

ASIAN DEVELOPMENT BANK

TAR: IND 35213

TECHNICAL ASSISTANCE

(Financed by the Government of the United Kingdom)

TO

INDIA

FOR

WEST BENGAL DEVELOPMENT FINANCE

August 2004

CURRENCY EQUIVALENTS

(as of 28 June 2004)

Currency Unit	–	rupee/s (Re/Rs)
Re1.00	=	\$0.0216
\$1.00	=	Rs46.09

ABBREVIATIONS

ADB	–	Asian Development Bank
DFID	--	Department for International Development
EA	–	executing agency
GSDP	–	gross state domestic product
GWB	–	government of West Bengal
IT	--	information technology
MOU	--	memorandum of understanding
MTFRP	--	medium term fiscal reform program
SC	–	steering committee
TA	–	technical assistance
VAT	–	value-added tax

TA CLASSIFICATION

Poverty Classification	–	Other
Sector	–	Multisector
Subsector	–	Public finance and expenditure management; Subnational government administration; Pensions, insurance, social security, and contractual savings.
Theme	–	Governance
Subtheme	–	Financial and economic governance

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 March. FY 2000 refers to 1 April 2000 to 31 March 2001.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. This technical assistance (TA) was proposed in the Asian Development Bank's (ADB) India Country Strategy and Program 2003–2006, which was endorsed by the Government and approved by ADB's Board of Directors on 30 April 2003. The goals, outputs, activities, implementing arrangements, and financing arrangements are detailed in this paper. The TA framework is in Appendix 1.¹

II. ISSUES

2. A densely populated state with a population of 80 million, West Bengal is strategically located in eastern India bordering Bangladesh, Bhutan, and Nepal. The state's performance in poverty reduction has been impressive. The poverty ratio declined from 63.4% to 27.0% between FY1973 and FY1999, compared with a decline from 54.9% to 26.1% for India as a whole. Growth performance has been equally impressive. West Bengal registered a compound annual growth rate of 7% during FY1993 to FY2000, the second highest after Karnataka among the major states in India. Table 1 compares West Bengal and all India in terms of key social, economic, and fiscal indicators. West Bengal has also led the rest of the country in agricultural performance during the last two decades, emerging as the largest producer of rice, the third largest producer of fruits and vegetables, and one of the top producers of fish.

Table 1: Key Indicators of West Bengal

Socioeconomic Indicators	West Bengal	India^a
Population, 2001 (million)	80.22 ^b	1,027.02 ^b
Literacy Rate (%), 2001	69.2 ^b	65.4 ^b
Infant Mortality Rate (per 1,000 live births), 2001	53 ^b	71 ^b
Per Capita Consumption of Electricity (kWh), FY1999	204.4 ^b	354.8 ^b
Per Capita Income (Rs, current price), FY2001	17,769 ^c	17,978 ^c
Fiscal Indicators (percentage of GSDP for West Bengal and GDP for all states)		
Own Tax Revenue, FY2002	4.2 ^d	6.0 ^e
Revenue Surplus/ Deficit (-), FY2002	(-) 5.2 ^d	(-) 2.5 ^e
Fiscal Surplus/ Deficit (-), FY2002	(-) 6.3 ^d	(-) 4.7 ^e

GDP = gross domestic product, GSDP = gross state domestic product.

^a Fiscal indicators of India refer to all states.

^b Source: Government of India. 2003. *Tenth Five Year Plan. Volume III. Planning Commission.*

^c Source: Government of West Bengal. 2003. *Economic Review 2002–03.*

^d Source: Government of West Bengal. 2003. Budget Documents.

^e Source: Reserve Bank of India. 2003. *Annual Report: 2002–03.*

3. Despite these achievements, many challenges remain. West Bengal ranks eighth in human development among all states². Moreover, during the last 4 decades West Bengal has declined from being a leading industrial state in India to 9th rank out of 16 major states. This decline is attributed primarily to the decline of old industries like jute, tea and light engineering, which were the backbone of the industrial economy. Also, the public finances of West Bengal are in a parlous state, making it particularly difficult to deploy public resources to address the urgent demands of development. A high rate of public investment in infrastructure for

¹ The TA first appeared in *ADB Business Opportunities* on 21 July 2003.

