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Report No: PAD1869

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$21.7 MILLION

TO THE

REPUBLIC OF INDIA

FOR A

STRENGTHENING PUBLIC FINANCIAL MANAGEMENT IN RAJASTHAN PROJECT

APRIL 6, 2018

Governance Global Practice
South Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2018)

Currency Unit	=	Indian Rupee (INR)
INR 65.19	=	US$1

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AG	Accountant General
AMS	Audit Management Software
AWP	Annual Work Program
BPR	Business Process Reengineering
BIU	Business Intelligence Unit
CAG	Controller and Auditor General
CCS	Commitment Control System
CMS	Contract Management System
CPS	Country Partnership Strategy
CSS	Centrally Sponsored Scheme
CTD	Commercial Taxes Department
CQS	Selection Based on Consultants' Qualifications
DC	Direct Contracting
DoP	Department of Planning
DDO	Drawing and Disbursing Officer
DPP	Decentralized Participative Planning
DeMPA	Debt Management Performance Assessment
DSA	Debt Sustainability Analysis
DLI	Disbursement-Linked Indicator
EAD	Economic Affairs Division
EEP	Eligible Expenditure Program
FY	Financial Year
FA	Framework Agreement
FM	Financial Management
FMIS	Financial Management Information System
FRBM	Fiscal Responsibility and Budget Management
GeM	Government e-Market place
GoI	Government of India
GoR	Government of Rajasthan
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
GRS	Grievance Redress Service
ICB	International Competitive Bidding
IEMS	Integrated Excise Management System
IFMS	Integrated Financial Management System
IFR	Interim Financial Report

IPF	Investment Project Financing
ISM	Implementation Support Mission
IT	Information Technology
IVA	Independent Verification Agency
LFAD	Local Fund Audit Department
M&E	Monitoring and Evaluation
MIS	Management Information System
MTDS	Medium-Term Debt Strategy
NCB	National Competitive Bidding
PD	Project Director
PDO	Project Development Objective
PFM	Public Financial Management
PIM	Public Investment Management
PP	Procurement Plan
PMU	Project Management Unit
PPP	Public-Private Partnership
PRAMS	Procurement Risk Assessment and Mitigation System
PSC	Project Steering Committee
RBI	Reserve Bank of India
RDPR	Rural Development and Panchayati Raj Department
RSBCL	Rajasthan State Beverages Corporation Limited
RSGSM	Rajasthan State Ganganagar Sugar Mills
RTPP	Rajasthan Transparency in Public Procurement
SBD	Standard Bidding Document
SDG	Sustainable Development Goal
SPFC	State Procurement Facilitation Cell
SSS	Single-Source Selection
SPPP	State Public Procurement Portal
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TNA	Training Needs Analysis
ToR	Terms of Reference
VAT	Value Added Tax

Regional Vice President:	Ethel Sennhauser
Country Director:	Junaid Kamal Ahmad
Senior Global Practice Director:	Deborah Wetzel
Practice Manager:	Adrian Fozzard
Task Team Leader:	Manoj Jain

INDIA

Strengthening Public Financial Management in Rajasthan Project

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Strengthening Public Financial Management in Rajasthan (P156869)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

Governance Global Practice

Report No.: PAD1869

Basic Information			
Project ID P156869	EA Category C - Not Required	Team Leader(s) Manoj Jain	
Financing Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-July-2018	Project Implementation End Date 31-Mar-2024		
Expected Effectiveness Date 01-Aug-2018	Expected Closing Date 31-Mar-2024		
Joint IFC No			
Practice Manager/Manager	Senior Global Practice Director	Country Director	Regional Vice President
Adrian Fozzard	Deborah L. Wetzel	Junaid Kamal Ahmad	Ethel Sennhauser
Borrower: Republic of India			
Responsible Agency: Department of Finance, Government of Rajasthan			
Contact: Ms. Manju Rajpal		Title: Secretary, Finance (Budget)	
Telephone No.: 911412227934		Email: secretarybudget@rajasthan.gov.in	

Project Financing Data (in USD Million)					
[X]	Loan	[ ]	IDA Grant	[ ]	Guarantee
[ ]	Credit	[ ]	Grant	[ ]	Other

Total Project Cost:	31.00	Total Bank Financing:	21.70
Financing Gap:	0.00		

Financing Source	Amount
Borrower	9.30
International Bank for Reconstruction and Development	21.70
Total	31.00

Expected Disbursements (in USD Million)

Fiscal Year	2018	2019	2020	2021	2022	2023	2024
Annual	0.00	3.00	3.80	4.50	4.90	3.00	2.50
Cumulative	0.00	3.00	6.80	11.30	16.20	19.20	21.70

Institutional Data

Practice Area (Lead)

Governance

Contributing Practice Areas

Macro Economics & Fiscal Management

Proposed Development Objective(s)

The Project Development Objective (PDO) is: "to contribute to improved budget execution, enhanced accountability, and greater efficiency in revenue administration in Government of Rajasthan".

Components

Component Name	Cost (USD Millions)
Strengthening Public Financial Management Framework	6.00
Strengthening Expenditure and Revenue Systems	21.65
Project Management and Capacity Building	3.30
Front End Fee	0.05

Systematic Operations Risk- Rating Tool (SORT)

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

OVERALL	Moderate

Compliance	
Policy	
Does the project depart from the CAS 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**	**Frequency**
Project Management Unit	**X**		CONTINUOUS

Description of Covenant

Rajasthan shall maintain, at all times during Project implementation, a Project Management Unit (PMU) within Rajasthan's Economic Affairs Division of the Finance Department, for the Project with functions and responsibilities acceptable to the Bank, including, inter-alia: (i) coordinating activities with the other Implementing Departments, (ii) taking actions for procurement, financial management, monitoring progress and evaluating performance, (iii) ensuring financial reports are available and submitted to the Bank, (iv) hiring technical experts and consultants; all in accordance with the Project Implementation Plan, and (v) ensure timely funds flow to facilitate Project implementation.

