

ASIAN DEVELOPMENT BANK

TAR: IND 36055

TECHNICAL ASSISTANCE

(Financed by the Government of the United Kingdom)

TO

INDIA

FOR

CAPACITY BUILDING FOR FISCAL REFORMS IN SIKKIM

December 2003

CURRENCY EQUIVALENTS

(as of 7 November 2003)

Currency Unit	–	Indian rupee/s (Re/Rs)
Re1.00	=	\$0.0221
\$1.00	=	Rs45.29

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	--	country strategy and program
GDP	–	gross domestic product
GSDP	–	gross state domestic product
PFRC	–	Public Finance Reform Committee
SOE	–	state-owned enterprise
TA	–	technical assistance
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. In May 2002, the Country Programming Mission reached agreement with the Government on providing advisory technical assistance (TA) for capacity building for structural reforms in Sikkim, based on consultations with the Government and concerned state government officials. This has been reconfirmed in the India Country Strategy and Program (CSP) 2003–2006 of the Asian Development Bank (ADB), approved by ADB's Board of Directors on 30 April 2003.¹ The goals, outputs, activities, implementing arrangements, and financing arrangements are detailed in this paper. The TA framework is in Appendix 1.²

II. ISSUES

2. Sikkim, a small state with a population of 540,493, is nested in the Himalayas and borders Bhutan, Nepal, and the People's Republic of China. Although Sikkim's record in terms of human development indicators is impressive, the state faces problems of poverty and unemployment. Sikkim has a history of high and persistent poverty. It has the fifth highest incidence of poverty among the states of India, with 36.6% of the population below the poverty line in 1999/2000.

3. Sikkim's economic growth rate is quite high. Gross state domestic product (GSDP) registered an average annual growth rate of 8.4% during 1993/94 to 1999/2000, much higher than the national average. However, there is serious concern about the sustainability of such high growth in the future. This growth has primarily been led by government expenditure in public administration, construction, and other services. The public sector accounts for almost half of net state domestic product. Sikkim's fiscal situation indicates that such public expenditure-led growth is unsustainable.

Table 1: Key Indicators of Sikkim

Item	Sikkim	India ^a
Socioeconomic Indicators		
Population, 2001	540,493 ^b	1,027,015,247 ^c
Literacy Rate (%), 2001	69.7 ^b	65.4 ^c
Infant Mortality Rate (per 1,000 live births), 1998	43.9 ^b	67.6 ^c
Per Capita Income (Rs, Current Price), 2000/01	15,550 ^c	16,707 ^c
Fiscal Indicators (Percentage of GSDP for Sikkim and GDP for all states)		
Own Tax Revenue, 2000/01	7.2 ^d	5.6 ^e
Revenue Surplus/Deficit (-), 2000/01	10.9 ^d	-2.6 ^e
Fiscal Surplus/Deficit (-), 2000/01	-5.5 ^d	-4.3 ^e

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

^a Fiscal indicators of India refer to all states.

Sources: ^b Government of Sikkim. 2001. *Sikkim Human Development Report*; ^c Government of India. 2003. *Economic Survey 2002–03*; ^d Government of Sikkim. 2003. *Budget Analysis 1997–98 to 2002–03*; ^e Reserve Bank of India. 2003. *State Finances: A Study of Budgets of 2002–03*.

¹ During the fact-finding mission of the TA, government of Sikkim officials requested ADB assistance on industrial policy and on tourism to be prepared on a fast-track basis. ADB decided to undertake these on a stand-alone basis through staff consultants and to focus the scope of the TA on topics relevant for fiscal consolidation. Consequently, the title of the TA was changed in CSP to Capacity Building for Fiscal Reforms in Sikkim.

² The TA first appeared in *ADB Business Opportunities* on 21 July 2003.

