

**FISCAL POLICY INSTITUTE (FPI) AND
FISCAL POLICY ANALYSIS CELL (FPAC)**

ANNUAL REPORT FOR THE YEAR 2011-12

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1. Introduction to FPI & FPAC

(i) Fiscal Policy Institute (FPI)

The Fiscal Policy Institute was created vide G.O. No. FD 33 GIE 2006 Bangalore Dated 8th January 2007

Vision

To enhance quality of human capital engaged in public financial management, the outcome of which enhances their efficiency, promotes a habit of adherence to 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 imbibing the sense of fiscal responsibility, by infusing matching practices and by providing its services at reasonable and affordable cost to users within and outside the government system.

Objectives

FPI was created, inter alia, with the following objectives

- (i) To provide customized training to Government and Public Sector officers and relevant research output on various aspects of financial planning, programme implementation, public expenditure and asset management with focus on fiscal prudence.
- (ii) To take up specialized research and studies of immediate and long-term relevance to Government and Public Sector entities on demand and suo-motto.
- (iii) To produce easy access to use reference manuals, templates, tools and standards for policy analysis, investment appraisal, risk assessment and, performance monitoring methods and institutionalize the same.
- (iv) To capture, document and disseminate next best practices relating to good economic governance across the government operations and to help the department in ensuring value for money spent.
- (v) To provide and manage the necessary physical infrastructure and managerial resources efficiently to facilitate such training and research on an on-going basis.

Unlike a conventional training or research institute, the intrinsic objective of FPI is to provide integrated solutions to problems, including the design, implementation, monitoring and evaluation. The Institute functions as a Directorate under the administrative control of the Finance Department. FPI's activities as a training enterprise would be delivered through five Centres:

- (i) Public Resource Management
- (ii) Public Expenditure Management and Economics
- (iii) Financial Accountability and Decentralization
- (iv) Technology, Information System and Statistics, and

(v) Project Management

Scope of Activities

The activities and services of FPAC and FPI are expected to imbibe the spirit of 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. -

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

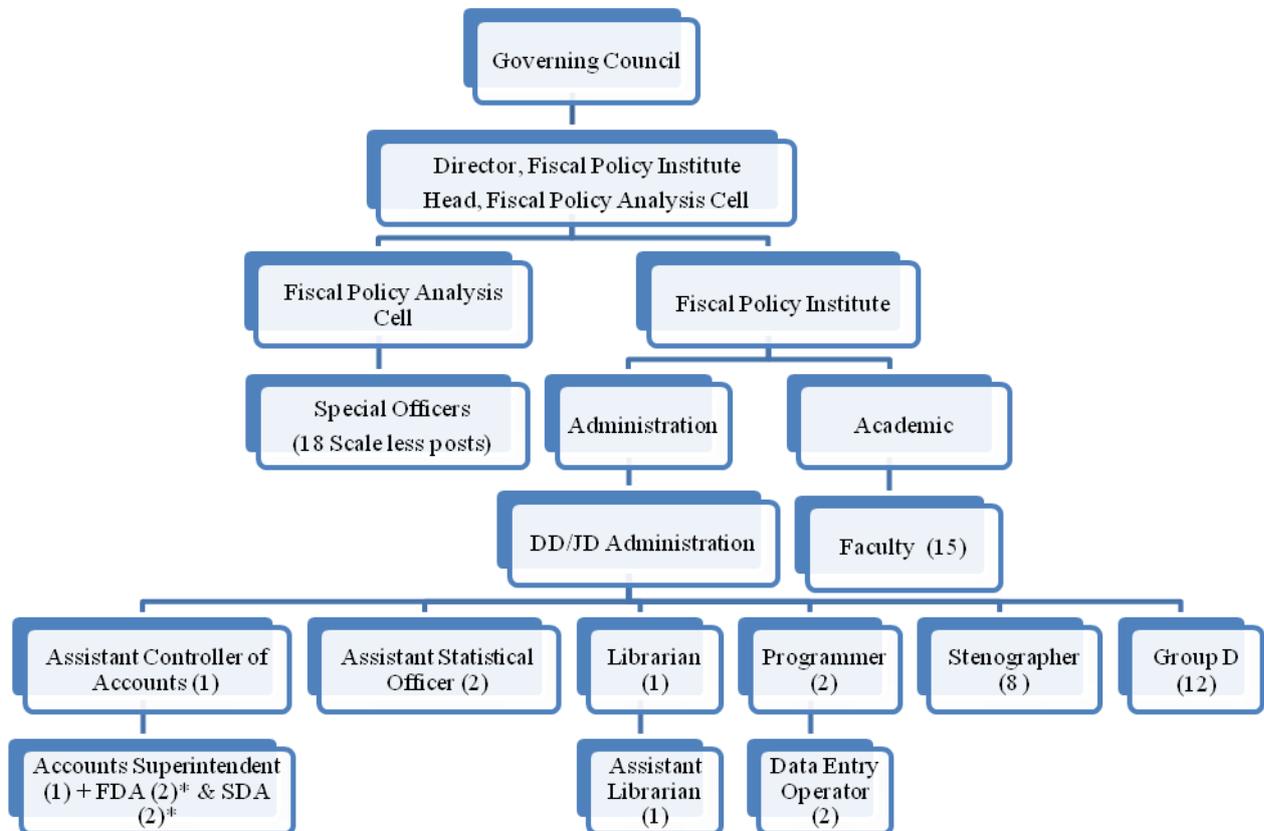
To oversee the functioning of the Institute and to guide the Director, a Governing Council, under the Chairmanship of Principal Secretary, Finance Department has been created. Besides, Secretary, Economic Advisory Council to the PM, Principal Secretary Department of Personnel and Administrative Reforms, Principal Secretary Planning, Principal Secretary Revenue, Principal Secretary Finance (Budget & Resources), Commissioner Commercial Taxes, Commissioner Excise and Director General, Administrative Training Institute (ATI) are the other members of the GC. There are fifteen faculty positions at FPI of which five each have been slotted for technically qualified officers from Government of India, Government of Karnataka and other Public Sector undertakings and academic and research institutions. Their qualifications are specified in G.O. No. FD 16 SaViYo 2011, Bangalore Dated: 17-05-2011. During the year, three positions have been filled up with two officers from Government of India and one from the Government of Karnataka.