Name	**Recurrent**	**Due Date**	**Frequency**
Project Steering Committee	**X**		CONTINUOUS

Rajasthan shall maintain, at all times during Project implementation, a Project Steering Committee (PSC), chaired by the Additional Chief Secretary, Finance and comprising *inter alia* of the Secretaries/Heads of

Departments of relevant Implementing Departments as applicable to the Government of Rajasthan to provide overall strategic guidance to the Project.			
Name	**Recurrent**	**Due Date**	**Frequency**
Project Monitoring Committee	**X**		CONTINUOUS
Rajasthan shall ensure that, at all times the activities of the Project is reviewed and monitored by a Project Monitoring Committee (PMC) led by a senior official from the Indian Administrative Services (IAS), with the composition, functions and responsibilities as provided for in the Project Implementation Plan, assisted by a State project director and adequate professional and administrative staff, whether on deputation on otherwise, including specialists in procurement, financial management, budget and treasury, taxation and IT, and other Project related technical staff, in numbers and with experience and qualifications and under terms of reference agreed to between Rajasthan and the Bank.			
Name	**Recurrent**	**Due Date**	**Frequency**
Nodal Officers	**X**		CONTINUOUS
Rajasthan shall ensure at all times during Project Implementation: (i) for each Part/sub-Part of the Project, a nodal officer from the other Implementing Departments is designated to coordinate with the PMU on the implementation of activities, monitoring, and reporting; and (ii) the activities under the Project are carried out in accordance with the Project Implementation Plan.			
Name	**Recurrent**	**Due Date**	**Frequency**
DLIs Verification and Withdrawals	**X**		CONTINUOUS
Description of Covenant For withdrawals for eligible expenditures under Component 2 of the Project, the Borrower, through GoR, 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 expenditure.			
Name	**Recurrent**	**Due Date**	**Frequency**
Retroactive Financing	**X**		CONTINUOUS
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 May 15, 2017, up to an aggregate amount not to exceed US$ 4.00 million.			
Name	**Recurrent**	**Due Date**	**Frequency**
Reversal of DLIs	**X**		CONTINUOUS
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.			

Team Composition				
Bank Staff				
Name	**Role**	**Title**	**Specialization**	**Unit**
Manoj Jain	Team Leader (ADM Responsible)	Lead Financial Management Specialist	Public Financial Management	GGOIS
Atin Kumar Rastogi	Procurement Specialist (ADM Responsible)	Sr Procurement Specialist	Fiduciary	GGOPZ
Tanya Gupta	Financial Management Specialist	Financial Management Specialist	Fiduciary	GGOIS
Arun Kumar Kolsur	Team Member	Sr Procurement Specialist	Procurement Capacity Building	GGOPZ
Frederico Gil Sander	Team Member	Lead Economist	Senior Country Economist	GMTP2
Krishnamurthy Sankaranarayanan	Team Member	Sr Financial Management Specialist	Public Financial Management	GGOIS
Mohan Nagarajan	Team Member	Senior Economist	Revenue, Tax	GGOIS
Payal Malik Madan	Team Member	Program Assistant	Procurement	SACIN
Puneet Kapoor	Team Member	Sr Financial Management Specialist	Public Financial Management	GGOIS
Radha Narayan	Team Member	Procurement Assistant	Procurement	GGOPZ
Renu Gupta	Team Member	Program Assistant	Operations	SACIN
Rinku Murgai	Team Member	Lead Economist	Economist	GPV06
Sangeeta Kumari	Social Safeguards Specialist	Senior Social Development Specialist	Safeguards	GSU06
Savinay Grover	Team Member	Sr Financial Management Specialist	Public Financial Management	GGOIS
Sita Ramakrishna Addepalli	Environmental Safeguards Specialist	Senior Environmental Specialist	Environmental Specialist	GEN06
Smriti Seth	Team Member	Economist	Cash, Debt	GMTSA
Urmila Chatterjee	Team Member	Economist	Economist	GPV06
Victor Manuel Ordonez Conde	Team Member	Senior Finance Officer	Disbursement	WFACS

Vidya Venugopal	Counsel	Counsel	Legal	LEGES

Extended Team

Name	Title	Office Phone	Location
Anand Pardhy	Consultant, IT	91-9999835552	New Delhi
Shyam Sunder Mehndiratta	Consultant, Procurement	9871354111	
Siddharth Kohli	Consultant, Financial Management	91-9868580828	New Delhi
Vanitha Kommu	Consultant, Environmental Safeguards	91-9440409505	Hyderabad

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
India	Rajasthan	State of Rajasthan		X	

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required ?	Consultants will be required

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 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, the 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 linking them to core treasury systems, cash management, and 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 (BPR) 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 of the Planning Commission's traditional role in determining 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, increase in 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 implementation of Goods and Services Tax (GST) that is expected to contribute to growth in gross domestic product and buoyancy in revenues.

5. **These 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 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. **India's largest state by area, Rajasthan, also stands out in economic performance: over the past 20 years Rajasthan has grown faster and achieved a greater reduction in poverty than any other low-income state.** This strong performance reflects broad-based efforts toward policy reform across sectors that resulted in a more productive and diversified agriculture sector, higher investments in manufacturing, and substantial improvements in public service delivery. In particular, policy reforms undertaken since 2003 succeeded in ending a growth slump from 2000 to 2005 and ushered in a period of strong growth.

