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R2017-0131/1

May 26, 2017

**Closing Date: Thursday, June 15, 2017
at 6:00 p.m.**

FROM: Vice President and Corporate Secretary

India - Assam State Public Finance Institutional Reforms Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed loan to India for an Assam State Public Finance Institutional Reforms Project (R2017-0131), which is being processed on an absence-of-objection basis.

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Report No: PAD1852

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$35 MILLION

TO THE

REPUBLIC OF INDIA

FOR A

ASSAM STATE PUBLIC FINANCE INSTITUTIONAL REFORMS (ASPIRe) PROJECT

MAY 24, 2017

Governance Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective : April 30, 2017)

Currency Unit = Indian Rupees (INR)
INR 64.32 = US\$1

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statement
AG	Accountant General
AS-CFMS	Assam Society for Comprehensive Financial Management System
CPS	Country Partnership Strategy
CSS	Centrally Sponsored Scheme
CoT	Office of the Commissioner of Taxes
CTMIS	Comprehensive Treasury Management and Information System
DBT	Direct Benefit Transfer
DDO	Drawing and Disbursing Officer
DeMPA	Debt Management Performance Assessment
DLI	Disbursement-Linked Indicator
DoAT	Directorate of Accounts and Treasuries
EEP	Eligible Expenditure Program
FM	Financial Management
FMIS	Financial Management Information System
FRBM	Fiscal Responsibility and Budget Management
GDP	Gross Domestic Product
GO	Government Order
GoA	Government of Assam
GoI	Government of India
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
IAS	Indian Administrative Services
IUFR	Interim Unaudited Financial Report
IPF	Investment Project Financing
ISM	Implementation Support Mission
IT	Information Technology
ITC	Input Tax Credit
IVA	Independent Verification Agency
M&E	Monitoring and Evaluation
MIS	Management Information System
MTR	Midterm Review
OSR	Own Source Revenue
PDO	Project Development Objective

PFM	Public Financial Management
PIP	Project Implementation Plan
PMU	Project Management Unit
PPP	Public-Private Partnership
RBI	Reserve Bank of India
SBD	Standard Bidding Document
SC	Scheduled Caste
SCSP	Scheduled Caste Sub Plan
SDG	Sustainable Development Goal
SPD	State Project Director
SPV	Special Purpose Vehicle
ST	Scheduled Tribe
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TIMS	Tax Information Management System
ToR	Terms of Reference
TSP	Tribal Sub Plan
VAT	Value-added Tax

Regional Vice President:	Annette Dixon
Country Director:	Junaid Kamal Ahmad
Senior Global Practice Director	Deborah L. Wetzel
Practice Manager:	Fily Sissoko
Task Team Leader:	Mohan Gopalakrishnan

INDIA
Assam State Public Finance Institutional Reforms (ASPIRe) Project

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PAD DATA SHEET

India

Assam State Public Finance Institutional Reforms (ASPIRe) Project (P157198)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

Governance Global Practice

Report No.: PAD1852

Basic Information			
Project ID P157198	EA Category C	Team Leader Mohan Gopalakrishnan	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 1-July-2017	Project Implementation End Date 30-September-2022		
Expected Effectiveness Date 1-August-2017	Expected Closing Date 30-September-2022		
Joint IFC No			
Practice Manager/Manager Fily Sissoko	Senior Global Practice Director Deborah L. Wetzel	Country Director Junaid Kamal Ahmad	Regional Vice President Annette Dixon
Borrower: Republic of India			
Responsible Agency: Assam Society for Comprehensive Financial Management (AS-CFMS), Finance Department, Government of Assam			
Contact:	Anurag Goel	Title:	Commissioner of Tax and State Project Director (ASPIRe)
Telephone No.:	91-361-22322513	Email:	cotassam@yahoo.com

Project Financing Data (in US\$, millions)									
<input type="checkbox"/> X]	Loan	<input type="checkbox"/>]	IDA Grant	<input type="checkbox"/>]	Guarantee				
<input type="checkbox"/>]	Credit	<input type="checkbox"/>]	Grant	<input type="checkbox"/>]	Other				
Total Project Cost:			44.00			Total Bank Financing:		35.00	
Financing Gap:			0.00						
Financing Source						Amount			
BORROWER/RECIPIENT						9.00			
International Bank for Reconstruction and Development (IBRD)						35.00			
LOCAL BENEFICIARIES						—			
Total						44.00			
Expected Disbursements (in US\$, millions)									
Fiscal Year			2018	2019	2020	2021	2022	2023	
Annual -TA			1.30	1.70	1.50	1.10	0.40	0.00	
Annual- DLI			2.00	4.00	8.00	7.00	5.00	3.00	
TOTAL			3.30	5.70	9.50	8.10	5.40	3.00	
Cumulative (TA and DLI)			3.30	9.00	18.50	26.60	32.00	35.00	
Institutional Data									
Practice Area (Lead)									
Governance									
Contributing Practice Areas									
Macro Economics and Fiscal Management									
Cross Cutting Topics									
<input type="checkbox"/>]	Climate Change								
<input type="checkbox"/>]	Fragile, Conflict & Violence								
<input checked="" type="checkbox"/> X]	Gender								
<input type="checkbox"/>]	Jobs								
<input type="checkbox"/>]	Public Private Partnership								
Sectors / Climate Change									
Sector (Maximum 5 and total % must equal 100)									
Major Sector		Sector			%	Adaptation Co-benefits %		Mitigation Co-benefits %	
Public Sector Governance		Public expenditure, financial management and procurement			100				
Total					100				

<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.		
Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Public Sector Governance	Public expenditure, Financial management and Procurement	100
Total		100
Proposed Development Objective(s)		
The Project Development Objective (PDO) is: “to contribute to improvement in predictability and transparency in budget execution and efficiency in tax administration in Assam.”		
Components		
Component Name		Cost (US\$, millions)
Component 1: Strengthening Public Finance Institutional Capacity		3.7
Component 2: Strengthening Expenditure and Revenue Information Systems		39.0
Component 3: Project Management, Monitoring and Evaluation, and Coordination		1.2
Front end fee		0.1
Systematic Operations Risk- Rating Tool (SORT)		
Risk Category		Rating
1. Political and Governance		Moderate
2. Macroeconomic		Moderate
3. Sector Strategies and Policies		Low
4. Technical Design of Project		Moderate
5. Institutional Capacity for Implementation and Sustainability		Substantial
6. Fiduciary		Moderate
7. Environment and Social		Low
8. Stakeholders		Low
9. Other		—
OVERALL		Moderate
Compliance		
Policy		

Does the project depart from the CPS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []
Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X
Legal Covenants		
Name	Recurrent	Due Date
Project Management Unit	X	N/A
Description of Covenant		
Assam shall maintain the Assam Society for Comprehensive Financial Management System (AS-CFMS) as the Project Management Unit (PMU) for the Project with functions and responsibilities acceptable to the Bank, and: (i) ensure that the AS-CFMS is led by a State project director from the Indian Administrative Services (IAS) and assisted by an additional project director from the IAS/Assam Civil Services and adequate professional and administrative staff; and (ii) ensure that, for each component/sub-component of the Project, a coordinator from other implementing departments of Assam is designated to coordinate with the PMU on the implementation of activities, monitoring, and reporting.		
DLIs Verification and Withdrawals	X	N/A
Description of Covenant		
For withdrawals for eligible expenditures under Component 2.2 of the Project, the Borrower, through Assam, shall: (i) carry out a verification process to certify fulfillment of DLI Targets guided by a DLI Verification Protocol agreed with the Bank; (ii) furnish to the Bank the corresponding verification reports in form and substance acceptable to the Bank, in order to submit evidence satisfactory to the Bank of the achievement of the DLIs; and (iii) furnish to the Bank the applicable interim unaudited financial reports documenting the incurrence of eligible expenditures.		

Retroactive Financing	X	N/A	Throughout implementation
Description of Covenant: No withdrawal shall be made for payments made prior to the date of signing of the Loan Agreement, except that the Borrower may withdraw for payments made before such date but on or after August 1, 2016 up to: (i) an amount not to exceed US\$ 1,000,000 for eligible expenditures under Components 1, 2.1 and 3 of the Project; and (ii) an amount not to exceed US\$ 3,000,000 for eligible expenditures under Component 2.2 of the Project.			
Reversal of DLIs	X	N/A	Throughout implementation
Description of Covenant: In the event a reversal of a DLI Target, which has already been verified and for which the corresponding disbursements have been made by the Bank, has occurred in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Project, the Borrower shall refund the disbursements already made by the Bank for such DLI Target.			
Conditions			
Source of Fund	Name		Type
Description of Condition			

Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Mohan Gopalakrishnan	Team Leader (ADM Responsible)	Sr. Financial Management Specialist	Public Financial Management	GGO24
Mohan Nagarajan	Team member	Sr. Economist	Revenue Management	GGO18
Puneet Kapoor	Team Member	Sr. Financial Management Specialist	Public Financial Management	GGO24
Swayamsiddha Mohanty	Procurement Specialist (ADM Responsible)	Sr. Procurement Specialist	Procurement	GGO06
Sangeeta Kumari	Social Development Specialist	Sr. Social Development Specialist	Safeguards	SACIN
Abha Prasad	Debt Management	Lead Debt Specialist	Debt Management	GMF13
Smriti Seth	Debt Management	Economist	Economist	GMF06
Rocio M. Malpica	Legal	Senior Counsel	Legal	LEGES
Arun Kumar Kolsur	Team Member	Sr. Procurement Specialist	Procurement	GGO06
Dilip Kumar Prusty Chinari	Team Member	Financial Management Specialist	Financial Management	GGO24
Tanya Gupta	Financial Management Specialist	Financial Management Specialist	Financial Management	GGO24

Dora Nsuwa Cudjoe	Environmental Specialist	Senior Environmental Specialist	Environment	GENCE	
Vinaya V. Vemuri	Team Member	Sr. Program Assistant	Operations & Admin. Support	SACIN	
Extended Team					
Name	Title	Phone	Location		
Girish Bhatnagar	Consultant - Procurement	91-9868226900	Gurgram, India		
Anand Pardhy	Consultant - IT	91-9999835552	Delhi, India		
Srinivas Alamuru	Consultant - Budget	91-9590441942	Bangalore, India		
Vanitha Kommu	Consultant - Environment	91-9440409505	Hyderabad, India		
Subhasis Dhar	Consultant - IT	91-9836029408	Kolkata, India		
Per-Olof Jonsson	Consultant – Cash & Debt Mgmnt.		Stockholm, Sweden		
Ranjan Verma	Consultant – Social Safeguards	91-9313370686	New Delhi, India		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
India	Assam			X	
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required ? Yes					

I. STRATEGIC CONTEXT

A. Country Context

1. **India follows a Parliamentary form of government with clear separation of taxation and spending powers.** The Constitution has demarcated the taxation powers at various levels of the Government, while the borrowing and foreign exchange entitlements are controlled by the Central Government. The fiscal relationship between the union and the states is reflected in the sharing/devolution of central taxes and additional assistance in the form of grants from the union to the states. Additional avenues of transfer of central resources to the states are the Central Sector Schemes/Centrally Sponsored Schemes (CSSs), which provide tied grants for specific sectoral interventions.
2. **The fiscal and public financial management (PFM) frameworks emanate from the Indian Constitution and are guided by central policies and processes.** To a large extent, the PFM framework at the subnational level is guided by the PFM framework as laid down by the Central Government specifically in areas related to budgets, financial reporting, and external audit. Consequently, the PFM reforms at the state level are also guided by reform initiatives at the central level. These areas include budgeting, chart of accounts which follows a uniform classification system across the center and states, responsibilities for accounting and financial reporting at the state level which rest with the Accountant General (AG); and the basis of accounting and financial reporting which is guided by the Constitution, Comptroller and Auditor General of India, and the Controller General of Accounts.
3. **Within this PFM framework, there have been notable instances of states suo motu taking up public finance reform initiatives.** The states have modernized their systems by using information technology (IT) to strengthen core treasury information (budget preparation and execution) systems; human resources management information systems (MISs) and link them to core treasury systems, cash management, e-collection/e-payments; e-procurement systems; pension payments processes and electronic interfaces with commercial banks and the Reserve Bank of India (RBI)—the central bank; and by introducing e-governance systems in revenue administration and overall business process reengineering including simplification. Similarly, some states have strengthened their procurement framework by legislating a procurement act and framing rules and procedures.
4. **Recent policy-level changes at the union level are expected to significantly impact center-state relationship and the existing PFM framework in the states.** These policy changes include dismantling Planning Commission's traditional role in determination of the plan size and its sectoral allocations at the state level; removal of the distinction between plan and non-plan expenditure in the budget process from FY2017–2018; increased fiscal devolution to the states (from 32 percent to 42 percent) from the central divisible pool based on the recommendations of the 14th Finance Commission; reduction in tied transfers following reduction in the number of CSSs; and proposed introduction of Goods and Services Tax (GST), that is expected to contribute to growth in gross domestic product (GDP) and buoyancy in revenues.
5. **The above changes are likely to contribute to a higher share of untied resources flowing to the states.** This, in the medium term, is likely to increase the availability of untied

resources and discretionary spending powers of state governments with nearly 60 percent of public expenditure likely to take place at the state level.¹ Going forward, the development outcomes at the state level will increasingly be tied to the state governments' priorities and capacities, as states will have the opportunity to recast the design and implementation of programs that better reflect local needs.

6. **Realizing the full potential of these reforms and achieving the states' own priorities will require competent and efficient PFM systems in the states, coupled with enhanced transparency and accountability.** Individual states will need to manage a complex set of three PFM objectives involving trade off and sequencing. The first is to improve the quality and sustainability of fiscal deficits, contingent liabilities, and fiscal risks; the second is to increase public investment; and the third is to focus on the outcomes of government expenditure rather than on merely outlays. Consequently, these are expected to impose significant pressure on and the need to strengthen systems of planning, revenue administration, and management of expenditure and reporting on the use of public funds in the states.

B. Sectoral and Institutional Context

7. **The state of Assam in the northeast region is rich in natural resources, but remains one of India's low-income states.** The state has a population of 31 million (of which 20 percent is below the poverty line) and a GDP per capita of INR 46,354 (against an all India per capita of INR 74,920). Vulnerable to natural disasters such as floods and long troubled by ethnic divisions, economic growth in Assam has lagged behind the all India average. During 2004–2014, Assam's economy registered an annualized growth of 5.6 percent, well below the national average of 7.6 percent during the same period.² In addition to slower economic growth, poverty reduction in Assam was less responsive to growth than in the rest of India. Based on a classification system developed in 1969 by India's 5th Finance Commission, Assam was identified as a special category state³ due to its low resource base and limited ability to mobilize own resources for development which entitles it to liberal treatment in the form of central assistance.

