



Technical Assistance Report

Project Number: 45016-001
Knowledge and Support Technical Assistance (KSTA)
December 2017

India: Capacity Building of the Aid Accounts and Audit Division of the Ministry of Finance

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 December 2017)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.015
\$1.00	=	₹64.47

ABBREVIATIONS

AAAD	–	Aid Accounts and Audit Division
ADB	–	Asian Development Bank
ICS	–	integrated computerized system
IT	–	information technology
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of India ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2017 ends on 31 March 2017.
- (ii) In this report, "\$" refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 45016-001	
Project Name	Capacity Building of the Aid Accounts and Audit Division of the Ministry of Finance	Department /Division	SARD/INRM
Country	India	Executing Agency	Ministry of Finance (Aid Accounts & Audit Division)
2. Sector		ADB Financing (\$ million)	
✓ Information and communication technology	ICT strategy and policy, and capacity development		0.73
Total			0.73
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development Public financial governance	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG17		
6. TA Category:		B	
7. Safeguard Categorization Not Applicable			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.73	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.73	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.73	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		Yes	

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will assist the Aid Accounts and Audit Division (AAAD)—located within the Department of Economic Affairs in the Government of India’s Ministry of Finance—to strengthen its institutional capacity by streamlining public debt management and funds flow operations. Streamlined functioning of the AAAD is essential for better management of development activities and projects. The TA aims to help

- (i) re-engineer systems, upgrade information technology (IT) infrastructure, and automate work processes related to external debt management;
- (ii) provide specialized training for AAAD officials;
- (iii) provide capacity building and training of various stakeholders for better fund flows and loan covenant compliance; and
- (iv) study the existing fund flow process and identify ways it can be expedited and improved.

2. The TA is in line with the country partnership strategy of the Asian Development Bank (ADB), which includes capacity building of counterpart agencies as an important objective.¹ A request from the government for institutional strengthening and capacity building of the AAAD was received in October 2016, and therefore could not be included in the country operations business plan, 2017–2019, which was released in October 2016; the TA is included in the 2017 annual work program of ADB’s South Asia Department.

II. ISSUES

3. The infrastructure sector is a key driver of India’s economy. The government has made a record allocation of ₹3,961,350 million (\$59.2 billion) for numerous infrastructure projects in the FY2018 Union Budget, which is expected to provide a significant boost to the economy. This is an almost 80% increase from the FY2017 allocation of ₹2,212,460 million (\$33.0 billion). To support the enhanced infrastructure expenditure, the government is undertaking significant initiatives to develop the required IT platform. Strong IT infrastructure can significantly improve the efficiency of the government’s internal business processes, while enhancing transparency, accountability and responsiveness.

4. AAAD’s business processes are computerized, but other stakeholders have already improved their workflow and business processes, thus requiring upgrading of AAAD’s system to remove paper-based workflows that necessitate the physical exchange of documents. The electronic transfer of documents will save time, reduce transaction costs, promote process efficiencies, reduce errors, and avoid unnecessary processing delays.

5. Increased infrastructure investment in India requires faster workflow and smooth business processes. AAAD is responsible for maintaining comprehensive accounts of all the loans and grants obtained by the government from all external (multilateral and bilateral) funding sources, and is thus a key department requiring an enhanced IT infrastructure.²

¹ ADB. 2017. *Country Partnership Strategy: India, 2018–2022*. Manila.

² AAAD’s functional activities are described in the Functions and Roles of the Aid Accounts and Audit Division of the Department of Economic Affairs (Supplementary Document 2, accessible from the list of linked documents in Appendix 3).

6. AAAD helps administer loans and grants until final repayments have been made. AAAD's portfolio is increasing each year, and electronic withdrawal applications for disbursements are accepted from implementing agencies to the extent possible. As of 7 November 2017, AAAD handled over 1,350 projects funded by multilateral and bilateral agencies. This is expected to increase further in support of India's growing infrastructure investments. AAAD relies heavily on IT for its daily operations, but the present systems are constrained by inadequate IT infrastructure and resources. The Department of Economic Affairs recognizes that AAAD's IT functions are in urgent need of upgrading—the present IT system lacks useful functions, is hard to use, slow, and too inflexible to meet current business needs. Overall disbursement processing and accounting activities conducted via the existing IT interface need to be improved.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

