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In this issue

Dear readers,

We have been sharing our views and experiences in the public finance domain across the globe while providing updates through our quarterly initiative. Continuing with our efforts, I welcome you to the ninth issue of the *Public Finance Quarterly.* With your invaluable inputs, we are continuously endeavouring to make this medium a more effective and enriching channel for information-sharing.

The *Feature article* section of this issue attempts to quantify the implicit nature of allocated or non-allocated subsidies in select sectors for a sample of five states. It then provides a way forward towards their rationalisation within targeted sectors and sub-sectors. The author recommends phasing out implicit subsidies in the non–merit sector in a calibrated manner, thereby calling for the introduction of innovative solutions to tackle sectoral problems. Initiatives such as public private partnerships in areas like transport, tourism and power and rationalisation of user charges in sectors characterised by higher ability to pay of consumers are some of the measures suggested. Similarly, measures such as reduction in cost of services through the introduction of greater operational efficiencies, and concurrent increase in cost recovery through the levy of appropriate user charges in the merit-II category have been suggested.

The *Pick of the quarter* section presents a review of the draft Public Procurement Bill 2012, introduced in Parliament earlier this year. The author has outlined the key features of the bill aimed at providing an overarching legislation to oversee public procurement in the country. The author concludes by highlighting the strong points of the bill, as well as identifying possible areas deserving further refinement.

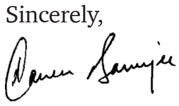
Our *Round the corner* section provides news updates in the area of government finances and policies across the globe and key paper releases in the public finance domain during the last quarter along with their reference links. The *Our work* section showcases our experience in providing technical assistance to the Ministry of Finance and Treasury (MOFT), government of Maldives in undertaking reform measures under the ADB supported Institutional Strengthening for Economic Management project.

I would like to thank you for your overwhelming support and response. Your help and suggestions urge us to continuously improve this newsletter to ensure effective information-sharing.

We would like to invite you to contribute and share your experiences in the public finance space with us. Please write to me at *ranen.banerjee@in.pwc.com* or to our editorial team.

Happy reading!

Sincerely,



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Feature article

Implicit subsidy: The known-unknown

Abstract

This article highlights the fact that apart from the *explicit* or overt subsidies usually quantified and accounted for in government budgets, there are certain missing elements which remain hidden and are rarely the focus of any scrutiny in the public domain. The focus of this article is to quantify this implicit nature of allocated and non-allocated subsidies, and make an attempt to gauge the volume of '*implicit subsidies*' in different sectors and sub-sectors in select states based upon the theoretical frameworks and literature. After analysing the extent of implicit subsidies in select sectors of select states, the author recommends gradually phasing out implicit subsidies in the non–merit sector, thereby calling for the introduction of innovative solutions to tackle sectoral problems.

Introduction

Government subsidies indicate the difference between the cost to the government for providing different types of services to the public and the receipts from the said service (this definition of subsidies discounts the efficiency criterion regarding the use of public funds for providing any kind of service). While this narrow definition focuses on the explicit portion of subsidy which is revealed either in budgetary provisions of subsidies or is evident from the gap between the actual recurring expenditure and receipt, the broader definition encompasses the 'hidden cost' as well.

For example, if a government provides transport services to the public, then not only the operation and maintenance expenditure or expenditure on staff and personnel are the total costs, but also the expenditure by way of depreciation of capital asset value or the opportunity cost of capital invested in the sector constitute the hidden components of its total cost. This article focuses on both components of the costs to assess the true extent of subsidisation in different sectors and subsectors.

Economic goods classification[1]

	Excludable	Non-excludable
Rivalrous	Private goods	Common resource pool
Non-rivalrous	Toll goods	Pure public goods

Merit goods

Pure public goods	These are goods and services which are non-excludable and non-rivalrous in nature. Thus the consumption of such goods (or services) by one individual neither excludes nor reduces the availability for others. A typical feature of all public goods is the presence of externalities. For example, while expenditure on defence provides a sense of security to citizens, no individual would reveal his/her preference to pay for the service as the service provided is non-rivalrous and non-excludable in nature.
Toll goods	Within the category of public goods, there are certain goods whose consumption is excludable but non-rivalrous (e.g. toll roads and nature parks where entrance fee is charged for hiking, camping, tourism and wildlife viewing).
Private goods	These are goods and services which posses the characteristics of rivalry, excludability and no externality. In an ideal competitive market, allocation of private goods takes place through the market clearing process. This ensures that only those who value the goods can receive them and only those who are able to produce the goods at the least cost are able to produce them in a situation where no individual can be better off without making any other individual worse off.
Common resource pool	These goods consist of natural or human made resource system. For instance, an irrigation system or fishing grounds wherein the size or characteristics of good makes it costly, but not impossible to exclude potential beneficiaries from obtaining benefits from its use
Merit goods	These are goods or services that either society or the individual need to consume, irrespective of the society's (or individual's) ability or willingness to pay and in most cases, cause positive externalities for society as whole. e.g. vaccination. These include the vast majority of services across all four types of goods. It may be considered appropriate to have a closer look regarding the extent of subsidy that may be provided to this category of goods and services.

1 *Public Finance; Ted Gayer & Harvey Rosen (2010) for pure public goods, toll goods, private goods, and common resource pool goods*

2 *Government of India (1997), Government Subsidies in India, Discussion Paper, Ministry of Finance, Department of Economic Affairs, May, New Delhi NIPFP (2003)*

3 *Budgetary Subsidies in India – Subsiding Social and Economic Services by D K Srivastava, C Bhujanga Rao, Pinaki Chakraborty and T S Rangamannar of NIPFP for the Planning Commission of India*

4 *Medical and public health along with family welfare have been categorised as a Merit-II category.*

5 *Volume and Composition of Government Subsidies in India, 1987-88, Economic and Political Weekly, May 4, 1991*

Classification of goods into merit and non-merit categories: Indian context

In India, the discussion paper brought out in 1997 by the Department of Economic Affairs, MoF classified services under merit and non-merit categories[2]. It argues that while the merit goods deserve subsidisation, there can arguably be no case for subsidising non-merit goods. However, even in the case of merit goods, one still needs to determine the desirable degree of subsidisation, i.e. even if elementary education and higher education may both require subsidisation, the degree of subsidisation required may be much higher for elementary education, thereby necessitating the requirement to categorise the goods under different categories.

The study on subsidies conducted by the National Institute of Public Finance and Policy (NIPFP) in 2003 further divided the services under three categories of merit I, merit II and non-merit[3] goods based upon the order or significance of subsidisation amongst them. In this article, we have broadly adopted the classification as per this study[4]:

- **Merit I**: Elementary education, primary health centres, prevention and control of diseases, social welfare and nutrition (includes subsides in food supplies), soil and water conservation, and ecology and environment
- **Merit II**: Education (other than elementary), sports and youth services, family welfare, urban development, forestry, agricultural research and education, other agricultural programmes, special programmes for rural development, land reforms, other rural development programmes, special programmes for north-eastern areas, flood control and drainage, non-conventional energy, village and small industries, ports and light houses, roads and bridges, inland water transport, atomic energy research, space research, oceanographic research, other scientific research, census surveys and statistics, meteorology
- **Non-merit**: All others

This distinction between merit and non-merit goods has been made to focus attention on two different types of issues. In the case of merit services, there is a prima facie justification for providing a subsidy. Within merit goods and services, the merit-I category gets higher priority over merit-II goods and services. In the case of non-merit subsidies, the issue of the extent of subsidisation is also important apart from that of its quality and delivery.