² Planning Commission. 2002. *National Human Development Report, 2001*. New Delhi. Government of India.

transportation, energy and irrigation is essential, along with enhanced public expenditure on social services to accelerate improvement in education and health indicators. Financing these expenses will require strong measures to mobilize additional revenue, and rationalization of expenditure elsewhere. These priorities set the strategic agenda for fiscal consolidation in West Bengal.

4. There has been a sustained deterioration in the fiscal situation of the state as witnessed by an alarming rise in the fiscal deficit from 4.3% of the gross state domestic product (GSDP) in FY1995 to as much as 9.1% by FY1999. The ratio has since averaged 7.4%, as against total expenditure amounting to 16.6% of GSDP, implying that around 43% of expenditure is now financed by fresh borrowings, which are added each year to the stock of debt. Part of the problem is the low buoyancy of the state's share of federal revenues (2.7% of GSDP) and the state's own revenue (4.6% of GSDP).³ Some recent revenue mobilization measures are expected to raise the state's own revenue to 5.7% of GSDP. These can perhaps be further rationalized, specifically for major sources of own revenue, e.g., sales tax, state excise, etc. The state's share of federal revenues also needs to be better aligned to its spending responsibilities, a vertical equity matter which ADB and other stakeholders have flagged in consultations with the 12th Finance Commission.

5. On the expenditure side, implementation of the Fifth Pay Commission Report raised the total bill of wages and salaries to 40% of total current public expenditure. A second major component is debt servicing. West Bengal's debt to the federal Government and financial institutions rose from 28% of GSDP in FY1995 to 45% in FY2002. Inclusive of contingent liabilities, this will be even higher at 47% of GSDP. Moreover, most of this debt is at a relatively high cost of around 14% interest. Hence, interest on debt servicing now accounts for 33% of current expenditure. Also, the state has 89 public sector enterprises, of which 85% are incurring losses. In many cases, the net worth has been largely or completely eroded. The losses have resulted in a significant drain on budgetary resources.⁴

6. The state government has initiated a number of steps to consolidate its finances, including the signing of a Memorandum of Understanding (MOU) with the Government of India on the Medium-Term Fiscal Reform Program (MTFRP): FY2000 to FY2004.⁵ However, the steps identified in the MTFRP need to be reinforced by identifying and implementing required administrative and capacity-building measures, estimating the costs of adjustment, and financing the cost to help bring West Bengal back to a sustainable debt path. The consolidated reform measures required to address the fiscal challenges may be categorized broadly into two groups: direct reforms to place the state on a sustainable debt path, and capacity-enhancing measures necessary to implement and sustain the reforms. The direct reforms will include (i) non distortionary tax and nontax revenue measures to optimize own revenue, (ii) debt restructuring to reduce the burden of debt services, (iii) public enterprise restructuring, and (iv) review and rationalization of public expenditure to optimize allocation of expenditure to infrastructure and social services. The capacity enhancing components of reform will include (v) possible rationalization of relevant state government departments, including the commercial tax department; (vi) Information Technology (IT) for streamlining services in the financial and other relevant departments of government, including the budget formulating process; and (vii) creation

³ Central grants account for another 1.3% of GSDP.

⁴ Department for International Development (DFID) has provided 26 million pound-sterling grant assistance to GWB to support capacity building in the Department of Public Enterprises for restructuring 17 of these public enterprises including payments for early retirement. This assistance is ongoing.

⁵ Signed by GWB and the Department of Expenditure, Government of India on 26 March 2003.

of required databases for fiscal monitoring and fiscal projections, including the impact of measures such as pension reform.