8. **Assam is compliant with fiscal responsibility targets.** In 2005, a rule-based Fiscal Responsibility and Budget Management (FRBM) Act was enacted with the objective of improving the state's fiscal situation.⁴ Over the last few years, Assam has largely complied with the FRBM targets. The fiscal deficit of the Government of Assam (GoA), which stood at an average of 3.4 percent of the gross state domestic product (GSDP) in the five years preceding the FRBM Act, has consistently remained within the target of 3 percent of GSDP prescribed in the FRBM—registering an average fiscal deficit of 2 percent of GSDP during 2010–2011 to 2015–2016.

¹ Ministry of Finance (Indian Public Finance Statistics 2015 and Budget Documents).

² For comparison, the all-India GDP growth has been calculated using the 2004–2005 constant price series.

³ The 14th Finance Commission now categorizes Assam within 'North East and Hill States'

⁴ This was part of the GoA's fiscal reform program between 2005 and 2010 with the objective to stabilize state finances and improve fiscal governance, with assistance from the Asian Development Bank. Other achievements included reforms expenditure—introduction of a new pension scheme in 2005; debt management—debt swaps; ceiling on guarantees; and setting up a guarantee redemption fund and selected reforms in the state's public sector enterprises.

9. **There however are several challenges that Assam faces in execution of the budget, which has been recognized by the newly elected Government in Assam.** The White Paper presented in June 2016 recognizes that “while the budget size ballooned, its financing was forgotten, contributing to lack of credibility of the budget” and has identified the need for restoring the sanctity of the budget as a priority. The high-level report ‘Reform Committee on Planning and Budgeting in Assam’ (July 2016) which informed the budget for 2016–2017 identified three critical issues: (a) ambitious and unrealistic budget without adequate resources that forces the Government to apply excessive controls; (b) need for resource mobilization, either by way of increased tax through new avenues or savings through prudent allocations; and (c) program convergence to avoid duplication of schemes across departments. While the state’s expenditure budget size increased by 88 percent between 2011 and 2012 and 2015–2016, it lacked realism without support of adequate resources. Consequently, the variances between the original budget and actuals in case of both revenue and expenditure are around 25 percent. Assam’s finances are characterized by low own source revenue (OSR) of around 30 percent of total revenue and dependency on central transfers by way of devolution of central taxes and central grants. On the other hand, increase in committed expenditure on salaries, pension, and interest costs has meant that revenue receipts barely cover the committed expenditure leaving limited space for development expenditure. In addition, the GoA’s efforts in raising additional resources through the public-private partnership (PPP) mode have not been able to achieve the desired level due to a combination of gaps in policy, framework, and institutional capacity.

10. **Efficiency in PFM is seriously constrained due to outdated information systems and manual processes in expenditure management and tax administration.** The core treasury, payment, and accounting system—Comprehensive Treasury Management and Information System (CTMIS)—was partially implemented in 2005. Subsequent efforts in 2009 to transition to an Integrated Government Financial Management Information System, (FMIS) by developing additional modules around the CTMIS, have not been successful. This has resulted in continuing dependence on largely manual procedures and control processes in budget preparation, its allotment, budget control, preparation of the pay bill, and in managing fund releases and payments. These contribute to delays in budget execution and payments, inadequacies in internal controls and accounting, and consequently low budget credibility. The quality and timeliness of financial information (in-year budget execution reports) is inadequate to support high-level decision making. There are also delays in reporting to the state’s AG for compilation of state accounts.⁵ The situation is similar on the revenue management side in the two highest earning departments. Administrative processes and taxpayer services in the Office of the Commissioner of Taxes (COT) are managed through separate back-end applications which are fragmented and outdated resulting in manual interventions. Additionally, the processes for residual, non-GST state taxes managed by COT are manual. There is no automation in the Excise Department and all administrative processes continue to be manual. Additionally, the state is facing challenges in establishing a State Data Center and network connectivity.

11. **Passive cash and debt management practices lead to cash rationing and expenditure arrears.** Coupled with unrealistic budget estimates, the state does not follow a practice of quarterly budget ceilings or control over expenditure commitments to effectively match shortfall in budgeted

⁵ Delayed submission of monthly accounts by the Forest and Public Works Departments to the state’s AG—40 percent units delayed submission during 2015/16.

revenue. In the absence of a decision support MIS for the Finance Department, payments are controlled by a ‘Fixation of Ceiling’ mechanism which requires all non-salary bills to be pre-approved by the Finance Department before being presented to the treasury for payment. Additionally, in the absence of information and practices to support active cash management, borrowing operations are not guided by explicit cash-flow forecasts. Instead, market borrowing is planned with an eye on the target position of bank balance and is conducted in the last quarter of the financial year when the market traditionally faces a larger demand for borrowings. These have resulted in (a) inefficient funds management for meeting intra-year expenditures, leading to a long cycle time for processing of payment and build-up of payment arrears at the year-end; (b) concentration of expenditure in the last quarter of the year which affects quality of expenditure; (c) lumpy borrowings, which holds a liquidity premium and raises costs; and (d) negative cost of carry on sub-optimum amounts of cash surplus held by the state.⁶

12. There is a need to address gaps in the public procurement framework, enhance capacity and scale up e-procurement: The State Financial Rules that govern public procurement in Assam have not completely evolved over time to enable adoption of newer models and approaches in procurement, and Standard Bidding Documents (SBDs) for different types of procurements have not been developed. This coupled with inadequate capacity in public procurement results in inadequate procurement planning and a longer cycle time for procurement. While the GoA has adopted e-procurement, its current coverage is less compared to other states, there are multiple e-procurement systems in use across the Government, and contract awards are not published in public domain.⁷ The above constraints in procurement contribute to lower efficiency and transparency in procurement and lower budget execution rate, which affects budget credibility. Additionally, the absence of a consolidated database on procurements that are conducted and awarded prevents data analysis which would provide a better understanding of procurement patterns and assist in identifying bottlenecks which could be addressed for further improving efficiencies and effectiveness in public procurement processes.

13. There is a need to enhance human resource capacity in PFM in Assam. There is also significant capacity constraint in understanding of the various PFM aspects, including budgets and internal controls, as also a lack of exposure to the modernization of the PFM practices in the rest of the country. This is more pronounced in the middle- and lower-level cadre. Inadequate investment in capacity building and exposure reflects in continuing compliance gaps, limited inputs to departmental budget preparation and its monitoring, and an impediment to the rollout of information systems.

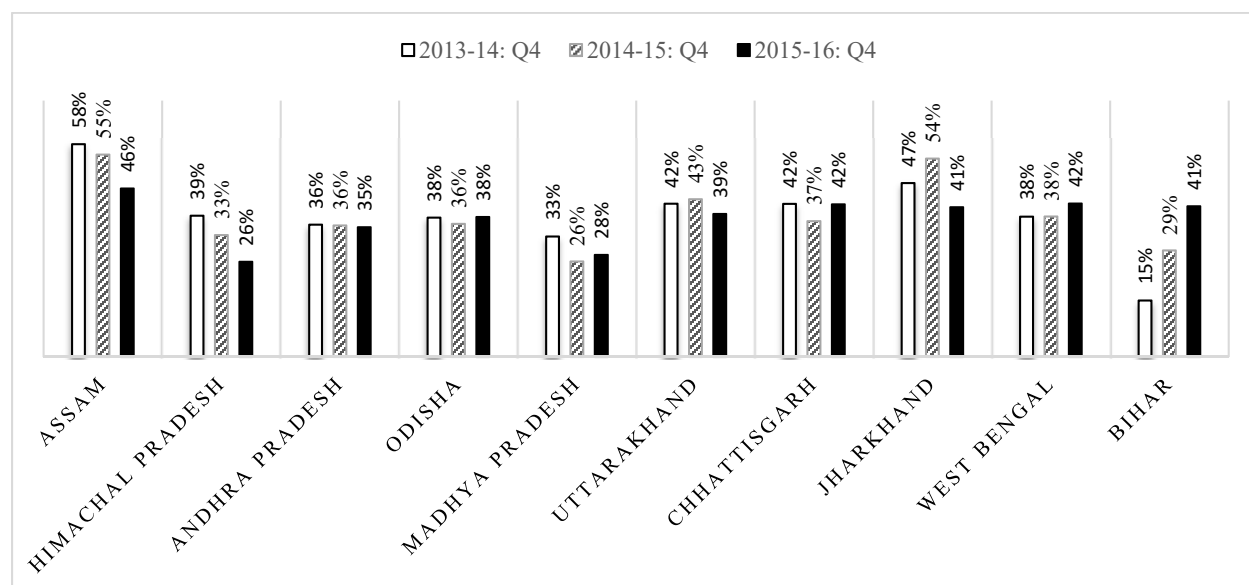
14. The above practices manifest in the form of concentration of expenditure in the last quarter. In Assam, while seasonality plays an important factor in budget execution, particularly in the execution of developmental works, the constraints articulated above aggravate this pattern of rush of expenditure in the last quarter/month of the financial year. A comparative analysis of

⁶ A formal system of recording commitments does not exist and there is no obligation to report liabilities under the cash basis of accounting that is followed. The GoA has initiated an exercise to collate payment arrears and has constituted a commission to examine the veracity of such claims before reflecting it in the next budget as tenable obligations (Budget Speech 2016/17).

⁷ The threshold limit for e-procurement, which was INR 10 million, has been reduced to INR 2.00 million in December 2016.

discretionary expenditure⁸ reported in the last quarter over the three years (2014–2016) across selected states indicates that such expenditure during the last quarter in Assam (55 percent)⁹ is substantially higher than in other states (see figure 1). Such a rush of expenditure contributes to risk of non-compliance with internal control procedures.¹⁰

Figure 1. Discretionary Expenditure in Q4



15. **The GoA’s recognition of the challenges as a starting point has led to initiating reforms to improve PFM in the state.** The GoA has identified PFM strengthening and modernization as a reform priority using IT as a key driver. The Finance Department’s initiatives as part of the new government’s 100-day agenda sets the tone for addressing certain pressing operational bottlenecks, which includes electronic approval of Fixation of Ceiling, integrating the CTMIS with the e-Kuber payments system of the central bank, online salary bill preparation, automating budget consolidation, and updating the treasury rules and delegation of financial powers.

16. **The GoA aspires to deepen its PFM reform initiatives and has sought support from the World Bank in strengthening its expenditure management and tax administration systems in specific areas.** The World Bank’s significant global and local analytical knowledge of reforms in PFM will be a key value addition in supporting the GoA’s reform priorities. The World Bank’s experience in supporting PFM reform projects through IT interventions, which include design, development, and implementation of FMIS and revenue systems across the world, will contribute to effective advice, choice of solutions, and implementation. These international experiences and cross learnings from other states within India will provide the state appropriate technology solutions, procurement support for FMIS and revenue IT solutions, and

⁸ Discretionary expenditure is total revenue and capital expenditure excluding salary and interest cost.

⁹ The year 2015–2016 reported a lower discretionary expenditure in last quarter due to the election code of conduct in February and March 2016 that resulted in liability of INR 3,982 crore (as assessed by a GoA committee) which is not reflected in the last quarter of 2015–2016

¹⁰ Such as overdue utilization certificates (INR 9,980 crore) and pending settlement of advance (INR 888 crore) as of March 31, 2015

sequencing/phasing of implementation to facilitate successful implementation while mitigating implementation and change management risks.

C. Higher Level Objectives to which the Project Contributes

17. **The proposed project's objectives are closely aligned with the key development goals of the GoA and respond to its objective to strengthen the state's PFM institutions and systems.** The project will focus on strengthening the PFM framework, institutions, systems, and capacity in the state. In the longer run, this is expected to contribute to enhanced budget credibility and positively influence service delivery. These will also support the state's agenda toward achievement of the Sustainable Development Goal (SDG) of developing effective, accountable, and transparent institutions (SDG 16.06) and ensuring public access to information (SDG 16.10). The proposed enhancement of systems through use of IT, including a portal for e-collections and taxpayer services, are expected to contribute to the GoA's Ease of Doing Business initiative. Also, with an increasing portfolio of externally aided projects (ongoing and in the pipeline) in the state, reforms in PFM, especially in budget execution, procurement, and cash management, will positively influence implementation of such projects.

18. **This project supports the strengthening of PFM in Assam, which is a North-East and Hill state with limited resources and improving PFM so that it aligns with the Country Partnership Strategy (CPS) for India (Report no. 76176).** Improved governance cuts across the three engagement areas with specific focus on e-governance, public procurement, and PFM. The project activities are fully aligned with the CPS and will contribute to the World Bank Group's twin objectives of ending extreme poverty and promoting shared prosperity by supporting reforms in strengthening the state's PFM institutions and systems that are expected to enhance the effectiveness of the Government's program and service delivery.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective

19. The Project Development Objective (PDO) is "to contribute to improvement in predictability and transparency in budget execution and efficiency in tax administration in Assam."

Project Beneficiaries

20. **The key beneficiaries of the project will include** the Finance Department, Office of Commissioner of Taxes, Department of Excise and Department of Information Technology; procuring agencies in select line departments and government officials. All line departments, directorates and field level units will benefit from having information of budget execution rates and status of payment of bills. The project will also benefit the citizens of Assam through efficient processes and better service delivery provided by public institutions (such as electronic payments and collections for services, better public procurement and enhanced tax payer services) and enhanced transparency.

PDO Level Results Indicators

21. The key project indicators are the following:

- Reduction in share of discretionary expenditure in the last quarter of the financial year
- Public access to key budget execution reports and procurement contracts awarded
- Reduction in cost of collection of tax revenue in Commercial Tax and Excise Departments.

III. PROJECT DESCRIPTION

A. Project Components

22. **The project is an Investment Project Financing (IPF) of US\$35 million with a combination of technical assistance (TA) and results-based financing.** The project supports GoA's ongoing reform initiatives to strengthen PFM systems and focusses on priority areas identified by the Government. These will include strengthening the PFM institutions and systems and capacities in the Finance and line departments and developing/modernizing information systems for better management of expenditure and reporting. The state is also keen to enhance its OSR through a combination of policy measures,¹¹ improving efficiency of tax administration in key revenue-generating departments (commercial taxes and excise) by strengthening institutional capacities and enhancing e-services for taxpayers to facilitate better compliance.

23. **The project consists of three components.** Component 1: Strengthening Public Finance Institutional Capacity will finance activities to strengthen selected PFM institutions and functions in the state. This will include institutional assessment and strengthening, capacity building, and analytical studies; Component 2: Strengthening Expenditure and Revenue Information Systems; and Component 3: Project Management, Monitoring and Evaluation, and Coordination. Components 1 and 3 will finance inputs under TA and project management (that is, reimbursement of reported eligible expenditures), while Component 2 uses a combination of financing inputs and results.

Component 1. Strengthening Public Finance Institutional Capacity (US\$3.7 million; IBRD US\$2.7)

24. This component seeks to strengthen the PFM institutional framework and systems, improve institutional and human resource capacity in the areas of cash and debt management, procurement, and (PPP), and build the capacity of the GoA's officials in Finance and line departments in various aspects of PFM. This component is primarily technical assistance and will finance expenditures on minor civil works, consulting services, goods, and capacity building and training costs. This component has five subcomponents.

