

ASIAN DEVELOPMENT BANK

TAR: IND 36308

TECHNICAL ASSISTANCE
(Financed by the Government of the United Kingdom)

TO

INDIA

FOR PREPARING THE

ASSAM GOVERNANCE AND PUBLIC RESOURCE

MANAGEMENT PROGRAM

July 2003

CURRENCY EQUIVALENTS

(as of 10 June 2003)

Currency Unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.0213
\$1.00	=	Rs46.84

ABBREVIATIONS

ADB	–	Asian Development Bank
AGST	–	Assam General Sales Tax
ASEB	–	Assam State Electricity Board
ASTC	–	Assam State Transport Corporation
CSP	–	country strategy and program
GSDP	–	gross state domestic product
MOU	–	memorandum of understanding
MTFRP	–	Medium-Term Fiscal Reform Program
TA	–	technical assistance
TIU	–	TA implementing unit
VAT	–	value-added tax

NOTES

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

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I. INTRODUCTION

1. The Asian Development Bank (ADB) Country Strategy and Program (CSP) Update for India for 2002 included support for governance and public resource management reforms in the state of Assam. ADB's India CSP 2003–2006, approved by ADB's Board of Directors on 1 May 2003, reconfirms this support. The Assam government asked ADB for technical assistance (TA) to study ways to prioritize and strategically plan a sustainable and time-bound fiscal consolidation program of revenue, expenditure and debt management, and restructuring reforms together with a complementary governance program of public administration restructuring, public enterprise restructuring, and enhanced public service delivery and decentralization reforms. The Assam government also requested ADB TA to raise the state's capacity to implement the reform program.

2. The TA is part of ADB's support to prepare and implement the Assam governance and public resource management program loan, which is envisaged for 2004. A fact-finding mission visited Guwahati in May 2003 and reached an understanding with the Assam government on the purpose and output, methodology, key activities, cost estimates and financing plan, implementation arrangements, and terms of reference of the TA.¹ The TA framework is in Appendix 1.

II. ISSUES

3. As a consequence of prolonged political disturbances, Assam has progressively fallen behind the rest of the country in economic development. During planned economic development from 1951 to the 1970s, Assam grew at rates comparable to the rest of the country but has since lagged behind. While India grew by 5.4% during FY1980–1990, Assam grew at 3.3%. The gap widened further during FY1991–1996, with India's growth at 7.3%, and Assam's at only 3%. Poverty incidence declined from 40.86% in 1993–1994 to 36.00% in 1999–2000 in Assam, but dropped from 35.97% to 26.10%, almost 10 percentage points, in India as a whole. However, since the numbers for 1993–1994 and 1999–2000 are not fully comparable, the extent of decline in poverty incidence in Assam remains unclear. Assam's infrastructure development index is only 72.7 compared to the national base of 100.

4. Reviving growth and accelerating poverty reduction in a service sector- and government-dominated economy is a major challenge given the Assam government's severe fiscal crisis. The fiscal deficit rose steadily from 4.9% of gross state domestic product (GSDP) in FY1990 to 6.7% in FY2002. Even more disturbing is the high share of revenue deficit, which accounts for almost 58% of the total fiscal deficit in FY1999–2001.² Thus, the large fiscal deficit is mainly used to finance revenue (current) expenditure rather than create capital assets. The deficit, in turn, adds to the stock of public debt.³ Public debt as a proportion of GSDP is steadily growing—from 35.2% in FY1999, 38.0% in FY2000, and 40.5% in FY2001. Fiscal consolidation is needed if the Assam government is to (i) maintain and improve the state's existing social and physical infrastructure, (ii) enhance equitable access and quality of publicly provided education and health services, (iii) prevent the further deterioration of existing physical infrastructure as well as other key public services, and (iv) promote economic growth and create jobs.

¹ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 24 March 2003.

² The situation for FY2002 improved as the share of revenue deficit in the fiscal deficit declined to 44%.

³ This includes contingent liabilities of the Assam government arising from guarantees of loans extended to state enterprises.