4. The fiscal deficit to GSDP ratio hit an alarming figure of 19.5% during 1998/99. This may be ascribed to the implementation of the Pay Commission recommendation resulting in a sharp rise in the salaries of government employees. Nevertheless, there has been a substantial rise in revenue expenditure during the late 1990s, with a significant jump in 1998/99 because of the Pay Commission recommendations. The revenue expenditure to GSDP ratio rose from 51.1% in 1994/95 to 83.76% in 2000/01. A cause for concern is the steady rise in interest payment (as a share of GSDP) from 6.1% in 1994/95 to 9.2% in 2001/02. The rise in the interest burden is attributable to a shift in the composition of debt toward the more expensive internal borrowing. Over the same period, the capital outlay to GSDP ratio shows a fluctuating trend. It declined to 13.1% in 1998/99 from 15.5% in 1994/95 to accommodate Pay Commission shock. However, the capital outlay to GSDP ratio went up to 16.6% in 2000/01. The government of Sikkim took several steps to contain the fiscal deficit. These included rationalization and revision of land tax, revision of taxes on forest products, and expenditure containment through rightsizing of government departments. The fiscal deficit to GSDP ratio was brought down to 5.5% in 2000/01. However, it is still higher than the average of all states.

5. One major drawback of Sikkim's state finances is that collection of tax and nontax revenue as a percentage of GSDP is declining. Except for state sales tax and motor vehicle tax, buoyancies are well below one.

6. The state's outstanding debt as a percentage of GSDP is rising. Sikkim's indebtedness to the centre and financial institutions has reached very high levels, with larger plan size leading to higher borrowing.³ This has led to a situation where debt servicing (amortization) and interest payments together are higher than total borrowing, thereby implying a reverse outflow of resources on the borrowing/debt-servicing account. Outstanding debt, which was estimated to be Rs1 billion at end-March 1990, has grown nearly eight times to Rs8.3 billion by end-March 2003. Moreover, outstanding contingent liabilities have also increased significantly from Rs0.13 billion at end-March 1997 to more than Rs1 billion at end-March 2001.

7. The state has 11 public sector enterprises. These enterprises primarily operate in four areas: instrumentation, food processing, mining, and banking. All the enterprises together are incurring a net annual loss of Rs40 million. Latest available figures indicate that total accumulated losses are Rs0.3 billion, which represented almost 50% of the state's fiscal deficit in FY2000.

8. It is clear that "business as usual"—public expenditure-led growth—is unsustainable. On the one hand, it will lead to a distinct decline in the growth of output and employment. On the other, demand for employment will continue to grow rapidly. Also, an important feature of Sikkim's demographic profile is that 60% of the total population is below 24 years. This implies a burgeoning expansion of the workforce and demand for jobs. Thus, the strategy of public expenditure-led growth will result in a significant increase in open or disguised unemployment with related social consequences.

9. As indicated in the *Vision Document* and the *Plan Overview of Sikkim's Tenth Five-Year Plan*,⁴ in order to generate adequate employment, Sikkim now needs to launch a new

³ This is despite the fact that Sikkim is a "special category" state and, therefore, receives substantial financial and nonfinancial support from the central Government. It currently receives 90% of its plan assistance as grants, and the remaining 10% as loans. This rule is different for "general category" states, which receive 30% of their plan assistance as grants, and the remaining 70% as loans.

⁴ Government of Sikkim. 2001. *Sikkim the People's Vision*. Gangtok; Government of Sikkim. 2001. *Tenth Five Year Plan 2002-07*. Gangtok.

development strategy that fosters private sector investment in key sectors where the state has comparative advantage, such as tourism and high-valued agricultural products. This would require provision of better social and economic infrastructure. The state needs to consolidate its fiscal position to provide high-quality infrastructure and other public utilities in a sustained manner. Fiscal reforms are needed to ensure that there is some fiscal space for augmenting expenditure on infrastructure, both physical and social. Thus, without serious fiscal consolidation, the government of Sikkim will not be able to provide adequate and high-quality physical infrastructure or other key public services, thereby seriously weakening growth and the employment potential of the state.⁵