Subcomponent 1.1. Strengthening cash and debt management

25. A subnational Debt Management Performance Assessment (DeMPA) conducted in Assam, as part of the preparation, identified a fragmented and passive approach to the debt management function, with limited links to past budget execution data, cash-flow estimates, and payment commitments. The DeMPA has identified opportunities to strengthen this critical function and

¹¹ The state has commissioned a parallel study by the National Institute of Public Finance and Policy to identify measures related to policy and procedures to enhance the states' OSR.

based on its findings, a Debt Management Reform Plan has been developed in consultation with the GoA. The objective of this subcomponent is to build the capacity of the Finance Department in (a) carrying out reliable cash-flow forecasting; (b) providing reliable information for planning the GoA's market borrowings; and (c) strengthening institutional capacity and systems by establishing tools for effective life cycle management of debt and payment arrears. Activities to be supported, by way of consultancies, goods and training, include

- (a) Establishing and institutionalizing a Cash and Debt Management Unit in the Finance Department;
- (b) Building institutional capacity for developing debt policy and strategy, conducting debt sustainability analysis, and effective cash and debt management;
- (c) Developing a framework and system for management of commitments by focusing on five to six large departments which contribute to about 80 percent of the capital expenditure; and
- (d) Upgrading the existing IT infrastructure and debt management systems (Commonwealth Secretariat Debt Recording and Management System) which is currently underutilized.

Subcomponent 1.2. Strengthening Public Procurement Framework and scaling up e-procurement

26. In the 2016–2017 budget, the GoA expressed its intent to strengthen efficiency and transparency in public procurement. To this effect, the GoA is in the process of drafting a Public Procurement law and policy,¹² with the objective to provide a sound legal framework for public procurement reflecting the principles of transparency, efficiency, economy, and accountability and intends to scale up the use of e-procurement. The activities to be supported include (a) developing the procurement policy, procurement rules, and SBDs; (b) strengthening public procurement capacity by carrying out a training needs analysis, developing a training strategy and training content, and delivery of training in public procurement; this will include certification and accreditation of a core group of officials in selected high-spending departments;¹³ (c) moving to a unified e-procurement system and its scale-up including features for data analytics; and (d) establishing and strengthening the Procurement Reform Unit in the Finance Department for implementing and sustaining the above reforms in procurement.

Subcomponent 1.3. Strengthening Public-Private Partnership Framework and institutional capacity

27. In 2008, the GoA notified a policy on PPP to accelerate financing of the much needed infrastructure and delivery of services. However, the objectives of the policy could not materialize

¹² A Public Procurement Policy document outlining the GoA's vision and broad approach, would serve as a commitment by the Government to the general public and to the body of vendors about good governance principles in public procurement.

¹³ It is envisaged that procurement certification will be built into the regular entry and in-service training of the GoA's civil service cadre officials, with a view to ensure sustainability.

at the desired level and pace and have not resulted in significant translation into actual PPP projects over the years. With the new government's objective of scaling up investments in infrastructure, the GoA desires to review its existing framework for PPP to identify constraints in policy, institutional framework, and procedures and procurement models for PPP. This will serve as a basis for initiating policy changes to attract PPPs in the state. The activities to be supported include (a) reviewing and strengthening the PPP framework (policy, process, institutional capacity, risk assessment, and its management); and (b) strengthening the existing PPP cell in the Planning and Development Department through provision of technical experts to support in (i) implementing the revised PPP policy and framework; (ii) providing handholding support to identified sectors/departments in formulation and structuring of proposals, bidding, evaluation, selection of partners; and (iii) risk management and mitigation during implementation.

Subcomponent 1.4. Institutional strengthening of Finance Department

28. Currently, the functions related to budget and planning are split between the Planning and Finance Departments. Pursuant to the Central Government's decision to discontinue plan and non-plan classification from 2017–2018, certain functions relating to planning will be subsumed within the Finance Department. The establishment of a dedicated Cash and Debt Management Unit and a Procurement Reform Unit are also envisaged and further reorganization may be necessary with the proposed implementation of IT-enabled solutions. In line with the above reforms, the GoA intends to review the current institutional structure within the Finance Department, presently consisting of 12 divisions, to strengthen the organizational structure and capacity. The activities to be supported include an institutional review of various functions and process workflows in the Finance Department and appropriately support the reorganization plan. This subcomponent will also provide technical support in scaling up of the Direct Benefit Transfer (DBT) initiative of the GoA, by way of a need-based review and assessment of administrative and payment arrangements of schemes under the DBT.

Subcomponent 1.5. Training and capacity building to implementing departments

29. The GoA recognizes the need for investments in capacity building of its human resources both in the Finance and line departments on various aspects of PFM, especially with the proposed reforms in PFM. The GoA, however, does not have an institutional set up for organized and structured training and capacity building, which are currently sporadic. Most middle-level officials are not exposed to contemporary good practices in other states in India. The GoA intends to enhance the capacity and delivery capabilities of its state training institutions to deliver training programs to a large pool of staff on a sustained basis. The activities to be supported include (i) carrying out a training needs analysis, development of training strategy, content development, and actual delivery of the trainings; (ii) investing in IT enabled e-learning systems; (iii) refurbishment of training facilities, knowledge transfer visits to other states/countries, and impact assessment of such trainings. In addition, partnership and twinning arrangements with eminent national-/state-level PFM institutions for capacity building will be entered into, including potential certification programs in specific thematic areas in PFM.

Component 2. Strengthening Expenditure and Revenue Information Systems (US\$39.0 million; IBRD US\$31.3)

30. **The GoA plans to implement/modernize its key IT systems for budget and expenditure management and tax administration.** Specifically, this subcomponent supports the Government's initiatives to e-enable various services related to budget and expenditure management and payroll, scale up electronic collections in key tax administration departments and e-payments, and develop and implement core IT systems in Finance (budget and treasury), Commercial Taxes, and Excise Departments and thus strengthen the state's overall PFM environment. Based on learnings from previous interventions in Assam and experiences (success and failures) from other states, it is important that actual investments in information systems are preceded by (a) identifying opportunities for business process reforms; (b) carrying out extensive stakeholder consultations to build consensus around what is feasible, given the constraints faced by the state; and (c) proper sequencing of implementation and following a phased rollout.

31. **This component has two complementary parts—TA and results-based financing.** The activities under the TA will provide the necessary technical inputs and support which will inform the design of the proposed IT investments and provide oversight during their development and implementation. TA will finance specific inputs on consulting and non-consulting services for carrying out detailed business process reviews (as-is and to-be studies), design of IT applications, procurement of IT vendors, and training and exposure visits. The results-based subcomponent will disburse upon achievement of agreed results (Disbursement-Linked Indicators [DLIs]), supported by the Eligible Expenditure Program (EEP).

32. **DLIs.** Five DLIs have been agreed which will support and incentivize implementation of IT systems across the core functions of the Finance Department, Office of the COT, and Excise Department, scaling up of e-collections and e-payments, and enhancing transparency and public disclosure. These are aligned with the PDO and results indicators and will disburse upon achievement of key results. The DLI's reflect the scaling up of implementation and the rollout of critical information systems in a phased and sequenced manner. In the pricing of individual DLI's, two factors have been considered: (a) the relative importance of the indicator in the entire set of indicators and (b) the need to match disbursements with cash outflows on project activities.

33. The EEPs will consist of project-related investments (goods, works, non-consulting services, consulting services, training and operating costs) in the Finance Department (Directorate of Accounts and Treasuries [DoAT] and COT), Excise Department, and IT Department of the GoA. These investments will include (a) the cost of development of the systems (including systems integrator contracts) and their operational and maintenance cost during the project lifetime; (b) procurement of hardware and its maintenance; (c) augmentation of network connectivity; (d) the cost of rollout of the IT systems, including training, communication and change management, and handholding support; and (e) refurbishment of offices in these departments.

34. The subcomponents under this component are as follows:

Subcomponent 2.1. Design, development, and implementation of Financial Management Information Systems (FMIS)

35. The GoA intends to procure and implement a modern FMIS to replace/upgrade the existing CTMIS, which is over 11 years old. The objective is to modernize the budget and expenditure management information systems, by addressing many of the existing infirmities, including

reviewing, reengineering, and/or automating processes and controls in the budget allotment and execution. Successful implementation of a new FMIS, similar to other states in India, will help enhance efficiency of budget execution, strengthen controls and reconciliations, improve timeliness of reporting, and establish a real-time management decision support system (dashboard) for Finance and other line departments. Additionally, the GoA will update the Assam Treasury Rules, Subsidiary Orders, and Assam Financial Rules to make these consistent with the revised business process and changes in the controls due to extensive use of IT systems. The state's budget and fiscal transparency which was benchmarked with 'good practices' in other states in India, has identified gaps in disclosure practices in Assam, largely attributable to outdated information systems, which are unable to provide the information to support such disclosures. Upgrading information systems and practices will support the GoA in its initiative to enhance transparency in fiscal disclosure, budget execution, and procurement.

Table 1. Activities under Subcomponent 2.1

TA	Consultancies and studies on (a) carrying out of design, business process review, functional requirement, and preparation of detailed project report for FMIS; (b) support in procuring IT systems integrators and related hardware; (c) project management oversight of systems integrators during application development and implementation phases; and (d) development of appropriate communication and change management strategy and knowledge transfer visits. This will also include update of relevant treasury, finance and other related rules.
Results-based financing	DLI #1: Enhanced controls in budget execution and reporting (US\$10 million). This DLI incentivizes and supports the development and rollout of the FMIS solution, including the system integrator contract, change management, hardware procurement, and network augmentation, and the rollout/scale-up of the pay bill module. This will be measured by (a) enhanced budget control (online control of budget at the Drawing and Disbursing Officer [DDO] ¹⁴ and treasury level); (b) enhancement of services (online bill submission by the DDOs); (c) consolidation and timeliness of accounting and reporting; and (d) establishment of a decision support system for the Finance Department on key parameters such as aggregate budget execution, real-time cash position, bills pending position, and so on, which will facilitate proactive management of public finances by the state.
	DLI #2: Enhanced transparency of key budget, financial, and procurement information (US\$4 million). This DLI incentivizes the development of procurement rules and SBDs; public access to important budget information, budget execution reports, and procurement contract award information in a user-friendly manner. Sequencing of these disclosures are aligned to implementation and rollout of the abovementioned information systems.

Subcomponent 2.2. Enhancing e-collection and e-payment systems

36. Currently, Assam does not have a unified e-collection portal. The e-collection facility is presently limited to value-added tax (VAT) which is currently at 35 percent by volume and 70 percent by value. All other tax and nontax collections are not electronically enabled resulting in delays in revenue collection, its transmission to the treasury, and delay in flow of information on collection to the concerned departments, with related issues such as lag in reconciliation. On the payments side, the state has arrangements with three to four commercial banks, but some of them are unable to integrate their core banking solutions with the CTMIS. This, together with other operational constraints, has limited the state's ability to scale up electronic payments. From a

¹⁴ The DDO who is authorized to present bills and draw funds from the state's budget.

citizen's perspective, this entails burden with regard to considerable time spent and physical interactions with the concerned treasuries and departments.

37. Similar to other states, the GoA proposes to bring the payment of government revenue (tax and nontax) under a unified e-collection platform for the state. This platform will facilitate online collection of all government revenue. This will be scaled up with initial focus on non-GST state taxes and excise revenue and large nontax revenue departments (petroleum royalty, mining, and forestry). This will reduce the float in collection, but more importantly will ease citizen's interface with the Government. On the expenditure side, the GoA intends to make payments electronically by using applications such as the RBI's e-Kuber system. Integration with e-Kuber or a similar system will enable elimination of various inefficiencies in the current payment processes and will also provide near real-time information of payment status and fund position in the state's treasury single account maintained by the RBI.

Table 2. Activities under Subcomponent 2.2

TA	Consultancies and studies on (a) business process reviews, mapping of existing collection processes, and developing the solution architecture for a state e-collection portal; (b) knowledge transfer visits to study good practices; and (c) capacity building and communication to internal and external stakeholders.
Results-based financing	DLI #3: Increased e-collections and e-payments (US\$3 million). This DLI incentivizes and supports the development and implementation of an e-collection portal covering a majority of taxes and nontax revenues and gradual scale-up of tax collections electronically. This also incentivizes scaling up of e-payments through one payment gateway and integrating its treasury systems with this system.

Subcomponent 2.3. Designing/upgrading information systems and institutional strengthening in Office of the Commissioner of Taxes

38. The COT is currently responsible for administering ten key tax revenue legislations in the state, including VAT, which is the largest OSR in the state. Of these ten taxes, the COT will continue to be fully responsible for administration of five state-level taxes¹⁵ that will not be subsumed under the proposed rollout of GST. Additionally, Assam will continue to administer VAT on alcohol and petroleum products, presently excluded from GST. These are about 40 percent of the state's commercial taxes and are expected to be about INR 3,600 crore in 2017–2018.

39. The COT has the following two challenges at hand:

- (a) First, while preparing the department for the anticipated rollout of GST, the GoA has to ensure that VAT and other IT applications are used to their potential because the state VAT systems are expected to co-exist with proposed GST systems at least for the next seven to eight years and manage state tax revenues of approximately INR 3,600 crore. An evaluation of the existing VAT applications by consultants has concluded that the application framework of the Tax Information Management System (TIMS)/e-TIMS is fragmented, outdated, and system heavy and experiences

¹⁵ Residual taxes that will not be subsumed in GST are —Assam Professional, Trades, Callings, and Employment Act, Assam Taxation on Specified Lands Act, Agriculture Income Tax Act, Assam Electricity Duty, Assam Health Infrastructure and Services Development Fund Act, and VAT on Petroleum and Alcohol.

peak capacity limitations during return filing periods.¹⁶ In the absence of an integrated system, several processes in administering VAT continue to be manual,¹⁷ especially the back-end processes related to input tax credit (ITC) verification, scrutiny, arrears recovery, and so on, rendering taxpayer services inefficient. Additionally, there is no e-governance solution for the five non-GST taxes. Based on an evaluation of options of incremental upgrade and maintenance of the existing solution, the GoA has assessed these to be suboptimal and, therefore, intends to develop a new integrated e-governance solution covering the five non-GST taxes and VAT to provide a single interface for taxpayers with the department. Assam proposes to introduce effective taxpayer services, such as online scrutiny of returns, electronic verification of input tax credit, online submission of audit reports, and risk-based online audit mechanisms, with emphasis on MIS and actionable reports for better decision making, which will also enhance ease of compliance and lower compliance costs.