Methodology for calculating implicit subsidy

The methodology adopted for the calculation of implicit subsidy is on the lines as suggested by Sudipto Mundle and M. Govinda Rao in their paper, *Volume and Composition of Government Subsidies in India, 1987-88*[5]. Subsidy defined as unrecovered cost of any category, is calculated as follows:

$$S = RX + i^{*}(K+L) + d^{*} K - RR - R - T$$

Where,

- S is the implicit subsidy.
- RX is the variable cost or revenue expenditure on the service.
- K is the capital stock in the sector.
- L is the stock of investments outside government by the sector in the form of loans or equity.
- i is an imputed interest rate representing the opportunity cost of money for government.
- d is the depreciation rate.
- RR is the revenue receipts by the sector.
- R is income by way of interest or dividend on loans and equity.
- T is a transfer payment from the sector to individual agents.

While the variable cost of a service is considered in the revenue expenditure, the fixed cost element is included by taking the imputed interest cost of cumulative capital expenditure by the sector. This interest cost and depreciation rate together constitute the element of fixed cost associated with the current level of service.

So the subsidy is essentially the sum of variable and fixed cost for the current level of service net of any of this cost recovered in the form of revenue receipt, interest, and dividend or transfer payment.

Assumptions

The key assumptions and the sources of data are as follows:

- **Revenue expenditure on the service (RX):** Actual revenue expenditure figures have been taken from the finance accounts of select states for the years 2005-06 to 2010-11.
- **Capital stock in the sector (K):** The cumulative capital investment figures have again been taken from the finance accounts, of respective states for the years 2005-06 to 2010-11. It is to be noted here that no stock of capital is reported that is fully depreciated.
- **Stock of loans and advances (L):** The actual figures of the stock of loans and advances in any sector are taken from the finance accounts, of select states for the period under study.
- **Imputed interest rate (i):** This imputed interest rate represents the opportunity cost of capital for the government. The assumption being made for this calculation is that if the government did not have to make a capital investment, its public debt would be that much less and if the government had not lent money into the sector again, its public debt would be reduced by that amount. Therefore, the imputed interest rate has been calculated as the ratio of interest paid on public debt in year ‘t’ to the total public debt in year ‘t-1’, i.e. government’s interest rate on public debt.

- **Depreciation rate (d):** The nominal depreciation rate is calculated as the sum of the long-term inflation rate (measured over a period of 17 years i.e., 1993-94 to 2010-11) and a two-percent real depreciation rate (assuming an average life of 50 years for a capital asset).
- **Revenue receipts by the sector (RR):** Actual figures for revenue receipts for the sector have been taken from the finance accounts of the respective states from 2005-06 to 2010-11.
- **Income by way of interest or dividend (R) and transfer payment from the sector (T):** The finance accounts data available at the aggregate state level indicates that interest receipts, dividend and profits from various departmental commercial undertakings, public sector undertakings, cooperative societies, etc. are not very significant. Hence, for practical purposes, these figures have been ignored in the calculations.

State-wise analysis

This analysis focuses on the five states of Haryana, Rajasthan, Madhya Pradesh, Karnataka and West Bengal. No specific rationale was followed for the selection of this sample of states, except that they have been chosen so as to represent the northern, western, central, southern and eastern regions of the country. Further, the study has focused on select sectors considered crucial for the growth of the economy. The data for arriving at the estimates of implicit subsidies have been taken from the financial accounts of the respective state governments. The time period covered for the analysis is the actual of a six-year period from 2005-06 to 2010-11. It may be noted here that this analysis can easily be extended to include any state, sector and time period.

Cost recovery

Table 1 below represents the cost recovery (in percentage) for 2010-11 and percentage point change[6] for various sectors between financial years 2005-06 and 2010-11 for the states of Haryana, Rajasthan, Madhya Pradesh, Karnataka and West Bengal . Cost recovery is defined as the ratio of revenue receipt in a sector to the revenue expenditure incurred in the sector.

6 Percentage point change= Absolute difference between the terminal cost recovery percentage (2010-11) and initial cost recovery percentage (2005-06)

Table 1: Sector-wise cost recovery (2010-11) and percentage point change in cost recovery (2005-06 to 2010-11)

Sectors	Haryana		Rajasthan		Madhya Pradesh		Karnataka		West Bengal	
	Cost recovery % (2010-2011)	Percentage point change in cost recovery % (2006-2011)	Cost recovery % (2010-2011)	Percentage point change in cost recovery % (2006-2011)	Cost recovery % (2010-2011)	Percentage point change in cost recovery % (2006-2011)	Cost recovery % (2010-2011)	Percentage point change in cost recovery % (2006-2011)	Cost recovery % (2010-2011)	Percentage point change in cost recovery % (2006-2011)
Merit II goods										
Roads and bridges	2.53	.96	.80	1.99	.74	(.25)	5.96	2.13	4.86	(1.53)
Non-elementary education	0.39	(.59)	.49	(.07)	43.23	41.99	1.22	(.66)	0.38	.08
Technical education	6.84	(11.61)	9.59	6.54	.99	(2.23)	21.65	17.17	7.40	5.07
Urban development	302.49	(317.48)	.17	(.25)	1.98	1.13	.20	.07	0.56	.19
Medical and public health	4.87	(3.04)	2.22	.52	1.28	(.14)	5.93	1.56	2.34	(1.68)
Non-merit goods										
Industry and minerals	95.60	(33.69)	1297.50	393.40	545.53	(229.37)	208.36	101.82	2.95	(2.14)
Major irrigation	27.42	20.00	8.11	4.75	60.21	NA	45.52	(9.63)	2.31	2.31
Major and medium irrigation	26.67	10.69	7.37	1.68	36.95	25.99	11.76	(20.88)	1.61	(1.27)
Minor irrigation	1.60	(1.41)	14.47	(15.02)	57.36	43.23	4.89	(2.10)	4.90	(2.41)
Power	0.10	(.11)	0.00	0.00	24.30	24.29	1.07	(1.25)	0.00	0.00
Water supply	4.41	(4.45)	17.36	(0.85)	.88	.24	.46	.16	.58	(.07)
Sewerage and sanitation	62.87	34.89	44.92	11.87	5.41	(8.35)	0.00	0.00	.01	.01

Source: Finance Accounts Data, Haryana, Rajasthan, Madhya Pradesh, Karnataka, West Bengal (2005-06 and 2010-11)

Note: Negative numbers in the table appear within parenthesis.

Key observations

As presented in table 1, most of the states show low cost recoveries in 2010-11 in sectors such as roads and bridges, non-elementary education, urban development, medical and public health, power and water supply at less than 7%, with moderate recovery exhibited in sectors of technical education (6.84% to 21.65%), major irrigation (8.11% to 60.21%) and major and medium irrigation hovering around 7.37% to 36.95%. Sector of industry and minerals has exhibited high cost recoveries to the tune of 95.60% to 1297.50%. The substantially high receipts of revenue over the associate expenditure in the industry and mineral sector is possibly due to the growth of the economy and reforms undertaken that have led to increased activity within these sectors.

The percentage point change is positive for majority of the states considered in the sectors of roads and bridges (Haryana, Rajasthan and Karnataka) technical education (Rajasthan, Karnataka, West Bengal), major irrigation (Haryana, Rajasthan and West Bengal) and sewerage and sanitation (Haryana, Rajasthan and West Bengal). However, the percentage point change in cost recovery has been less than 2% across most of the states in more than half of the sectors which include roads and bridges, non-elementary education, urban development, medical and public health, minor irrigation, and power and water supply. As can be discerned, most of these sectors belong to the merit II service category.