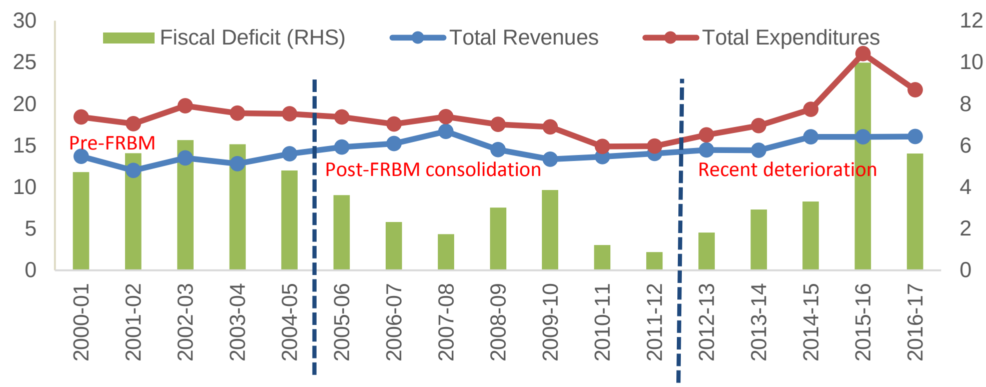
8. **Rajasthan is now at a crossroads and faces serious challenges to sustaining rapid and inclusive growth.** In recent years, growth has slowed down and the crucial tourism sector has lost market share. A worsening water crisis is making traditional agricultural practices increasingly unsustainable, while growing fiscal pressure, due partly to deficiencies in the electricity sector, is narrowing the fiscal space available to implement comprehensive policy actions. At the same time, a dearth of high-quality jobs and stagnant social indicators, especially for women, make it imperative to devise ways to improve the sustainability and inclusiveness of growth. If these challenges are not addressed, Rajasthan's progress might be reversed: conditions in rural areas may become more difficult at a time when the environment in urban areas is not yet conducive to rapid growth and job creation in the manufacturing and services sectors. As a result, growing unemployment compounded by persistent geographical and social disparities could threaten the improvements in the state's welfare.

9. **Over the past two decades, Rajasthan has generally run high deficits—largely on account of contingent liabilities.** From 2000 to 2005, Rajasthan's finances were characterized by growing current expenditures because of salary revisions and high fiscal deficits, which reached over 6 percent of the Gross State Domestic Product (GSDP) in FY03 and FY04 (Figure 1). From 2005 to 2011, following passage of the Rajasthan Fiscal Responsibility and Budget Management (FRBM) Act, deficits gradually declined and averaged 2.4 percent. However, this was also a period

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

of growing contingent liabilities in the state-owned electricity distribution companies (DISCOMs), which were burdened by large and growing losses from the agriculture sector. The third and most recent phase, since 2011, has been one of renewed fiscal stresses and rising deficit levels, as DISCOM losses have increasingly been taken over by the state. The fiscal deficit rose to an average of 2.6 percent during FY13–FY15, reaching 3.1 percent in FY15. In FY16, on-budget support to the power sector (which entailed taking over 50 percent outstanding liabilities of DISCOMs under the Ujjwal Discom Assurance Yojana [UDAY] scheme) increased the state's fiscal deficit to 9.4 percent of GSDP.

Figure 1. Public Finances, GoR (% of GSDP)



Source: Government of Rajasthan (GoR).

10. **Consequently, capital expenditure in Rajasthan now lags behind other low-income states** and has not supported infrastructure development at the scale required by the state at its current level of development. For example, Andhra Pradesh spent nearly 5.3 percent of GSDP on capital outlays during FY06–FY10 to ramp up infrastructure development; similarly, Bihar and Uttar Pradesh spent an average of 4.3 and 4.4 percent of GSDP, respectively, during the same period—while Rajasthan spent only 2.7 percent. Increasing capital expenditure will be essential to build the infrastructure necessary for sustainable and inclusive urbanization, including housing for low-income segments of the population as well as water and sanitation infrastructure.

11. **Enhancing fiscal space will be critical for Rajasthan to sustainably increase expenditures in priority areas and deliver on its agenda for sustained and inclusive growth.** A combination of expenditure rationalization—particularly of support to the power sector, improving the efficiency of existing expenditures, and revenue enhancement—is necessary to create adequate fiscal space and increase capital expenditure in Rajasthan. Simultaneously, Rajasthan needs to increase the efficacy of expenditures, especially on the social sectors. These efforts will enable Rajasthan to accelerate necessary public investments and enhance service delivery. The scope for immediate rationalization is limited, and committed expenditures account for approximately 60 percent of all expenditures. The report 'Rajasthan - A Strategy for Sustained and Inclusive Growth' also stresses that successful implementation of Rajasthan's inclusive growth strategy will require conducting fiscal policy in a sustainable manner while spending better and spending more. The delivery of high-quality health, education, and social protection services, as well as needed infrastructure, requires an improvement in the efficiency of expenditure, an

increased level of resources to finance larger spending in some areas, and a stable fiscal policy stance to ensure spending programs receive predictable funding.

12. **Given the limited fiscal space, achieving higher development outcomes and more value for public expenditure requires higher allocative efficiency of public expenditure, as well as a stronger accountability and control framework.** Rajasthan has recognized this for several years now, which is reflected in the PFM reforms that the government has undertaken, and has reached a certain degree of maturity in its PFM systems. These reforms included implementation of a complete web-based solution—the Integrated Financial Management System (IFMS), for capturing government's financial transactions including budget planning, preparation, allocation and distribution, fund management, treasury operations, and accounting.[2] All departments, including drawing officers, are now on the IFMS, and the banks and the state auditor draw electronic data from this application.[3] The state enacted the Rajasthan Transparency in Public Procurement (RTPP) Act in May 2012, to regulate procurement and provided the framework for strengthening procurement regulations to enhance accountability and efficiency in public procurement. The state further framed rules under the act and notified them in January 2013. Another major initiative taken by the GoR was the introduction of the 'Bhamashah' scheme for citizen empowerment through financial inclusion, women's empowerment, and efficient service delivery by enrolling women as the head of family.[4] On the accountability side, quality of audit impact has been enhanced through reforms such as development of database of audit reports and compliance that tracks responses on audit observations. Further, on the revenue side, the Commercial Taxes Department (CTD) has been modernizing the business processes and IT systems by implementing an internal portal[5] and a web portal for public interface for providing extensive information and e-services to the taxpayers. The GoR has also introduced an online government receipts system for almost all government revenues to facilitate taxpayer convenience.[6]

13. **The World Bank has been partnering with the GoR in its reform agenda.** In 2005, a State Financial Accountability Assessment was carried out which helped the GoR identify specific opportunities for more effective financial management (FM) and control over public resources. In the most recent engagement, the World Bank (2012) supported the GoR through an Institutional Development Fund Grant, the Rajasthan Public Financial Management and Procurement Capacity-Building Project, which included revising the Budget Manual, modernizing and simplifying Financial and Treasury Rules, enhancing the quality of audit impact, and improving public procurement outcomes by enacting the RTPP Act and Rules.

