

**FISCAL POLICY ANALYSIS CELL AND FISCAL POLICY INSTITUTE  
FINANCE DEPARTMENT**

**ANNUAL REPORT OF FISCAL POLICY ANALYSIS CELL (FPAC) AND FISCAL  
POLICY INSTITUTE (FPI) FOR THE YEAR 2010-11**

**Introduction:**

With an objective to provide continuity and a focus to the Fiscal Reforms Programme, the Finance Minister in his speech for the year 2005-06, proposed formation of a Fiscal Policy Analysis Cell (FPAC). The Cell is expected to act as the “Analytical brain” providing inputs and analytical support for the ongoing fiscal reforms programme. Creating such a Cell has been suggested in the Inception Report of USAID / India REFORM Project (2003-08) and FPAC was expected to be a focal point for implementing the said Project. Accordingly, the Fiscal Policy Analysis Cell was created vide G.O. No.FD 52 BGL 2005, dated 10<sup>th</sup> June, 2005. To begin with, the Cell was supposed to have the five functional units:

- 1) Tax Policy Analysis and Resource Forecasting
- 2) Expenditure Planning, Analysis and Project Evaluation
- 3) Debt Management
- 4) Fiscal Decentralisation
- 5) Information Systems Support

Eighteen posts that were vacant as on the date of the Govt. Order in the State Accounts Department were converted into scale less posts and transferred to the Cell.

**Fiscal Policy Institute (FPI):**

Similarly, vide Govt. Order No.FD 33 GIE 06, dated 8<sup>th</sup> January 2007, FPI was created with the following objectives:

- 1) To provide structured training and research programmes for Government Officers / Officials on various aspects of financial planning, administration and management.
- 2) To provide the necessary physical infrastructure and managerial resources to facilitate such training and research on an ongoing basis.
- 3) To develop best practices in governance in the areas of Fiscal Finance, and
- 4) To take up specialized research and studies of immediate advantage to the State.

Unlike a conventional training or research institute, the intrinsic objective of FPI is to provide integrated solutions to problems, including designing, implementing, monitoring and evaluating the solutions through training and research. The Institute functions as a Directorate under the administrative control of the Finance Department. Vide Govt. Order No.FD 33 GIE 2006 (ii), dated 29<sup>th</sup> January, 2007, fifty-one (51) posts were created for the Institute of which 15 are faculty positions. To oversee and guide in the functioning of the Institute, a Governing Council, under the Chairmanship of Principal Secretary, Finance Department, has been created. Besides, Secretary (Budget & Resources), Commissioner Commercial Taxes, Commissioner Excise, the Principal Secretary

Revenue, Secretary Department of Personnel and Administrative Reforms (DPAR), Director General, Administrative Training Institute(ATI) are some other members of the GC. The Director, FPI, is also Head FPAC. Presently a senior Indian Economic Service officer is heading FPI.

### **Vision**

To enhance quality of human capital engaged in public service delivery, the outcome of which enhances their efficiency, promotes a habit of adherence to macro-prudential fiscal norms and ensures value for money to citizens.

### **Mission**

The mission of FPI is 'to position itself as the first point of reference' for consultancy and handholding by all the government sector administrative units by imbining the sense of fiscal responsibility by infusing matching practices, and by providing its services at reasonable and affordable costs to users within and outside government system.

### **Scope of Activities**

The activities and services from FPAC/FPI would imbibe the seventeen principles of fiscal management under the provisions of Sec 4 of the Karnataka Fiscal Responsibilities Act, 2002. FPI deals with four core areas viz. -

- 1) Customized training and continuous handholding for those trained.
- 2) Consultancy, research in conventional areas as also emerging and challenging areas like Public Private Partnerships (PPPs), Goods and Services Tax (GST) and environmental economics, health economics etc.
- 3) Data-base management including helping departments in creating and managing data bank, and
- 4) Advocacy and outreach relating to fiscal management principles and responsibility.

### **Activities during the year 2010-2011**

#### **1. Infrastructure – Civil works**

FPI campus is being developed at Kengeri on Bangalore-Mysore Road 5.12 acre plot. The building work is in progress. The contract of works at an estimated cost of Rs. 1803.18 lakhs was awarded in October 2007 by PWD who are executing the Project. For interior works, including furniture, landscaping, kitchen equipments, fire-fighting systems, fittings, fixtures and electrical fittings, additional grants have been requested for by PWD.