10. India's CSP approved in 2003 aims at mainstreaming poverty reduction. Pro-poor growth supported by good governance and social development is the main strategic theme for reducing poverty—both income poverty and human poverty. ADB's new CSP for India argues that one of the key elements in promoting good governance is state-level fiscal policy reforms combined with interventions to strengthen local governments to ensure greater accountability, transparency, and efficiency in pro-poor service delivery. Moreover, ADB's new strategy provides for extension of state-level operations to some of the poorer states, especially in the northeast, where governments are committed to reform. This will help strengthen the poverty-reducing impact of the new strategy. Thus, it was decided in the new strategy to extend assistance for fiscal consolidation to two new states in the northeast—Assam and Sikkim.⁶ Fiscal consolidation measures may be categorized broadly into two groups: direct reform measures with immediate impact on revenue or expenditure, and capacity-enhancing measures that are essential to implement these reforms as well as to sustain reform initiatives in the long run. Thus, ADB's assistance typically supports (i) new tax and nontax measures to enhance state revenues, (ii) debt restructuring to reduce the burden of debt servicing, (iii) rationalization of wasteful public expenditure, and (iv) enhanced allocation of resources for social services. Closely related to such initiatives is the restructuring of state enterprises to reduce the fiscal burden of the losses of these enterprises. Similarly, ADB's support for capacity-building measures typically includes (i) restructuring of government departments including the commercial tax department, (ii) facilitating information technology-enabled services, (iii) streamlining the budget-making process, and (iv) rationalizing local government finances including reform of the accounting system of local bodies.⁷

⁵ Assistance for fiscal consolidation is also very important from the overall macroeconomic perspective. The recent slowdown in India's GDP growth cannot be attributed to transient factors alone. Systemic factors have also been at work, including some structural constraints in India's growth dynamics, driven primarily by fiscal imbalances. In the past economic growth in India was led by public investment. However, the situation has changed significantly, especially since the late 1990s. The growing burden of servicing burgeoning public debt, the large volume of subsidies, and a sharp increase in the bill of government salaries in the states as well as in the central Government have crowded out public investment, especially in infrastructure. Unfortunately, private investment has failed to replace public investment as an engine of growth since it was also constrained by high interest rates—the effects of a continuing fiscal imbalance and government borrowings. Reduced rates of public and private investment in turn constrain the development of infrastructure, thereby reducing the growth potential of the economy. Therefore, the success of the ongoing structural adjustment programs crucially depends on fiscal consolidation.

⁶ Assistance to Sikkim also fits well with ADB's program of promoting economic cooperation in South Asian Subregional Economic Cooperation (SASEC), consisting of Bangladesh, Bhutan, India, and Nepal, since Sikkim shares common borders with these countries (except Bangladesh).

⁷ ADB. 2003. *Technical Assistance to India for Preparing the Assam Governance and Public Resource Management Program*. Manila; ADB. 2000. *Technical Assistance to India for Supporting Fiscal Reforms in Kerala*. Manila; ADB. 1997. *Technical Assistance to India for Support for the Government of Madhya Pradesh Public Finance Reform and Institutional Strengthening*. Manila.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

11. The TA aims to help the government of Sikkim design effective measures needed to improve the state's public finances, and build the necessary capacity within the state government for implementing and sustaining these measures. This objective will be achieved by adopting a comprehensive five-pronged approach. First, the TA will help the state government formulate tax and nontax reform measures to enhance its revenue-raising capacity. Second, the TA will facilitate restructuring of various state government departments for efficient service delivery and upgrading of the institutional capacity of the state's Finance Department to manage and control public spending, while instilling greater accountability and transparency in budget making. Third, the TA will prepare a detailed restructuring plan for state-owned enterprises (SOEs). Fourth, the TA will strengthen the capacity of local bodies to assume greater responsibility for social spending, and increased transparency and accountability in their functions. Finally, the TA will enhance the capacity of the Directorate of Economics and Statistics to create a reliable socioeconomic database for the state.

B. Methodology and Key Activities

12. The TA will help develop a detailed plan to introduce value-added tax (VAT) in Sikkim including a plan for restructuring the Commercial Tax Department for the efficient introduction of value-added tax (VAT), in the state; study the tax structure and revenue buoyancy of stamp duty and registration fees, motor vehicle taxes, state excise duty, and other minor taxes, and recommend ways of mobilizing additional resources in a sustained manner; and propose measures to mobilize additional revenue from nontax sources, including levy of adequate user charges on all publicly provided services. The TA will also review intersector and intrasector budget allocations under a public expenditure review to rationalize public expenditure to better support the poverty reduction and human development priorities; introduce multiyear budgeting; and promote greater output-linked accountability in budget formulation and implementation for the state government and local bodies and train concerned officials. In respect of SOE reform, the TA will prepare a feasible action plan to restructure SOEs after carefully reviewing all the options (privatization/revival/closure) as well as the government of Sikkim's resource constraints. The TA will also design a feasible debt-restructuring plan. Finally, the TA will strengthen the capacity of the Directorate of Economics and Statistics to estimate saving and capital formation in Sikkim, and impart training to conduct consumption expenditure surveys to estimate a reliable poverty profile for Sikkim.