- (b) Second, the state has opted for model II of GST wherein the GST Network will develop the entire GST administration modules that will reside on national servers. The state is expected to strengthen its back-end scrutiny, assessment, audit, and recovery process functions. This will involve reorganization of functions, offices, and human resources from client facing front-end processes to back-end processes gradually with re-skilling. In addition, the state needs to build expertise in service tax and establish an effective internal audit function that can help in timely identification of gaps in tax administration and pre-empt a large number of audit observations. Discussions with stakeholders have identified the need for significant handholding and capacity building of staff, complementing the efforts at the national level with respect to the rollout of GST.

Table 3. Activities under Subcomponent 2.3

TA	Consultancies and studies on (a) business process review of existing IT systems and recommended solution design covering all residual state taxes; (b) project management support to oversee the implementation of the solution; (c) institutional assessment study for strengthening tax administration in the CoT; and (d) support in augmenting the capacity building and technical support to facilitate the institutional transition to GST and in acquiring new capabilities required to administer GST such as service taxation. It will also support the CoT's plan to move to a risk-based audit system focusing on taxpayer segments that pose the greatest risk to revenue and in and tax data analytics.
Results-based financing	DLI #4: Enhanced services provided by Office of the Commissioner of Taxes using e-Governance (US\$6 million). This DLI incentivizes the implementation of a new e-governance solution for all non-GST taxes in the state with disbursement linked to the rollout and utilization of various functionalities and services rendered to taxpayers. This includes financing of contract with a system integrator for development, implementation, and rollout of a workflow-based e-governance application, refurbishment of a server room and peripheral hardware, and augmenting network connectivity and change management.

¹⁶ The volume of transactions is increasing and the number of e-returns has also increased exponentially to 2.8 lacs (2013–2014) and online vehicle entry is 12.98 lacs.

¹⁷ A quick scrutiny of returns data for VAT shows that only about 15 percent of returns are filed electronically, about 10 percent of VAT returns are audited and about 60 percent of returns are assessed. However, assessment is ineffective without electronic input tax credit verification and other taxpayer information available readily. As of 2013–2014, about 16,000 tax arrears cases were pending involving INR 2,230 crore in VAT arrears of which, only INR 86 crore had been collected.

Subcomponent 2.4. Design, development, and implementation of workflow-based information system in Excise Department

40. At about 8 percent of own tax revenue, excise duty is the second highest OSR in Assam. However, the annual revenue at about INR 800 crore in 2015–2016 under weighs the revenue expectations given levels of consumption.¹⁸ The Excise Department is tasked with regulating the manufacture, stocking, transport, and sale of liquor for human consumption and faces governance challenges in administering the rising manufacture, import consumption, and sale of liquor in the state. Besides, Assam being the thoroughfare route for connecting to other northeastern states, transport of liquor flows through the state to other out-of-state destinations raising possibilities of diversion into Assam if not properly regulated.

41. Currently, the Excise Department operates completely on manual decentralized processes for both regulation and taxation functions resulting in perceived losses of revenue and administrative inefficiencies. Non-availability of e-governance and IT tools has resulted in inadequate monitoring of the (a) operations of various trading and distilling licenses; (b) transport permits for moving stocks; (c) offtake of stocks from excise bonded warehouses of distilleries, breweries, manufacturers of Indian-made foreign liquor, and wholesalers; (d) transport of liquor through the state and production, and (e) consumption trends with suspicions of revenue being far below potential. Many states such as Karnataka, Maharashtra, Rajasthan, and Haryana have well-established e-governance systems that cover the entire chain of excise administration. In a major policy reform, Assam has (a) moved excise collection to the first point-of-sale transaction (for example, to wholesaler at distillery gate as opposed to retailer) as against the present system of collection of excise from bonded warehouses and (b) begun levying VAT on maximum retail price basis which is expected to mitigate the risk of revenue loss from diversion or sale of non-duty paid alcohol. Recognizing these factors, the GoA has identified the need to put in place a comprehensive and transparent workflow-based e-governance application in the Excise Department to improve the interface with stakeholders and efficient management and regulation of this growing sector to increase excise revenue.

Table 4. Activities under Subcomponent 2.4

TA	Consultancies and studies on (a) business process review to improve departmental processes; (b) development and implementation of a solution design; (c) rollout of a web-based portal for dealer services; (d) adopting use of mobile technologies and workflow system for excise administration; (e) strengthening IT infrastructure, including improved MIS and business intelligence systems; and (f) project management consultant support. Institutional assessment and capacity building, including knowledge transfer visits of officials in excise administration for effective implementation of the e-governance system.
Results-based financing	DLI #5: Enhanced services provided by Excise Department using e-Governance (US\$6 million). This DLI incentivizes and supports (a) policy reforms in excise administration, which simplifies procedures and reduces scope for leakage of revenue; (b) phased implementation of an e-governance solution which e-enables key services to dealers; and (c) increase in revenue collection from excise over a five-year period. This includes financing of a contract with a system integrator for development, implementation, and rollout of a workflow-based e-governance application, refurbishment of a server

¹⁸ According to the White Paper, the collection from excise revenue (FY2013–2014) in comparable or smaller states is much higher—INR 2,550 crore in Chattisgarh, INR 1,780 crore in Odisha, and INR 1,270 crore in Uttarakhand—as compared to INR 610 crore in Assam.

	room and peripheral hardware, establishing network connectivity, procurement of testing equipment in laboratories and Bar Code Readers, and activities related to change management.
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Component 3. Project Management, Monitoring and Evaluation, and Coordination (US\$1.2 million; IBRD US\$0.9 million)

42. This component will support effective project management and facilitate implementation, coordination, learning, and quality enhancement activities under the project, including consultancies relating to DLI verification and monitoring and evaluation (M&E). It will also support domain specialists in various disciplines deputed or contracted to support the project. This component will also finance project-related office equipment, communication, renting of office and vehicles, travel costs, and other operating costs.

B. Project Financing

43. **Lending instrument.** This operation will be financed by an IPF loan. The total project cost is US\$44 million of which US\$35 million will be funded by IBRD and the balance US\$9 million will be the GoA's contribution, with the GoA contributing proportionately 20 percent of the project cost across all the components. The duration of this operation is five years.

44. **Retroactive financing.** The GoA will be seeking retroactive financing, not exceeding US\$1 million for technical and US\$3 million for the EEP, in respect of payments made for eligible expenditures under the project on or after August 1, 2016 and till date of loan signing. This includes payments to consultants for various preparatory studies, which inform the design of the information solutions and institutional strengthening, training, and exposure visits (under the TA part) and EEP incurred before loan signing.

45. **Project funding.** Table 5 details the project financing by components.

Table 5. Project Cost and Financing (US\$, millions)

Project Components	Project Cost	IBRD Financing	% IBRD Financing
1. Strengthening Public Finance Institutional Capacity	3.7	2.7	—
2. Strengthening Expenditure and Revenue Information Systems			
- Technical Assistance	3.0	2.3	—
- Results-based Financing	36.0	29.0	—
3. Project Management, Monitoring and Evaluation, and Coordination	1.2	0.9	—
Front-end fees	0.1	0.1	—
Total Project Costs	44.0	35.0	80

C. Lessons Learned and Reflected in the Project Design

46. **Successful implementation of information system projects requires taking a multipronged and phased approach.** Actual investments in information system should be informed by review of existing business processes to identify opportunities for process reengineering and recognizing the institutional, technological, and connectivity aspects in designing the appropriate solution and level of automation. Thus, all the three key IT investments (Excise, COT, and FMIS) are being preceded by detailed consultancy studies to inform the design and choice of the IT application, which in turn will determine the phasing and rollout plan and also

identify and seek to address change management and communication aspects. The project design has also benefitted from the World Bank's extensive knowledge of PFM reforms in the states and national-level workshops, and the GoA officials' exposure visit to three to four states in India which have successfully implemented IT systems both on the revenue and expenditure sides.

47. Strong client ownership and engagement is critical for effective project implementation. Experience with similar projects, including state-level operations in India, suggest that strong and early client engagement increases the likelihood of successful implementation. The project components and Results Framework, including the DLIs, have been designed in close coordination with the GoA, and are deemed to be achievable within the reform efforts and project time frame.

48. The design and implementation modality of the IT systems takes into account lessons learned from earlier experiences within Assam and other jurisdictions. One of the lessons from earlier experience is to have a more realistic assessment of the time lines for design and implementation of IT projects and capacity of the Government to manage contracts involving modernization of IT systems. Specific lessons considered from Assam's earlier experiences in implementing the CTMIS and TIMS which resulted in partial or unsuccessful implementation in 2005 and 2009 respectively, include (a) building ownership of internal stakeholders by ensuring their active involvement in the design of the solution; (b) identifying opportunities for business process reforms informing development of new systems; (c) significant and sustained investment in hand-holding and change management and phasing the rollout; and (d) recognizing limitations in IT infrastructure (State Data Center and connectivity issues) while developing the proposed IT applications and identifying solutions in tandem with the rollout of the application across the state.

49. The project seeks to concentrate on priorities of three core departments. The project scope also focusses on institutional building and development and rollout of IT applications to three core departments, as against the initial suggestion of covering all tax and nontax revenue departments and also financing the State Data Center and augmenting the state's wide area network.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

50. Due to the participation of multiple departments there was a clear need for an enhanced coordination and project management mechanism right from identification. The GoA has constituted an e-governance society, the Assam Society for Comprehensive Financial Management System (AS-CFMS) as a special purpose vehicle (SPV) under the Finance Department for effective implementation of the ongoing PFM-related IT initiatives of the Finance Department. This SPV has also been designated as the Project Management Unit (PMU) for the project. This model has been proposed, based on past experience from absence of a core internal team within the Finance Department, to lead the reforms and effectively manage and monitor the implementation. The constitution of an e-governance society seeks to meet the long-term twin objectives of a dedicated unit (a) focusing on design, development, and overseeing implementation of new IT solutions or upgrading existing applications, and managing the associated change process, particularly those in the PFM's realm and (b) centrally managing, post implementation,

maintenance of such systems, including regular monitoring and renewal of various service contracts, licenses, and maintenance contracts on time and in a cost-efficient manner.

51. **The society's governance structure is represented by the highest officials in Assam.** The governance structure includes a Governing Body under the Chief Minister and an Executive Committee under the Chief Secretary and members include the secretaries of all participating departments. The society will be headed by a State Project Director (SPD) from the Indian Administrative Services (IAS) cadre supported by an Additional Project Director from the IAS/Assam Civil Services. The Rules of Business and Delegation of Powers of the AS-CFMS have been framed and approved. The Executive Committee has already met twice.

52. **The day-to-day management of the society is vested with a SPD.** The society's legal framework mandates that the SPD will be ex officio not below the rank of Joint Secretary in the GoA from the IAS cadre. The COT is presently the designated SPD who has been involved with the preparation of the project. The SPD will be supported by full-time specialists in procurement, financial management (FM), budget and treasury regulations and operations, and professionals with requisite IT and functional domain expertise. These will be a mix of GoA officers on deputation, to build core capabilities within the GoA, and external domain consultants to bring in the experience and expertise. The fiduciary functions (FM and procurement) of the project will be housed in the PMU. With respect to the project, the society will prepare the work plans, recommend release of payments to vendors, monitor physical and financial progress, maintain proper accounts and have them audited, and obtain reimbursement from the funding agencies.

53. **The roles and responsibilities of the AS-CFMS and the participating departments have been identified.** The society will put particular efforts into institutional coordination across departments and agencies and each of the participating departments will lead their part in the reform interventions. The procurement and contracts will be initiated by AS-CFMS, the line departments will be responsible for technical evaluation of procurement (with support from specialists in the society), monitoring implementation of contracts related to their department and signing off on deliverables/stage payments, based on which payments will be made centrally by the society. For each component/subcomponent, coordinators have been notified in each of the implementing departments, including Finance, the DoAT, COT, and Excise.

54. Details of project objectives, scope and interventions, sequencing and phasing of activities, implementation arrangements and responsibilities, accountability and decision-making authority during implementation, FM, and procurement arrangements are laid out in the Project Implementation Plan (PIP). The PIP also specifies the establishment through contractual arrangements, where applicable, and monitoring of standards for connectivity, power back up, data storage, insurance and disaster recovery plan, to provide an enabling environment for the achievement of the DLIs.

B. Results Monitoring and Evaluation

55. **Progress toward the PDO will be monitored through reporting at the PDO level and intermediate level results indicators.** A Results Framework with project-specific indicators and actionable monitoring arrangements has been developed jointly with the GoA, including the participating departments, to support monitoring of implementation progress and results of project

implementation (see Results Framework). For each indicator, the Results Framework provides the baseline, end line, frequency of data collections, data source and methodology, and responsible institutions for data collection for all indicators.

56. **A reporting system will be set up in the PMU.** The PMU will prepare biannual progress reports on the basis of information obtained from participating departments. The reports will highlight project achievements, implementation constraints, and proposed measures to improve project performance and will be endorsed by the Executive Committee of the AS-CFMS before submission to the World Bank.

57. **The World Bank will monitor implementation progress during semiannual implementation support missions (ISMs).** The World Bank will, on a regular basis, provide close implementation support to the GoA's efforts to achieve the project's intended results. Project implementation progress will be reviewed by the World Bank during ISMs, conducted on a semiannual basis or more frequently, as warranted. Regular ISMs will be complemented by technical visits by individual World Bank task team members and subject matter experts to follow up on specific issues, such as discussing the terms of reference (ToR) prepared by the GoA for various project activities; reviewing, along with the GoA counterpart, draft/final outputs of studies conducted under the project; providing technical advice on the design of specific activities; discussing the sequencing of reforms; and mitigating any material project implementation risks. During ISMs, the World Bank, will work with the GoA in obtaining feedback on project performance to track progress toward the achievement of the intended project results and advising on adjustments to the project design or the reform strategy.

58. **The World Bank team will hold a midterm review (MTR) mission to take stock of project implementation and take midcourse corrective action, as necessary.** The MTR is expected to take place in March 2020; and, before that mission, the GoA will send to the World Bank a comprehensive report that summarizes the project's progress and highlights any particular issues that require special attention. At the end of the project, the World Bank team will prepare an Implementation Completion and Results Report, which will evaluate the project and draw lessons. This report will also include an assessment of the project by the GoA.

C. Sustainability

59. **The project has been designed following intensive consultations with all stakeholders and hence there is acceptability to the reform interventions.** The GoA has, at various stages during the preparation phase, confirmed its willingness and commitment to see this operation designed and quickly implemented, and has provided leadership in its preparation. Moreover, anchoring responsibility for management of individual components/activities within the departments and giving them full responsibility for all technical aspects of project implementation and management will have a positive effect on the ownership of the specific implementation of IT solutions.

60. **The project design has also benefited from stakeholder consultations and exposure visits, undertaken by GoA officials, to better performing states to study good practices in FMIS and tax systems.** During preparation, stakeholder consultations were undertaken on procurement and the Results Framework and studies such as DeMPA, exposure visits to other

states, and assessment of IT systems in the COT were conducted. Feedback from such consultations and studies informed the design of the components/subcomponents. This has built the capacity and confidence of the GoA officials, and learnings of actual challenges in implementation in other states will be beneficial during project implementation.