[2] IFMS has the following active key modules: Treasury, Pay Manager, Receipt Accounting, Budget, Stamps, Social Security, and Works Accounting (ifms.raj.nic.in).
[3] Works transactions have also been migrated to IFMS. Concurrent with IFMS implementation, the GoR has updated and modernized its core PFM documents: the Budget Manual, the General Financial and Accounts Rules, the Treasury Rules, and Public Works Account Code.
[4] All cash benefits under public welfare schemes are deposited directly to the bank accounts of the beneficiaries and non-cash scheme is implemented through the Bhamashah card.
[5] RajVista (or Rajasthan VAT Information System for Tax Administration).
[6] This has eliminated all physical contacts with the departments and banks and the need for physical challans and facilitated faster remittance of revenue to government account and reconciliation as treasury and banking systems are integrated.

14. **The GoR is now keen to undertake next generation of reforms in PFM through World Bank support.** The GoR's intent for PFM reforms is aptly articulated in the core documents[7] with an aim to improve the fiscal health, accountability, and service delivery in the state. The state aims to address the gaps in current reforms continuum as well as take up several innovative reforms. With this aim, the GoR is keen to undertake further PFM reforms using a multipronged approach.

15. **The first prong is to address the gaps in current reforms continuum on the expenditure side and adaptively calibrate these reforms to be more effective.** Actual compliance with the provisions in the RTPP Act[8] and the internal control framework still remains a challenge because of lack of capacity and skills. Audit institutions in the state (internal audit and local fund audit) need to be reorganized and reoriented toward in-time and action-oriented reporting which will help enhance executive response and accountability. On the planning side, although a functional institutional mechanism for Decentralized Participative Planning (DPP) exists in the state, the concept of DPP is considerably diluted and needs an overhaul to enhance its effectiveness.

16. **The second prong is to address gaps on the revenue side and modernize systems for better service delivery and improved performance.** This includes strengthening revenue systems and capacity in the CTD and the Transport Department. With respect to Excise administration, the GoR has undertaken a number of e-governance initiatives over time; however, there is still a need for a comprehensive institutional reforms and capacity-building strategy. One of the critical needs identified in the 'Rajasthan - A Strategy for Sustained and Inclusive Growth' report is to strengthen revenue management and administration with an aim to modernize tax administration, systems and processes, and forms and be ready for transition to the new regime under GST. This will pave the way for creating more fiscal space for developmental expenditure.

17. **The third prong is to undertake niche, advanced, and innovative reforms that build on reforms already undertaken.** These second-generation reforms leverage the systems and capacities built and acquired by the GoR in the course of undertaking existing reforms. The commitment control system (CCS) is expected to leverage information systems like the IFMS, already in place to aggregate commitment information for better decision making by line managers. This further lends itself to a Contract Management and Public Investment Management (PIM) framework that can then be built on top of these systems—and will lead to better effectiveness of expenditure. There is also a recognized need to strengthen cash and debt management in the state to support development of a debt management strategy and implement systems which will help reduce overall interest costs. On the planning side, the GoR intends to leverage its capabilities in collecting and curating huge quantities of administrative, transactional, and unstructured 'big data' to facilitate analysis at the regional and/or household level for decision making with respect to planning, budgeting, forecasting, and monitoring and evaluation (M&E).

[7] For instance, the Budget Speeches presented by the Chief/Finance Minister for the past three years has been laying greater emphasis on governance and accountability in the state and undertaking several IT initiatives in revenue and expenditure departments.

[8] A recent study has identified specific gaps: standard bidding documents not yet finalized, limited understanding of the Act and rules among stakeholders, and rules not available on specific procurement methods as specified in the Act.

Several of these initiatives are being undertaken at a subnational level for the first time in India and would require learning and adapting from other similar experiences.

C. Higher-Level Objectives to which the Project Contributes

18. **The proposed project's objectives are closely aligned with the key development goals of the GoR and respond to its objective to strengthen its PFM architecture.**[9] The dimensions of the project will provide a basis for further reforms in PFM and the chosen activities (a) relate to the ongoing and planned interventions and (b) are based on the priorities determined by the GoR for broadening and deepening the reform. Successful implementation of the proposed project in Rajasthan is expected to enhance financial accountability and transparency and strengthen institutions through capacity and skills upgrading. It will likely lead to better allocation and utilization of resources with transparency in planning for capital expenditures and optimizing the revenue functions. Focus on capacity building will secure future sustainability of the reforms. Several interventions under this project are being attempted for the first time at a subnational level in India and therefore have required a careful calibration in terms of sequencing and ownership.

19. **The proposed operation is consistent with the World Bank's Performance and Learning Review of the Country Partnership Strategy for India (Report No. 99283-IN), discussed by the Executive Directors on October 20, 2015.** It is also aligned with the findings of the Systematic Country Diagnostic for India. The SCD's draft findings emphasize the importance of strengthening public sector institutions as a priority in sustaining poverty reduction and promoting shared prosperity. Improved public financial management is integral to increasing the public sector's capability to carry out its service delivery functions.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective

20. **The Project Development Objective (PDO) is to contribute to improved budget execution, enhanced accountability, and greater efficiency in revenue administration in Government of Rajasthan**.