13. The TA will further help develop a realistic baseline projection of the state's finances and carry out alternative policy simulations under various tax and expenditure-related reform scenarios that are being designed under the TA.

C. Cost and Financing

14. The total cost of the TA is estimated at \$769,000 equivalent comprising \$377,250 in foreign exchange cost and \$391,750 equivalent in local currency cost. ADB will finance \$600,000 equivalent, which includes the entire foreign exchange cost and \$222,750 equivalent of local currency cost, to be financed on a grant basis by the Government of the United Kingdom. The remaining \$169,000 equivalent will be contributed by the government of Sikkim, which will include counterpart staff remuneration, office accommodation and supplies, transport,

and other logistical support. The detailed cost estimates and financing plan are shown in Appendix 2.

D. Implementation Arrangements

15. Sikkim's Finance Department will be the Executing Agency for the TA. Implementation of the TA will be supervised by the Public Finance Reforms Committee (PFRC), which will examine the TA's findings and suggestions and make recommendations to the government of Sikkim for their implementation. This arrangement will lend considerable credibility to the TA's findings and help integrate ongoing reform initiatives with the TA. The government of Sikkim will form the Committee before the TA consultants are engaged. The Principal Secretary, Finance will chair the Committee. The government of Sikkim will also nominate key senior officials from the concerned departments in PFRC. The Executing Agency will provide office space, furniture, equipment, and counterpart staff for the TA consultants, who will receive advice and guidance on an operational basis from the chairperson of PFRC.

16. A consulting firm will be recruited to provide a team of international and domestic consultants to execute the TA. The firm will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. The quality and cost-based selection method will be used to select the firm. The simplified technical proposal procedure will be applied to the selection of the consulting firm. About 30 person-months of consultancy services (13 person-months international, 17 person-months domestic) will be required. The international consultants will include a team leader and public finance specialist, budget and public expenditure management specialist, and a VAT expert. The domestic consultants will include an assistant team leader with expertise in state finances and utilities pricing, a public enterprise restructuring specialist, a state income estimation expert, and a survey expert with sound knowledge about sampling methodology for consumption expenditure surveying. The state government will provide budget and accounting experts and a computer hardware expert. The outline terms of reference for the consultants are provided in Appendix 3. The TA will include purchase of equipment (computer hardware) as needed. All procurement of equipment will be undertaken in accordance with ADB's *Guidelines for Procurement*. The TA will be implemented over 6 months and is expected to commence in February 2004. Physical completion of the TA is expected by July 2004. The consultants will prepare an inception report within 4 weeks of the start of their services and an interim report after completing half of their consulting services. The draft final report will be submitted 2 weeks before the end of consulting services and discussed at a tripartite meeting. The final report, to be provided as a hard copy and a soft copy, will incorporate the comments of the government of Sikkim and ADB, and will be submitted to ADB within a month of the tripartite meeting.

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 \$600,000 to the Government of India to be financed on a grant basis by the Government of the United Kingdom for Capacity Building for Fiscal Reforms in Sikkim, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
Goal <ul style="list-style-type: none"> Accelerate Sikkim's growth and improve pro-poor service delivery by fiscal consolidation and governance reforms and strengthening capacity to sustain these reforms 	<ul style="list-style-type: none"> Key reform measures successfully identified, prioritized and built into an agreed framework 	<ul style="list-style-type: none"> Establishment of Public Finance Reform Committee (PFRC) Review missions 	<ul style="list-style-type: none"> State government's commitment to fiscal reform No political resistance to efficiency measures
Purpose <ul style="list-style-type: none"> Carry out tax and nontax reforms to enhance the government's revenue-raising capacity Strengthen the institutional capacity of the Finance Department to manage public spending and introduce greater accountability and transparency in budget making Improved public debt management Strengthen the capacity of local bodies to assume greater responsibility for social spending and make their functioning more transparent and accountable Restructuring state-owned public enterprises Strengthen the Directorate of Economics and Statistics 	<ul style="list-style-type: none"> Implementation planning for value-added tax (VAT), as well as reform measures for other taxes and nontax revenues in Sikkim The mechanism of setting of intersector and intrasector budget allocation for achieving state's social and economic objectives Defining state's debt management policy Implementation plan for updating local government accounts using improved methodology Public enterprise performance review mechanism Action plan for strengthening the Directorate 	<ul style="list-style-type: none"> Monitoring by PFRC TA review missions Tripartite review 	<ul style="list-style-type: none"> State government's commitment to fiscal reform No political resistance to efficiency measures
Outputs <ul style="list-style-type: none"> Implementation plan for value-added tax (VAT) Specific plan for other taxes and user charges for publicly provided services Development of targets under medium-term expenditure plan and budget-making manual 	<ul style="list-style-type: none"> Draft implementation plan for VAT is ready within 2 months of start of consulting services Draft reform measures for other taxes and user charges are ready within 4 months of start of consulting services Draft report for an improved budget-making process is ready within 3 months of start of consulting services 	<ul style="list-style-type: none"> Monitoring by PFRC Review missions 	<ul style="list-style-type: none"> State government's commitment to fiscal reform No political resistance to efficiency measures