61. **The proposed project is expected to address the priority interventions specified by the GoA.** The project will seek to provide necessary resources through the TA component to support capacity building, change management, and communication strategy which will be an integral input across all components.

62. **The outputs planned to be achieved during project implementation, including changes to policies, business processes and procedures, and capacity enhancement and skills of officials will be permanent systemic improvements.** The systems improvement in excise, COT, and finance have been planned to be far reaching and the GoA is committed to modernize them in a way that is likely to positively influence government administration and service delivery. The rollout of such systems is expected to be completed within the project period, which will ensure it is sustainable in the long-run.

63. **The DLI-based project design will help incentivize behavioral change in achieving the intended outcomes.** Because the disbursement of a significant part of the loan is linked to achievement of results, stakeholders will focus on outputs and outcomes as opposed to inputs and this is likely to bring in stronger implementation commitment.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Low
8. Stakeholders	Low
9. Other	—
OVERALL	Moderate

64. **The overall project risk is rated as Moderate.** The rating takes into account the following:

- Strong commitment shown thus far by the GoA in implementing the PFM reforms and initiating a number of key project readiness-related activities. There is a strong stakeholder support and buy-in for the project at the highest level, which is crucial for

achieving the results of the project. The project is spearheaded at the level of the Chief Secretary, as the Chairman of the Executive Committee of the AS-CFMS, to ensure coordination and it fits with the strategic reform agenda of the GoA. To address the risk of lack of continued support and ownership over the project period, a communication strategy is proposed to broad base the ownership for reform and develop a second line of leadership in the Finance Department to sustain the interest and focus on the project.

- The Substantial risk rating for institutional capacity for implementation is sought to be mitigated by the formation of a core reform team in the AS-CFMS and also in each of the three departments, which have been involved in the designing of their respective interventions. During implementation the core teams will be supported by domain experts and project management consultants. The activities are also being sequenced with a phased implementation of the IT solution allowing for absorption and change management. Teams from the GoA have visited select states to study their systems to familiarize themselves with the system features and the challenges in implementation and measures taken to overcome them. The project design has been kept simple and the number of departments has been limited to three core departments and focusses supporting reforms actions that are the GoA's immediate priority and those which can be implemented within the project time frame, factoring in the departmental capacities. In addition, contracts for three major consultancies which will inform the larger IT investments that is, FMIS, excise e-governance solution, and for the COT have been procured and awarded along with other Phase I consultancies and procurement for IT peripherals in the COT, for selection of the IT vendor (system integrator) for the COT and refurbishing the server room have been initiated.
- Challenges in network connectivity being addressed by way of contractual arrangements between the GoA with a Government of India (GoI) owned telecom company for proving assured connectivity using a Service Level Agreement model. The GoA with financial support from GoI is investing additional resources to complete and make its State Data Center functional. Since this will take about two to three years to be functional, the project is supporting upgradation of the existing COT and DoAT server rooms, a new server room for Excise or in a private cloud hosting arrangement, and investments in secondary network connectivity.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

65. **A sound PFM is important for democratic governance, macroeconomic stability, effective allocation, and use of available resources, which contributes to economic growth and reduction in poverty.** PFM includes all components of a country's budget process—both upstream (including strategic planning, medium-term expenditure framework, growth and resource estimation, and annual budgeting) and downstream (including revenue management, procurement, control, accounting, reporting, M&E, audits, oversight, and transparency/openness). Good PFM systems also contribute to reducing corruption and improve developmental effectiveness.

66. **The project aims to support PFM reform actions, including capacity building, automation of core expenditure and tax revenue management processes, and strengthening/enabling of PFM IT architecture.** Full direct or indirect benefits (financial, economic, and social) accruing from a PFM reform project are difficult to quantify as these improvements usually work on the qualitative side and attribution is difficult. The benefits that are likely to accrue include improved governance, enhanced efficiency, accountability and transparency in PFM processes and service delivery (Government-to-Citizen and Government-to-Business), streamlined procedures, and improved revenue mobilization, providing fiscal space for development and poverty reduction activities.

67. **The operation's proximate objective is to strengthen public expenditure management and tax administration, sustainably enhancing the delivery of critical public services to citizens and businesses.** This is proposed to be achieved through focused interventions in capacity building, implementation of IFMS, automation of processes on the revenue side, and strengthening/enabling IT architecture across the PFM spectrum. The benefits that are likely to accrue include (a) process efficiency gains from automation and elimination of many manual processes in budget execution and cash management; (b) efficiencies from enhanced e-collection and e-payments; (c) revenue augmentation in the Excise Department and Office of the COT expected from organizational restructuring, enhancing IT systems (for the excise function), better data analysis, streamlined back-end processes, and electronic interfaces for taxpayers; (d) lower procurement costs due to use of e-procurement application; and (e) benefits of enhanced transparency and disclosure of public financial information.

68. More specifically, the project interventions are expected to result in the following benefits:

- **Benefits from implementation of a new generation FMIS solution.** FMIS implementation will contribute to enhanced accountability by strengthening controls over public expenditure and contribute in the areas of budget execution, accounting, expenditure control, financial reporting, and cash management. This is expected to result in better resource management contributing to increase in fiscal space. It will also result in efficiency gains from automation and elimination of many manual processes in budget preparation, its allotment and execution—online bill submission by the DDO's online pay bill preparation and submission by the DDO to the treasuries and in cash management¹⁹.
- **Benefits from procurement reforms, including scaling up e-procurement across the state.** About 15 percent of the budget in Assam involves procurement. Reforms in procurement are expected to enhance the budget execution rate by improving the procurement planning and reducing the procurement cycle time. Cost savings are expected in procurement transactions processed on the e-procurement platform by way of better market participation and streamlining of processes. Similarly, ready access to procurement data can be analyzed for spending patterns and comparative rates and help in benchmarking procurement performance targets, as well as

¹⁹ In states across India savings to the tune of Rs 3-5 crores have been achieved due to scaling up of e-payments and in the state of Madhya Pradesh, the implementation of module for distribution of budget to DDO's has resulted in a 80% reduction in administrative work load (presentation in IFMIS workshop – November 2014)

developing a procurement strategy for better budget utilization. Another ancillary cost savings due to e-procurement will be in the form of reduced advertisement cost.

- **Benefits from modernization of the Excise and Commercial Taxation Departments.** Proposed policy changes and implementation of e-governance solutions in excise are expected to contribute to higher revenue collections. Project interventions in the COT and Excise are expected to improve the efficiency of operations resulting in better compliance by taxpayers, improvement in disposal of tax assessments, better use of risk identification systems and tax analytics for administration, improved tax audits, monitoring of tax recoveries, enhanced taxpayer services, and lowering the cost of collection²⁰.
- **Benefits from better cash and debt management.** Better and active management of debt and cash coupled with cash-flow forecasting based on reliable revenue and expenditure data/estimates will support reduction in delays in payment to contractors, reduce/prevent buildup of payment arrears (by smoothening of borrowings and resorting to temporary short-term borrowings), and reduce negative carry costs. Development of debt strategies will also help optimize the cost-risk trade-off among different sources of borrowing.

69. **The effective return on investments will be in the form of better performing public institutions and more efficient and effective use of financial and human resources.** Second tier benefits will accrue to the private sector (contractors/suppliers) and households (government employees, pensioners, and public at large) from improvements in the efficiency, effectiveness, and accountability of public spending and public services, though these too are difficult to quantify and value. Most of the benefits described will continue to be realized beyond the lifetime of the intervention.

70. **Cost effectiveness of the planned IT investment and fiscal impact of its maintenance costs.** The investment in the three core IT investments for FMIS, excise, and commercial tax is being planned in a manner that the project will attempt to replicate functioning applications for FMIS, excise, and commercial tax in other states in India, rather than going in for de novo applications. This is expected to lower both the cost of development of the IT applications and also the cycle time for implementation and rollout. Based on past experience in Assam and other states, the systems integrators contracts are being envisaged as development and operational maintenance contracts, which will ensure that the system is maintained and upgraded based on needs for a period of five to seven years. The fiscal impact of servicing long-term contracts beyond the project period is not expected to be significant.

B. Technical

71. **The approach to project design is strong and based on the needs and priorities identified by the GoA and further reinforced through a series of stakeholder discussions.**

²⁰ The state of West Bengal has been able to nearly double its revenue from excise from Rs 2100 crores in financial 2011-12 to Rs 4000 crores in financial year 2015-16 and improve service standards for issue of permits from 30 days to 3-48 hours by implementing a e-governance solution in excise department. (case study on West Bengal e-governance solution for excise department)

During the project preparation phase, emphasis was on various process studies, institutional assessments, and consultations with key stakeholders, distilling the reasons for failure of the earlier project of FMIS upgrade and exposure visits to other states. These have and will inform the design of IT solutions, its procurement packaging, the need for institutional reforms, and investment in change management initiatives required to realize optimum benefit from the implementation of the IT solutions. Based on the studies and exposure visits to other states, procurement documents for various IT consultancy studies have been prepared during the preparation phase of the project.

72. **A major focus area that fed in the project design was the need for engaging and capacity building of the government personnel.** This is essential, given that major changes are planned in upgrading the IFMS, introducing e-governance solution in the Excise Department, scaling up e-procurement, and replacing the COT's existing applications.

73. **The World Bank's significant global and local analytical knowledge of reforms in PFM will be key value additions.** Experience from supporting PFM projects which include design, development, and implementation of public expenditure (FMIS) and revenue systems across the world which will contribute to effective implementation. These international experiences and cross learnings from other states within India will provide inputs to the state on appropriate technology solutions, structuring of procurement packages for FMIS and revenue solutions, and sequencing/phasing of implementation to facilitate successful implementation and mitigate change management risks.

74. **Significant timely project interventions will be on the revenue side.** Major reform in the offing through introduction of a nationwide GST regime requires significant and timely capacity-building efforts for transition to this new environment by strengthening inadequate back-end processes and understanding newer requirements such as taxation of services. The engagement will contribute to improve the existing VAT and non-GST state taxes administration and move excise administration to an IT platform.

C. Financial Management

75. The project has acceptable FM arrangements to account for and report on project expenditures, that is, for (a) use of funds in an efficient and economical manner for the purposes intended, (b) preparation of accurate and reliable periodic financial reports, and (c) acceptable audit/assurance arrangements.

76. **Planning and budgeting.** The PMU will review the annual work plans/budgets of all the participating departments and these will be approved in the Executive Committee and Governing Board of the AS-CFMS. Project expenditure (counterpart and World Bank share) will be budgeted under a separate head in the demand for grants of the Finance Department, which has already been created. A budget provision of INR 51 crore has been made for 2016–2017.

77. **Flow of funds.** The AS-CFMS has opened a separate bank account exclusively for project-related activities. The World Bank loan will be available to the GoA in accordance with standard arrangements between the GoI and the states. Budgeted funds for the project will flow from the GoA's treasury into the project bank account, periodically on a need basis. All project-related

payments will be centralized in the PMU and funds for imprest or advances for specific training may be provided to the executing line departments.

78. **Internal control, rules, and regulations.** The AS-CFMS's internal control and administrative procedures are laid out in its rules and regulations (bylaws) and these will apply to the project transactions. These include the procedures for budgeting, financial delegation, internal controls, reporting and record keeping, and audit. Key internal control arrangements include (a) approval of all activities by the Executive Committee and (b) deliverables approved by respective executing departments based on which payments will be approved by the Project Director after review for compliance. FM arrangements have been detailed in the PIP.

79. **Accounting.** The PMU shall maintain proper accounts of the project based on generally accepted accounting standards and principles. The accounting function will be centralized and administrated at the PMU. A chartered accountancy firm has been contracted on a retainer basis to provide support in ensuring compliance with statutory/regulatory obligations and provide support on accounting and financial reporting of the society. Accounting will be done using an off-the-shelf accounting package and the chart of accounts will separately identify the project transactions. Bank account reconciliation will be an essential control mechanism. Records, along with supporting documents/vouchers, will be kept at the PMU.

80. **FM staffing and training.** The finance function in the AS-CFMS will be under the SPD. An Accounts Officer with adequate experience, has been engaged in the society and will be responsible for ensuring agreed FM and accounting arrangements under this project. Also the PMU will be staffed with an accountant, who will be responsible for managing basic books of accounts. The FM staff working under the project will be provided sufficient training on World Bank procedures.

81. **Financial Reporting:** The PMU will prepare Interim Unaudited Financial Reports (IUFRs) from the project's accounting records. The IUFRs will reflect the actual expenditures incurred both under the TA component and the EEP to support the DLIs achieved by the project (see disbursement arrangements for the TA and DLI component below). The IUFRs will be submitted to the World Bank within 45 days from the end of each calendar quarter and will include a list of payments against contracts that are subject to the World Bank's prior review. Additionally, the AS-CFMS will also prepare the Annual Financial Statements (AFSSs) of the society, including separate disclosure for the project's transactions, including a statement of receipts and payments and a statement of expenditure.

82. **Disbursement arrangements.** The applicable disbursement method will be 'Reimbursement'. Disbursement will be made as follows:

- (a) **TA component.** The disbursements will be on the basis of expenditures reported in the quarterly IUFRs.
- (b) **Disbursement against the results-based component.** The disbursements against DLIs will be made on the basis of satisfactory achievement of DLIs and verified according to the agreed verification protocol, including by an independent verification

agency (IVA), supported by reported EEP. The basic principles governing the DLI-based component are as follows:

- (i) The project will submit reports showing the status of achievement of DLIs. This will be verified, where appropriate, by an IVA to be appointed by the project according to the ToR agreed with the World Bank.
- (ii) On validation of DLIs achieved, the project will seek reimbursement from the World Bank of an amount equivalent to the DLI value achieved. The World Bank, subject to the EEPs being adequate to cover the value of DLIs achieved, will disburse the full amount. Where the reported EEP is less than the aggregate DLI value achieved by the project, disbursement by the World Bank will be limited to the value of the reported EEP. The balance DLI value will be reimbursed when an adequate EEP is reported subsequently. The reported EEP will be considered cumulatively.
- (iii) If the project does not achieve the DLI targets for a particular year, the same will be rolled over till the DLI is achieved.
- (iv) In case the audited EEP is less than the reported EEP, the difference will be adjusted against disbursement of subsequent DLIs.

83. The expected schedule of reporting of DLIs, its verification, and disbursement are given in table 6.

Table 6. Expected Schedule for DLI Reporting, Verification, and Disbursement

Year	DLI Report Due Date	Verification Due Date	Disbursement	Expected Disbursement (US\$, millions)
2017–2018 (Year 1)	July 2017	August 2017	September 2017	2.0
2018–2019 (Year 2)	May 2018	June 2018	August 2018	4.0
2019–2020 (Year 3)	May 2019	June 2019	August 2019	8.0
2020–2021 (Year 4)	May 2020	June 2020	August 2020	7.0
2021–2022 (Year 5)	May 2021	June 2021	August 2021	5.0
2022–2023 (Year 6)	May 2022	June 2022	August 2022	3.0
Total				29.00

84. **Disbursement schedule.** Loan funds will be disbursed against the TA component and the DLIs achieved, under the following categories subject to the allocated amount, reported EEP, and the disbursement percentage as indicated in table 7.