7. The reforms will require significant costs. Given the current fiscal pressures on West Bengal loan assistance will be necessary to meet the up-front costs of reforms, including the cost of capacity enhancement. This has to be preceded by technical assistance to help develop a comprehensive fiscal consolidation program and recommend a suitable lending modality. The suggested TA should draw lessons from ADB's previous interventions in this field. The lessons include, among others, the following: (i) proposed reform measures should be straightforward, appropriately sequenced, well-balanced among various reform areas (revenue, expenditure and public enterprise reform), and achievable within the planned time frame; (ii) TA that combines capacity building in both revenue generation, budget preparation, and expenditure and debt management should be focused and deal with only those fiscal issues; (iii) adjustments proposed should be directional rather than quantitative; and (iv) the consultant team leader should be a public finance specialist with detailed knowledge of state finances in India.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

8. The TA aims to support the preparation of a comprehensive fiscal consolidation program, including capacity enhancement and public awareness components, to strengthen development financing in West Bengal, consistent with the MTFRP MOU between the government of West Bengal and the federal government. The MOU lays down a list of policy actions. These may need to be reviewed for internal consistency. Moreover, the measures will also require certain administrative and capacity-enhancing measures, especially for implementing and monitoring various reforms that are not detailed in the MOU. The TA will identify them. The TA will also enable GWB to introduce international best practices. Finally, as explained in para 7, the TA has to estimate the adjustment cost for the proposed measures. Thus the TA will broadly focus on (i) a sustainable debt management program, including identification of required capacity-enhancing measures to implement the program; (ii) a plan for improved revenue mobilization; (iii) a public expenditure review and rationalization program for improved public resource allocation; (iv) a program for other collateral reforms such as public enterprises reform and pension reforms; (v) a capacity-enhancing plan; and (vi) a costing and pricing plan for the different components of the fiscal consolidation program.

B. Methodology and Key Activities

9. **Debt Restructuring.** The TA will develop a comprehensive debt restructuring program, including use of existing schemes as appropriate, with the help of a debt restructuring expert. The exercise will include (i) preparing an overall state debt management program, indicating ways to restructure past high-cost debt; (ii) developing a detailed database of debt and guarantees for future monitoring of the program; and (iii) addressing comprehensively the issue of contingent liabilities arising from GWB guarantees.

10. **Mobilizing Additional Revenue.** Nondistortionary measures for mobilizing revenue need to be designed under the TA and implemented as part of the overall fiscal consolidation effort. More specifically, the TA should take stock of revenue mobilization measures already initiated by GWB, and identify further revenue reform measures, e.g., expanding the base of sales tax/(VAT); recommend steps to enhance the buoyancy of stamp duty and registration

fees, motor vehicle taxes, state excise duty, and other minor taxes; and recommend ways of strengthening tax administration, including department restructuring and computerization plans, if required. In the field of nontax revenues, the TA should recommend a realistic program of introducing user fees. The TA should also identify justifiable and affordable GWB subsidies for public goods or merit goods, and recommend how such subsidies should be financed. This exercise should cover power, transport services, water supply, irrigation, education, and health care among other public services. The TA should also recommend steps to create capacity to estimate costs of various publicly provided services and fix tariffs on a continuing basis.

11. **Reviewing and Rationalizing Public Expenditure.** Rationalizing public expenditure to better support growth and human development priorities is important. The TA should support GWB in undertaking a detailed public expenditure review, including public expenditure tracking surveys, which will assess the impact of public spending. Rationalizing and monitoring expenditures were not a priority in the past. The need to do them is now recognized by both the federal and state governments. The Government has requested that an expenditure tracking technique used elsewhere be adapted under the TA, at least as a pilot. The public expenditure review will include assessing of overall allocation across sectors, as well as within sectors across different expenditure line items, e.g., salaries and wages, operation and maintenance, and other essential recurring costs, capital expenditure on new or ongoing projects, and transfer to local governments. In this context developing indicators that ordinary citizens and state legislators can understand would be useful. The detailed public expenditure review should also address the expenditure risks related to the state's counterpart funds for federal Government-financed projects.