21. The project is expected to contribute to better planning and budget execution, to enhance transparency, accountability, and efficiency in public spending, and strengthen revenue systems and capacity. Rajasthan has recently been facing fiscal stress and recognizes the need to strengthen both expenditure and revenue side to be able to alleviate this. The project seeks to focus on the priority reforms identified by the GoR and other stakeholders. PFM reforms are a continuing and evolving process and there is a need to focus on the weakest links in the PFM cycle to uplift the entire system.

22. **The key beneficiaries of the project would include the following**: the Finance Department, the CTD, the Transport Department, the Excise Department, the Planning

[9] 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).

Department, Department of IT, DoPR, internal and external oversight bodies, and procuring agencies and officials. Indirectly, it will benefit all departments as PFM is a cross-cutting function. The project will also benefit the citizens of Rajasthan through benefits accruing from optimum use of resources, efficient processes, and improved service delivery.

B. PDO-Level Results Indicators

23. The key project indicators will be the following:

- Strengthened budget execution by improving controls over commitment
- Improved public procurement by enhancing capacity and transparency
- Enhanced accountability through institutional strengthening of the Local Fund Audit Department (LFAD)
- Improved revenue administration through strengthening of the CTD

III. PROJECT DESCRIPTION

A. Project Components

24. **The project is an Investment Project Financing (IPF) with a combination of technical assistance (TA) and results-based financing (US$31.00 million, World Bank financing: US$21.70 million).** The project has been designed to focus on specific priorities identified by the GoR, including consolidation of the work already done (such as IFMS), and further broaden the reform areas to realize the full benefits. The main activities of the project are grouped in two technical components: Component 1 - Strengthening Public Financial Management Framework; and Component 2 - Strengthening Expenditure and Revenue Systems that seek to improve public expenditure management and revenue administration in Rajasthan. The third component is Project Management and Capacity Building. Components 1 and 3 will finance inputs, while Component 2 will finance a combination of inputs and Disbursement-Linked Indicators (DLIs) based on results.

Component 1: Strengthening Public Financial Management Framework (US$6.00 million, World Bank financing: US$4.20 million)

25. This component will support the GoR's efforts in enhancing effectiveness of local and internal audit institutions, strengthening planning and management of public investments, strengthening DPP, and leveraging data to inform policy action. This component is a TA and has four subcomponents.

Subcomponent 1.1: Strengthening Effectiveness of the State's Audit Institutions

26. The GoR intends to enhance the effectiveness of local fund audit and internal audit institutions to play a wider role in accountability and bringing in value to the function by raising the profile and performance of these institutions. The LFAD carries out independent audit of the rural and urban local bodies and other autonomous agencies. The Inspection Directorate within the

Finance Department carries out internal audit of the head offices of the departments, physical verification of stores, and special audits as directed by the Finance Department. For subordinate offices, this function is carried out by their respective departmental internal audit wings. The effectiveness is currently low because of inadequate provisions in the rules to provide records and information by auditees to audit parties and time limit framework for compliance of audit paras, archaic audit practices, ineffectiveness of audit committees, absence of auditing standards and manuals, insufficient human resource capacity in terms of number and skill sets, and inadequate field benefits to the audit staff in terms of travel allowances. Enhanced effectiveness of the audit institutions will be achieved through institutional strengthening, empowerment of staff with latest skills, improved audit procedures including risk-based audits, and more efficient audit processes including use of IT tools.

27. Through this subcomponent, the project will support the following activities to strengthen the local fund audit and internal audit function: (a) performing diagnostic or situational analysis (AS IS) of the current mandate, organization, functions, and processes; (b) developing an audit strengthening plan (reform strategy) recommending an appropriate organization structure, model for risk-based approach, and a plan for skills upgradation; (c) developing/modernizing the audit manual; (d) suggesting options for an audit management software (AMS) and implementation support thereof; (e) demonstrating value addition through risk-based audit pilots (‘proof of concept’) with the objective of shifting focus to more advanced audit techniques, systems audit, risk-based audit, and management audits; (f) conducting training needs analysis (TNA) and capacity building; and (g) handholding support.

Subcomponent 1.2: Strengthening Planning, Management, and Monitoring of Capital Expenditures/Projects in Rajasthan

28. The GoR has identified the need for further strengthening its planning process and PIM in terms of (a) overall public investment strategy framework linked to the State’s development strategy and priorities given the available fiscal space and (b) strengthening institutional capacities and integrating planning processes (department plans and district plans) to better plan, appraise, implement, and evaluate project and capital investments proposals. There is also a stated need for reviewing the Public Private Partnership (PPP) framework to include an adequate assessment of future liabilities and fiscal risks and an appropriate risk sharing between public and private partners. GoR’s public investment strategy framework and planning process under this sub-component shall be designed with due regard not only to economy, efficiency and growth but cross cutting issues such as climate change, gender and citizen engagement.

29. The main objective of this subcomponent is to establish a system to ensure that all investment projects are properly selected, appraised, and prioritized in an orderly manner and in relation to the available fiscal space before they are included in the budget for financing.

30. This subcomponent will derive synergies from commitment control, contract management module/monitoring, and necessary decision support systems and support: (a) assessment of the current PIM policies and procedures in the GoR, including PPPs (identification of gaps), development of a road map for strengthening PIM, and development of a policy matrix; (b) suggesting of possible IT applications; and (c) capacity building of staff of the GoR for strengthened PIM function including management of risks.

Subcomponent 1.3: Strengthening Decentralized Participative Planning (DPP) in Rajasthan

31. The objective of this subcomponent is to enhance transparency and participation in the budgeting process, strengthen capacity of departments dealing with local governments to play their roles more efficiently and effectively in improving service delivery, and promote inclusiveness in the planning process through a systematic and disciplined approach.