5. The Assam government has thus initiated a number of measures culminating in a memorandum of understanding (MOU) with the national Government on the Medium-Term Fiscal Reform Program (MTFRP): 2000–2001 to 2004–2005⁴ and the commissioning of the Assam Administrative Reforms Commission report of 22 April 2003. The commission raised not only enhancement of government employee efficiency and productivity and rationalization of Assam government departments but also other important public administration issues such as the need to enhance government responsiveness. It may hinge on public-private interface mechanisms, including timely redress of public grievances, which reinforces accountability and avoids an adversarial and often dilatory litigation system. Administrative processes and systems will have to be reviewed.

6. The state has 48 public sector enterprises, including Assam State Electricity Board (ASEB) and Assam State Transport Corporation (ASTC), which account for 76% of total investment in public sector enterprises. Instead of providing significant non-tax revenues to the state exchequer, all the enterprises together are incurring net annual losses of about \$100 million (Rs5.1 billion) per year, equivalent to 35% of the Assam government's FY2001 fiscal deficit. Some enterprises are not even able to pay their employees' salaries, creating a potential contingent liability for the Assam government budget. Building on the review work of the Assam government's Department of Public Enterprises and the restructuring of enterprises such as ASTC, an independent, careful review of these enterprises⁵ is needed to determine which should be shut down, privatized, or restructured. Recommendations need to be in line with the MTFRP MOU, the policy of the Tenth Five-Year Plan (FY2003-2007) to reduce the role of government in production of goods and services, and a cost-benefit analysis of different options such as introducing a voluntary retirement scheme for employees of public sector enterprises that require closure or restructuring.

7. As an essential complement to the reform and restructuring programs in Assam government departments and state public enterprises, governance reforms need to help refocus and restructure the Assam government toward participatory development to promote economic growth and employment through cost-effective decentralized service delivery.

8. Under the Assam Panchayat Act of 1994,⁶ as many as 29 subjects have been notified for devolution to local governments. Building on the recently concluded panchayat elections and the Assam government's amendment to the Municipal Administration Act providing for elected urban local bodies, governance reforms need to foster fiscal devolution⁷ to enable the introduction of decentralized and participatory management of public services such as education, health, water supply, and other public services to ensure greater transparency and accountability of service providers to beneficiaries.

9. Taking account of the need for administrative support for decentralized service delivery under the aegis of the panchayat institutions and local bodies, and the potential for buoyancy of decentralized land revenues and property taxes, governance reforms must assess options based on cost-benefit analyses of rationalization of district administration, including land-titling reforms.

⁴ Signed by the Assam government and national Ministry of Finance on 26 March 2003. An MOU on fiscal reforms was signed between the national and Assam governments in January 2000. Governance issues highlighted by the latest MOU include the need to for accountability of Assam government employees such as teachers.

⁵ This will not include ASEB, which is being addressed under ADB's proposed power sector program loan.

⁶ Panchayat means a village council.

⁷ The Assam government's Second State Finance Commission has yet to make its recommendations.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

10. The objective of the TA is to improve and accelerate development management in Assam against the background of the MTFRP MOU by helping the Assam government design and sequence priority public resource management and governance reforms, and strengthen its implementation capacity to implement them. The TA will focus on (i) fiscal reforms to improve resource mobilization, (ii) public expenditure management reforms to strengthen fiscal discipline, improve resource allocation, and enable better operational management, (iii) improved debt management and fiscal responsibility and budget management, and (iv) governance and public management reforms to enhance cost-effective, sustainable, and quality public services through decentralized delivery and accountable, focused, and responsive government and public sector enterprises limited to an appropriate role.

B. Methodology and Key Activities

11. The TA will be implemented under the following four components:

(i) **Fiscal reforms (revenues).** The TA will help (a) strengthen implementation of the subnational value-added tax (VAT), as well as improve mobilization of other tax and nontax revenues, and (b) strengthen local-body and devolved finances.

(ii) **Fiscal reforms (public expenditure management).** The TA will include (a) a critical review of intersector and intrasector budget allocations under a public expenditure review to determine the degree to which they support state social and economic development objectives, an adequate level of operation and maintenance for existing infrastructure, and decentralized cost recovery, (b) development of departmental medium-term expenditure plans based on such review, reflecting resource allocation consistent with state annual plan and sectoral policy objectives (such as universal literacy and primary health coverage targets), and devolution of financial autonomy commensurate with devolved responsibilities, and (c) development of appropriate performance targets under a state medium-term expenditure framework, based on such departmental plans, integrated into a fiscal responsibility and budget management framework.

