

# Public Finance: Consulting Opportunities for CAs on Donor Funded Engagements



The CA profession is known for its quality of work, integrity and professionalism and has turned out to be one of the most significant career choices in our country. Chartered Accountants are playing an important role in traditional areas of providing audit and assurance services and tax advice. However, many of us may not be fully aware of the strong demand for our consulting expertise (as against the generally known assurance services including audit) on projects funded by donor agencies such as the Asian Development Bank, World Bank, Department of International Development of UK and similar organisations. The purpose of this article is to present an overview of the areas of opportunities which can be leveraged to offer professional support in specialised areas and for niche segments for the benefit of our members. Since the nature of financial expertise and the specifics of the tasks to be performed depend on the requirements of each assignment, this article focuses mainly on the opportunities for our members in some of the key areas pertaining to public finance and related government reforms.



**CA. Anjan Roy**

(The author is a member of the Institute. He can be reached at [anjan.k.roy@in.pwc.com](mailto:anjan.k.roy@in.pwc.com))

At the outset, to understand the demand for specialist consulting expertise of professional accountants, it is necessary to appreciate the development objectives of each of the funding agencies and the specific strategies they have formulated for individual countries such as ours. This will enable us to appreciate the context of the demand for services and the contours over which they are expected to be offered. All the funding agencies have in place a strategic framework for operations in a particular

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region or country which is enunciated through a Country Strategy. For example, the ADB has an India Partnership Country Strategy (2009-12)<sup>1</sup> which lays out the present strategic objectives. Based on such overall objectives, the Country Operations Business Plan (2012-14) identifies the key sectors and themes which would be emphasised for funding. The proposed 3 year funding programme up to 2014 is expected to be on an average \$2.2 billion annually<sup>2</sup>. Similarly, the World Bank has a Country Strategy for the period FY 2009-12<sup>3</sup> and during this period the bank has lent about \$19 billion to the country. The strategy for 2013-16 is in the process of discussions with stakeholders. The Department of International Development of UK with its India Country Strategy Paper 2007-13<sup>4</sup> and backed up by an Operational Plan for 2011-15 has also reportedly spent around £1 billion in the past 5 years and is planning to spend a further £600 million up to the year 2015.

A general reading of the country strategy however, may not be able to bring out a clear picture of how CAs can contribute to the process and more specifically about how such development assistance can throw open consulting opportunities to our profession. The following are examples of some of the typical questions that can come to mind:

- What role can a CA have in assisting agencies on programmes of pro-poor investments by the private sector?
- How can accountants contribute to improve reach and better quality of social services?
- Can CAs have any role in project preparation for the donor agencies?
- Can accountants have and if so what is the nature of involvement in ensuring faster and inclusive growth that is sustainable?
- To what extent can consulting professional

accountants identify and assess the degree of corruption risk for specific programmes?

The search for answers would be very revealing and the more we read about the strategies of the funding agencies and the specific programmes/projects that they envisage, a whole new world of opportunities will emerge. While the specific role that accountants would be expected to perform would depend on the project objectives and scope which in turn are aligned with the strategic objectives of the county programme, a study of project documents and practical working experience shows that the requirements for our services are indeed diverse and challenging. However, at the outset, it needs to be understood that the terms of reference for the assignments do not necessarily use the word CA for the key team positions and more often the qualifications required are interchangeable with other categories of finance professionals such as MBAs. A general perusal of eligibility criteria for team personnel required to be proposed for a project with strong inputs in areas of finance shows that the criteria is defined mostly in terms of the functional expertise (Public finance expert, public expenditure management expert, Accounting specialist, Revenue Administration specialist and so on) rather than pure academic qualifications only. Thus, barring team positions which sometimes clearly call for membership of professional institutes such as ours, the skills profile required on donor funded projects, in general, lay more emphasis on the expertise as demonstrated by years of experience in those specific skill areas as well as direct hands-on functional exposure in service areas demanded by that project. This also implies that for such key team positions, members of our profession may have to compete with other finance professionals to clinch consulting berths offered by such projects. Since CVs generally carry a very high weightage of marks for the technical evaluation, firms selecting or offering your profile would always like to go for the best available choice, to maximise their chances of winning assignments.