32. District plans accounted for more than 53 percent of the total state plan outlay of the state (in 2016–2017), of which local self-governments accounted for about 33 percent. Although a functional institutional mechanism for DPP exists in the state, even after 24 years of its implementation, the concept of DPP is considerably diluted. The decentralized planning mechanism has not worked well over the years as most often the district plans comprise a wish list of activities without proper linking to resources available and without prioritization. The implementation of these plans is not mainstreamed and budget execution of district plans is not implemented through the IFMS. Key lessons emanating from the experience of implementing DPP are assurance that the district plans will be considered at the state level and adequate resource envelope provided, a program-based resource allocation could be more effective, sequencing of activities (prioritization) is essential along with having a shelf of subsidiary projects, a perspective plan for three to five years can be drawn to provide a sense of certainty, and orders from the government need to be issued timely. There is a thus a need to strengthen the quality as well as the systems involved in this process and empower the local governments to effectively participate in the planning process. The district plans are envisaged to provide inputs to the budgeting exercise at the state level, thus making the budget more realistic, practical, and relevant.

33. To strengthen participative planning, the project will support the GoR, specifically the Rural Development and Panchayati Raj Department (RDPR) and Department of Planning (DoP) to conduct a study of select schemes/sector and assess the actual working of DPP and its impact on the development process at the district and sub district levels. Based on the findings and the practices followed in other states, recommendations will be made to strengthen DPP, including dovetailing with the state's budgeting cycle, and pilots will demonstrate the suggested process. This subcomponent will support: (a) diagnostic or situational analysis (AS IS and TO BE); (b) development of a state decentralized planning framework; (c) automation of the DPP process using Plan Plus software of the Ministry of Panchayati Raj, Government of India (GoI), or other suitable application; (d) conducting of pilots and capacity building in DPP and the selected software; and (e) handholding support covering one planning cycle. This subcomponent will also benefit from the outputs of the activities under Subcomponent 1.4 on the use of data for policy action.

Subcomponent 1.4: Using Data for Policy Action

34. The objective of this component is to harness the power of data analytics for better decentralized planning, efficient resource allocation, and systematic monitoring of outcomes with the goal of improving welfare outcomes in the state. The GoR has recently built large capacity in 'big data' IT infrastructure with an overall capacity of 1 Petabyte at its State Data Center and now intends to leverage this capability to help collect and curate administrative, transactional, and unstructured 'big' data to help develop welfare indices at disaggregated levels. The aim is to rely less on primary data collection through periodic surveys and more on secondary/transactional data

that are routinely generated in the administration of the state of Rajasthan or through the transactions of the citizens of Rajasthan with the GoR or other third parties. In doing so, the GoR will pioneer the use of administrative records and big data analytics for policy action and monitoring welfare.

35. This activity will initially focus on developing indicators or indices for key sectors of the economy such as health, education, and infrastructure on a pilot basis to facilitate planning, budgeting, allocation, and M&E at disaggregated levels, that is, district, block, village, and so on. This exercise will subsequently be extended to more sectors, and the sector-specific indicators/indices will then be synthesized into a composite index to measure and track welfare at the household and regional level. Among other things, it will require activities across: data curation; data storage; vetting of data for quality; data harmonization and improvement; construction of indicators/indices; establishing of links between indicators/indices and their use for planning and resource allocation; and institutional strategy about access, usage, and privacy. Given the complex and innovative nature of this task, its direction, implementation and outcomes are expected to iterate based on a "learning by doing" approach, and will help support development of indices at sector/regional level. The Planning and IT team at the GoR have already piloted this approach in a few areas with an aim to strengthen the grievance redressal system and identify misuse in distribution of benefits (Bhamashah). To facilitate the implementation of this component, a unit would be created with representation from Planning, Economics and Statistics, and IT.

36. This subcomponent will support development of an adaptive implementation framework for the following activities of the project: (a) identify and prioritize indicators, take stock of existing data, data quality, vetting and improvement, support data links, and coordinate across different line departments and agencies; (b) generate simple, measurable, trackable, and actionable indices initially for key sectors and ultimately construct an index to measure welfare of households and places using methods including, but not limited to, time series forecasting, predictive forecasting, predictive modeling, cluster analysis, machine learning, and social network analysis; (c) design and implement a mechanism to validate and evaluate the indicators/indices and suggest improvement as may be necessary; (d) develop dashboards to allow easy reporting and visualization of indicators/indices and to formulate policies with regard to data access, usage, and privacy within the GoR rules and regulations; and (e) develop capacity of officials in IT, planning, and other departments in data analysis.

Component 2: Strengthening Expenditure and Revenue Systems (US$21.65 million, World Bank financing: US$15.15 million)

37. **The objective of this component is to support the GoR in strengthening revenue and expenditure systems through capacity building and improvements in IT.** This will be achieved by supporting implementation of the procurement framework in Rajasthan, including: capacity building on the RTPP Act and Rules; strengthening cash/debt management; implementing commitment control and contract management; and enhancing revenue administration by modernizing information systems in the CTD, Excise, and Transport Departments.

38. **This component has two complementary parts: TA and DLI-based financing.** The activities under the TA will provide the necessary technical inputs and support which will inform

the proposed IT investments, institutional strengthening, functional expansion, and capacity-building plans. Some of these activities will need to adapt themselves to the context over time and are thus more suitable for financing under TA. TA will finance specific inputs on consulting and non-consulting services, IT equipment, training, and exposure visits. The results-based subcomponents will disburse upon achievement of agreed results (DLIs), supported by the Eligible Expenditure Program (EEP).

39. **Disbursement-Linked Indicators.** Each subcomponent will be financed by a mix of TA and DLIs. Five (5) DLIs have been agreed, which will support and incentivize the key project activities. These are aligned with the PDO and results indicators and will disburse upon achievement of key results. In the pricing of individual DLIs, 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. The EEPs for these DLIs would include goods, consulting services, non-consulting services, training and operational costs, as described in the respective subcomponents. For details on DLIs, refer to the tables in section VII.