(iii) **Fiscal reforms (debt and fiscal responsibility).** The TA will include (a) confirmation of the continuing validity of MTFRP macroeconomic assumptions and fiscal performance targets,⁸ (b) establishment of an overall state debt management policy, (c) evaluation of debt-restructuring options, (d) evaluation of fiscal implications of contingent liabilities (state guarantees, pensions, etc.), and (e) integration of agreed-on macroeconomic assumptions and performance targets into an appropriately sequenced fiscal responsibility and budget management framework. In addition to defining the macroeconomic assumptions and the timing and identification of appropriate performance targets for structural changes in the fiscal system under a fiscal responsibility framework, the TA will also support the monitoring of such performance targets and accompanying institutional strengthening and capacity building. These will include workshop sessions for revenue, expenditure and debt management policy, and administration as well as capacity-building seminar sessions where staff from other state

⁸ Given the regular monitoring of the MTFRP contemplated by the national Government, and the close interrelationship between the MTFRP and TA and potential Assam governance and public resource management program loan, coordinated joint monitoring of the TA by the national Government and ADB is planned.

governments can share their experience in public finance and governance reforms. Capacity will also be built by establishing and strengthening a monitoring unit within the state Finance Department.

(iv) **Governance and public management reforms.** The TA will support (a) development of a state governance assessment and strategy, including sequencing and balancing of public administration and public enterprise restructuring reform with devolution of public services; (b) critical review, evaluation, and defined time-bound strategy and action plan for public administration reforms based on an expenditure and functional review of the civil service, including public expenditure tracking surveys; and (c) critical review, evaluation, and time-bound strategy and action plan for public sector enterprise restructuring reforms, devolution of public services,⁹ and district administration restructuring.¹⁰

C. Cost and Financing

12. The TA is estimated at \$875,000 equivalent, of which \$515,900 is the foreign exchange cost and \$359,100 equivalent the local currency cost. The entire foreign exchange cost, and \$184,100 equivalent of the local currency cost will be financed on a grant basis by the Government of the United Kingdom. The Assam government will provide \$175,000 equivalent to finance part of the local currency costs to cover counterpart staff, office accommodation and office supplies, transport, and other expenses such as for in-country study facilitation and workshops. The detailed cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

13. The state Finance Department will be the executing agency for the TA. The state Finance Department will be supported by a TA implementing unit (TIU) and will appoint a commissioner and secretary of finance as TIU director. The state Finance Department will provide office space, furniture, equipment, and counterpart staff for TA consultants, who will receive operational advice and guidance from the TIU director. The Assam government will set up a steering committee on governance and public resource management reforms for the TA, chaired by the chief secretary, with the additional chief secretary responsible for finance as the deputy chairman. Members will include commissioners; secretaries of the Finance Department, Planning and Development Department, and Administrative Reforms/Personnel Department, and Department of Public Enterprises; and representatives of key line departments. The steering committee will be responsible for TA coordination, progress reports to be submitted at least quarterly to the national and Assam governments and ADB, and resolution of any issues that may arise.

14. All procurement of equipment will be undertaken in accordance with ADB's *Guidelines for Procurement*.

15. ADB will engage a team of consultants to execute the TA: international consultants will work for 19.5 person-months, and domestic consultants, 27.5 person-months. The consultants will have experience and expertise in public finance, VAT and tax administration and legislation, public expenditure review and management, public administration and public sector enterprise restructuring, utility pricing, sectoral user fees and cost recovery, fiscal and administrative

⁹ Devolution will be examined in public services such as education, health, water supply, and other agreed-on sectors.

¹⁰ Restructuring of district administration will include development administration and land-titling reforms.

decentralization, performance accountability and land titling, settlement, and revenue. A debt management and restructuring specialist will be selected and engaged as an individual international consultant in accordance with ADB's *Guidelines on the Use of Consultants*. A firm of consultants will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB on the engagement of domestic consultants. The simplified technical proposal procedure and quality-and-cost-based selection will be used to select the consulting firm. The outline terms of reference of the consultants are in Appendix 3. A summary initial poverty and social analysis report is in Appendix 4.