The infrastructure, so being developed consists of seven buildings, including both learning and residential facilities. The learning facilities include; seven lecture rooms with capacity to accommodate 30 person per room in clusters, two conference rooms to accommodate 40 persons, a studio for e-learning and video conferencing, a Board room with a capacity of 80 persons, 15 faculty rooms, an auditorium with 170 seating capacity, and a library and a computer lab that can accommodate about 80 desk top computers. All the faculty and resident scholars are being provided with LAN facility. FPI is being connected to KSWAN. A proposal for Rs. 15 crore, Additional Central Assistance from Planning Commission has also been made.

Presently, both the FPAC and FPI are housed in 8 and 9<sup>th</sup> floor, of the MSIL House, Cunningham Road, Bangalore-560 052 on monthly rental basis. The new premises are under construction at Kengeri. The Institute is likely to be functional from its Campus from the beginning of the next financial year.

## **2. Human Resources.**

### **FPAC and FPI Faculty Staff position**

Since the establishment of FPI is yet to be positioned, the FPAC establishment is supporting FPI and also Expenditure Reforms Commission. The present strength of officers on the rolls of FPAC is eight, designated as special officers. These officers are on deputation from Department of Education, Statistics and Treasury. Of them, three are working in Administration and Accounts of FPAC, and three are working in Finance Department, two are coordinating the research and training activities of FPI/FPAC. Ten personal assistants and other supporting personnel are outsourced. Eight of these assistants are working at FPAC and two are deputed to Finance Department. Besides, ten outsourced data entry operators, who are on the rolls of FPAC, are on deputation to Finance Department.

Presently, FPI has strength of two officers on deputations from Departments Commercial Taxes and State Accounts. However, when the full strength is in position the faculty of FPI would be balanced. They are being drawn from Central Government organized services, state government departments, academic institutions and public sector undertaking Recruitment process is on. A Research Officer, and an Assistant Controller Accounts, are on the staff strength of FPI since September 2010. They are on deputation from other departments. Two qualified management consultants have also been appointed since June 2010, of which one was relieved on 17.9.10. A senior officer from IA&AS, who has taken voluntary retirement has been engaged as a consultant and designated as Advisor since September 2010.

## **3. Research and other Technical work:**

The Research and Technical work currently focuses on issues relating to Public Expenditure Management, which are as below:

- i. Gender Budget Cell (established in FPAC in 2005) supports Finance Department in preparation of Gender Budget Document and also to guide Women and Child Development Department in monitoring performance of various schemes meant for women. Inputs were given into Budget Circular 2011-12 seeking inputs from various line departments to assess the performance of schemes from gender perspective.
- ii. Expenditure Reforms Commission (ERC) functions from the FPAC premises and receives logistic and research support from FPI.
- iii. Inputs were given to Planning Department for revision of Karnataka Economic Survey.
- iv. Fifteen select departments are being supported in evolving Results Frame Work Document (RFD) for respective departments as used in Government of India. RFD is a tool to assess annual performance of the Departments in relation to the resources used and results achieved.

- v. 'Key to Budget Documents (KBD)' was prepared, which was presented to the Legislature. The KBD introduces all the documents presented along with annual budget.
- vi. The Annual Report Format to be used by all departments from the year 2010-11, has been standardised and guidelines are issued.
- vii. Inputs are being given to Planning Department for evolving Manual for preparing District Human Development Reports.
- viii. A draft policy note for Evaluation and Monitoring of schemes has been given to Department of Planning and Statistics in the context of streamlining evaluation policy and practices in the State Government.
- ix. A quick assessment to study problems in the use of MPIC is in progress, results of which would be useful to Planning and Finance Departments in strengthening the performance monitoring system.
- x. Review of Karnataka Financial Code (KFC) and Manual of Contingent Expenditure (MCE) is in progress for Finance Department.
- xi. Training Modules for training programme to officers of Commercial Tax Department are being prepared.
- xii. Two summer interns from IIM Lucknow were appointed for a period of two months (April – May 2010). They worked on Training needs in Government Departments and Challenges in Migration to Goods and Services Tax (GST).
- xiii. To encourage research by young scholars, the intake of interns from two to ten. As a result, five LLM students of National Law School of India University, Bangalore have joined FPI at the end of January, 2011. They are working on research studies relating to Gender Budgeting, Right to Education, Karnataka Transparency in Public Procurement Act and Land Acquisition. For the ERC research work, two researchers have been engaged to support ERC.

#### **4. Training**

Training could not be taken up on a large scale due to infrastructure constraints. Presently, the training programmes are undertaken on a limited scale. The range of issues handled at Research and Training will be enlarged as infrastructure expands and faculty joins. During the year the following programmes have been conducted.