12. **Collateral Reforms.** The TA will also examine collateral reform issues bearing on fiscal consolidation such as public enterprise reform or pension reform, to be identified in consultation with GWB, to supplement reforms that are already under way or planned.⁶ This will include creating a comprehensive employment database and projecting pension liabilities to enable GWB to initiate necessary steps for pension reforms.

13. **Preparing a Capacity Enhancement Plan to Support Fiscal Consolidation.** The TA will prepare an effective capacity-building enhancement program including among others revenue administration, expenditure management, computerization, and introduction of IT-enabled services, and change management, to implement and monitor a comprehensive fiscal consolidation program. The TA will also cost and prepare the financing plan for implementing the comprehensive fiscal consolidation program.

C. Cost and Financing

14. The total cost of the TA is estimated at \$1,000,000 equivalent comprising \$277,000 in foreign exchange and \$723,000 equivalent in local currency. ADB will finance \$800,000 equivalent, which includes the entire foreign exchange cost and \$523,000 equivalent of local currency cost, to be financed on a grant basis by the Government of the United Kingdom and to be administered by ADB. The remaining \$200,000 equivalent will be contributed by GWB in kind and will cover counterpart staff remuneration, office accommodation and supplies, transport, and other logistical support. The detailed cost estimates and financing plan are in Appendix 2.

⁶ For instance, public enterprise reform proposals will incorporate lessons from restructuring 17 public enterprises under the DFID project.

D. Implementation Arrangements

15. The Chief Secretary's office of GWB will be the Executing Agency (EA) for the TA. A steering committee (SC) chaired by the Chief Secretary will monitor TA implementation, review TA findings and suggestions, and make recommendations to the Government for their implementation. This arrangement will help to ensure Government ownership of the TA results and subsequent implementation of its recommendations. The Government will constitute the SC prior to the inception meeting. The SC will consist of key senior officials from the concerned departments. The EA will provide office space, furniture, equipment, and counterpart staff for the TA consultants. The TA consultants will receive advice and guidance on an operational basis from the SC chairman.

16. A consulting firm or firms will be recruited to provide a team of international and domestic consultants to execute the TA. The firm/s will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The quality and cost based selection procedure will be followed to select the firm. The simplified technical proposal procedure will apply in selecting the consulting firm. About 51 person-months of consulting services (9 international, 42 domestic) will be required. The international consultants will include a public finance specialist as team leader and a debt management specialist. The domestic consultants will include an assistant team leader with expertise in state finances and utilities pricing, a public enterprise restructuring specialist, a pension specialist, a debt management specialist, a public expenditure management specialist, and a public information dissemination specialist, and a research officer. GWB will provide state finance experts. The consultants will prepare an inception report within 4 weeks of the start of their services and a comprehensive interim report after completing half of their consulting services. The draft final report covering all the TA components will be submitted approximately 2 months before the end of consulting services and discussed at a joint review meeting by GWB, ADB, and the consultants. The final report, to be provided as hard copy and soft copy, will incorporate the comments of GWB and ADB, and will be submitted to ADB within a month of the tripartite meeting. The outline terms of reference for the consultants are in Appendix 3. A summary initial poverty and social analysis report is in Appendix 4.