40. The subcomponents under this component are the following.

Subcomponent 2.1*: *Capacity Building on Rajasthan Transparency in Public Procurement Act and Rules

41. Rajasthan enacted the Transparency in Public Procurement Act, 2012, providing the framework for strengthening procurement regulations, and prepared the RTPP Rules, 2013, and amended in 2015. A State Procurement Facilitation Cell (SPFC) has been established as per the Act but does not have adequate staffing. Capacity-building efforts have been limited and training has been delivered only to about 700 officials out of a total of nearly 45,000.

42. The main objective of this subcomponent is to address the gaps identified in the implementation of the RTPP Act and its Rules, which will lead to enhanced improvement in efficiencies and effectiveness in public procurement in the state. DLIs have been included under this sub-component as a performance incentive to improve implementation of the RTPP and enhance e-Procurement coverage across GoR.

43. The project will support the following activities:

(a) **Implementation of the RTPP Act and Rules.** This subcomponent will provide advisory support to the SPFC in achieving its mandate and will assist in: (i) developing/updating Standard Bid Documents (SBDs); (ii) developing a procurement MIS; (iii) developing, maintaining, and disclosing a list of debarred bidders by the state government or procuring entity; and (iv) developing the framework and rules for registration of bidders, contract management, and specific procurement methods. The modifications to the rules to bring in efficiencies and cost savings through reduction in advertisement costs.

(b) **Capacity building and skill development.** There is an urgent need for developing a holistic and comprehensive capacity-building strategy for officials responsible for procurement and contract management in the state. The activities include: (i) carrying out TNA; (ii) developing a strategy, modules, curriculum, and materials for training;

(iii) developing IT enabled e-learning systems; (iv) training in public procurement to officials, bidding community, and other stakeholders, which includes certification and accreditation of a core group of officials in selected high-spending departments.[10] The training would lead to certification, accreditation, and professionalizing of the procurement functionality in the state. The above activities will lead to improved understanding and capacity and thereby increasing efficiency in procurement cycle.

(c) **Impact assessment of e-tendering system.** The state has been using the e-tendering system for the past few years. This subcomponent would support an impact assessment study to understand its benefits, carry out spend analysis/data analytics to assess government procurement spend at the category level, and thus obtain deeper insights and identify areas requiring improvement.

Subcomponent 2.2: Strengthening Cash and Debt Management

44. The objective of this subcomponent is to modernize and strengthen cash and debt management systems in Rajasthan to help produce a reliable cash plan and provide inputs for the quantum and timing of borrowings and to improve cash forecasting techniques. Cash management is crucial to establish credible budget execution, strengthen institutional capacity, and establish tools for effective life cycle management of debt.

45. The cash and debt management function is managed by the 'Ways and Means' Unit (Budget Division) and Economic Affairs Division (EAD) of the Finance Department. The existing practices followed for cash flow forecasting, which serve as a basis or input for debt management and timing of market borrowings (through RBI), are fairly basic and an effective decision support system is lacking. This results in the GoR adopting a relatively cautious and conservative approach to borrowings and cash management, that is, carrying a buffer of excess cash in the system and borrowing ahead of time to meet future cash flow needs. On the other hand, many agencies and parastatals retain funds outside of the consolidated fund, which result in parking of 'idle funds'. Since 2015,[11] the Finance Department has introduced some mechanisms for consolidating its cash management practices—a daily report on cash flows, including major revenue and expenditure heads, is prepared for reference of the budget director. This report is used to inform borrowing timings and quantities. However, the department can benefit from enhanced capacity on debt recording, debt management and cash flow management and forecasting. A DLI has been included under this sub-component which will help incentivize implementation of a debt recording system, improvement of cash forecasting and preparation of Medium-Term Debt Strategy (MTDS) and Debt Sustainability Analysis (DSA) reports.

46. This subcomponent supports: (a) evaluation of debt and cash management practices and procedures, using the Debt Management Performance Assessment (DeMPA) tool (conducted in

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[10] Public Works Department, Water Resources, Energy, Health and Education. It is envisaged that procurement certification will be built into the regular entry and in-service training of the GoR's civil service cadre officials, with a view to ensure sustainability. SPFC will work with academic institutions to deliver the trainings. In addition, partnerships and twinning arrangements with eminent national/state-level institutions will be entered into for capacity building in procurement and contract management.

[11] The cash balance of the state was INR 8,397 crores as of March 31, 2016; INR 8,949 crores as of March 31, 2015; INR 10,446 crores as of March 31, 2014; INR 12,887 crores as of March 31,2013.

FY16); (b) modernization of debt recording systems; (c) preparation of reliable Medium-Term Debt Strategy (MTDS), Debt Sustainability Analysis (DSA) report, and consolidated debt database used to prepare analytical outputs; and (d) strengthening of staff capacity by (i) hiring of experts on debt and cash management analytics; and (ii) trainings for staff on DSA, MTDS, financial market analysis, cash flow modeling, and other need-based courses. The quality of cash flow forecasts can be improved over time, supported by better commitment management, strengthened monitoring of project implementation, and improved macro-fiscal forecasts to support reliable revenue estimates.

Subcomponent 2.3: Strengthening Commitment Control and Contract Management

47. An essential element of fiscal discipline is the presence and continued adequacy of expenditure controls at different stages of budget execution, namely authorization, commitment, verification, and payment. A CCS provides mechanisms for managing the initial occurrence of obligations with the objective to enforce expenditure ceilings and avoid payment arrears, thus limiting commitments to available resources or appropriations. A CCS, therefore, provides reliable information on stock and flows and age profile, and above all a clear definition of payment arrears. The GoR wishes to have an integrated system that would capture the commitments starting from the stage when the project is conceptualized till the final step of release of payments. A DLI has been included under this sub-component which will help incentivize development of a CCS framework and its implementation across GoR.

48. To reap the benefits of the functionalities and leverage the data available in applications such as IFMS and e-Procurement,[12] the GoR intends to establish a complete framework for commitment management and control that would capture

- The commitments starting from the stage when the project is conceptualized till the final step of release of payments (stages of administrative and financial sanction, contract award, completion of work but invoice to be raised or invoice pending payment). This will help support better cash management and improve budget realism/credibility;
- Assessment of the impact of commitments under existing and new schemes from a multiyear perspective;
- Employee-related commitments, including pension and other retirement obligations; and
- Commitments emanating from the local governments.