16. The consultants will prepare an inception report, including a time-bound work plan for TA implementation, within 4 weeks of the start of consulting services. An interim report will be submitted within 4 months from the start of consulting services. A draft final report will be submitted 4 weeks before the end of consulting services, to be discussed in a meeting of the consultants, national and Assam governments, and ADB before being finalized by the consultants. The TA will be implemented in 8 months. It is expected to start in October 2003 and be completed by June 2004.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$700,000 to the Government of India to be financed on a grant basis by the Government of the United Kingdom for Preparing the Assam Governance and Public Resource Management Program, and hereby reports this action to the Board.

PRELIMINARY PROGRAM FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <ul style="list-style-type: none"> • Improve and accelerate Assam's development by prioritizing sequenced public resource management and governance reforms and strengthening capacity to implement such reforms 	<ul style="list-style-type: none"> • Momentum for reforms and change agents identified for capacity to implement reforms • Key reform measures successfully identified, prioritized, and sequenced and built into agreed-on frameworks, policies, strategies, and time-bound action plans 	<ul style="list-style-type: none"> • Special coordinated joint monitoring of technical assistance (TA) by the Government of India and Asian Development Bank (ADB) • Steering committee and TA implementing unit (TIU) • TA review missions • Tripartite review • TA inception, interim, and final reports, and special coordinated joint monitoring of the TA by the national Government and ADB 	<ul style="list-style-type: none"> • The Assam government is committed to fiscal and governance reforms • Political forces resist consolidation, efficiency, and rationalization measures
<p>Purpose</p> <ul style="list-style-type: none"> • Draw up revenue augmentation measures • Draw up public expenditure management measures, debt management policy, debt-restructuring options, and agreed-on fiscal performance targets • Build the capacity of the Finance Department to monitor performance targets • Draw up a state governance assessment and strategy, public administration reforms, and public enterprise restructuring reforms; devolve public services; and restructure district administration 	<ul style="list-style-type: none"> • Targets under framework and implementation planning for subnational VAT in Assam • Setting of intersector and intrasector budget allocations for alignment to state social and economic objectives, operation and maintenance, and decentralized cost recovery • Setting of targets under departmental medium-term expenditure plans • Setting of state performance targets for a medium-term expenditure framework 	<ul style="list-style-type: none"> • Steering committee and TIU • TA review missions • Tripartite review • TA inception, interim and final reports 	<ul style="list-style-type: none"> • The Assam government is committed to fiscal and governance reforms. • Political forces resist consolidation, efficiency, and rationalization measures.

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
	<ul style="list-style-type: none"> • Definition of state debt management policy indicators • Setting of fiscal responsibility framework targets • Establishment of a monitoring unit within the Finance Department • Definition of state governance assessment and strategy indicators • Conduct of a public expenditure tracking survey, and expenditure and functional review indicators and targets • Performance accountability tracking system indicators and targets • Conduct of a public enterprise review of indicators and targets • District administration review indicators and targets 		
<p>Outputs</p> <ul style="list-style-type: none"> • Detailed framework and implementation plan for subnational VAT in Assam • Strategy and time-bound, prioritized, and sequenced action plan to mobilize other tax and non-tax measures • Strategy and time-bound, prioritized, and sequenced action plan to strengthen local-body and devolved finances • State debt management policy 	<ul style="list-style-type: none"> • Inception report within 4 weeks from the start of consulting services • Interim report after 4 months of the start of consulting services • Draft final report 4 weeks before the end of consulting services 	<ul style="list-style-type: none"> • Special coordinated joint monitoring of the TA by the national Government and ADB • TIU • TA review missions • Tripartite review • TA inception, interim, and final reports 	<ul style="list-style-type: none"> • The Assam government is committed to fiscal and governance reforms. • Political forces resist consolidation, efficiency, and rationalization measures