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<ul style="list-style-type: none"> • State debt management (including contingent liabilities) policy • Accounting and budget manuals for local governments • Public enterprise review and restructuring plan • Estimation of savings and investment of the state and completion of a design manual for consumer expenditure surveys 	<ul style="list-style-type: none"> • Draft state debt management policy is ready within 2 months of start of consulting services • Draft accounting and budget manuals for local governments are ready within 5 months of start of consulting services • Draft public enterprise restructuring plan is ready within 4 months of start of consulting services • Draft report on various capacity building measures for the Directorate of Economics and Statistics is ready within 4 months of start of consulting services • Final report for all these components are ready two weeks before end of consulting services 		
Activities <ul style="list-style-type: none"> • Review the preparedness of the state for VAT • Train commercial tax officials for an efficient implementation of VAT • Review other taxes and user charges and organize workshops to train concerned government officials before introducing new tax and nontax measures • Review the existing budget-making procedure • Review state's debt profile including contingent liabilities • Review the functioning of the local governments and organize workshops to train local government officials in the new system of financial governance • Examine the status of each state-owned enterprise 	<ul style="list-style-type: none"> • Implementation plan for VAT is ready • Specific plan for other taxes is completed • Specific plan for revising user charges for utilities and publicly provided social services is accomplished • Development of targets under medium-term expenditure plan and budget-making manual • State debt management policy is ready • Accounting and budget manuals for local governments are prepared • Public enterprise restructuring plan is designed 	<ul style="list-style-type: none"> • Dissemination efforts supported by PFRC • Review missions 	<ul style="list-style-type: none"> • State government's commitment to fiscal reform • No political resistance to efficiency measures

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<ul style="list-style-type: none"> • Detailed review of the functioning of the Directorate of Economics and Statistics • Dissemination of the policy recommendations of the technical assistance 	<ul style="list-style-type: none"> • Estimation of savings and investment of the state and completion of a design manual for consumer expenditure surveys 		
Inputs <ul style="list-style-type: none"> • Technical assistance resources (\$600,000) • Consultants (13 person-months international; 17 person-months domestic) • Equipment (\$30,000) • Workshop/seminars (\$6,000) • Contract negotiations (\$3,500) • Contingency (\$78,500) 			<ul style="list-style-type: none"> • Consultants are competent, counterpart staff are available and are committed to work • State government provides adequate resources and support

COST ESTIMATES AND FINANCING PLAN (\\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Government of the United Kingdom Financing^a			
1. Consultants			
a. Remuneration			
i. International Consultants	315,250	0	315,250
ii. Domestic Consultants	0	106,250	106,250
b. International and Local Travel	20,000	25,000	45,000
c. Communication/Reports	2,000	3,500	5,500
2. Equipment	0	30,000	30,000
3. Workshops/Seminar	0	6,000	6,000
4. Cost for Government Representatives Attending Contract Negotiation	0	3,500	3,500
5. Miscellaneous Technical Assistance Administration	0	10,000	10,000
6. Contingency	40,000	38,500	78,500
Subtotal (A)	377,250	222,750	600,000
B. Government Financing			
1. Consultant and Counterpart Staff	0	100,000	100,000
2. Office Accommodation and Supplies	0	20,000	20,000
3. Local Transportation	0	10,000	10,000
4. Workshop and Training	0	15,000	15,000
5. Preparation and Reports	0	6,000	6,000
6. Contingency	0	18,000	18,000
Subtotal (B)	0	169,000	169,000
Total	377,250	391,750	769,000