- i. A two-day need based training programme, for Internal Financial Advisers (IFAs) of all the Secretariat Departments has been conducted.
- ii. A session on 'Application of Information Technology in Monthly Programme Implementation Calendar (MPIC)' at ATI Mysore was conducted, in a Management Development Programme (MDP) for Public Works Department engineers from field offices.
- iii. A session on 'Use of IT in MPIC' was conducted for engineers of local urban bodies in the training programme organized by The State Institute for Urban Development (SIUD), Mysore.
- iv. A pilot programme in monitoring schemes in the Gender Budget document using MPIC for categorization of schemes as A/B/C was conducted in collaboration with the Women and Child Development Department.

- v. A workshop/meeting was held on revision of Karnataka Economic Survey for Planning Department.
- vi. A brain storming Session for the officers of the Commercial Taxes Department was held to identify research and training needs in order to evolve suitable modules.
- vii. Series of workshops were conducted to familiarise the officers of 11 departments on the preparation of Results Framework Document (RFD).

## **5. Reports prepared, Tools developed and Lectures delivered**

### **(i) Reports**

- (a) Migration to GST: Preparedness and level of Knowledge, Understanding, Application and Skills of Human Resources in the Government and the Industry.
- (b) Training Needs Assessment (TNA) in Selected Departments (eleven) of Government of Karnataka with focus on management of finances.
- (c) Report on establishing an efficient and user-friendly library at FPI as an exclusive knowledge Centre on the basis of experience from eleven major libraries located in Bangalore.
- (d) Restructuring of State Level Public Sector Sick Companies in Karnataka.
- (e) “Introduction to Budget”, a budget manual for use upto the Taluk level in the Dept. of Public Instruction.
- (f) FAQs on Result Framework Document (RFD).

Of the above reports, (a) to (d) were done through summer interns.

### **(ii) Lectures given and Workshops attended by officers of FPI and FPAC**

- (a) Director FPI has delivered eight lectures on topics like demystifying India Budget process, Governance and Value for Money for officers or scholars at Indian Space Research Organisation, Indian Institute of Management Lucknow, NLSIU, Trainers Workshop organised by Department of Personnel and Training Government of India at Shillong, Office of the C&AG, New Delhi and their Regional Training College, Bangalore, and on enhancing the effectiveness of outcome budget organised by Institute of Public Auditors of India, Bangalore Chapter. He had also attended at Open Budget seminar as a panelist at Delhi on the eve of Releasing Open Budget Index.
- (b) Special officer and Co-ordinator, Gender Budget Cell, has been invited as Resource person at workshops / seminars conducted in Andhra Pradesh, Lal Bahadur Shastri National Academy of Administration (LBSNAA) Mussorie and Women and Child Development Department (WCD) Karnataka, a State level Gender Budget workshop in collaboration with Ministry of Women and Child Development, National Institute of Public Cooperation and Child Development (NIPCCD) New Delhi and WCD has been conducted.
- (c) Special Officer and Consultant have attended Training of Trainers programme on Gender Budgeting organised by Ministry of Women and Child Development held at Indian Institute of Public Administration, New Delhi.
- (d) Research Officer has delivered a lecture on “GST – The Latest Developments” at Social Science Forum, National College, Bangalore.

## 6. Administration

Three teams from C&AG office have visited FPAC. Of these, one had visited for financial regularity audit and two teams visited for performance audit relating to (i) activities of Gender Budget Cell since inception and (ii) scrutiny of Reports generated by FPAC since inception. Inputs are being provided to these teams.

## 7. Finances

There are three budget lines for activities to be under taken by FPAC, FPI and in support of ERC and for Programme Performance Budgeting and Evaluation. The following table indicates the budget of FPAC/FPI during the last three years.

(Rs. In lakhs)

Budget Head	2008-09			2009-10			2010-11		
	Budget Estimate	Revised Estimate	Accounts	Budget Estimate	Revised Estimate	Expenditure	Budget Estimate	Revised Estimate	Expenditure (upto 31/12/2010)
2054-00-098-0-02 (FPAC)	503.34	503.34	143.98	503.00	503.00	177.90	500.00	500.00	148.26
2052-00-090-0-12 (FPI)	50.00	50.00	nil	50.00	50.00	nil	50.00	50.00	nil
2052-00-090-0-21 (PPB)	nil	nil	nil	170.00	70.00	nil	200.00	200.00	nil

All the above are Plan Expenditures. The expenditure relating to Expenditure Reforms Commission, FPI and PPB are also met out of FPAC Budget as separate establishment is yet to be positioned for FPI. The Expenditure relating to Civil Works of FPI building is being met with by PWD.

-----