Further, out of the 12 sectors listed in table 1, in case of 5 sectors, the cost recovery percentage is recorded lower in the terminal year (i.e. 2010-11) as compared to the first year (2005-06) for majority of states. These include minor irrigation (except Madhya Pradesh), non-elementary education (except Madhya Pradesh and West Bengal), medical and public health (except Rajasthan and Karnataka), industry and minerals (except Rajasthan and Karnataka), and water supply (except Madhya Pradesh and Karnataka) in three states.

Implicit subsidy

Key observations in the implicit subsidy estimation, cumulative over the six year period from 2005-06 to 2010-11 for the five sample states are given below. The set of sectors considered is the same as has been taken in the cost recovery analysis presented above.

Haryana

- The top three sectors that received the maximum cumulative implicit subsidy in the past six years included power (203,840 million INR), non-elementary education (99,060 million INR), and major and medium irrigation (87,440 million INR).
- The bottom three sectors which received low level of cumulative implicit subsidy in the preceding six years are industry and minerals (2,210 million INR), sewerage and sanitation (7,770 million INR) and minor irrigation (7470 million INR).
- The average trend growth of implicit subsidies, taking all sectors/sub-sectors into account, is 9% whereas median is 18% which implies subsidy in at least 50% of the sector/sub-sector grew at a rate of 18% or more.

Rajasthan

- The top three sectors that received the maximum cumulative implicit subsidy in the past six years included power (179,190 million INR), non-elementary education (168,910 million INR) and water supply (161,620 million INR).
- The bottom three sectors which received minimum cumulative implicit subsidy in the preceding six years are road transport (3,200 million INR), technical education (3,880 million INR), and sewerage and sanitation (7,170 million INR).
- The average trend growth of implicit subsidies, taking all sectors/sub-sectors into account, is 12% whereas median is 13% which implies subsidy in at least 50% of the sector/sub-sector grew at a rate of 13% or more.

Madhya Pradesh

- The top three sectors that received the maximum cumulative implicit subsidy in the past six years included power (184,560 million INR); non-elementary education (158,480 million INR); and major and medium irrigation (137,730 million INR).
- The bottom three sectors which received minimum cumulative implicit subsidy in the preceding six years are sewerage and sanitation (2,900 million INR); technical education (4,130 million INR); and minor irrigation (26,040 million INR)
- The average trend growth of implicit subsidies, taking all sectors/sub-sectors into account, is 21% whereas median is 20%, which implies subsidy in at least 50% of the sector/sub-sector grew at a rate of 20% or more.

Karnataka

- The sectors that received the maximum cumulative implicit subsidy (in absolute terms) during the past six years included major and medium irrigation (313,310 million INR); power (189,860 million INR); and non-elementary education (187,740 million INR).
- The bottom three sectors which received minimum cumulative implicit subsidy in the preceding six years are sewerage and sanitation (9,280 million INR); industry and minerals (9,560 million INR); and technical education (10,300 million INR)
- The average trend growth of implicit subsidies, taking all sectors/sub-sectors into account, is 18% (barring industry and mineral sector which was not subsidised) whereas median is 20% which implies subsidy in at least 50% of the sector/sub-sector grew at a rate of 20% or more.

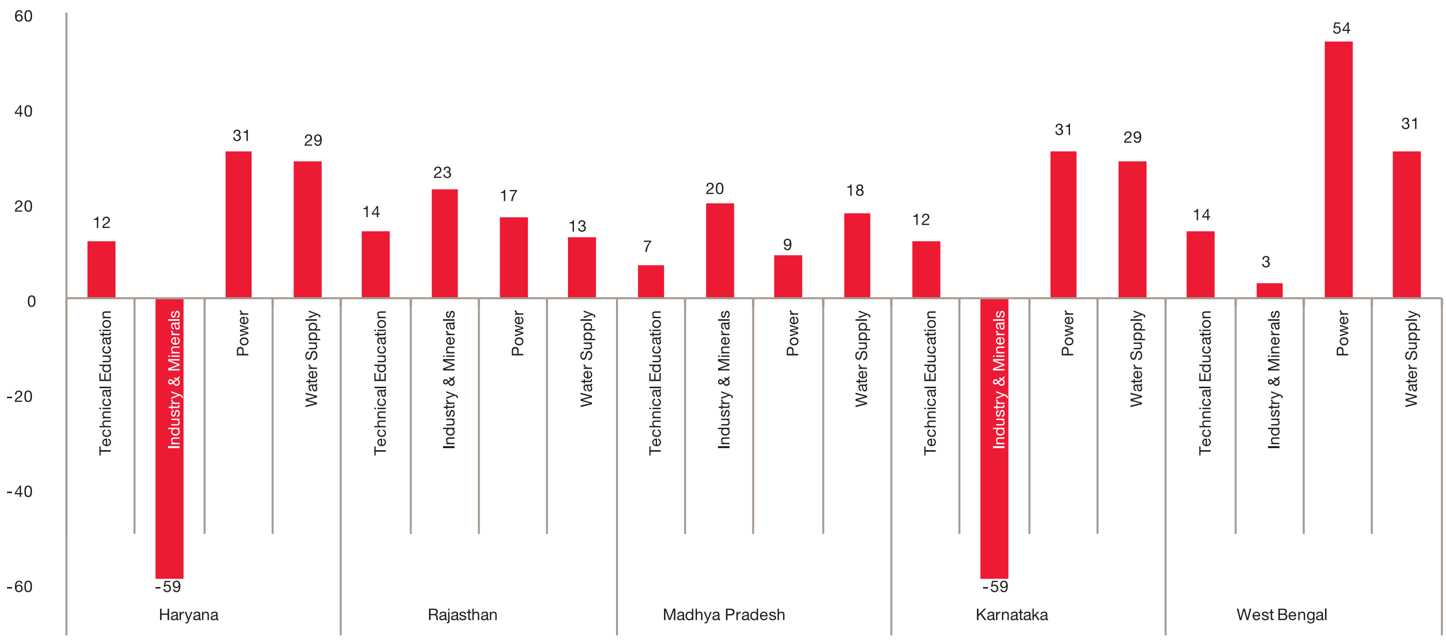
West Bengal

- The sectors that received the maximum cumulative implicit subsidy (in absolute terms) during the past six years included non-elementary education (305,603 million INR); power (211,780 million INR) and urban development (126,380 million INR)
- The bottom three sectors which received minimum cumulative implicit subsidy in the preceding six years are sewerage and sanitation (1,303 million INR); major irrigation (9,825 million INR) and technical education (13,321 million INR).
- The average trend growth of implicit subsidies, taking all sectors/sub-sectors into account, is 24% whereas median is 18% which implies subsidy in at least 50% of the sector/sub-sector grew at a rate of 18% or more.

Growth in implicit subsidies over the years

Figure 1 displays the average annual growth rate of implicit subsidies in key sectors across the state of Haryana, Rajasthan, Madhya Pradesh, Karnataka and West Bengal[7] between the years 2005-06 and 2010-11.