17. The TA will provide equipment (computer hardware, photocopy equipment, printers, etc.) as needed. All equipment will be procured in accordance with ADB's *Guidelines for Procurement* and will be handed over to the EA after the TA is completed. Implementation of the TA will spread over 10 months and is expected to start in September 2004. Physical completion of the TA is expected by July 2005.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$800,000 to the Government of India to be financed on a grant basis by the Government of the United Kingdom for West Bengal Development Finance, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Assumption and Risks
<p>Goal</p> <ul style="list-style-type: none"> Fiscal consolidation to strengthen development finance in West Bengal 	<ul style="list-style-type: none"> Reduction of fiscal deficit. Enhanced allocation of social and physical infrastructure. 		
<p>Purpose</p> <ul style="list-style-type: none"> Prepare of a comprehensive fiscal consolidation program (including capacity enhancement components) to achieve the objectives of the Medium-Term Fiscal Reform Program (MTFRP) as outlined in an Memorandum of Understanding (MOU) signed by government of West Bengal (GWB) and the Government of India 	<ul style="list-style-type: none"> Confirmation of proposed fiscal consolidation program by GWB 	<ul style="list-style-type: none"> Government budget documents State economic review Monitoring by steering committee (SC) TA review missions Joint review by GWB, Asian Development Bank (ADB), and consultants 	<ul style="list-style-type: none"> Government's commitment to fiscal reform No political resistance to reform measures
<p>Outputs</p> <ul style="list-style-type: none"> A sustainable debt management program, including identification of required capacity enhancement measures to implement the program and a debt management manual A plan for improved revenue mobilization A manual for estimating cost of providing social services A public expenditure review and rationalization program for improved public resource allocation An expenditure tracking mechanism A program for other collateral reforms, such as public enterprise reform and pension reform A capacity enhancement plan A fiscal responsibility and budget management bill A public awareness plan A costing and pricing plan for all components of the fiscal consolidation program. 	<ul style="list-style-type: none"> Completion of design of these various components of the fiscal consolidation program 	<ul style="list-style-type: none"> Monitoring by SC TA review missions Joint review by GWB, ADB, and consultants 	

Design Summary	Performance Targets	Monitoring Mechanisms	Assumption and Risks
<p>Activities</p> <ul style="list-style-type: none"> • Prepare an overall state debt management program, including a detailed database of debt and guarantees • Take stock of revenue mobilization measures already initiated by GWB, and identify further revenue reform measures and recommend ways to strengthen tax administration • Provide recommendations for a realistic program of introducing user fees, identify justifiable and affordable GWB subsidies for public goods or merit goods, recommend how such subsidies should be transparently financed and where subsidies should be phased out • Undertake a detailed public expenditure review including public expenditure tracking surveys, which will assess the impact of public spending • Examine other collateral reform issues bearing on fiscal consolidation, such as public enterprise reform or pension reform, including the creation of a comprehensive employment database and projection of pension liabilities • Prepare an effective capacity building program including computerization and introduction of IT-enabled services as required • Prepare a plan for public awareness campaign in consultation with GWB • Cost and prepare the financing plan for implementing the comprehensive fiscal consolidation program 	<ul style="list-style-type: none"> • Draft report to be ready 2 months before the end of the stipulated time for this component • Draft report to be ready 2 months before the end of the stipulated time for this component • Draft report to be ready 2 months before the end of the stipulated time for this component • Draft report, including the results of expenditure tracking surveys, to be ready 2 months before the end of the stipulated time for this component • Draft reports to be ready 2 months before the end of the stipulated time for these components • Draft report to be ready 2 months before the end of the stipulated time for this component • Draft report to be ready 2 weeks before the end of the stipulated time for this component • Draft report to be ready 2 months before the end of the stipulated time for this component 	<ul style="list-style-type: none"> • Monitoring by SC • TA review missions • Joint review by GWB, ADB and consultants 	

Design Summary	Performance Targets	Monitoring Mechanisms	Assumption and Risks
<p>Inputs</p> <ul style="list-style-type: none"> • Technical assistance resources (\$800,000) • 10 person months of staff time • \$15,800 administrative budget for staff travel • Consultants (9 person-months international, 42 person-months domestic) • Equipment (\$20,000) 			<ul style="list-style-type: none"> • Consultants are competent, counterpart staff are available and are committed to work • Government provides adequate resources and support