Table 7. Disbursement Schedule

Category	Amount of the Loan Allocated (US\$)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, works, non-consulting services, consulting services, training, and operating costs for Components 1 and 3, and Subcomponent 2.1 ²¹ under the project	5,912,500	80%
(2) Eligible expenditures under Subcomponent 2.2 ²² of the project.	29,000,000	80% of the amount of EEPs reported by the Project
(3) Front-end fee	87,500	As per Loan Agreement
Total Amount	35,000,000	

85. **External audit.** The AFS of the society, including separate disclosure of project transactions, will be audited by an independent, private audit firm appointed by the Governing Body based on a ToR agreed with the World Bank and included in the PIP. The audited AFS and the Audit Report will be submitted by the PMU to the World Bank within nine months of the end of each financial year i.e. by December 31.

86. **Public disclosure.** The annual audit reports and audited project financial statements will be disclosed on the GoA and World Bank websites.

87. **Implementation support.** As implementation progresses, it will involve review of financial and audit reports. In the initial years, the project staff may require support/training on project FM and disbursement processes/procedures and guidance on contract management. The World Bank will undertake at least semiannual ISMs to ensure that agreed FM arrangements are appropriately followed.

D. Procurement

88. Procurement for the proposed project will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011 and revised July 2014 (Procurement Guidelines); 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011 and revised July 2014 (Consultant Guidelines); and the provisions stipulated in the legal agreements. The project will be subject to the World Bank's 'Guidelines: On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised January 2011 (Anticorruption Guidelines). The project shall use the GoA's National Informatics Center's e-procurement system for procurements under the project.

²¹ As per the legal agreement, which has segregated the TA and Results based financing under component 2.1 and 2.2 respectively

²² As per the legal agreement, which has segregated the TA and Results based financing under component 2.1 and 2.2 respectively

89. **Procurement risk assessment.** The PMU within the AS-CFMS will coordinate and oversee all procurements related to the project and will be responsible for ensuring compliance with the World Bank's procurement guidelines and reporting to the World Bank on time. This is the first engagement of the AS-CFMS with the World Bank and it has no prior experience in World Bank-funded procurement. An assessment of the existing procurement capacity in the project indicates that it requires strengthening and support to provide reasonable assurance that procurement is carried out using acceptable procedures and to avoid delays in bid evaluation and award of contracts. The AS-CFMS has engaged a full-time procurement professional, supported by a senior and experienced part-time procurement consultant.

90. **Mitigation measures to address capacity inadequacies in procurement and contract management:** (a) contracting of consultants to support the GoA in preparation of the Development Policy Review, bid document, and procurement of systems integrators for the three large IT systems (consultancy contracts awarded); (b) contracting of project management consultants to support the project in overseeing the implementation of IT solutions and contract management; and (c) a three-day training on World Bank procurement procedures was provided to the core project staff. Provision has been made in the project for periodic refresher training on procurement to the core project staff. The officials of key participating departments have been actively involved in procuring consultancy services and IT hardware. Three major consultancies, which will inform the scope and design for the larger IT investments, have already been awarded by the project.

91. **Procurement plan.** The Finance Department and the implementing partners have developed a procurement plan for minor civil works, goods, and consulting services for the first 18 months of the project. The procurement plan is available in Systematic Tracking of Exchanges in Procurement (STEP) system of the World Bank. Project staff have been trained on STEP.

92. **Procurement methods.** The various procurement methods to be used for activities financed by the proposed loan are (a) for Goods and Works: International Competitive Bidding (ICB), National Competitive Bidding (NCB), Limited International Bidding (LIB), Shopping, Direct Contracting (DC), Force Account, and Framework Agreement (FA) (b) for Consultancy Services: Quality-and Cost-Based Selection, Quality-Based Selection, Selection based on the Consultants' Qualification, Least-Cost Selection, Selection under a Fixed Budget, Single-Source Selection, Individual Consultant Selection. Domestic preference will be applicable for ICB procurement of goods according to appendix 2 of the Procurement Guidelines. There are only minor civil works under this project related to refurbishment of the data server room and training facilities and works related to network/local area network installations. Goods procurement shall be mainly that of IT equipment and software, including equipment for the server room. Procurement method thresholds and review thresholds along with NCB conditions are included in the procurement plan. The prior review thresholds applicable for the project are provided in the paras after table 8. These thresholds may be revised during the implementation of the project, based on procurement assessment by the World Bank.

Table 8. Procurement Method Thresholds

Category	Method of Procurement	Method Threshold (US\$ equivalent)
Works	International Competitive Bidding (ICB)	> 40,000,000
	National Competitive Bidding (NCB)	Up to 40,000,000 (with NCB conditions)
	Shopping	Up to 100,000
	Direct Contracting (DC)	According to paragraph 3.7 of the Procurement Guidelines
	Public-Private Partnership (PPP) for Works	According to paragraph 3.14 of the Procurement Guidelines
	Force Account	According to paragraph 3.9 of the Procurement Guidelines
	Framework Agreement (FA)	According to paragraph 3.6 of the Procurement Guidelines

Category	Method of Procurement	Method Threshold (US\$ equivalent)
Goods and non-consultant services(NCS)	International Competitive Bidding (ICB)	> 3,000,000
	Limited International Bidding (LIB)	Wherever agreed by the World Bank
	National Competitive Bidding (NCB)	Up to 3,000,000 (with NCB conditions)
	Shopping	Up to 100,000
	Direct Contracting (DC)	According to paragraph 3.7 of the Procurement Guidelines
	Public-Private Partnership (PPP) Services	According to paragraph 3.14 of the Procurement Guidelines
	Force Account (only for non-consultant services (NCS))	According to paragraph 3.9 of the Procurement Guidelines
	Framework Agreement (FA) ¹	According to paragraph 3.6 of the Procurement Guidelines
	Procurement from United Nations (UN) Agencies	As per paragraph 3.10 of the Procurement Guidelines
Consultants' Services	Selection Based on Consultants' Qualifications (CQS)/Least-Cost Selection (LCS)	Up to 300,000
	Single-Source Selection (SSS)	As per paragraphs 3.9-3.11 of Guidelines for Selection of Consultants
	Individuals	As per Section V of Guidelines for Selection of Consultants
	Particular Types of Consultants	As per paragraphs 3.15-3.21 of Guidelines for Selection of Consultants
	Quality- and Cost-Based Selection (QCBS)/ Quality-Based Selection (QBS)/ Selection under a Fixed Budget (FBS)	for all other cases
	(i) International shortlist (ii) Shortlist may comprise national consultants only	> 800,000 Up to 800,000

Note: a. Directorate General of Supplies and Disposal rate contracts may be used as framework agreement (FA) subject to the conditions mentioned under NCB conditions in the procurement plan.

93. World Bank review of procurement. The World Bank will prior review the following contracts, based on “Substantial” procurement risk rating :

- (a) Works including turnkey supply and installation of plant and equipment and PPP: All contracts more than US\$10 million equivalent
- (b) Goods, IT, and Non-consulting services: All contracts more than US\$2 million equivalent
- (c) Consultancy Services for selection of firms: All contracts more than US\$1 million equivalent
- (d) Consultancy services for selection of individuals: All contracts above US\$0.3 million.

94. The first contract issued by the implementing agency will be subject to prior review irrespective of its value. In addition, the justifications for all contracts to be issued on the basis of LIB, single-source, or DC will be subject to prior review. The above thresholds are for the initial 18-month implementation period; based on the procurement performance of the project these thresholds may be subsequently modified. For post review cases, the World Bank's inputs on technical specifications/ToRs will be obtained by the project. The procurement plan will be subsequently updated annually (or at any other time if required) and will reflect any change in prior review thresholds. The World Bank will carry out an annual ex post procurement review of the procurement falling below the prior review thresholds provided above, and the World Bank may, at any time, conduct Independent Procurement Reviews (IPRs) of all the contracts financed under the loan.

95. **Record keeping.** All records pertaining to award of tenders, including bid notification, register pertaining to sale and receipt of bids, bid opening minutes, bid evaluation reports and all correspondences pertaining to bid evaluation, communication sent to/with the World Bank in the process, bid securities, and approval of invitation/evaluation of bids by the IA would be retained by the IA.

96. **Disclosure of Procurement Information:** The following documents shall be disclosed in the project website : (i) procurement plan and updates, (ii) invitation for bids for goods and works for all ICB, NCB and shopping contracts, (iii) request for expression of interest for selection/hiring of consulting services, (iv) contract awards of goods and works procured following ICB/NCB procedures, (v) list of contracts/purchase orders placed following shopping procedure on quarterly basis, (vi) short list of consultants, (vii) contract award of all consultancy services, (viii) list of contracts following DC or CQS or SSS on a quarterly basis, (xi) monthly financial and physical progress report of all contracts and (xii) action taken report on the complaints received on a quarterly basis and will publish on their website any information required under the provisions of 'suo moto' disclosure as specified by the Right to Information Act.

97. The following details shall published on UNDB and World Bank's external website, through STEP: (a) invitation for bids for procurement of goods and works using ICB procedures, (b) request for expression of interest for consulting services with estimated cost more than US\$ 300,000 (INR 20,100,000), (c) contract award details of all procurement of goods and works using ICB procedure, (d) contract award details of all consultancy services with estimated cost more than US\$ 300,000 (INR 20,100,000) , and (e) list of contracts/purchase orders placed following SSS or CQS or DC procedures on a quarterly basis.

98. **Implementation support.** The World Bank will carry out ISMs, including review and support on procurement fiduciary aspects and the procurement reform subcomponent, at least on a semiannual basis. In the initial two years, when large IT contracts are expected to be procured and procurement reforms, including capacity building, would be under way, the procurement support and frequency of missions are expected to be high and may be reduced subsequently based on the procurement performance of the project.

99. **Complaint handling mechanism.** To address procurement complaints received by the proposed project, a complaint handling mechanism will be implemented by the PMU. Upon receipt of complaints, immediate action will be initiated to acknowledge the complaint and redress it within a reasonable time frame. All complaints will be addressed at levels higher than the level at which the procurement process was undertaken or the decision was taken. Any complaint received will also be forwarded to the World Bank for information, and the World Bank will be kept informed after the complaint is redressed. The project also supports institutionalizing a procurement grievance redressal system.

E. Social (including Safeguards)

100. The project does not envisage any resettlement or additional land requirement. There will be minor civil works limited to building renovation and refurbishments on existing land. Hence, OP 4.12 is not triggered. The project area has 7.2 percent of scheduled caste (SC) and 12.4 percent of scheduled tribe (ST - indigenous people) population. The areas with high concentration of STs include three Autonomous Hill Councils (with resident hill tribes) under the Schedule VI area as listed in the Constitution of India, and six specific tribes based in Autonomous Council areas (with resident plain tribes) outside the Schedule VI area with substantive tribal population. The Autonomous Council areas are governed by their own administrative system according to their respective Memorandums of Agreement with the state and have been given varying degrees of autonomy within the state legislature by the Central Government in administrative matters. The project activities are largely in the nature of TA to support the Finance and key Tax Administration Departments of the state in strengthening institutions and PFM systems, benefits of which will also flow to the Autonomous Councils, and no impact is envisaged on the tribal population.

101. There is separate budgetary allocation for the Schedule VI areas in the state budget. Allocation to Autonomous Councils outside the Schedule VI areas and other tribal areas gets covered under the Tribal Sub Plan (TSP) allocation. Over the last few years, the GoI has reviewed the implementation of TSPs and Scheduled Caste Sub Plans (SCSPs) in various states and has revised the TSP and SCSP guidelines for better focus on SCs and STs, and to restrict non-diversion of TSP and SCSP funds. The key recommendations of the revised 2014 guidelines suggest (a) earmarking of funds under SCSPs and TSPs from the plan outlay being at least in proportion to the population, (b) placing of SCSP and TSP funds under separate minor heads, '789' and '796', to ensure that these funds are not diverted to any other scheme, (c) including only those schemes which directly benefit individuals or families belonging to SCs and STs, and (d) outlay for area-oriented schemes directly benefiting hamlets/villages which have more than 40 percent SCs or STs.

102. As part of the project preparation process, officials from the Autonomous Council areas were also consulted. The specific measures proposed for enhancing PFM capacity in the state will

include the staff of Autonomous Council areas and include (a) capacity building and training in budget and expenditure reporting; (b) consultations with treasuries on their FMIS needs assessment, and challenges in implementation; (c) improving the geographical coverage of treasury in council areas; and (d) adherence to the revised 2014 guidelines for TSPs and SCSPs to ensure that interests of the ST and SC population are adhered to. These measures are incorporated in the activities and sub activities of the project and will be implemented as part of the project activities.

103. **Citizen's engagement:** In 2016–2017, the GoA initiated the process of citizen engagement in budget preparation seeking suggestions from the citizens, in addition to the practice of consultations from industry associations, traders, and other important associations. Around 800 suggestions were received from the public, some of which were reflected in the Government's budget proposal (Budget Speech 2016–2017). Currently, citizens' access to budget documents and in-year execution reports is limited. The project seeks to support this endeavor through improved timeliness and quality of budget documentation and enhance access and proactive disclosure of budget documentation, in-year budget execution reports, and contract award information. This will increase citizen engagement opportunities through better information on the Government's performance and proposals; thus empowering citizens with enhanced participation and the ability to provide more informed feedback on the budget preparation and execution in subsequent years.

104. **Gender:** According to Census 2011, female workforce participation ratio in Assam is 28.6%. The proportion of women employed in the organized sector in Assam account for 34.6%²³ and in public sector about 18% employees are women. The Assam Women (Reservation of Vacancies in Services and Posts) Act, 2005, provides for 30% reservation for women in government jobs, but the actual percentage of women employed varies across different sector and government departments. Women employed in Finance Department, Commercial Taxes, and Excise Department are estimated to be much lower. GoA has made amendments in the Civil Services Conduct Rules with respect to the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act 2013, and notified the formation of “complaints committees” in various government offices in July 2016. As the project activities are primarily in the nature of technical assistance for strengthening PFM, recruitment of women employees are outside the scope of the project. Emphasis under the project will be to target training of female officials employed in the participating departments. The project will try to include at least a minimum percentage of female officials in proportion to the female employees in participating departments in the training planned in the project.