Figure 1: Trend growth of implicit subsidy (2005-06 to 2010-11); key sectors for all five states (%)



Source: Finance accounts data of Haryana, Rajasthan, Madhya Pradesh, Karnataka and West Bengal (various years)

Key observations

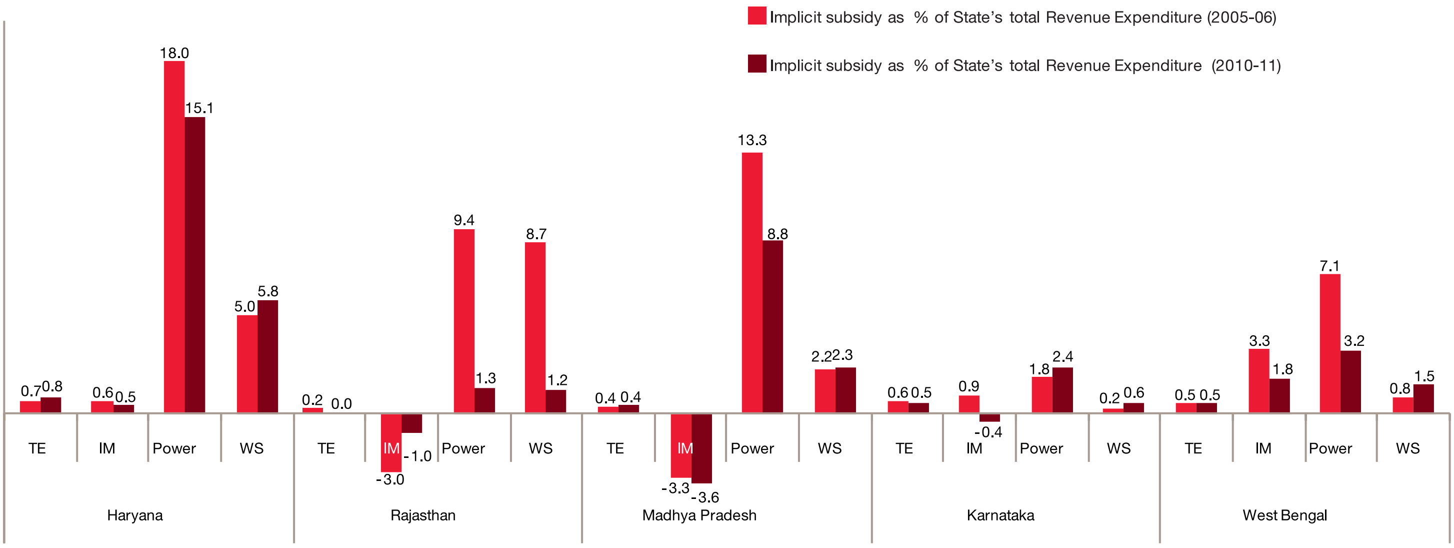
As depicted in figure 1, sectors such as water supply and power recorded a high rate of growth of above 18% over a six year period across all states. Technical education returned a growth rate of subsidy of between 7-14% over the period considered. Other sectors such as industry and minerals recorded a negative growth rate of implicit subsidy by -59% in the states of Haryana and Karnataka and showed an increase in implicit subsidy by 20% and 23% in Madhya Pradesh and Rajasthan respectively between the years 2005-06 until 2010-11.

7 *Data for the FY 2006-07 within the sectors of non-elementary education, water supply, sewerage and sanitation is not available in the financial account figures for the state of Haryana.*

Sectoral implicit subsidies as percentage of state's' total revenue expenditure

Figure 2 displays implicit subsidy as percentage of each state's total revenue expenditure in the five states.

Figure 2: Implicit subsidy as a percentage of each state's' total revenue expenditure (2005-06 and 2010-11)(%)



Source: Finance accounts data of Haryana, Rajasthan, Madhya Pradesh, Karnataka and West Bengal (various years)

Acronyms used: TE: Technical Education; I&M: Industry & Minerals; WS: Water supply

Key observations

In terms of relative ranking of the sectors, power and water supply have high subsidy to the state's revenue expenditure ratio as compared to technical education and industry and minerals sector in the five states. Sectors such as power have seen a decline of subsidy as a percentage of revenue expenditure in past six years in Haryana (-16%), Rajasthan (-86%), Madhya Pradesh (-9%) and West Bengal (-55%) whereas in Karnataka the implicit subsidy in power sector rose by 37% percentage between 2005-06 and 2010-11.

Similarly, the industry and mineral sector implicit subsidy declined as percentage of the state's total revenue expenditure in the states of Haryana by -100%, Karnataka -55% and West Bengal by -45% whereas the percentage point change was 80% in Rajasthan and 4.5% in Madhya Pradesh between 2005-06 and 2010-11. Implicit subsidy as a percentage of state's total revenue expenditure for water supply had a mixed bag with increase in the states of Haryana (16%), Karnataka (33%) and West Bengal (87%) and it decreased in Rajasthan (-86%) and Madhya Pradesh (-34%).

The analysis across the states shows implicit subsidy as percentage of the state's total revenue expenditure in sectors such as power and water supply not only have higher amount of sunk capital but also absorb high amount of revenue expenditure. On the other hand, sectors such as industry and mineral have minimal subsidisation.

Comparison with explicit subsidy in select states for select sectors

The explicit subsidies as presented in the finance accounts of the respective state governments for the year 2010-11 are provided for select sectors of power, transport, education and urban development. The absolute subsidy bill for the power sector is highest for the states of Karnataka (44,419 million INR) and Haryana (29,486 million INR) whereas the implicit subsidy in these states stood at 5,580 million INR and 4,280 million INR. In case of Karnataka, the explicit subsidy bill is mainly due to the subsidy to the Karnataka Power Transmission Corporation Limited (KPTCL) for loss due to rural electrification and contribution to pension payments and in case of Haryana, the subsidy provided is purely for transmission and distribution and other expenditure. The other states of Rajasthan and Madhya Pradesh also recorded explicit subsidy in their finance and accounts figures for 19,462 million INR and 15,348 million INR respectively, whereas in the same period, the implicit subsidy amounted to 3,957 million INR and 3,631 million INR.

Apart from power related subsidies, a major chunk of the subsidy bill is on account of the road transport sector in the selected states. In West Bengal, this amounted to 5,094 million INR and was provided to various state transport organisations whereas the implicit subsidy stood even higher at 7,200 million INR. In Karnataka, the explicit subsidy bill totalled 3,159 million INR wherein the major chunk went to different road transport corporations and towards providing subsidised travel for students, freedom fighters and physically challenged and other concessions extended by the Karnataka State Road Transport Corporation (K.S.R.T.C). During the same period, the implicit subsidy accounted for 4,104 million INR.

In the field of education for the year 2010-11, the state of Karnataka recorded the explicit subsidy of 40 million INR, whereas in the same time period, the implicit subsidy amounted to 1,022 million INR. The explicit subsidies in the urban development sector in Karnataka amounted to 905 million INR, whereas the implicit subsidy recorded was 14,890 million INR.

Source: Finance accounts of state governments; Appendix III; 2010-11

The way forward

The high level of implicit subsidisation, particularly, in the non-merit sectors causes excessive demand of subsidised products and services, misallocation of budgetary resources and micro-economic distortions. These problems get further magnified where the subsidy regime may be prone to leakages that may compromise the equity and efficiency. Therefore, unless the receipt/revenue generation capacity of these sectors increase over a period of time, their long term sustainability in terms of providing quality services to the public may become a challenge.

Efforts are required to gradually phase out implicit subsidies in the non–merit sector in a calibrated manner that requires introduction of innovative solutions to tackle sectoral problems. Initiatives such as public private partnerships in areas like transport, tourism and power along with greater role of private partners in non-merit sectors need to be explored. Sectors where there exists user willingness, and characterised by higher ability to pay of consumers requires rationalisation of user charges for the concerned services.

Further, a pragmatic approach to rationalise the volume of subsidies for goods and services in the merit-II category also needs to be adopted. Measures such as reduction in cost of services through introduction of greater operational efficiencies, and concurrent increases in cost recovery through levying of appropriate user charges, wherever possible, need to be espoused.

Thus, a beginning needs to be made by targeting a few select sectors like transport where results are likely to be more forthcoming and in other merit-II services where considerable scope for higher cost recoveries exists.

