bridged with envisaged financing from public and private sources:

- *Public sources:* (i) through the government's own fiscal consolidation efforts—measures to increase revenues and tighten expenditures; and (ii) by borrowing from internal and external sources
- *Private sources:* (i) through public–private partnerships; and (ii) by attracting additional private investment (both local and foreign) in development projects

Figure 7: Identifying Financing Needs Following the Prioritization of Development Needs



Note: f1–f10 are the financing needs for the identified development needs, categorized based on their implementation capacity and criticality.
Source: Authors' construction.

Identifying financing needs is an important component of the NDPPF that ensures its successful implementation. To systematically identify financing gaps, many countries have implemented integrated national financing frameworks (INFFs).[28] The INFF process begins with a comprehensive development finance assessment (DFA), which could be based on the process steps described earlier (i.e., development needs prioritization, risk assessment, and costing). This is then used as the basis for identifying financing gaps and determining the financing sources needed to bridge the gaps. Although different countries have slightly different approaches to the INFF, the core element remains the same: the objective of achieving an assessment of financing needs and systematic means of raising funds to implement a country's NDPPF (see Figure 8 for Malaysia's INFF). One of the most important aspects of a financing assessment is that, if it is consistent with the prioritized DNA (as in [ii] above),

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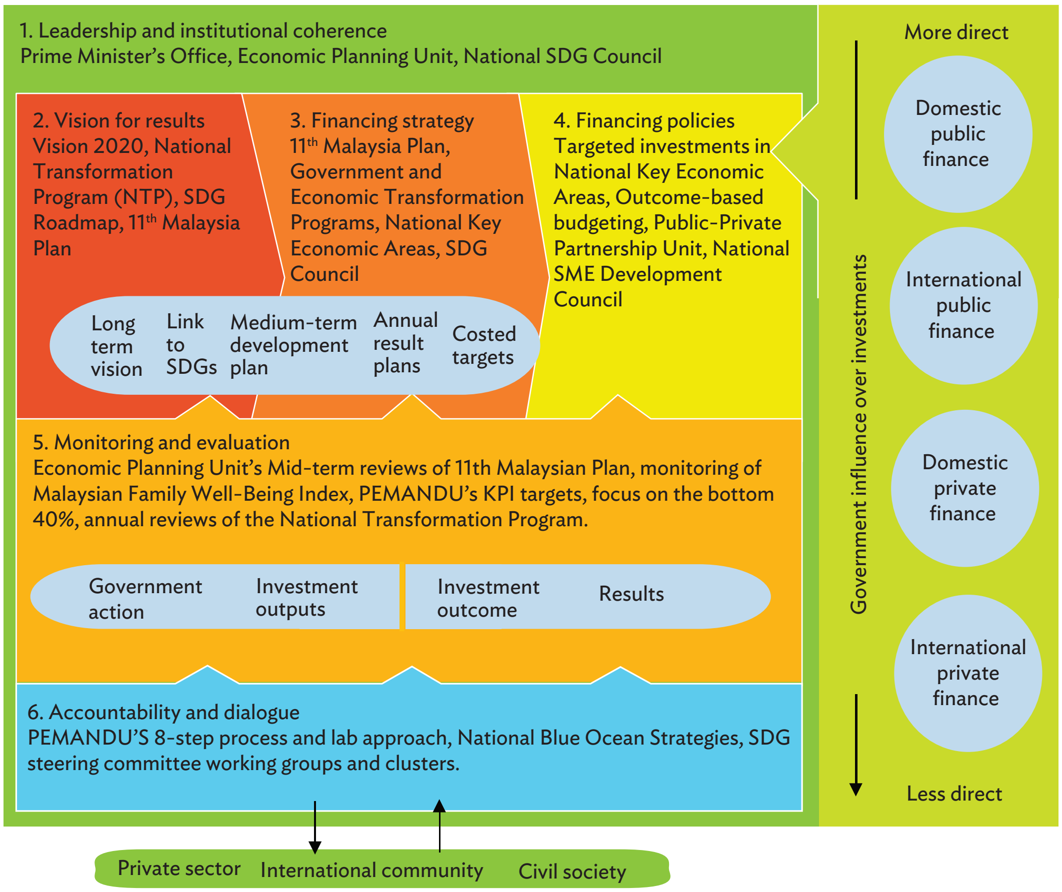
[28] An INFF is a planning and delivery tool that helps countries strengthen planning processes by identifying viable sources of financing. It covers the full range of financing sources—domestic public resources, aid and development cooperation, and domestic and international private finance—and enables countries to develop a strategy for increasing investment, managing risks, and achieving national development priorities.

it provides a time frame for the financing required to implement the NDPPF. This could take the form of short-, medium-, and long-term financing requirements. This has important implications for the national budget, as it affects the allocation of public finances in subsequent budgets.