Design Summary	Performance Indicators/ Targets	Monitoring Mechanisms	Assumptions and Risks
<ul style="list-style-type: none"> • Debt-restructuring strategy and time-bound, prioritized, and sequenced action plan • Legal and administrative framework to implement fiscal responsibility and budget management • State governance strategy • Strategy and time-bound, prioritized, and sequenced action plans to restructure public administration and enterprises • Strategy and time-bound, prioritized, and sequenced action plan to devolve public services and restructure district administration 			
<p>Inputs</p> <ul style="list-style-type: none"> • TA resources (\$700,000) • Consultants (19.5 person-months international consultants; 27.5 person-months domestic consultants) • Equipment (\$10,000) • Workshops/Seminars (\$4,000) • Contract Negotiations (\$3,000) • Administrative costs (\$7,000) • Contingency (\$80,000) 			<ul style="list-style-type: none"> • Consultants are competent. Counterpart staff are available and committed to the reform process. • The Assam government provides adequate resources and support.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration/Per Diem ^b			
i. International	472.9	0.0	472.9
ii. Domestic	0.0	82.5	82.5
b. International and Domestic Travel ^c	25.0	20.6	45.6
2. Communication/Reports	3.0	4.0	7.0
3. Equipment	0.0	10.0	10.0
4. Workshops/Seminars	0.0	4.0	4.0
5. Contract Negotiations	0.0	3.0	3.0
6. Contingency	15.0	60.0	75.0
Subtotal (A)	515.9	184.1	700.0
B. Government Financing			
1. Consultant and Counterpart Staff	0.0	100.0	100.0
2. Office Accommodation and Supplies	0.0	20.0	20.0
3. Local Transportation	0.0	20.0	20.0
4. Workshop and Training	0.0	15.0	15.0
5. Preparation of Reports	0.0	5.0	5.0
6. Contingency	0.0	15.0	15.0
Subtotal (B)	0.0	175.0	175.0
Total	515.9	359.1	875.0

^a Financed by the Government of the United Kingdom.

^b Of the amount of \$472,900, \$54,250 has been allocated for remuneration and per diem of the individual international consultant for debt management and restructuring.

^c Of the amount of \$25,000, \$4,000 has been allocated for the international and domestic travel of the individual international consultant for debt management and restructuring.

Source: Asian Development Bank estimates

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Individual International Consultant

a. Debt Management and Restructuring Specialist (2.5 person-months)

1. The consultant will undertake the following:
 - (i) Review the profile of state debt, including contingent liabilities and ways and means to retire high-cost central loans through fresh market borrowings.
 - (ii) Recommend options for further restructuring, especially with reference to the contingent liabilities arising from government guarantees, and help the Assam government negotiate with banks and financial institutions for one-time settlements.
 - (iii) Prepare a policy and manual for efficient debt management, including contingent liability ceilings.
 - (iv) Prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance monitoring methods, and supporting materials in standard Asian Development Bank (ADB) format.

B. International Consultants

b. Public Finance Specialist: Team Leader (6 person-months)

2. The consultant will take the following responsibilities:
 - (i) Implement the technical assistance (TA), including coordination and supervision of the work of consultants and coordination with consultants under the advisory TA for Assam Budget Procedure Reform, Computerization, and Expenditure Management.
 - (ii) Prepare macroeconomic projections, including alternative scenarios, and problem and objective tree analysis for sequenced and linked reforms.
 - (iii) Consult and train stakeholders, and prepare draft laws, policies, regulations and rules, and manuals on key legal and policy frameworks, including on VAT, the debt management policy and fiscal responsibility, and budget management framework.
 - (iv) Review the work of other consultants, and identify potential policy and institutional constraints, adverse incentives, and procedural bottlenecks that could impede reforms. Identify means to address these through a coalition of reform interests and window of reform opportunities.
 - (v) Prepare the draft report and recommendation of the president and develop a lending modality (e.g., cluster, tranching) for the proposed Assam governance and public resource management loan in standard ADB format.

c. Public Expenditure Management and Control Specialist (3 person-months)