Pick of the quarter

Governing public procurement in India

Introduction

The Indian government and its agencies together form one of the biggest purchasers of goods and services in the country. According to the 2012 Country Commercial Guide for U.S. Companies created by the US Department of Commerce, the estimated size of the government procurement market in India at the central level is about 300 billion USD and is expected to grow by more than 10% per annum in the coming years. Accounting for 15-20% of the GDP, public procurement impacts the economy significantly and gives the government an instrument to attain social outcomes as well as to steer the market in a specific direction. Despite all these facts, there is no overarching legislation governing the sector yet.

Need for an overarching legislation

As on date, the General Financial Rules, 2005 govern procurements by the central government, while some ministries/departments have specific procedures manuals to supplement these rules for their use. Procurements by the central public sector enterprises are governed by their own manuals and procedures while defence procurement is guided by the revised Defence Procurement Procedure, 2011. In addition, the Central Vigilance Commission's Procurement Guidelines and the Finance Department's Delegation of Financial Powers (DFPR) and Manual on Policies and Procedures for Purchase of Goods provide guidelines for overseeing procurement at the central level. This multiplicity of rules and guidelines leads to overlap and lack of transparency and standardisation and create a system susceptible to inefficiencies and leakages.

In light of the recent awakening against corruption in the country, an overarching legislation to oversee public procurement at the centre was found to be essential for the creation of a sound public procurement system in India. In this regard, the Committee on Public Procurement was created under the leadership of former chairman of the Competition Commission of India, Vinod Dhall, in January 2011. In pursuance of recommendations of this committee and decisions of the group of ministers constituted in this regard, the Department of Expenditure prepared a Draft Public Procurement Bill late last year. After several rounds of consultations and incorporation of comments received from various ministries, departments, CPSEs, autonomous bodies, private individuals, industry and various other organisations, the bill was revised and later approved by the Union Cabinet in April 2012. The Public Procurement Bill 2012 was tabled in the lower house of the Parliament on 14 May this year.

The Public Procurement Bill 2012: At a glance

Aim: The bill aims at ensuring transparency, accountability and probity in the procurement process, fair and equitable treatment of bidders, promoting competition, enhancing efficiency and economy, maintaining integrity and public confidence in the public procurement process.

Ambit: Provisions of the Act (once enacted) will apply to all departments, ministries and public sector enterprises or undertakings of the central government. The bill will not cover procurements with estimated cost of less than 50 lakh INR, and emergency procurements to manage disasters and procurements for the purpose of national security.

Open ends: The bill leaves open the scope for creation of different sets of rules for different categories of procuring entities and procurements, without conflict to provisions of the bill.

Code of integrity: All officials are to observe the code of integrity, violations of which include making offers, solicitation and acceptance of bribery, omissions and misrepresentations for financial benefit, anti-competitive practices, improper use of information, coercion/threats, obstruction of investigation, financial/business transactions between the bidder and procuring entity and non-disclosure of conflict of interest or prior transgressions.

Need, description of subject matter and time limit for procurement: The procuring entity shall determine the need (including scope, quantity and method of procurement) for procurement and specify in the pre-qualification document, a proper description (including need, objective and characteristics) of the good/service to be procured and the expected time-limit for the procurement process.

Discrimination amongst bidders: Except when so authorised or needed by an existing law, discrimination amongst bidders will not be permitted and mandatory procurement may be provided only for promotion of domestic industry or promotion of the socio-economic policy of the government, and only through prior notification by the central government.

Qualification of bidders: The bill specifies five requirements for a bidder to qualify for any procurement process. These include possession of professional, technical, financial and managerial resources and competence, proper filing of tax returns, not being insolvent, not having business activities suspended, not being subject to legal proceedings and not having any criminally convicted officers/directors. The bill however gives the procuring entity the liberty to apply one or more of these requirements.

Pre-qualification of bidders: The bill provides for a procuring entity to engage in the pre-qualification of bidders prior to inviting bids. For this purpose, offers will be invited from prospective bidders by giving wide publicity as may be prescribed. This pre-qualification shall ordinarily stand for a single procurement and for a specific time period, beyond which a fresh pre-qualification will have to be carried out.

Registration of bidders: The bill also provides to procuring entities the option of maintaining a panel of registered bidders with the intention of identification of reliable bidders for a subject matter/class of procurement required commonly or on a recurring basis by the entity. However, such a panel would have to be updated continuously by inviting offers at least once a year.

The bidding document: The bill requires the bidding document to include the description of the subject matter of procurement (SMP); specifications including the nature, quantity, time and place/s of delivery in case procurement of goods; the nature and location or locations in case of procurement of works; services, nature and the location/s where they are to be provided in case of services; the limitation for participation; the manner, date and time for presentation of bids; the criteria for evaluation of bids; the essential terms of the procurement contract; and any information which the procuring entity considers necessary for the bidders to submit their bids.

Single and two envelope bids: The procuring entity will have the option of calling for single or two envelope bids containing the techno-commercial and financial bids together or separately. The entity will need to respond to all clarifications sought in writing and all such clarifications and responses thereto need to be communicated to all bidders. The entity will also have the option to conduct a pre-bid conference for clarifying the doubts of potential bidders.

Criteria for evaluation: The criteria for evaluation will need to relate to the SMP and may include the price; the cost of repair, operation and maintenance; the time for delivery of goods, completion of works or provision of services; the functional or environmental characteristics; terms of payment and of guarantees; quality based criteria such as experience, reliability and professional and technical competence of the bidder and personnel to be involved, etc.

Exclusion of bids: The procuring entity will have the power to exclude a bidder's bid for reasons including non-qualification for the process, communication of false information, conflict of interest that materially affects fair competition or diligent performance of the contract and any act of the bidder to give or agreeing to give any form of bribe/gratification/thing of value to the procuring entity to unduly influence the process.

Cancellation of procurement process: The procuring entity may cancel a procurement process at any time prior to the acceptance of a successful bid, due to reasons to be recorded in writing; or after the acceptance subject to the bidder failing to sign the contract or being convicted of any offence under the act or the bidder withdrawing.

Award of contract: Following a successful bidding, the procuring entity shall award the contract to a bidder with the lowest bid price if price is the only criterion; the bidder with the most advantageous bid in case of price and other award criteria and the most advantageous in case of no financial criteria. Every procurement contract shall specify the period within which sums due and payable, in respect of any procurement, shall be paid; and shall include terms and conditions prescribed by the central government as applicable. This contract will be in accordance with provisions of the bill as well as all rules applicable to the contracting process.

Confidentiality: The procuring entity shall not disclose any information including that which, in its opinion, is likely to impede enforcement of any law; affect the security or strategic interests of India; affect the intellectual property rights or legitimate commercial interests of bidders or the procuring entity or violate any pre-existing contractual obligations on confidentiality.

Open and limited competitive bidding: All procuring entities will prefer open competitive bidding as the method for procurement and shall record reasons in cases where the process is not followed. Limited competitive bidding will be followed in cases including where the subject of procurement is supplied by limited bidders or there is urgency due to unforeseen events or a list of registered bidders is maintained or in case of permitted discriminations amongst bidders.

Other methods of procurement: Single source procurement, two-stage bidding, electronic reverse auctions, request for quotations and spot purchases are other methods of procurement to be followed as per specifications in the bill regarding suitability of each of these methods, e.g. single source in case a particular bidder supplies the SMP or in case of need for standardisation or compatibility with existing equipment; two stage in case it is not feasible to formulate detailed specifications of the SMP without receiving inputs from bidders; electronic reverse auction in case there is a competitive market of bidders qualified to participate in such auction and the criteria for determining the successful bid can be expressed in monetary terms; and request for quotations and spot purchase in case of unforeseen urgencies and goods that are not supplied to particular specifications and are readily available. The procuring entity may also enter into rate contracts or framework agreements. These methods may be used in cases where the need for the SMP arises on a recurring basis or on an urgent basis in a given time period.