^a Administered by the Asian Development Bank.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. **Budget and Public Expenditure Management Specialist** (Team Leader—6 person-months)

1. The consultant will do the following:

- (i) Take overall responsibility for technical assistance implementation including coordination of the work of international consultants and consultation with key government officials to ensure that reform proposals are consistent with the government of Sikkim's own reform initiatives and fiscal targets;
- (ii) Supervise the work of domestic consultants and counterpart staff responsible for making recommendations on tax and nontax revenues, public enterprise restructuring, activities related to the Directorate of Economics and Statistics, and computer hardware procurement;
- (iii) Review intersector and intrasector budget allocations under a public expenditure review to determine the degree they support the implementation of state social and economic development objectives;
- (iv) Examine the performance of the existing budgeting systems and assess its weakness and inadequacies. After extensive consultations with the finance and line departments, develop, for each department an expenditure targeting mechanism within the overall resource constraint as well as given the government of Sikkim's policy priorities and design performance parameters and reporting systems;
- (v) Given (iii) and (iv), suggest modifications to the budgeting methodology including expenditure ceilings that is well coordinated with macroeconomic and fiscal framework and initiate a pilot program for output-linked accountability in budget formulation. Prepare an efficient and effective action plan for implementing the new methodology; and
- (vi) Based on the accounting standards developed by the Comptroller and Auditor General of India, develop a simple, reliable, relevant, complete, transparent, and useful budgeting and accounting manuals for local bodies and for organized training.

2. **Public Finance Specialist** (4 person-months)

2. The consultant will

- (i) help the team leader develop training programs on budget policies for key government officials as well as local government officials;
- (ii) prepare a report for restructuring various government departments emphasizing rightsizing of various departments;

- (iii) review the profile of state debt including contingent liabilities and prepare a debt-restructuring plan;
- (iv) prepare a baseline projection of the state's finances and carry out alternative simulations under various tax and expenditure-related reform measures, and ensure that all the recommendations, projections, and methodologies are consistent with the state's own reform initiatives; and
- (v) Prepare a report on the merit and scope for establishing a Fiscal Responsibility and Budget Management Bill in the state.

3. International Value-Added Tax Expert (3 person-months)

3. The consultant will do the following:

- (i) Based on the national consensus model of value-added tax (VAT), prepare a detailed implementation plan. The plan should address the concerns of various sectors including the retail sector;
- (ii) Examine the model VAT law prepared by the central Government and recommend changes to modify it to suit the conditions prevailing in Sikkim without altering the basic ingredients of the national model. This will include examining and providing advice on various VAT notifications issued by the central Government before the system is introduced;
- (iii) Prepare a Commercial Tax Department restructuring plan encompassing computerization of the department; and
- (iv) Design a training program for VAT collectors. Identify an appropriate short-term training program for training of trainers.

B. Domestic Consultants

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

4. The consultant will

- (i) help the team leader discharge his or her responsibilities and deputize for the team leader in his or her absence;
- (ii) suggest ways to expand the tax base of sales tax/VAT;
- (iii) study the tax structure and revenue buoyancy of Sikkim income tax, stamp duty and registration fees, motor vehicle taxes, state excise duty, and other minor taxes, and recommend ways of strengthening them encompassing measures to strengthen revenue administration;
- (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; and

- (v) study the costing and pricing of transport services by the State Road Transport Corporation.

2. **Public Enterprise Restructuring Specialist** (5 person-months)

- 5. The consultant will prepare a feasible restructuring plan for 11 state-owned enterprises after carefully reviewing all the options (revival/privatization/closure) and constraints.

3. **State Income Estimation and Survey Experts** (6 person-months total, 3 person-months each)

- 6. The consultants will

- (i) prepare manuals for estimating savings and capital formation series in Sikkim and
- (ii) train concerned officials in the Directorate of Economics and Statistics for conducting consumption expenditure surveys in line with the National Sample Survey Organization methodology for estimating a reliable poverty profile for Sikkim.