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration			
i. International Consultants	222,000		222,000
ii. Domestic Consultants		328,000	328,000
b. International and Local Travel	20,000	50,000	70,000
c. Communication/Reports	5,000	10,000	15,000
2. Equipment		20,000	20,000
3. Workshops/Seminar		20,000	20,000
4. Cost for Government Representatives Attending Contract Negotiation		4,000	4,000
5. Miscellaneous Technical Assistance Administration		21,000	21,000
6. Contingency	30,000	70,000	100,000
Subtotal (A)	277,000	523,000	800,000
B. Government Financing			
1. Consultant and Counterpart Staff		100,000	100,000
2. Office Accommodation and Supplies		40,000	40,000
3. Local Transportation		20,000	20,000
4. Workshop and Training		15,000	15,000
5. Report Preparation and Publication		6,000	6,000
6. Contingency		19,000	19,000
Subtotal (B)		200,000	200,000
Total	277,000	723,000	1,000,000

^a Financed by the Government of the United Kingdom.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Public Finance Specialist and Team Leader (6 person-months)

1. The consultant will undertake the following tasks:

- (i) Take overall responsibility for implementing the technical assistance including coordinating the work of international and domestic consultants and consulting with key Government officials to ensure that reform proposals are appropriate and consistent with the Government's own reform goals and targets. This refers specifically to proposals regarding tax reform, budget planning and management, debt management, transfer to local governments, public enterprise reform, and pension reform.
- (ii) Evaluate trends and underlying causes of increase in key expenditure items such as salaries, pensions, interest, subsidies, loans, and equity and investment as well as low and declining allocation for operation and maintenance expenditure.
- (iii) Review inter sector and intra sector budget allocations under a public expenditure review to determine the degree to which they support the implementation of state social and economic development objectives, and recommend measures to rationalize expenditure including civil service rationalization, if required.
- (iv) After extensive consultations with the finance and line departments, develop for each department an expenditure targeting mechanism within the overall resource constraint and in line with the government of West Bengal's (GWB) policy priorities, and design performance parameters and reporting systems.
- (v) Introduce an expenditure tracking survey on a pilot basis.
- (vi) Prepare a comprehensive fiscal consolidation program, along with a costing and financing plan for the program; and consider the feasibility of preparing a core investment program under the loan.
- (vii) Given (vi), prepare a draft bill for state fiscal responsibility and budget management for wider consultations.
- (viii) Prepare a comprehensive plan for enhancing the capacity of GWB for fiscal consolidation in consultation with other consultants.

2. Debt Management Specialist (3 person-months)

2. The consultant will undertake the following tasks:

- (i) Review the profile of the state debt including contingent liabilities, and create a database.

- (ii) Suggest feasible options for debt restructuring, including debt servicing implications for the next 10 years.
- (iii) Prepare a policy and manual for efficient debt management, including contingent liabilities.
- (iv) Assess the required capacity building for effective debt management.

B. Domestic Consultants

1. Public Finance Specialist and Assistant Team Leader (8 person-months)

3. The consultant will undertake the following tasks:

- (i) Help the team leader discharge his or her responsibilities and act as team leader in the latter's absence.
- (ii) Study the tax structure and revenue buoyancy of stamp duty and registration fees, motor vehicle taxes, state excise, tax on specified lands and land revenue, tax on professions and trade, and other taxes. Recommend nondistortionary reform measures for enhancing revenue buoyancy and estimate costs to initiate them.
- (iii) Suggest improvements in the tax compliance systems, including simplified forms and methods for assessing and collecting taxes.
- (iv) Assess the cost structure of major social services provided by the various departments, and prepare a manual for estimating costs and determining cost-based user fees; recommend changes in the rules governing the setting of utility prices, as appropriate.
- (v) Study the costing and pricing of major public utilities such as power, transport, water supply, irrigation, etc., and recommend a pricing policy/regulatory systems, keeping in view affordability to the citizens.
- (vi) Assess capacity-building requirements for effective revenue administration.

2. Public Enterprise Restructuring Specialist (7 person-months)

4. The consultant will undertake a comprehensive review of all state-owned enterprises and prepare a state enterprise reform program, with specific recommendations for each enterprise including a labor impact mitigation plan. The proposal should carefully review all the options (revival/privatization/closure) and estimate cost implications.