(ii) Fiscal Policy Analysis Cell (FPAC)

The Fiscal Policy Analysis Cell was created vide G.O. No. FD 52 BGL 2005 Bangalore Dated 10th June, 2005. This Cell was created in support of USAID Assisted State Fiscal Reforms Project which was implemented from 2004-08 with five functional units:

- (i) Tax Policy Analysis and Resource Forecasting
- (ii) Expenditure Planning, Analysis and Project Evaluation
- (iii) Debt Management
- (iv) Fiscal Decentralisation
- (v) Information Systems Support

2. Organogram of FPI & FPAC



Note: FDA(2)* & SDA (2)*¹

Out of fifteen faculty positions, only three are filled (Two officers from Central Government and One from State Government). Similarly, one First Division Assistant (FDA) Accounts and one Second Division Assistant (SDA) Accounts positions are filled. One officer from Commercial Tax Department has been posted against Faculty post at FPI before the Search & Selection Committee was constituted and designated as Research Officer (FPI). He holds the additional charge of Administration of FPI & FPAC. Remaining positions are yet to be filled. One consultant has been working as Research-cum-Technical Assistant for FPI since June 2011.

Out of 18 scale less posts at Fiscal Policy Analysis Cell, eight officers are in position and one officer has been deputed for accounts and billing from DP&AR. The eight officers are functioning in the areas of Admin (one), accounts (two), academic (two) and two positions are deputed to New Pension Scheme in Treasury Department. Remaining positions are vacant.

¹ One FDA and SDA each are for administration

3. Infrastructure of FPI – Civil Works

FPI campus spans an area of 5.2 acres and is located at Kengeri on the Bangalore-Mysore Road. The construction work is being carried out by Public Works Department. The infrastructure, so being developed, consists of seven buildings including both learning and residential facilities. The learning facilities include seven discussion rooms with capacity to accommodate 24-30 persons per room in clusters, two conference rooms to accommodate 40 persons each, a studio for e-learning and video conferencing, a Board room with a capacity of 80 persons, 15 faculty rooms, an auditorium with a seating capacity of 170 people and a library and a computer lab that can accommodate about 80 desktop computers. All the faculty and resident scholars will be provided with LAN facility. FPI will be connected to KSWAN. The officials of FPI and its faculty closely work with PWD in order to ensure that infrastructure being created suits the learning needs. Details of the progress of civil works are given below:

- a) **Interiors & Furniture:** The work is likely to be completed by July 2012.
- b) **Guest House, Hostel and Catering:** The Government Karnataka, vide Notification No.FD 581 Exp-12/11, dated 23-06-2011 has appointed the Indian Institute of Hotel Management (IIHM), a Govt. of India Society under the Ministry of Tourism, to act as a consultant for establishing kitchen, hostel and guest house facilities, furniture and interiors and also to train the catering and housekeeping staff, for a period of two years.
- c) **LAN and IT Support:** Centre for e-Governance (CeG), have been consulted to assist FPI in identifying the requirement of ICT infrastructure for management of the campus and to put in proper perspective the technical requirements. A 'concept note' for establishing FPI as an e-institute has been prepared. Assistance from the Planning Commission was also sought. The concept note indicated that state of the art technology would comprise of the hardware, networking and application software with proper security and backups. 'Request for Proposal' has been firmed up for appointing a consultant as suggested by CeG.