F. Environment (including Safeguards)

105. This is a category ‘C’ project and therefore does not need to meet any provisions under environmental safeguards.

²³ Handbook of Economics and Statistics 2015, Government of Assam

G. World Bank Grievance Redress

106. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

Project Development Objective							
The Project Development Objective (PDO) is: "to contribute to improvement in predictability and transparency in budget execution and efficiency in tax administration in Assam."							
These results are at	Project Level						
Project Development Objective Indicators							
Indicator Name		Cumulative Target Values					
	Baseline	YR-1	YR-2	YR-3	YR-4	YR-5	End Target
Reduction in share of discretionary expenditure reported in the last quarter of the financial year (Percentage)	55.00	55.00	55.00	51.00	49.00	48.00	48.00
Public access to key budget execution reports (Yes/No)	No	No	No	No	No	Yes	Yes
Public access to procurement contracts awarded (Percentage - Sub-Type: Supplemental)	0.00	0.00	60.00	70.00	90.00	90.00	90.00
Reduction in cost of collection of tax revenue in Excise Department (Percentage)	4.01	4.01	3.75	3.50	3.25	3.00	3.00
Reduction in cost of collection of taxes in Office of the Commissioner of Taxes (Percentage - Sub-Type: Breakdown)	1.27	1.27	1.27	1.00	0.90	0.80	0.80

Intermediate Results Indicators							
Indicator Name	Baseline	Cumulative Target Values					
		YR-1	YR-2	YR-3	YR-4	YR-5	End Target
Enhanced controls in budget execution and reporting (Text)	Processes for budget distribution, budget control, and bill	Contract awarded by AS-CFMS for FMIS systems integrator.	Budget distribution module for HoD/BCOs to DDOs has been operationalized	100% of transactions (other than exceptions notified in Government	Decision support system in FMIS has been implemented for	At least 75% of the DDOs have submitted bills to the treasuries using the FMIS.	Budget distribution by HoDs and BCOs, budget control by the treasury, and bill

	submission by the DDOs are manual; and no decision support system for Finance Department		and integrated with FMIS treasury system by the Finance Department.	Order) of Public Works, and Forest Departments have been made through the FMIS treasury system by the Finance Department. Budget Manual and Finance Rules updated and notified.	the Finance Department.	Online submission of monthly accounts to AG	submission by the DDOs automated; decision support system for the Finance Department operationalized
Increased e-collection and e-payments (Text)	E-collection for Excise nil; for the CoT 35% by volume for VAT and nil for other taxes; and fragmented systems and low base of e-payments	E-collection portal developed and rolled out for excise and all non-GST taxes administered by CoT.	At least 70% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 60% of the payments made by the treasuries have been done electronically using e-kuber.	At least 80% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 70% of the payments made by the treasuries have been done electronically using e-kuber.	100% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 80% of the payments made by the treasuries have been done electronically using e-kuber.	100% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 90% of the payments made by the treasuries have been done electronically using e-kuber.	100% of excise and non-GST tax (administered by the CoT) collected electronically and at least 90% of payments made electronically by the treasuries
Enhanced capacity in Cash and Debt Management (Text)	Fragmented institutions for debt management; absence of active cash and debt management and cash-flow forecasting	Cash and Debt Management Unit established	Finance Department has prepared an annual borrowing calendar based on rolling monthly cash-flow forecasts (error margins on cash balance forecast not exceeding 20%)	An annual Debt Statistical Bulletin (with disclosure of direct liabilities and guarantees) has been published by the Finance Department	Finance Department has prepared an annual borrowing calendar based on rolling monthly cash-flow forecasts (error margins on cash balance forecast not exceeding 15%)	Finance Department has prepared an annual borrowing calendar based on rolling monthly cash-flow forecasts (error margins on cash balance forecast not exceeding 10%)	Cash and Debt Management Unit established; annual borrowing informed by realistic cash-flow forecasts; Debt Statistical Bulletin published

Enhanced public disclosure of budget information and citizen's engagement (Text)	Limited budget disclosures	Budget disclosures made by Finance Department include at least the following sections: (a) Budget at a glance; (b) Analytical Statement; (c) Transfer to Local Bodies; and (d) Action taken report on the budget of the previous year	Disclosures made by Finance Department complying with the requirements of the Assam's FRBM Act at least the following: (a) key fiscal indicators; (b) changes in accounting standards and policies affecting fiscal indicators; (c) guarantees and borrowings.	Budget disclosures made by Finance Department include at least the following: (a) object head wise expenditure; (b) outstanding liabilities; (c) salary details for government; (d) budgetary impact of major policy changes; and (e) procurement plan for 3 major spending departments	Disclosures made by Finance Department further complying with the requirements of the Assam's FRBM Act at least the following: (a) impact of supplementary demands for grants on fiscal indicators; (b) a statement containing the outcome of the review of trends in receipts, expenditure and fiscal indicator targets	The Finance Department has provided public access to in-year Budget execution reports.	Enhanced budget disclosure to citizens, including compliance with the disclosure requirements of the Assam's FRBM Act
Strengthened public procurement framework and capacity building of officials (of which 5% are female) (Text)	Outdated procurement rules; no SBDs; and no system for public procurement training	Finance Department has notified and published the procurement rules and SBD in the Official Gazette of GOA	Procurement Reform Unit constituted and functional	500 officials trained in public procurement.	Additional 1,000 officials trained in public procurement.	Information on resolution of procurement grievances disclosed publically	Procurement rules and SBD notified and published; resolution of procurement grievances disclosed publically; enhanced procurement capacity of the GoA's officials (1500 officials)
Increased coverage of e-procurement (Text)	GO issued for mandatory E-procurement for procurement above Rs. 20 lacs	50% increase in E-procurement tender value over baseline	10% increase in E-procurement tender value over previous year	GO issued lowering E-procurement threshold to Rs. 10 lacs (other than	20% increase in E-procurement tender value over previous year	GO issued for lowering E-procurement threshold to Rs. 5 lacs (other than	Enhanced coverage of e-procurement (250% increase over baseline)

	E-procurement tender value in 2015–2016 - INR 5,700 crores			exceptions as notified in GO) 20% increase in E-procurement tender value over previous year		exceptions as notified in GO) 20% increase in E-procurement tender value over previous year	
Increased human resource capacity in PFM of officials (of which 10% are female) (Text)	No formal training strategy and sporadic training on PFM	Training needs assessment completed.	PFM training methodology and content approved based on training strategy	500 officials in the finance cadre trained in PFM	Additional 750 officials in finance cadre trained in PFM	Additional 750 officials in finance cadre trained in PFM	Enhanced PFM capacity of the GoA's finance officials (2250 officials trained)
Enhanced services provided by Office of the Commissioner of Taxes using e-Governance (Text)	Fragmented and outdated IT applications; e-return filing at 15% for VAT; e-returns do not have in-built electronic scrutiny feature; and no e-governance solutions for non-GST state taxes	Contract for new IT application for CoT awarded by AS-CFMS.	CoT has operationalized utilities for e-returns and online scrutiny of returns for all non-GST state taxes in the new IT application.	CoT has operationalized the utilities for Invoice matching and ITC auto-population for VAT returns in the new IT application.	CoT has generated Tax arrears certificate for initiating tax arrears recovery online within 30 days of completion of assessment.	100% of Non GST tax returns for the previous year are filed electronically	Enhanced taxpayer services provided by CoT for returns, obligations, and communication
Strengthened institutional capacity in Office of the Commissioner of Taxes (Text)	Inadequate audit systems that is, lack of system-based audit selection and limited tax analytical capacity	Report on institutional assessment and capacity-building needs for the CoT completed. Assam has issued GO mandating time bound completion of 90 % assessment by	Service taxation capability established	A functioning Tax Analytic Unit established	At least 60% of cases selected for audit completed	At least 80% of cases selected for audit completed	Core tax administration functions strengthened

		year 1 and 100% by year 2.					
Enhanced services provided by Excise Department using e-Governance (Text)	All procedures and processes are manual in the Excise Department; Excise revenue was INR 808 crore in 2015–2016	(i) Assam has notified the Excise Rules 2016 in the Official Gazette. (ii) Contract for e-governance solution for Excise Department has been awarded by AS-CFMS.	Excise Department has issued at least 10% of all transport permits (issued in the financial year) electronically.	Excise Department has issued at least 50% of all transport permits (issued in the financial year) electronically.	Excise Department has issued at least 80% of all transport permits (issued in the financial year) electronically.	The Excise Revenue Collection has increased by at least 80% over the revenue in financial year 2015-16.	E-governance solution operationalized in the Excise Department with (a) e-services to taxpayers and (b) MIS for monitoring and regulation; 80% increase in excise revenue over baseline

Indicator Description

Project Development Objective Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source/Methodology	Responsibility for Data Collection
Reduction in share of discretionary expenditure reported in the last quarter of the financial year	This indicator measures the share of discretionary expenditure that is, other than salaries and interest costs incurred and reported in the last quarter, as compared to the total discretionary expenditure for the financial year.	Annual	Reports from the treasury and AG Monthly Expenditure Reports	Finance Department (DoAT)
Public access to key budget execution reports	This indicator measures public access to budget execution reports. The budget execution reports will be available on the GoA's website	Annual from year 4	Monthly reports on budget execution from the FMIS	Finance Department
Public access to procurement contracts awarded	This indicator measures the percentage of contracts awarded, which are tendered using e-procurement, disclosed in public domain to total procurement carried out using e-procurement in a financial year	Annual	Procurement portal	Finance and IT Department
Reduction in cost of collection of tax revenue in Excise Department	This indicator measures the reduction in cost of collection of excise revenue (that is, revenue expenditure of the Excise Department to total excise revenue)	Annual	AFSs	Excise Department
Reduction in cost of collection of taxes in Office of the Commissioner of Taxes	This measures the reduction in cost of collection of taxes administered by the Office of the COT (that is, revenue expenditure of the COT to total revenue of the COT from all taxes, including state GST collection)	Annual	AFSs	Office of the COT
Intermediate Results Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Enhanced controls in budget execution and reporting	This indicator measures the use of IT-based controls for budget distribution, budget control, and bill submission.	Annual	Budget and FMIS	Finance Department - DoAT and budget branch
Increased e-collection and e-payments	This indicator measures the increase in e-collection of excise and non-GST tax revenues and increase in e-payments by the GoA.	Annual	Reports from e-collection portal and cyber treasury and e-payment application	Finance Department

Enhanced capacity in Cash and Debt Management	This indicator measures the institutionalization of system of cash flow forecasts within the GoA informing Government decision on the borrowing calendar.	Annual	Government order for establishment of Cash and Debt Management Unit; annual borrowing calendar; Debt Statistical Bulletin	Finance Department
Enhanced public disclosure of budget information and citizen's engagement	This indicator measures the improvement in the content and quality of presentation of budget information to citizens and available on the GoA's website including improved compliance with the disclosure requirements of Assam's FRBM Act.	Annual	Budget and FRBM documentation and disclosures on the Finance Department's website	Finance Department
Strengthened public procurement framework and capacity building of officials of which at least 5% are female	This indicator measures the strengthening of the procurement framework, enhanced capacity of officials dealing in public procurement, and institutionalization of a grievance redressal mechanism.	Annual	Gazette notification for procurement rules and SBDs; Government order notifying creation of procurement cell; data on number of officials trained and/or certified in procurement	Finance Department and procurement cell
Increased coverage of e-procurement	This indicator captures the increase in coverage of e-procurement by value.	Annual	Report from e-procurement portal	Finance Department
Increased human resource capacity in PFM of which at least 10% are female	This indicator measures the number of finance cadre officials trained in various aspects of PFM.	Annual	Development of training context and methodology; information on number of courses and number of officials trained	PMU of the AS-CFMS
Enhanced services provided by Office of the Commissioner of Taxes using e-Governance	This indicator measures the enhanced services provided to taxpayers by the CoT using e-governance.	Annual	Performance reports from the COT e-governance system	Office of the COT
Strengthened institutional capacity in Office of the Commissioner of Taxes	This indicator measures the institutional capacity enhancement of the CoT to deliver services to taxpayers and its readiness for GST.	Annual	Government orders notifying setting up of the functions. Periodic performance reports from the COT	Office of the COT
Enhanced services provided by Excise Department using e-Governance	This indicator measures the services provided by the Excise Department using e-governance and increase in excise revenue	Annual	Performance reports from excise e-governance system and reports from the treasury on revenue collection	Excise Department

Table 9. DLI Matrix

Disbursement-Linked Indicators (DLIs) and Allocated Amounts

\$ million

DISBURSEMENT-LINKED RESULTS *						
DLI Indicators	Baseline	Year 1 March 31, 2018	Year 2 March 31, 2019	Year 3 March 31, 2020	Year 4 March 31, 2021	Year 5 March 31, 2022
DLI #1: Enhanced controls in budget execution and reporting (US\$9 million)						
Enhanced controls in budget execution and reporting ²⁴	Processes of budget distribution, budget control, and bill submission by the DDOs are manual; no decision support system for Finance Department	Contract awarded by AS-CFMS for FMIS systems integrator.	Budget distribution module for HoD/ BCO to DDO's operationalized and integrated with FMIS treasury system by the Finance Department.	100% of transactions ²⁵ of Public Works and Forest Departments have been made through the FMIS treasury system by the Finance Department.	Decision support system in FMIS has been implemented for the Finance Department ²⁶ .	At least 75% of the DDOs have submitted bills online to the treasuries using the FMIS. [\$ 1.00 mn for achievement up to 75%; and \$ 0.125 mn for every additional 5% achievement over 75%]
DLI #1 Value	9.00	1.00	2.50	2.00	2.00	1.50
DLI #2: Enhanced transparency of key budget, financial, and procurement information (US\$4 million)						
Enhanced transparency of key budget, financial, and procurement information.	Limited budget disclosures; No public access to budget execution reports and procurement contract award; Absence of SBD	(i) Finance Department has notified and published the procurement rules and SBD in the Official Gazette of GoA – \$ 0.5 mn	The Finance Department has provided public access to information on at least 60% ²⁷ of procurement contracts awarded within the financial year over the	Budget disclosures made by Finance Department include at least the following: (a) object head wise expenditure; (b) outstanding liabilities; (c) salary details for	The Finance Department has provided public access to information on at least 90% ²⁸ of procurement contracts awarded within the financial year over the	The Finance Department has provided public access to in-year Budget execution reports in user friendly ²⁹ formats.

* These DLIs are not time-bound. The Fiscal Years in which they are expected to be achieved as per this Schedule are strictly for indicative purposes. These DLIs can accordingly be met up and until the Closing Date, but in all cases subject to meeting the requirements set out in Section IV.B.1(b), IV.B.2 and IV.B.3 of Schedule 2 to loan Agreement.

²⁴ The reform actions will be supported by issue of GoA's orders with cut off dates, mandating use of IT modules such as Budget Preparation Module, recording/payment of transactions of works department through FMIS and online submission of bills by DDO's.

²⁵ Specific locations/entities facing connectivity problems or difficult terrain may be exempted as specified through separate GOA's orders.