3. Pension Reform Specialist (6 person-months)

5. The consultant will undertake the following tasks:

- (i) Create a comprehensive database for state government employees and other employees eligible for government pensions.

- (ii) Assess future pension liabilities.
- (iii) Suggest feasible options for pension reforms.
- (iv) Assess capacity-building requirements for implementing pension reform.

4. Public Expenditure Management Specialist (8 person-months)

6. The consultant will help the team leader to undertake the following activities:

- (i) Review inter sector and intra sector budget allocations under a public expenditure review to determine the degree to which they support the implementation of state social and economic development objectives, and recommend expenditure rationalization measures.
- (ii) After extensive consultations with the finance and line departments, develop for each department an expenditure targeting mechanism within the overall resource constraint and in line with GWB's policy priorities, and design performance parameters and reporting systems.
- (iii) Prepare a methodology for expenditure tracking surveys, and initiate this exercise on a pilot basis.
- (iv) Prepare a comprehensive fiscal consolidation program, along with a costing and financing plan for the program.
- (v) Given (iv), prepare a draft bill for state fiscal responsibility and budget management for wider consultations.
- (vi) Prepare a comprehensive plan for enhancing the capacity of GWB for fiscal consolidation in consultation with other consultants.

5. Debt Management Specialist (3 person-months)

7. The consultant will help the international debt management specialist undertake the following activities:

- (i) Review the state debt profile including contingent liabilities, and create a database.
- (ii) Suggest feasible options for debt restructuring, including debt servicing implications for the next 10 years.
- (iii) Prepare a policy and manual for efficient debt management, including contingent liabilities.
- (iv) Assess capacity-building requirements for effective debt management.

6. Public Information Dissemination Specialist (2 person-months)

8. The consultant will develop a plan for disseminating information and building support for a fiscal consolidation program in consultation with GWB. The consultant will also assess the required capacity building for an effective information dissemination program.

7. Research Officer (8 person-months)

9. The research officer will be based in Kolkata and will have excellent written and oral communication skills in the local language, Bengali. The research officer will assist the pension specialist to undertake the following activities:

- (i) Create a comprehensive database for state government employees and other employees eligible for government pensions.
- (ii) Assess future pension liabilities.
- (iii) Suggest feasible options for pension reforms.

INITIAL POVERTY AND SOCIAL ANALYSIS (IPSA)

A. Linkages to the Country Poverty Analysis

Is the sector identified as a national priority in country poverty analysis?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Is the sector identified as a national priority in country poverty partnership agreement?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<p>Contribution of the sector or subsector to reduce poverty in India:</p> <p>No separate poverty partnership agreement is being signed. The Tenth-Five Year Plan provides the framework for India's national poverty reduction strategy. India Country Strategy and Program (CSP) 2003-06, designed to support the 10th plan, which emphasizes fiscal consolidation at the state level as one of the key measures for poverty reduction. Growth is an important prerequisite for income poverty reduction. A high rate of public investment in infrastructure for transportation, energy, and irrigation is, therefore, essential. Enhanced social spending is also key for human poverty reduction. Both these resource allocation policies will require strong measures to mobilize additional revenue, and rationalization of expenditure elsewhere. These priorities set the strategic agenda for fiscal consolidation in West Bengal.</p>			

B. Poverty Analysis

Proposed Poverty Classification

<p>What type of poverty analysis is needed?</p> <p>Poverty impact of fiscal consolidation will be assessed as part of loan processing, which is expected to follow the TA project. This exercise will also include a stakeholder analysis and preparation of a participation strategy.</p>	<p>Other</p>
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C. Participation Process

Is there a stakeholder analysis?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is there a participation strategy?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

D. Gender Development

<p>Strategy to maximize impacts on women:</p>		
Has an output been prepared?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

E. Social Safeguards and other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
Resettlement	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
Affordability	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	Assessment of ability to pay	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Labor	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	Mitigation of labor impact plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Indigenous Peoples	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Other Risks and/or Vulnerabilities	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No