4. Intellectual Output (Workshops, Training Programmes and other Technical Work)

With the given small size of faculty, FPI has focused on Public Expenditure Management Initiatives of Government.

(i) Results Framework Document

The initiative which FPI is intensely involved in pertains to the Results Framework Document approved for implementation by the Cabinet in January 2012. FPI has played the role of an incubator for launching RFD in the State by providing technical support and training to officers from about 40 departments in the form of (i) evolving and disseminating guidelines inclusive of mandatory indicators, (ii) providing orientation through Workshops, (iii) preparing FAQs and techniques for preparing RFD, (iv) providing orientation to officials on the use of Results Framework Management Software (RFMS) for online data entry and (v) aligning RFD and budget preparations.

FPI's engagement with departments was aimed at capacity building with three phase implementation of RFD. Of the three phases, the support for the first two phases support was more intense.

- a) The first phase was preparation of RFD by the departments by suitably adopting guidelines originally issued by Cabinet Secretariat for RFD in Government of India. FPI had organized a two-day Workshop in the month of September for collaborative and competitive learning through group work.
- b) The Second phase was to validate the RFDs by Ad-hoc Task Force (ATF) members which consisted of seventeen eminent and veteran civil servants, academicians and persons of expertise in their field. The ATF members had interacted with each and every Principal Secretary/Secretary of respective departments in 40 parallel sessions held over two days in the month of November.
- c) The Third phase was to launch and implement RFD by DP&AR (AR). Following the Cabinet's decision, the RFD implementation now rests with the Planning Department. FPI would provide technical support from time to time.

(ii) **Analysis of GoK Departmental Websites**

About 80 Government Departments' websites were analysed and observations were shared with concerned Heads of Departments for further necessary action.

(iii) **Expenditure Reforms Commission (ERC)**

FPI has provided logistics and research support to ERC and assisted the Commission in drafting the Reports. Also, it supported in the winding up of Commission at the end of its term and the Reports and reference materials were handed over to FPI.

(iv) **Gender Budget Cell (GBC)**

The activities of Gender Budget Cell (GBC) include (i) Capacity Building & Sensitization, (ii) providing Policy Inputs and (iii) preparing the Gender Budget Document of the State.

A. Gender Budget Training/Workshop

- a) **GB Workshop at FPI:** An Orientation Workshop on Gender Budgeting conducted for the nodal officers of departments which are involved in GB and Karnataka Mahila Abhivruddhi Yojane (KMAY). The objective of the Workshop was to sensitize the participants to the need for Gender Budgeting, align GB with MPIC and other monitoring mechanisms in the departments and use the five step framework and checklist for programmes, projects and schemes.
- b) **GB Training by FPI Faculty:** The officers from FPAC/FPI have been invited by Ministry of Women and Child Development to be panellist and resource persons at Workshops held at LBSNAA, Mussorie, and at Chennai, Tamil Nadu, ATI Mysore and Women and Child Development Department in Bangalore.

B. Policy Inputs

The GBC has been working with Department of Women and Child Development and Department of Planning for effective use of MPIC in monitoring schemes shown in GB-KMAY document. The GBC has also been a part of the consulting team at Ministry of Women and Child Development, GoI, for way-forward for the National Mission for Empowerment of Women (NMEW) established on 8th April 2010. The

focus is on Gender Mainstreaming, Gender Budgeting and Gender Audit, issues in implementation and challenges.

C. Gender Budget Document

A GB circular has been issued by FD in 2011, with two objectives; (i) to validate the classification of schemes and (ii) to prepare a brief write-up on the performance of the schemes, to be published in the GB document. C&AG on their report on State Finance have made certain observations, which are being addressed to by seeking more inputs from *all line departments* through Finance Department

(v) The Karnataka Guarantee of Services to Citizens Act, 2011

FPI is providing technical support, co-ordination and need based training to departments and the helpline support personnel. The Act is being implemented through the web-based, online software developed by NIC on DP&AR website. At the instance of Department of Personnel & Administrative Reforms (DP&AR), FPI is co-coordinating with NIC along with IIMB and similar organisation. The departments and helpline support for making the web-based information for monitoring the flow of information to the key decision makers effectively.

(vi) Monthly Programme Implementation Calendar (MPIC)

A quick assessment of MPIC was done with Udupi, Dharward, Mangalore and Gulbarga as sample. The findings and recommendation to strengthen and stabilize MPIC were submitted in a meeting of senior officers under the Chairmanship of Chief Secretary. FPI participated in the follow-up meetings with Department of Planning, Programme Monitoring and Statistics to understand and integrate the findings of the assessment in the Decision Support System software.