7. The TA is aligned with the following impact: government budgetary administration system digitally and economically strengthened.³ The TA will have the following outcome: capacity of AAAD to manage business processes and funds flow for externally aided projects increased.⁴

B. Outputs, Methods, and Activities

8. **Output 1: Information technology systems for debt management modernized.** A new integrated computerized system (ICS) will be developed specifically for AAAD operations, including an advanced and upgraded reporting functionality, tracking audit compliance, and strengthened e-claim submissions. The ICS may support options to draw dual or multiple currencies within a single loan or grant as considered necessary. An upgraded reporting module will incorporate both standard and tailor-made reports with download features. The existing AAAD website will be modified and upgraded to incorporate new requirements and ensure it is integrated with the ICS. The feasibility of creating interfaces between the upgraded ICS and IT oriented application systems of other stakeholders will also be reviewed and implemented where possible. As needed, laptop computers, mobile access devices, network devices and other IT hardware will be procured under this TA, and will be turned over to the executing agency.

9. **Output 2: Capacity building activities conducted for the Aid Accounts and Audit Division.** Workshops (one each on the updated training manual and the fund flow study findings, including audit compliance for various government stakeholders) will be conducted. One international study tour for AAAD officials will be organized to increase understanding of best practices in debt management.

10. **Output 3: The functional workflow document for the Aid Accounts and Audit Division updated.** This document will detail the day-to-day processes—e.g., disbursements, debt servicing, coordination, and electronic data processing activities—used by AAAD.

³ 2015, Government of India, Ministry of Electronics and Information Technology. 2015. *Digital India: Power to Empower Program*.

⁴ The design and monitoring framework is in Appendix 1.

11. **Output 4: Study on existing fund flow process prepared.** The study report aims to assess existing procedures and explore potential improvements through modernized IT interventions that enable taking timely actions.

C. Cost and Financing

12. The TA is estimated to cost \$900,000, of which \$725,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2.

13. The government will provide counterpart support in the form of counterpart staff, office supplies, secretarial assistance, and other in-kind contributions.⁵

D. Implementation Arrangements

14. ADB will administer the TA. The India Resident Mission will be responsible for coordinating, supervising and implementing all TA activities, including recruitment and monitoring of consultants. The TA will be implemented from December 2017 to December 2020.

15. The implementation arrangements are summarized in the table.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	December 2017–December 2020		
Executing agency	Ministry of Finance (AAAD)		
Implementing agency	Ministry of Finance (AAAD)		
Consultants	To be selected and engaged by ADB		
	QCBS	10 person-months	\$92,000
	QCBS	115 person-months	\$466,000
	ICS	44 person-months	\$84,000
Procurement	To be procured by ADB		
	Shopping	contracts	\$10,000
Advance contracting and retroactive financing	Not envisaged		
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Intangible items such as software that are intended to be developed and goods purchased under the TA will be turned over to the executing agency upon completion of the TA.		

AAAD = Aid Accounts and Audit Division, QCBS = quality and cost-based selection, TA = technical assistance, ICS = individual consultant selection.

Source: ADB estimates

16. **Consulting services.** ADB will engage the consultants following ADB's Procurement Policy (2017 as amended from time to time) and its associated project administration instructions and/or staff instructions.⁶

⁵ Detailed list of counterpart support (Supplementary Document 1, accessible from the list of linked documents in Appendix 3).

⁶ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

17. **Social media and websites.** The existing website needs to be upgraded by adding features and integrating the website with the proposed ICS. The website will be maintained by AAAD after completion of the TA.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$725,000 on a grant basis to the Government of India for Capacity Building of the Aid Accounts and Audit Division of the Ministry of Finance, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
Government budgetary administration system digitally and economically strengthened ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Capacity of AAAD in managing business processes and funds flow for externally-aided projects increased.	a. Integrated computerized system used at AAAD by December 2021 2017 Baseline: n.a. b. Time required for funds transfer process reduced to 3–4 days by December 2021 2017 Baseline: 6–7 days	a–b. Consultant’s TA report	High turnover of trained staff to manage the ICS and AAAD website.
Outputs 1. IT systems for debt management modernized	1a. ICS established by September 2020 2017 Baseline: not established 1b. AAAD website updated by September 2020 2017 Baseline: not updated	1a–1b. Consultant’s TA report	Delay in TA implementation due to lack of participation from prospective bidders.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
2. Capacity building activities for AAAD conducted.	<p>2a. One international study tour conducted for AAAD on best practices in debt management by December 2018 2017 Baseline: n.a.</p> <p>2b. One workshop conducted for various government stakeholders on fund flow study findings, including audit compliance, by April 2019 2017 Baseline: n.a.</p> <p>2c. One workshop conducted for AAAD officials on the updated user training manual, with handouts for functional use of the new system, by December 2020 2017 Baseline: n.a.</p>	<p>2a. Training report</p> <p>2b. Study tour report</p> <p>2c. Training report</p>	
3. Functional work flow document of AAAD updated	3a. Updated user manual on functional workflow for AAAD completed and released by March 2019 2017 Baseline: 0	3a. Updated user manual for AAAD	
4. Study on existing fund flow process prepared	4a. Report endorsed by AAAD by May 2019 2017 Baseline: n.a.	4a. Report on fund flow process	