Transparency: The Bill entails setting up of a public procurement portal by the central government, accessible to the public for posting matters relating to public procurement. The portal will, among other information, host the pre-qualification, bidder registration, bidding documents and any modification or clarification including those pursuant to pre-bid conference, and associated corrigenda. Procuring entities will also keep a documentary record of all procurement proceedings, as required by the Act and any other law for the time being in force, e.g. the RTI Act, 2005.

Grievance redressal: The bill provides for setting up one or more independent procurement redressal committees. They can be set up for a group of procuring entities, for different SMPs or different geographical areas as needed. Each of these committees will consist of no less than three members, including the chairperson who will be a retired high court judge. These committees will, within a maximum of 45 days of receipt of redressal application (from an aggrieved bidder or prospective bidder whose grievance was not addressed by the procuring entity in 40 days or was dissatisfied by the decision of the entity), make recommendations on the action to be taken by the procuring entity or applicant or both.

However, grievances cannot relate to the following:

- Determination for the need of procurement as per provisions of the Act
- Provisions limiting participation of bidders in the procurement process as per the Act
- Decision to enter into negotiations in single source procurement as per the Act
- Cancellation of a procurement process in accordance with provisions of the Act
- Applicability of provisions on confidentiality in the Act

Professionalisation: The bill paves the way for the introduction of professional standards to be achieved by officials dealing with procurement matters under the Act and specification of suitable training and certification requirements.

Offences and penalties: The punishment for taking gratification or valuable thing in respect of public procurement will consist of imprisonment anywhere between six months to five years, accompanied with suitable fine. The punishment for interfering with the procurement process which would include actions intended at gaining undue advantage/ causing undue disadvantage or through lobbying or bid rigging or by breaching confidentiality or influencing any official, would be imprisonment upto five years and a fine upto ten percent of the assessed value of procurement. Vexatious complaints, offences by companies and abetment of offences are also dealt with great severity. Under circumstances including commission of offences against IPC or any other law, bidders and successors may be debarred from procurement activities for upto three years and in case of offence against provisions of the Act, for upto two years. The bill also mandates prior sanction of competent authority or government itself for the prosecution of any public servant.

The pros and cons

In recent times, a global realisation of the importance of an efficient public procurement system has set in e.g. the UNCITRAL Model Law on Public Procurement adopted in July 2011, the OECD Principles for Integrity in Public Procurement (2009) or the ongoing Common Market for Eastern and Southern Africa (COMESA) Public Procurement Reforms. In addition, almost all major countries of the world have well-codified legal provisions governing their public procurement systems. This owes to the fact that public procurement is nothing but the spending of taxpayers' money, for the procurement of goods or services meant for his or her betterment, by a government elected for this very purpose. In most countries, especially in India, this is reinforced by public procurement's soaring share in the country's GDP which makes it a powerful tool in the hands of the government for socio-economic reforms.

In this light, the initiative shown by the government in drafting of the bill and its tabling in Parliament is a welcome and much awaited move. The creation of a public procurement portal for ensuring transparency in the procurement process will solve issues related to an otherwise old system with weaknesses. The requirement for specification of expected time limit for the procurement process will help define proper timeframes from the call for bids to the award of contract. The bill defines quite well what will be deemed as a breach of the code of integrity and specifies strict penalties for acceptance of bribes, interference with fair process (including offering of bribe) as well as for abetment of such offences. Time bound grievance redressal through independent PRCs headed by retired high court judges is another welcome provision, which is expected to establish confidence among bidders. Finally, the provision for prescription of professional standards to be achieved by officials dealing with procurement matters, including training and certification requirements is expected to improve the efficiency of procuring entities themselves, and the public procurement system.

There are however, a few areas that may need further consideration. These include, liberty to procuring entities to apply and thus, the option to leave out one or more of important criteria for qualification of bidders; guidelines on appropriate and balanced use of national vs. international competitive bidding; encouraging the requirement of standards amongst preferred category bidders; mandating the communication of PRC recommendations to the aggrieved or on the public domain; incentivising efficiency improvements to complement various penalties defined for punishing non-performance by contractors; and the coverage of aspects beyond award of contract like termination due to breach or default, modification of contract, update or change in scope, dispute settlement, force majeure etc., all of which form important components of any procurement lifecycle.

Conclusion

The Public Procurement Bill, 2012 is highly appreciated for attempting to provide an overarching legislation to govern central public procurement by replacing a scattered framework made up of a multiplicity of rules and laws. There are a number of novel ideas presented in the bill such as the public procurement portal and independent PRCs for grievance redressal, which will strengthen and infuse transparency and efficiency into the public procurement system. Though there are some aspects which may require further consideration, the nation's first overarching law on public procurement is certainly expected to improve the efficiency and integrity associated with one of the biggest economic activities in the nation.

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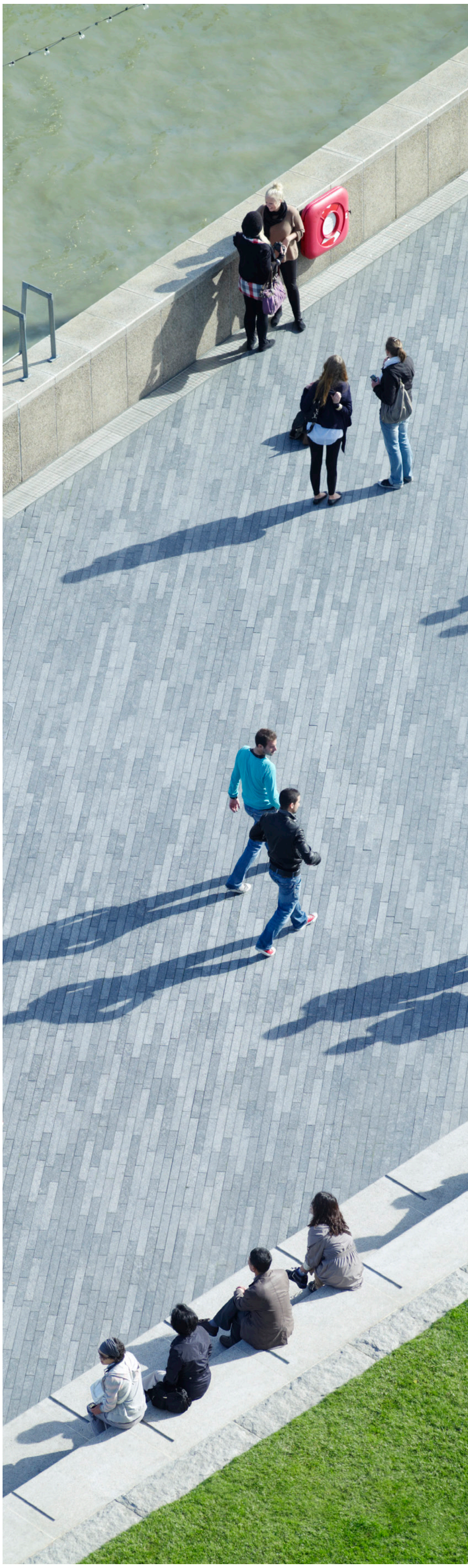

Round the corner

News bytes

Planning Commission to partner with state government's planning boards to collectively improve the nation's process of planning in the 12th Plan

The Planning Commission held a meeting with the various Vice Chairman of state planning boards and planning secretaries to exchange views on the key issues facing the centre or the states in the 12th Plan. In the past, states have been consulted during annual plan discussions with chief ministers, and National Development Council. This was the first time that a consultation was being held with the various vice chairman of planning boards and planning secretaries of states.