Some of the key areas of opportunities available to CAs in areas of public finance and associated government reforms include the following:

- Project Preparation & Design
- Public Resource Mobilisation
- Public Expenditure Management
- Service delivery frameworks
- Public Sector Enterprise (PSE) reforms

<sup>1</sup> India Partnership Country Strategy (2009-12) Abridged version July 2009 at [www.adb.org](http://www.adb.org)

<sup>2</sup> Country Operations Business Plan (2012-14) September 2011 at [www.adb.org](http://www.adb.org)

<sup>3</sup> Country Strategy for the Republic of India for the period FY 2009-12 at [www.worldbank.org](http://www.worldbank.org)

<sup>4</sup> India: Country Strategy Paper 2007-13 at [www.dfid.gov.uk/india](http://www.dfid.gov.uk/india)

- Fiduciary Risk assessments
- Due diligence reviews
- Project/Programme management
- Capacity building/Training

It should be noted that the above areas are not exhaustive and with changes in the degree of development of various economies and countries, the strategy and operational plans of donor agencies are changing over time to align their activities with the requirements of the nations. Consequently, finance and accounting professionals are increasingly being called upon to play innovative and challenging roles in the design and delivery of funded projects.

We would now broadly discuss the nature of work that may be demanded from professional accountants for each of the key opportunity areas referred to earlier.

### Project Preparation

Planned project design is central to the process of financial and technical assistance by the funding agencies. This is generally conducted prior to the visit of the formal donor mission which leads to the eventual conclusion of the loan negotiations. Project preparation involves detailed studies on the existing systems and practices, identification of the key deficiencies and recommending on actions necessary. In case of assignments related to public finance reforms depending on the focus or thrust areas determined by the funding agencies in consultation with the government, the initial studies for project design may cover one or more of the following (a) present state of finances (b) resource mobilisation avenues (c) traits in expenditure management (d) status of the Public enterprises (e) capacity building needs and others. Finance professionals including CAs are playing a significant role in many of these components as part of a multi skilled project team. Their role may extend to assisting the agencies in formulating tranche conditions for the loan/technical assistance and hand holding the government/agencies in preparing for their compliance.

**With resource constraints on the one hand and the burgeoning demands of urbanisation and a growing population, innovative approaches in service delivery have become important. The design of self sustaining models based on revenue streams, private/community participation and accountability frameworks require a range of services from finance professionals such as CAs in donor funded engagements.**

### Public Resource Mobilisation

Finding avenues to enhance resource mobilisation forms the cornerstone for turnaround of the fiscal health of the government and its agencies. Since the components of resources are diverse and based on legal provisions for tax and non tax items, the team positions are often highly specialised and include experts in designated areas such as VAT, Excise, Stamp duties etc. In general, the flavour of the tasks to be performed can include one or more of the following -

- Review of current tax structures and organisation of revenue departments
- Study of structure and buoyancy of specific taxes such as stamp duty, registration charges, land revenue, excise duty , VAT etc.
- Suggest ways to expand the tax base and improve administration
- Updating Tax Information Management Systems keeping in mind the introduction of GST
- Detailed studies of individual components of non tax revenues
- Study of the present avenues of resource mobilisation for urban/rural local bodies with a view to make them less dependent on budgetary resources.

### Public Expenditure Management

Conventional budgeting which focuses only on inputs and outputs cannot answer basic questions as to why in spite of following rules and instructions and also producing outputs, the governance system can fail to produce socially desirable outcomes. Public expenditure management emphasises on outcomes and sees expenditure only as a means to achieve them. With the strain on budgetary resources, expertise on PEM is being increasingly sought from finance and business professionals to analyse expenditure trends and seek answers on results of allocation of resources. Some of the key areas where expertise can be offered by us include:

- Introduce systems for Outcome based Budgeting and test proposed systems through pilots
- Develop processes for data capture and its monitoring and reporting
- Develop strategies to control Operations and Maintenance expenditure in key departments
- Assist in designing a mechanism to settle dues under the Defined Contribution Pension scheme
- Analyse trends in public expenditure and identify