²⁶ Decision support system means a utility which links the budget execution module (core treasury payment system) and modules of budget preparation, RBI's Core Banking Solution (e-kuber), GoI's Public Financial Management System and pay-bill module. It will also include operationalization of the Commitment Module in at least 3 departments.

²⁷ Same as note 25

²⁸ Same as note 25

²⁹ User Friendly format means budget execution reports providing month-wise and cumulative budget head wise information on budget versus actual and data for current year and previous year and available on government website with download/search options in different formats, without any charge or need to register

DLI Indicators	Baseline	DISBURSEMENT-LINKED RESULTS *				
		Year 1 March 31, 2018	Year 2 March 31, 2019	Year 3 March 31, 2020	Year 4 March 31, 2021	Year 5 March 31, 2022
		(ii) Budget disclosures made by Finance Department include at least the following sections: (a) Budget at a glance; (b) Analytical Statement; (c) Transfer to Local Bodies; and (d) Action taken report on the budget of the previous year - \$ 0.5 mn	e-procurement threshold within 30 days of award	government; (d) budgetary impact of major policy changes and (e) procurement plan for 3 major spending departments.	e-procurement threshold within 30 days of award	
DLI #2 Value	4.00	1.00	1.00	1.00	0.50	0.50
DLI #3: Increased e-collections and e-payments (US\$4 million)						
Increased e-collections and e-payments	E-collection for excise is nil; for the CoT 35% by volume for VAT and nil for other taxes; fragmented systems and low base of e-payments	E-Collection portal developed and rolled out for excise and all non-GST taxes administered by CoT.	(i) At least 70% of excise and non-GST tax (administered by the COT) collected through the e-Collection portal over specified threshold ³⁰ (\$ 0.50 mn); (ii) at least 60% payments made by the treasuries have been made electronically using e-kuber. (\$ 0.50 mn)	(i) At least 80% of excise and non-GST tax (administered by the COT) collected through the e-Collection portal over specified threshold ³¹ (0.50 mn); (ii) at least 70% payments made by the treasuries have been made electronically using e-kuber. (\$ 0.50 mn)	(i) 100% of excise and non-GST tax (administered by the COT) collected through the e-Collection portal over specified threshold ³² (0.50 mn); (ii) at least 80% payments made by the treasuries have been made electronically using e-kuber (\$ 0.50 mn)	
DLI #3 Value	4.00	1.00	1.00	1.00	1.00	

³⁰ This will be supported by issue of relevant GO's, at the appropriate time, by GoA mandating payment of all excise dues and non-GST tax through the e-collection portal, above a specified threshold.

³¹ Same as note 30

³² Same as note 30

		DISBURSEMENT-LINKED RESULTS *				
DLI Indicators	Baseline	Year 1 March 31, 2018	Year 2 March 31, 2019	Year 3 March 31, 2020	Year 4 March 31, 2021	Year 5 March 31, 2022
DLI #4: Enhanced services provided by Office of the Commissioner of Taxes using e-Governance (US\$6.00 million)						
Enhanced services provided by Commissioner of Taxes using e-Governance	Fragmented and outdated IT applications; e-return filing at 15% for VAT; e-returns do not have in-built electronic scrutiny feature; and no e-governance solutions for non-GST State taxes	Contract for new IT application for CoT awarded by AS-CFMS	CoT has operationalized the utilities for e-returns and online scrutiny of returns for all non-GST state taxes in the new IT application	CoT has operationalized the utilities for Invoice matching and ITC auto-population for VAT returns in the new IT application	CoT has generated Tax arrears certificate for initiating tax arrears recovery online within 30 days of completion of assessment.	100% of Non GST tax returns for the previous year are filed electronically
DLI #4 Value	6.00	1.00	2.50	1.50	0.50	0.50
DLI #5: Enhanced services provided by Excise Department using e-Governance (US\$6.00 million)						
Enhanced services provided by Excise Department using e-Governance ³³	All procedures and processes are manual in the Excise Department. Excise revenue INR 807 crore in 2015–2016	Assam has notified the Excise Rules 2016 in the Official Gazette Contract for e-governance solution for Excise Department has been awarded by AS-CFMS	Excise Department has issued at least 10% of all transport permits [issued in the financial year] electronically	Excise Department has issued at least 50% of all transport permits [issued in the financial year] electronically	Excise Department has issued at least 80% of all transport permits [issued in the financial year] electronically [\$ 0.80 mn for achievement up to 80%; and \$ 0.05 mn for every additional 5% achievement over 80%]	The Excise Revenue Collection has increased by at least 80% over the revenue in financial year 2015-2016 [\$ 0.40mn for achievement up to 80%; and \$ 0.025 mn for every additional 5% achievement over 80%]
DLI #5Value	6.00	2.00	1.00	1.50	1.00	0.50
Total DLI Value	29.00	6.00	8.00	7.00	5.00	3.00

³³ The e-governance solution will include work flow processes for issue of transport permits, excise licenses, registration of labels and scanning by use of Quick Response Codes and provide for service standards for delivery of services. It will be supported by issue of GoA's orders mandating on-line requests by licensee's and rendering of services on-line by the Excise Department in a phased manner.

Table 10. DLI Verification Protocol Table

#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/ Agency	Verification Agent	Procedure
1	Enhanced controls in budget execution and reporting	March 31, 2018 (Year 1) - Contract awarded by AS-CFMS for the FMIS systems integrator	No	AS-CFMS	Not Applicable	<ul style="list-style-type: none"> • Copy of the contract signed with the systems integrator to be submitted to the World Bank
		March 31, 2019 (Year 2) - Budget distribution module for HoD/BCOs to DDO's operationalized and integrated with FMIS treasury system by the Finance Department	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> • GO issued mandating use of budget distribution module in FMIS by HoD's and BCO's for allotment of budget to DDO's. • The budget allotment module is integrated with treasury system evidenced by 'Go Live'ⁱ certification.
		March 31, 2020 (Year 3) – 100% transactions of Public Works and Forest Departments have been made through the FMIS treasury system by the Finance Department.	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> • GO issued mandating shifting of works transactions through the FMIS treasury system. • 100% of transactions by Public Works, and Forest Departments are made through the FMIS treasury system for three consecutive months • AG's has accepted to discontinue monthly submission of accounts for Public Works, and Forest Departments (that is, treasury monthly accounts include transactions of the above named departments).
		March 31, 2021 (Year 4) - Decision support system ⁱⁱ in FMIS has been implemented for the Finance Department.	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> • Decision support system is operational and available up to the level of all Deputy Secretaries in the Finance Department, evidenced by real-time department/DDO-wise information on (a) budget execution (budget, budget utilized and un-utilized budget); (b) bills pending for payment across all treasuries; and (c) daily receipts and payments and (d)

#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/ Agency	Verification Agent	Procedure
						commitment information of at least 3 departments ⁱⁱⁱ
		March 31, 2022 (Year 5) – At least 75% of the DDOs have submitted bills online to the treasuries using the FMIS.	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> GO has issued by GoA mandating online submission of bills by DDO's from a specified date. Report generated by system log evidencing online submission of bills through the FMIS by the DDOs for the previous three consecutive months
2	Enhanced transparency of key budget, financial, and procurement information	March 31, 2018 (Year 1) - Finance Department has notified and published Procurement rules and SBDs in the Official Gazette. Budget disclosures made by Finance Department to include at least the following: (a) budget at a glance; (b) analytical statement; (c) transfer to local bodies; and (d) Action taken report on previous year budget.	No	Finance Department	Not Applicable	<ul style="list-style-type: none"> Procurement rules and SBDs^{iv} published in the GoA's Official Gazette and hosted on the Finance Department's website and shared with the World Bank Full budget hosted on the Finance Department's website for year 2018–2019 including budget at a glance, analytical statement, transfer to local bodies, and action taken report on previous year's budget Access to the budget documents is well indexed
		March 31, 2019 (Year 2) – Finance Department has provided public access to information on procurement contract awards for at least 60% of contracts over the e-procurement threshold within 30 days of award.	No	Finance Department	IVA	<ul style="list-style-type: none"> Information on contracts tendered and awarded generated from procurement portal system log for the last six months with classification of published/not published within 30 days of award of contract.
		March 31, 2020 (Year 3) - Budget disclosures made by Finance Department to further include the following: (a) object head-wise expenditure; (b) outstanding liabilities; (c) salary details for the Government; (d) budgetary impact of major policy changes and (e)	No	Finance Department	Not Applicable	<ul style="list-style-type: none"> Following information made available for public access as part of budget documentation: (a) object head-wise expenditure; (b) outstanding liabilities^v (c) salary details for the Government; (d) budgetary impact of major policy changes and (e) procurement plan for 3 major spending department/ agencies.

#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/ Agency	Verification Agent	Procedure
		procurement for 3 major spending department/ agencies.				
		March 31, 2021 (Year 4) – Finance Department has provided public access to information on procurement contract awards on at least 90% of contracts over the e-procurement threshold within 30 days of award.	No	Finance Department	IVA	<ul style="list-style-type: none"> Information on bids tendered and contract awarded generated from procurement portal system log for the last 12 months with classification of published/not published within 30 days of award of contract.
		March 31, 2022 (Year 5) – Finance Department has provided public access to in-year budget execution reports in user friendly formats.	No	Finance Department	IVA	<ul style="list-style-type: none"> Budget execution reports available for last six months (source of information is FMIS) within 30 days of the end of the month.
3	Increased e-collections and e-payments	March 31, 2018 (Year 1) - E-Collection portal developed and rolled out for excise and all non-GST taxes administered by the COT	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> IVA to confirm functionality through system walk-through.
		March 31, 2019 (Year 2) – At least 70% of excise and non-GST tax (administered by the CoT) collected through e-Collection portal over specified threshold; at least 60% payments by the treasury made electronically using e-kuber.	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> GO issued mandating payment of excise and non-GST taxes through the e-collection portal above a specified threshold. Reports on e-collection and e-payment from the cyber treasury along with the treasury reports on total challans (for collections) and bills (for payments) for the last six months (by volume).
		March 31, 2020 (Year 3) –At least 80% of excise and non-GST tax (administered by the COT) collected through e-Collection portal over specified threshold; At least 70% payments by the treasury made electronically using e-kuber.	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> Reports on e-collection and e-payment from the cyber treasury along with the treasury reports on total challans (for collections) and bills (for payments) for the last six months (by volume).

#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/ Agency	Verification Agent	Procedure
		March 31, 2021 (Year 4) – 100% of excise and non-GST tax (administered by the COT) collected through e-Collection portal over specified threshold; at least 80% payments by the treasury made electronically using e-kuber.	No	Finance Department (DoAT)	IVA	<ul style="list-style-type: none"> • Reports on e-collection and e-payment from the cyber treasury along with the treasury reports on total challans (for collections) and bills (for payments) for the last six months (by volume).
4	Enhanced services provided by Commissioner of Taxes using e-Governance	August 31, 2017 (Year 1) - Contract for new IT application for CoT awarded by AS_CFMS	No	AS-CFMS	Not Applicable	<ul style="list-style-type: none"> • Copy of the contract signed with systems integrator to be submitted the World Bank.
		March 31, 2019 (Year 2) – CoT has operationalized the utilities for e-returns and online scrutiny of returns for all non-GST state taxes in the new IT application.	No	COT	IVA	<ul style="list-style-type: none"> • System features facilitating e-returns and online scrutiny confirmed for VAT and online filing for non-VAT/non-GST taxes with reports for preceding quarter
		March 31, 2020 (Year 3) - CoT has operationalized the utilities for Invoice matching and ITC auto-population in VAT returns in the new IT application.	No	COT	IVA	<ul style="list-style-type: none"> • IVA to confirm functionality through system walkthrough and sample check for auto-population • System generated report on invoice matching
		March 31, 2021 (Year 4) CoT has generated Tax arrears certificate for initiating tax arrears recovery online within 30 days of completion of assessment.	No	COT	IVA	<ul style="list-style-type: none"> • Government confirmation with statistics on numbers of tax arrears certificate generated confirmed by IVA within the specified time.
		March 31, 2022 (Year 5) – 100% of Non GST tax returns for the previous year are filed electronically	No	COT	IVA	<ul style="list-style-type: none"> • GO has been issued by GoA for mandatory online filing of tax returns by all non-GST assesses. • Department to provide statistics for online and physical filing of returns.
5	Enhanced services provided by	August 31, 2017 (Year 1) - Assam has notified the Excise Rules 2016 in the Official Gazette.	No	Excise Department	Not Applicable	<ul style="list-style-type: none"> • Copy of Official Gazette notifying Excise Rules 2016 to be submitted to the World Bank.

#	DLI	Definition/Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/ Agency	Verification Agent	Procedure
	Excise Department using e-Governance	March 31, 2018 (Year 1) - Contract for e-governance solution for the Excise Department has been awarded by AS CFMS.	No	AS-CFMS	Not Applicable	<ul style="list-style-type: none"> • Copy of the contract signed with systems integrator to be submitted the World Bank.
		March 31, 2019 (Year 2) – Excise Department has issued at least 10% of transport permits (issued in the financial year) electronically.	No	Excise Department	IVA	<ul style="list-style-type: none"> • Data on online permits issued and total permits issued in previous year to be provided by the department and verified by the IVA.
		March 31, 2020 (Year 3) - Excise Department has issued at least 50% of transport permits (issued in the financial year) electronically	No	Excise Department	IVA	<ul style="list-style-type: none"> • Data on online permits issued and total permits issued in previous year to be provided by the department and verified by the IVA. • GO issued mandating electronic submission and issue of transport permits, renewal and issue of fresh licenses, registration of labels and quality inspection reports.
		March 31, 2021 (Year 4) - Excise Department has issued 80% of transport permits (issued in the financial year) electronically	No	Excise Department	IVA	<ul style="list-style-type: none"> • Data on online permits issued and total permits issued in previous year to be provided by the department and verified by the IVA.
		March 31, 2022 (Year 5) – The Excise revenue collection has increased by at least 80% over the revenue in financial year 2015-2016.	No	DoAT	IVA	<ul style="list-style-type: none"> • Report from DoAT on excise revenue details.

ⁱ 'Go live' is the date as declared by the Finance Department on which the proposed solution becomes operational after successful conclusion of all acceptance tests to the satisfaction of the department in accordance with the system integrator contract.

ⁱⁱ Decision support system will include linkage with budget preparation module. Budget preparation module will cover budget preparation (original and supplementary budgets) with head-wise detailed information for each HoD and Department, which features for facilitating printing and on-line uploading of the budget on the website of the Finance Dept.

ⁱⁱⁱ Commitments information will be reported from commitment module which will record commitments above a specified threshold, specified through GoA's order, either through interface with procurement portal or other means of data exchange/update.

^{iv} One each for civil works, goods, and consulting services.

^v Outstanding liabilities disclosure will include liabilities on major works, contracts and supplies for contracts exceeding INR 50 lakhs and arrears of grants payable to institutions in respect of (a) state matching share and (b) center share received by the state but not transferred to implementing agency as of end of immediate previous financial year.