Key Activities with Milestones

Output 1: IT systems for debt management modernized

- 1.1 Hire Administrative Coordinators and procure goods (Q1 2018)
- 1.2 Develop system requirement specifications and the web portal and/or website and application software; deploy and configure web portal and software application; undertake user acceptance testing; prepare site (Q4 2019)
- 1.3 Undertake activities to integrate and commission the system (Q1 2020)
- 1.4 Undertake handling support after the system is live (Q2–Q3 2020)

Output 2: Capacity building activities for AAAD conducted

- 2.1 Conduct consultations with AAAD regarding country for study tour (Q3 2018)
- 2.2 Prepare a questionnaire for study tour (Q3–Q4 2018)
- 2.3 Conduct a study tour to understand international best practices (Q4 2018)
- 2.4 Review draft study tour report and hold discussions with AAAD based on an understanding of international best practices in debt management, claim processing, e-business initiatives, and electronic submission of claims (Q1 2019)
- 2.5 Prepare for and hold a dissemination workshop to share experiences on automation of work processes related to external debt management, and ways to expedite and streamline fund flows, including audit compliance with framed solutions (if any) (Q2 2019)

Output 3: Functional work flow document of AAAD updated

- 3.1 Study the existing work flows at AAAD (Q1 2019)
- 3.2 Discuss and finalize work flows with AAAD (Q1 2019)
- 3.3 Draft an updated AAAD user manual (Q1 2019)

Output 4: Study on existing fund flow process prepared

- 4.1 Conduct consultations with relevant government departments involved in the fund flow process (Q1–Q2 2019)
- 4.2 Undertake a review through field visits to 3–4 projects (including weaker states), discuss ways to expedite or streamline fund flows by framing potential solutions, and explore possible IT-oriented solutions if possible with project authorities (Q1–Q2 2019)
- 4.3 Discuss findings of field visits with AAAD, and submit a draft report including recommendations (Q2 2019)

Inputs

ADB: \$725,000

Note: The government will provide counterpart support in the form of counterpart staff, office supplies, secretarial assistance, and other in-kind contributions^b

Assumptions for Partner Financing

Not Applicable

AAAD = Aid Accounts and Audit Division, ICS = Integrated computerized System, IT = Information Technology, n.a. = not available, Q = quarter, TA = technical assistance.

Source: Asian Development Bank

^a 2015, Government of India, Ministry of Electronics and Information Technology. 2015. *Digital India: Power to Empower Program*.

^b Detailed list of counterpart support (Supplementary Document 3, accessible from the list of linked documents in Appendix.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. National consultants	635.0
b. Out-of-pocket expenditures	7.0
2. Goods ^b	10.0
3. Training, seminars, workshops, forum and conferences ^c	31.0
4. Contingencies	42.0
Total	725.0

Note: The technical assistance (TA) is estimated to cost \$900,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office supplies, secretarial assistance, and other in-kind contributions (a detailed list of counterpart support is accessible from the list of linked documents in Appendix 3). The value of government contribution is estimated to account for 19% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF- other sources).

^b Include laptop computers, mobile access devices, network devices and other IT hardware. Goods will be turned over to the executing agency.

^c One international study tour

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=45016-001-TARreport>

1. Terms of Reference for Consultants

Supplementary Documents

2. The Functions and Roles of the Aid Accounts and Audit Division of the Department of Economic Affairs
3. Detailed List of Counterpart Support