- key causes for major items with expenditure rationalisation measures
- Study the inter and intra sector budgetary allocations and how far they are in line with the economic and social objectives
- Assist in conducting Public Expenditure Tracking Surveys including design of interview questionnaires, conduct of interviews and analysis of results.
- Prepare guidelines for maintenance of Fixed Asset Registers
- Conduct studies for transfer of departmental entities into separate stand alone companies and/or PPP ventures
- Assist the government in reorganising the department/ministry of public enterprises to make it an effective instrument of PSE monitoring and control
- Prepare guidelines for closure, voluntary separation of employees, transfer of assets, disposal/write off of liabilities, a suitable transition plan and render assistance in implementation

### Service Delivery Frameworks

The role of the government in providing cost effective and timely services in areas such as health, education, and key municipal services is well understood. However, with resource constraints on the one hand and the burgeoning demands of urbanisation and a growing population, innovative approaches in service delivery have become important. The design of self sustaining models based on revenue streams, private/community participation and accountability frameworks require a range of services from finance professionals such as CAs in donor funded engagements in areas that include:

- Design of costing and cost recovery frameworks for utilities/services such as water, solid waste management, transportation etc.
- Design and structuring of Public Private partnership projects that are bankable and hand holding implementation processes
- Financial viability studies of providing certain services or for select local bodies/agencies delivering such services

### Public Sector Enterprise Reforms

Restructuring of public enterprises and their comprehensive reforms constitute a critical area with a view to improve financial and corporate governance of such entities, usher in appropriate sector strategies that stimulate investments and growth and identify those that have outlived their economic and social purposes to wind up and for closure. CAs based on their financial expertise are playing a stellar role in several functions in this area that include:

- Study of the enterprises and classification into those that need to be (a) fully/partially divested (b) turned around for sustained profitability and (c) closed.
- Drawing up a strategy for restructuring/closure for such enterprises

### Fiduciary Risk Assessments (FRA)

Some of the donor agencies such as the DFID require FRAs to be conducted as per laid down methodology and processes to assess the level of fiduciary risks associated with their financing of activities. Such assessments may be carried out at country level or sub national levels covering states, sectors and programmes. CAs often play a leading role in studies to understand the risk environment including the susceptibility to corruption, assess the deficiencies, design the mitigating framework and assist in annual monitoring of the progress on an on-going basis.

### Due Diligence Reviews

Due diligence skills are an integral part of a CA's profile. Public finance related assignments for proposed funding through established entities (partners) often require the donor agencies to approach for professional expertise in evaluating the institutional robustness of such partners. The objective is to have an assessment of the partners on several parameters such as corporate governance, financial management and reporting, audit coverage, environment and social aspects of performance, organisational readiness, mission/vision etc. The results of such findings in which CAs can play a key part provide answers to the expected comfort levels for such lending initiatives.

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### Project/Programme Management

CAs as Financial experts are often called upon to play a significant role in the financial supervision, evaluation, monitoring and reporting functions. Their expertise would either form part of a Project Management Unit (PMU) set up in a project or individual areas such as project appraisal and evaluation be earmarked as an identified role. The roles would include one or more of the following:

- Project screening keeping in mind overall objectives of the assignment
- Computation of internal/economic rates of return
- Risk and sensitivity analysis
- Guidance in preparation of projected financial statements and financial structuring
- Design of financial management and reporting systems, monitoring frameworks and reporting requirements with milestones.

### Capacity Building/Training

Many of the funded engagements relate to capacity building of the beneficiaries in areas of financial management. The staff who would be the change drivers

for the improved initiatives need to be trained on the skills expected of them. CAs as finance and accounting experts often play a leading role in conducting a training needs analysis, design of the course *curricula*, development of training materials (in conjunction with training experts) and also participate in delivery of training through pilots in areas such as (a) Double entry Accounting (b) Output based budgeting (c) Risk based audit systems (d) Project structuring, appraisal, and evaluation (e) Financial MIS (f) Costing/Pricing of utilities.

Public Finance throws open an exciting world of opportunities for members of our profession. The economic downturn witnessed in recent years and the continuing challenges of nations to cope with the ever increasing demand for resources requires innovative approaches in economic and financial management of resources. Now is the time to consider public finance as an area of focussed attention by particularly the younger members of our profession and leverage the challenges by developing our skills so as to be able to offer our services to promote sustainable economic development. ■