The meeting was convened as part of the Planning Commission's efforts at broader outreach in preparing the 12th Plan and to exchange views on critical policy issues and to share best practices.MS Ahluwalia, Deputy Chairman, Planning Commission expressed concern over the various sector-specific success stories in many parts of the country which were not being sufficiently acknowledged or replicated. He further expressed the need for restructuring of the planning processes and methods of funding, to encourage experimentation and innovation and to reward success. He emphasised that planners need to look beyond single or best case prediction and incorporate better methodologies such as scenario planning. This was followed by presentations on the different scenarios that the country might experience, overview of major issues likely to be faced in the 12th Plan and examples of how several states have improved their planning process. The last session focussed on specific ways in which the Commission and states could work together to more effectively address the challenges of the 12th Plan.

Source: Planning Commission, Govt. of India-July 6, 2012 (http://www.planningcommission.gov.in/news/twelfth_060712.pdf)

International conference on financial deepening, macro-stability and growth in developing countries

The International Monetary Fund, jointly with the World Bank, the Consortium for Financial Systems and Poverty, and the UK Department for International Development held a conference, 'Financial Deepening, Macro-Stability and Growth' at the IMF Headquarters in Washington DC on 24 September 2012. The conference was intended to provide a forum for discussing research on financial deepening issues in emerging market and low-income countries and to facilitate the exchange of views among researchers and policymakers.

Source: International Monetary Fund – Seminars, September 24, 2012 (http://www.imf.org/external/np/seminars/eng/2012/spr/index.htm)

Report of the committee on the roadmap for fiscal consolidation

The Committee on Roadmap for Fiscal Consolidation (headed by Vijay Kelkar) was mandated by the Finance Minister to give a report outlining a roadmap for fiscal consolidation in a medium-term framework in pursuit of the FRBM Act and related targets. The report, now put out for public comments, warns that India is on the edge of a fiscal precipice. The report gives an idea of how far India is from meeting the more recent fiscal targets, with the anticipated fiscal deficit of 4.6% of GDP in 2013-14 and a revenue deficit of 2.8% of GDP. Some of the measures recommended by the Committee, to be undertaken by the government in the medium-term include raising the tax-to-GDP ratio, policy measures for pruning expenditure on subsidies and other items of expenditure, rightsizing the size of plan support, and steps for increasing disinvestment proceeds.

Source: Economic Times Bureau - Sep 29, 2012 (http://www.finmin.nic.in/reports/Kelkar_Committee_Report.pdf)

Paper releases

Fiscal rules in response to the crisis – Toward the "next generation" rules

Strengthening fiscal frameworks, in particular fiscal rules, has emerged as a key response to the fiscal legacy of the 2008 financial and economic crisis. This paper takes stock of fiscal rules in use around the world, compiles a dataset of national and supranational fiscal rules in 81 countries from 1985 to end March 2012 and presents details of the key design elements of these rules, particularly with respect to their enforcement. The following three key findings emerge from this study:

- Many new fiscal rules have been adopted and existing ones strengthened in response to the 2008 financial and economic crisis.
- The number of fiscal rules and the comprehensiveness of the design features in emerging economies have caught up to those in advanced economies.
- The 'next-generation' fiscal rules are increasingly complex since they combine the objectives of sustainability along with the need for flexibility in response to shocks, thereby creating new challenges for implementation, communication and monitoring.

Source: International Monetary Fund – Working Paper, July 2012, Authors – Andrea Schaechter, Tidiane Kinda, Nina Budina and Anke Weber (www.imf.org/external/pubs/ft/wp/2012/wp12187.pdf)

Co-ordinating healthcare and pension policies

Rapid ageing of the population globally represents an unprecedented historical trend. As pension and healthcare costs are positively correlated with rising incomes, ageing, urbanisation, and a shift from communicable to lifestyle diseases, managing these costs is a major challenge. There are many linkages between healthcare and pension arrangements in terms of costs, exposure to risks, and as they jointly impact on crucial policy decisions. This paper discusses the rationale for co-ordination between various programmes to better manage the cost of ageing, and the different types of possible collaboration between expenditure on healthcare and pensions. The current difficult macroeconomic environment, including fiscal stringency conditions, strengthens the case for such co-ordination. The paper also provides a broad overview of existing coordination mechanisms in selected Asian countries such as Philippines, Vietnam, Singapore, Malaysia, Thailand and India.

Source: ADBI Working Paper Series, August 2012, Author – Azad Singh Bali and Mukul G. Asher (http://www.adbi.org/files/2012.08.16.wp374.coordinating.healthcare.pension.policies.pdf)

Education attainment in public administration around the world

The paper provides a detailed description of a novel dataset on education attainment in public administrations covering the period 1981-2011 for 178 countries (including India). The dataset uses information extracted from CVs for over 130,000 mid to senior level officials from mainly central banks and ministries of economy and finance. The main finding is that there is little heterogeneity across regions when considering a non-quality adjusted measure of education attainment in public administrations. Adjusting our measure for quality, using a country-wide academic ranking, reveals important cross-regional heterogeneity differing from that of standard measures of education attainment for the general population. The dataset also allows us to uncover important patterns in public administrations' education attainment along gender and seniority across regions. We further use the dataset to explore a few applications which provide some evidence of the importance of salary incentives in attracting highly educated staff and a positive association between education attainment in public administrations and government effectiveness (e.g., higher tax revenue mobilisation, limiting corruption, better public finance management and private market support).

Source: IMF Working Paper No. 12/231, Authors: Rabah Arezki; Herbert Lui; Marc Quintyn; Frederik Toscani, Sep 21, 2012 (http://www.imf.org/external/pubs/cat/longres.aspx?sk=40006.0)

Algebra of Fiscal Transparency: How Accounting Devices Work and How to Reveal Them

Accounting devices that artificially reduce the measured fiscal deficit can be analysed as transactions involving unrecognised assets and liabilities. Different accounting systems recognise different sets of assets and liabilities and are thus vulnerable to different sets of devices. Some devices can be revealed by moving progressively from cash accounting to modified accrual accounting to full accrual accounting. Revealing all would require the publication of extended fiscal accounts in which all future cash flows give rise to assets or liabilities.

Source: IMF Working Paper No. 12/228, Author: Timothy C. Irwin (http://www.imf.org/external/pubs/cat/longres.aspx?sk=26263.0)

MTEFs and fiscal performance

In the last two decades more than 120 countries have adopted a version of a medium-term expenditure framework (MTEF). These are budget institutions whose rationale it is to enable the central government to make credible multi-year fiscal commitments. This paper analyses a newly-collected dataset of worldwide MTEF adoptions during 1990–2008. It exploits within country variation in MTEF adoption in a dynamic panel framework to estimate their impacts. The analysis finds that MTEFs strongly improve fiscal discipline, with more advanced MTEF phases having a larger impact. Higher phase MTEFs also improve allocative efficiency. Only top-phase MTEFs have a significantly positive effect on technical efficiency.

Source: World Bank Policy Research Working Paper 6186, Authors: Francesco Grigoli, Zachary Mills, Marijn Verhoeven, Razvan Vlaicu, Sep 2012

(http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166322&entityID=000158349_20120904090140)

Potpourri

Moving up on the radar of development

To provide special support to its most vulnerable members, the United Nations General Assembly created the category of 'Least Developed Country (LDC)' in 1971 to cover all those low-income economies that face severe structural impediments to growth and for whom specific support measures such as trade preferences, development financing including official development assistance, debt relief, technical assistance and other forms of support are devised. Since then, fifty countries have been categorised as LDCs, but only three have ever graduated to middle income status- namely Botswana, Cape Verde, and Maldives.