Figure 8: Malaysia's Integrated National Financing Frameworks



KPI = key performance indicators, PEMANDU = Performance and Management Delivery Unit, SDG = Sustainable Development Goals, SMEs = small and medium-sized enterprises.

Source: UNDP (2017).

(vi) Results Framework

The culmination of the planning process is the determination of the results (or impact) framework. The results framework systematically tracks all development interventions embodied in an NDPPF and ensuing plans to determine whether their successful implementation will result in the desired impacts. The results framework consists of four steps:

Inputs ⟶ Activities ⟶ Outputs ⟶ Outcomes

Inputs can be identified for each development intervention (or accelerator) that conforms to the DNA, usually in the form of allocated financing resources. The activities then specify the actions to be taken in relation to the accelerator to achieve the desired outcomes (or results). Outputs look at tangible assets that result from the activities, such as a project or institutional asset, while outcomes measure impact or results. The results framework must be underpinned by a comprehensive impact measurement and management platform. Impact measurement and management allows for accurate monitoring of results after the implementation of the NDPPF and successive plans. This is a key responsibility of the secretariat unit of the governance and institutional structure, supported by external (or independent) verifiers and evaluators. Regular impact reports should be submitted to both the apex body and the legislature. They should also be subject to broader public scrutiny.

5 NEXT STEPS TO ESTABLISH A ROBUST NATIONAL DEVELOPMENT FRAMEWORK FOR SRI LANKA

In line with the framework outlined in the previous section and the experience of selected Asian economies, the following steps are key to establish a robust national development framework for Sri Lanka.

(a) Obtain Broad Acceptance for the Framework.

Although the framework presented may seem imposing at first glance, it provides a comprehensive and consistent structure for Sri Lanka's national development. As mentioned earlier, such a structure would be an important policy and institutional anchor for the country to effectively overcome the current economic crisis and achieve its development goals, as well as build resilience to unforeseeable shocks. Moreover, a well-structured and functioning NDPPS will be a strong pull factor for foreign investment in all forms. To gradually introduce the structure, it would be important to gain broad support from various stakeholders in the country. Under the leadership of the government (and the NPD), the following stakeholders could be systematically approached:

- Key government ministries and departments, as well as the Central Bank of Sri Lanka
- Academic institutions such as key universities, policy think tanks, and other research institutions
- Private sector
- Subnational government entities: provincial councils and local governments

(b) Establish Legal Provisions for National Planning.

Based on the 1956 National Development Council Act, consider how to establish a formal legislative basis for the NDPPS, NDPPF, and successive plans. This could take the form of a revision of the 1956 Act or a new law that embodies the objectives of modern national development planning and stipulates the necessary governance and institutional mechanisms and process elements. Among other things, the law could also provide a regular time frame for NDP development and the structure for monitoring (and reporting) the results.

(c) Plan and Monitor the Consolidation of the System.

For effective implementation of the NDPPF and plans, it would also be important to consider various consolidation measures to create a uniform (rather than fragmented) planning and monitoring machinery in the country. Planning entities in different parts of the government (NPD, Sustainable Development Council, and the Climate Change Secretariat) as well as subnational entities could be consolidated to ensure consistency in “national” planning while ensuring that the necessary attention to functional planning and the interests of subnational elements are not compromised. This could well mean expanding and strengthening the current role of the NPD and giving it greater autonomy and authority. The line agencies should prepare and submit their results framework for monitoring.

(d) Engage in Capacity Development.

Significant capacity development may still be needed to implement the proposed structure after considering the necessary consolidation measures. With respect to the proposed structure, it would be best for the relevant departments to conduct a “gap assessment” of their current national planning and monitoring architecture (in the post-consolidation period) and look for ways to systematically address gaps through capacity-building support from relevant partners.

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