3. The consultant will undertake the following:

- (i) Conduct a policy review that includes the Assam government's (a) poverty reduction strategy, (b) social and economic development strategies, (c) decentralization strategy, and (d) infrastructure development strategy.
- (ii) Help the Assam government develop of inter- and intra-sector policy objectives based on criteria that establish priorities.
- (iii) Help the Assam government (a) evaluate trends in physical infrastructure and social sectoral expenditure levels, (b) define medium-term expenditure limits for sectors and subsectors consistent with the prioritized list of policy objectives, (c) set medium-term expenditure targets integrated into a fiscal responsibility and budget management framework, and (d) review the plan financing methodology and suggest ways to make it sustainable.
- (iv) Prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance-monitoring methods, and supporting documentation in standard ADB format.

d. Public Administration Specialist (3 person-months)

4. The consultant will undertake the following:

- (i) Develop an agreed-on state governance assessment and strategy on public administration and public sector enterprises.
- (ii) Help the Assam government conduct an expenditure and functional review of the civil service and public expenditure tracking survey to establish indicators and participatory methods to monitor performance and evaluate public administration staffing, performance accountability, benefit incidence, and responsiveness of public administration.
- (iii) Prepare policy matrix conditions, time-bound assurances, strategy and action plans, and supporting documentation in accordance with standard ADB format.

e. Public Enterprise Restructuring Specialist (3 person-months)

5. The consultant will undertake the following:

- (i) Help the Assam government conduct a critical review and evaluation of (a) public enterprises and financial and corporate governance issues other than Assam State Electricity Board, and (b) services and functions in the public sector.
- (ii) Prepare policy matrix conditions, indicators and monitoring time-bound assurances, strategy and action plans, and supporting documentation in standard ADB format.

f. Decentralization Specialist (2 person-months)

6. The consultant will undertake the following:

- (i) Help the Assam government conduct a critical review and evaluation of (a) district administration and (b) public service delivery in agreed-on sectors.
- (ii) Prepare policy conditions, indicators and monitoring time-bound assurances, strategy and action plans, and supporting documentation in standard ADB format.

C. Domestic Consultants

a. Public Finance Specialist: Assistant Team Leader (6.5 person-months)

- 7. The consultant will help the team leader discharge his or her responsibilities and deputize for the team leader in his or her absence.
- 8. The consultant will also undertake the following:
 - (i) Review the initiatives to implement the value-added tax (VAT) by the Assam and national governments.
 - (ii) Prepare a detailed plan for an efficient transition from the Assam General Sales Tax (AGST) to the VAT and suggest ways to expand the tax base for AGST and VAT.
 - (iii) Design and implement a taxpayer survey and tax incidence exercise, and examine the burden of state taxes across various sectors, including households.
 - (iv) Study the tax structure and revenue buoyancy of stamp duty and registration fees, motor vehicle taxes, state excise and agriculture income tax, tax on specified lands and land revenue, and tax on professions and trade. Recommend reform measures and estimate costs to initiate them.
 - (v) Suggest plans for financial devolution in a revenue-neutral manner, including resource mobilization for local-body finances such as property taxes.
 - (vi) Estimate costs to implement VAT, and revenue gains from VAT and other tax reform proposals.
 - (vii) Improve tax compliance systems, including simplified forms and methods of assessment and tax collection, and prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance-monitoring methods, and supporting materials in standard ADB format.

b. Utilities Pricing Specialist (Water Supply and Irrigation, Transport) (3 person-months)

- 9. The consultant will undertake the following:
 - (i) Review the existing sources of nontax revenues and identify potential new areas.
 - (ii) Suggest (a) methods to price infrastructure-based services such as irrigation and water supply and transport services, (b) ways to link all user charges to input costs and index user charges, and (c) plans for financial

devolution to local government in a revenue-neutral fashion, including resource mobilization for local-body finances.

- (iii) Work closely with the expenditure management sector specialist (water supply and irrigation; transport) and prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance-monitoring methods, and supporting materials in standard ADB format.

c. Sector User-Fee Specialist (Education, Health) (3 person-months)

10. The consultant will undertake the following:

- (i) Review the sources of nontax revenues and identify potential new areas and assess the benefit incidence and cost structure of major social services such as education and health provided by departments. Prepare guidelines to estimate costs and impose cost-based user fees.
- (ii) Suggest (a) ways to link all user charges to input costs, and consider means of indexing user charges, and (b) plans for financial devolution in a revenue-neutral fashion, including resource mobilization for local-body finances.
- (iii) Work closely with the expenditure management sector specialist (education, health) and prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance-monitoring methods, and supporting materials in standard ADB format.