The Committee for Development Policy (CDP), a subsidiary body of UN Economic and Social Council defined the criteria to identify LDCs which have been revised over the years. The criteria introduced by the CDP in March 2011 are as follows:

- **Low-income criterion, based on a three-year average estimate of gross national income (GNI) per capita.** An average income of less than USD 905 per person, per year is considered for inclusion, and above USD 1086 for graduation.
- **Human Asset Index (HAI)** as captured by indicators of percentage of undernourished population, less than five mortality rate, gross secondary enrolment ratio, and adult literacy rate.
- **Economic Vulnerability Index (EVI)** as measured by indicators of population size, remoteness, merchandise export concentration, share of agriculture, forestry, fisheries in the GDP, share of population in low elevated costal zones and victims of natural disasters.

To become eligible for graduation, a country must reach threshold levels on at least two of the three criteria, or its GNI per capita must exceed at least twice the threshold level. Also, the likelihood that the level of GNI per capita is sustainable must be deemed high. To be recommended for graduation, a country must be found eligible at two successive triennial reviews by the CDP.

Maldives is the latest country to graduate from LDC status after Botswana and Cape Verde. On 1 January 2011, Maldives officially graduated from LDC to middle income country status in recognition of the country's sound socio-economic development over the past two decades. The upgradation process for Maldives started in 2004 when Maldives was removed from the list of LDCs and was given a three year transition period after which it was supposed to be upgraded in 2007. However, following the devastation caused by the Indian Ocean tsunami (26 December 2004) the United Nations General Assembly decided to defer the commencement of the three year period preceding graduation to 1 January 2008, thus pushing the country's graduation to 1 January 2011.

Maldives moved to the middle income country status because it strongly fulfilled two criteria -HAI and GNI per capita which had progressed remarkably over time. The tourism sector of Maldives fuelled its economic progress over the past two decades as a result of which the gross national per capita income, estimated at USD 3,970 in 2009, increased over three times the graduation threshold.

The natural resource rich Botswana was the first country to graduate to the middle income country status on 19 December 1994. Botswana evolved from one of the ten LDCs at independence in 1966 to a middle income country because of its sustained economic growth, good governance and sound macroeconomic management. Cape Verde became the second country to achieve this feat on 20 December 2007. It met two of the three criteria for graduation–GNI per capita and HAI.

Graduation from the LDC category essentially means that the country has reached a level of development that it no longer requires LDC-specific support from the international agencies or community. However, it remains a topic of debate that how much developmental assistance these LDCs need considering their economic vulnerability status. An improved understanding of available LDC- specific support measures can facilitate the preparation of a smooth transition strategy for any country.

PwC updates

Our work

Institutional strengthening for economic management, Government of Maldives

On 1 January 2011, Maldives graduated from a LDC to a middle income country on the strength of its strong socio-economic development in recent years. Its progressive performance has, however, been undermined by certain structural weaknesses in its economic growth and due to the global economic crisis. The government of Maldives (GoM) embarked on a series of reforms to arrest its deteriorating fiscal position. Among these, it agreed to adopt the economic reform measures under the Asian Development Bank (ADB) supported 'Institutional Strengthening for Economic Management' project. Under this Project, PwC has been appointed as consultants to provide technical assistance to Ministry of Finance and Treasury (MOFT), GoM for improving public financial management systems.

We are currently assisting MOFT in achieving the following specific outcomes:

- Improve fiscal discipline and predictability
- Enhance value of the budget as a policy tool
- Synchronise the budget preparation process with available resources
- Rationlise expenditure
- Better monitoring and management of internal and external debt

The project execution has been spread across the following four modules:

- *Preparation of a medium-term fiscal framework* and a national level medium-term expenditure framework targeted at ensuring that multi-year implications of expenditure policy decisions are aligned with the availability of resources in the medium-term perspective.
- *Support for implementation of reforms in budget preparation* which includes introduction of program budgeting, improving format and content of the annual budget circular, designing structure of intra-year expenditure reporting systems and devising criteria for evaluation of proposals for public investment projects.
- *Review and gaps analysis of sector budgets* involving sectoral public expenditure reviews of health and education and aiding identified line ministries in the transition to program budgeting.
- *Improvement in debt management* through preparation of debt strategies, conducting debt sustainability analysis and reviewing and identifying changes in the organisational structure of the division handling national debt.
- *Capacity building* of ministry officials involved in the related activities is an intrinsic component of all these modules.

Our people

Dr. Manoranjan Pattanayak

Designation: Manager, Public Sector & Governance, GRID

Age: 36 Years

Professional Experience: More than 10 years

Worked in: India, Maldives, Bhutan

Manoranjan is a Manager with the Public Sector and Governance team of the Government Reforms and Infrastructure Development (GRID) of PwC India. He holds a Ph.D degree in economics and has extensive experience in providing advisory services in the domains of macroeconomics, public financial management and market strategies to government and private sector clients in India and abroad. Prior to joining PwC, he worked for a global IT major as a professional forecaster for the North American region, and then served as a Senior Economist (Assistant Vice President) for a financial sector firm. He has also provided professional services to several state governments on public finance issues and to private companies on demand analysis and macro-micro linkages. At PwC, he is involved in projects including analysis of macroeconomic issues, public financial management, finances of local bodies, revenue administration, preparation of medium-term fiscal framework, medium-term expenditure framework, public expenditure tracking surveys, willingness to pay analysis, VAT analysis, subsidy studies, assessments of fiduciary risks in government schemes, programmes, departments, and access to finance.

His experience includes working with development agencies including the Asian Development Bank (ADB), Department for International Development (DfID), International Finance Corporation (IFC), etc. Manoranjan has been a part of several DFID funded Fiduciary Risk Assessments (FRA) e.g. GoI's flagship schemes of Sarva Shiksha Abhiyan (universalisation of elementary education) and Mahila Samakshya Programme (education for women's equality), Odisha Health Sector Plan, FRA of Department of Women and Child Development, Odisha. He has helped the Maldives government in the preparation of a Medium Term Fiscal Plan under an ADB funded project. He also helped in developing appropriate forecasting methods for several fiscal variables. He is currently managing an urban development project in the Indian state of Himachal Pradesh wherein the focus is to improve municipal services in urban local bodies through an innovative funding approach.

Manoranjan has published several research papers in reputed national and international journals and Indian business dailies. He has presented papers in several national and international conferences and been awarded the 'Best Research Paper' in the International Conference on Business and Finance held at Hyderabad (2006).

About us

The public sector and governance practice of the Government Reforms and Infrastructure Development (GRID) SBU of PwC in India has been working closely with clients in the public sector and at all levels of the government as well as key donors such as DfID, JBIC, World Bank and ADB.

A large team of full-time dedicated professionals and associates provides services in public expenditure management, revenue administration, budgetary policy development, financial restructuring, performance improvement, institutional strengthening and capacity-building, accounting and financial management systems and human resource development.

PwC has been providing advisory services to governments, multilateral and private sector clients in the area of public finance. The work has broadly included budget reform, revenue augmentation strategies, automation or computerisation and debt management. Most of these projects has included training and capacity-building of government counterparts working with the public finance team on specific modules. In addition, the team has gained traction in the public expenditure and financial accountability (PEFA)/fiduciary risk assessment (FRA) areas with assignments across South Asia.

FRA visit to one of the anganwadi centres in Kandhamal district of Orissa supported under the Integrated Child Development Scheme.

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