5. Trainings/Workshops/Orientations

(i) Trainings/Workshops/Orientations

- a) Two training programmes have been held on “TDS and its applications” for District Treasury Officers in September and Drawing and Disbursing Officers of other Departments in October. This was organized at the instance of Income Tax Department. Direct Taxes Regional Training Institute, Bangalore had provided logistics and made resource persons available for the programme at their premises. More such programmes are planned to be conducted at District Levels.
- b) Orientation programme for the Commercial Tax Department officers visiting Duke University was held on 31st October, 2011 at Institute of Hotel Management.
- c) Orientation on MPIC was given to Department of Women and Child Development in the month of February 2012.

(ii) Preparation of Training Modules

- a) Brainstorming session for the officers of the Dept. of Stamps and Registration to identify training needs and to find out resource persons was held on 2nd May 2011 at FPI premises.

- b) Training Modules and Training Design for training officers of Commercial Tax Department and Stamps and Registration are under preparation.

(iii) Trainings/Workshops attended by Faculty, of FPI and FPAC

The Director, Faculty members and Special Officers had visited within and outside the State to give lectures on various subjects, namely Budget Demystification, Fiscal Challenges, VAT issues, Gender Budget and RTI. The institutes visited were National Academy for Customs, Excise and Narcotics (NACEN), Faridabad, National Academy for Direct Taxes (NADT) Nagpur, Direct Taxes Regional Training Institute, Bangalore, Administrative Training Institute Mysore, LBSNAA, Mussoorie and NSSO, Bangalore.

- a) Two faculty members had attended RFD Workshop held at Shimla organized by the Cabinet Secretariat in collaboration with Government of the Himachal Pradesh in August 2011.
- b) Two officials and two faculty members had attended Training programme on “Project Management in Urban Infrastructure” at IIMB for a week during the month of September 2011.
- c) At the instance of Cabinet Secretariat, two faculty members and an officer had attended the Review meeting on RFD held at Trivandrum for Kerala Officers in October 2011.
- d) Two officers had attended a two week training programme on “VAT Policy and Administration” at Duke University, North Carolina, USA during the month of November 2011.
- e) Two faculty and two officials had attended a training programme on Public Private Partnership at NLSIU in February 2012.

(iv) Reports prepared by Interns, Tools developed

Five students from National Law School of India and three from Indian Institute of Management, Lucknow interned at FPI. They submitted reports on the following topics

- a) Challenges in Implementation of Right to Free and Compulsory Education - A critical analysis in Karnataka.
- b) Gap Analysis and recommendations on official websites of GoK.
- c) Gender Justice and Implementation of Laws.
- d) Government procurement – KTPP Act.
- e) Land Acquisition Laws – Effect and Consequences.
- f) Optimisation Model for Food grain Distribution and Movement – Planning in Karnataka.
- g) Procurement under KTPP Act.
- h) Right to Education from Child Right’s perspective.
- i) Tool kit for preparing RFD.
- j) Tool kit for preparing MPIC.
- k) Tool kit for DDOs for deducting tax deduction at source.

6. Finances

There are three Heads of Accounts. The activities to be under taken in the Heads of Account under FPI and FPAC are plan activities. Similarly, Programme Performance Budgeting and Evaluation is a Plan Scheme. The Expenditure relating to Civil Works of FPI building is being incurred by PWD.

(i) Financing/Budget

(₹ In lakhs)

Head of Account	Actual/Accounts 2009-10		RE 2010-11		BE 2011-12	
	Capital	Revenue	Capital	Revenue	Capital	Revenue
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Policy Institute 2052-00-090-0-12	0.00	0.00	0.00	50.00	0.00	100.00
Program Performance Budget & Program Evaluation 2052-00-090-0-21	0.00	0.00	0.00	200.00	0.00	200.00
Fiscal Policy Analysis Cell 2054-00-098-0-02	0.00	177.90	0.00	500.00	0.00	400.00

(ii) Expenditure

(₹ In lakhs)
Up to January 2012

Head of Account	Actual/Accounts 2009-10		RE 2010-11		BE 2011-12	
	Capital	Revenue	Capital	Revenue	Capital	Revenue
	(1)	(2)	(3)	(4)	(5)	(6)
Fiscal Policy Institute 2052-00-090-0-12	0.00	0.00	0.00	4.22	0.00	49.30
Program Performance Budget & Program Evaluation 2052-00-090-0-21	0.00	0.00	0.00	0.00	0.00	0.00
Fiscal Policy Analysis Cell 2054-00-098-0-02	0.00	177.90	0.00	206.81	0.00	181.64