d. Expenditure Management Sector Specialist (Education, Health) (3 person-months)

11. The consultant will undertake the following:

- (i) Help the Assam government (a) evaluate trends in social sector expenditure, (b) define medium-term expenditure limits for sectors and subsectors consistent with the prioritized list of policy objectives, and (c) review the plan financing methodology and suggest ways to make it sustainable.
- (ii) Work closely with the sector user-fee specialist and prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance monitoring methods, and supporting documentation in standard ADB format.

e. Expenditure Management Sector Specialist (Water Supply/Irrigation, Transport) (3 person-months)

12. The consultant will undertake the following:

- (i) Help the Assam government (a) evaluate trends in physical infrastructure, (b) define medium-term expenditure limits for sectors and subsectors consistent with the prioritized list of policy objectives, (c) define medium-term expenditure targets integrated into a fiscal responsibility framework, and (d) review the plan financing methodology and suggest ways to make it sustainable.

- (ii) Work closely with the utilities pricing specialist (water supply and irrigation, transport) and prepare policy matrix conditions, time-bound assurances, strategy and action plans, performance monitoring methods, and supporting documentation in standard ADB format.

f. Public Administration Specialist (3 person-months)

13. The consultant will help the international public administration specialist (a) formulate the public administration aspects of the state governance assessment and strategy, (b) conduct an expenditure and functional review and public expenditure tracking survey, and (c) prepare indicators, conditions, assurances, and the strategy and action plan.

g. Public Enterprise Restructuring Specialist (3 person-months)

14. The consultant will undertake the following:

- (i) Help the international public administration specialist formulate public enterprise restructuring aspects of the state governance assessment and strategy.
- (ii) Help the international public enterprise restructuring specialist (a) critically review and evaluate public enterprises, financial and corporate governance issues of public enterprises, and options on public sector enterprises, and (b) prepare indicators, conditions, assurances, and the strategy and action plan.

h. Decentralization Specialist (3 person-months)

15. The consultant will undertake the following:

- (i) Help the international public administration specialist formulate the decentralization aspects of the state governance assessment and strategy.
- (ii) Help the international decentralization specialist (a) critically review and evaluate decentralization of district administration and public service delivery, and (b) prepare indicators, conditions, assurances, and the strategy and action plan.

Summary Initial Poverty and Social Analysis Report

A. Linkages to the Country Poverty Analysis

<p>Is the sector identified as a national priority in country poverty analyses?</p> <p>Yes. State-level operations have been identified as a priority in country poverty analyses given the large interregional and interstate disparities in levels of development. Of Assam's population, 36% is below the poverty line (as per the latest available data [1999-2000]), which is much higher than the national average.</p>	<p>Is the sector identified as a national priority in the country poverty partnership agreement?</p> <p>The country poverty partnership agreement is being prepared and will reflect the priorities identified for mainstreaming poverty in the recently approved Country Strategy and Program for India for 2003–2006 and the Country Poverty Analysis, which have contributed to the agreement.</p>
<p>Contribution of the sector/subsector to reduce poverty in DMC:</p> <p>Since governance is one of the key means to reduce risk for poor, vulnerable groups, the Assam governance and public resource management program would help reduce poverty. Public resource management is a key tool to mainstream social development priorities in government spending.</p>	

B. Poverty Analysis

Proposed Classification

<p>What type of poverty analysis is needed?</p> <p>Poverty impact assessment for program loans</p>	<p>Good governance</p>
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C. Participation Process

<p>Stakeholder analysis. Identify consultations needed at project design.</p> <p>General public, government, representative assemblies, civil society organization, and the private sector</p> <p>Participation strategy required: Yes</p> <p>At least consultation and feedback</p>
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D. Potential Issues

	Significant/Not Significant/Uncertain/None		Plan Required
Resettlement	None		None
Gender	Uncertain		Not known
Affordability	Significant	Assessment of willingness to pay	Yes
Labor	Significant	Mitigation of Labor Impact Plan	Yes
Indigenous People	Uncertain		Not known
Other Risks/Vulnerabilities	None		None