49. This activity will support the GoR in the development and establishment of a CCS including an associated MIS for aggregating contract information (through an interface solution) that will facilitate expenditure control and better cash management. This system would support decision making and set the ground for developing a complete contract management system (CMS) in the next phase, meeting internationally acceptable parameters. This is envisaged to be done through: (a) preparing an AS IS and TO BE study of the present system of commitment control, the system of allocating funds to individual projects, and available data with respect to contracts

[12] For instance, the Rajasthan IFMS has some capabilities of capturing information on commitments (such as in the proposed Works Accounting module), which will be linked to the CCS.

entered into by the line departments; (b) developing a policy on commitment control; (c) preparing detailed procedures; (d) designing and developing an automated solution for CCS; (e) conducting workshops/training sessions to disseminate the proposed information systems; and (f) advisory support including support in operation and maintenance and rollout to departments. Further, it is intended that a CMS that will build on the proposed commitment management system will be developed and piloted in one civil and one non-civil works spending department during the project period.

Subcomponent 2.4: Strengthening Revenue Systems and Capacity Building

Commercial Taxes

50. The CTD has been administering a number of indirect taxes of the state, namely value added tax (VAT), central sales tax, entertainment tax, luxury tax, entry tax, and electricity duty. This department is the largest contributor to the state's revenue, accounting for more than 50 percent of revenue collected by the state government. In recent years, the CTD, GoR, has made significant strides in modernizing business processes and e-governance systems (such as its internal portal RajVista[13] and the CTD web portal for public interface providing G2C, G2B, G2G, and G2E[14] services), but more needs to be done in strengthening tax administration and building new competencies, tax audit, and tax debt recovery. DLIs under this sub-component are designed to incentivize performance in key areas of tax administration, namely to improve tax audit performance and improvement in taxpayer registration process.

51. The aim is to support activities that would increase operational efficiency of the CTD through staff capacity building, functional strengthening, and upgraded IT systems to support transition to the new indirect tax regime in the country. Project will, therefore, support the CTD with the following activities.

(a) **Conducting of a diagnostic of revenue administration and management and developing a medium-term road map.** The CTD will carry out a functional assessment of tax administration covering the entire taxpayer cycle. The assessment will help the state (i) gain better understanding of the reform requirement, (ii) draw up a medium-term road map for institutional strengthening, and (iii) begin execution with support from the project. This assessment will study the department's organization/functions using the context of recent GST implementation (for example, increased levels of automation, weak functional aspects such as large taxpayer units, work load in zones and circles) and suggest improvements for enhancing efficiency and effectiveness of each function. A road map will be prepared for creation of institutional structures/processes such as internal audit, service taxation, strategic policy functions and taxpayer communication.

(b) **Capacity building of the CTD.** Building sound analytical capacity is a sine qua non for tax administration. The CTD has invested in analytical software systems and needs to build capacity to use it effectively. Except in tax audit, functional specialization is absent and even tax audit yields are low. Services taxation is an emerging challenge

[13] Rajasthan VAT Information System for Tax Administration.
[14] Government to Citizen, Government to Business, Government to Government, and Government to Employees.

with the introduction of GST. Tax debt recovery is low. Training of CTD officials is sporadic and needs to become systematic. The project will therefore support the GoR through

(i) **TNA.** This will be used to develop a modular training plan, curriculum and training materials; strengthen training capacity; and deliver training using different formats.

(ii) **Enhancement of IT systems in the CTD.** Despite migrating to a new indirect tax regime, petrol, diesel, and alcoholic products will continue to be administered under state VAT. Thus, there will be a need to maintain its RajVista portal and associated IT systems for the foreseeable future. A comprehensive hardware and networking upgrade plan has been prepared by the CTD (to replace existing peripherals and networking equipment nearing their end life) that will be supported under the project. Enhancement of IT infrastructure combined with BPR envisaged under the subcomponent will improve overall taxpayer services.

(c) **Establishment of a Business Intelligence Unit (BIU).** With automation of tax administration, a large quantum of digital data is available in the CTD, which can be analyzed for tax administration purposes (for example, risk profiling of businesses, identifying of unregistered businesses and emerging economic activities, special drill-downs on specific industries, industry accounting and trade practices and purchase sales ratios in different industrial segments). The BIU could be placed under a dedicated Deputy Commissioner responsible for policy advisory to the office of the Commissioner, CTD. The BIU is expected to help the CTD reduce the risk to revenue by segmenting taxpayers by risk profiling, which will facilitate improved monitoring and analysis of suspect transactions.

(d) **Conducting third-party systems audit** of RajVista and GST e-services for adherence to documented procedures, to identify security gaps and to suggest potential areas for improvement.

(e) **Performance of non-GST taxes and non-tax revenue.** The activity will support the study of: (i) stamp duty and registration fees, (ii) motor vehicles tax, and (iii) state excise to quantify the revenue gap and identify compliance measures to bridge the gap.

Excise

52. The Excise Department is the second largest tax revenue-earning department of the state government with revenue of INR 7,000 crore growing at an average growth of 12.46 percent over the last four years. The department regulates liquor production and sale through a system of licenses and permits and collects license fees, permit fees, and excise duty. Two GoR undertakings, namely Rajasthan State Beverages Corporation Limited (RSBCL) and Rajasthan State Ganganagar

Sugar Mills (RSGSM), are involved in sourcing, production, and distribution of alcoholic beverages in the state.[15]

53. The department's e-governance system, Integrated Excise Management System (IEMS), set up in 2002, connects the Excise Department, RSGSM, and RSBCL with licensees, suppliers, the state's IFMS, auditors, and general stakeholders. Among other things, the IEMS is used for issue of licenses, permits, operations such as stock management, payments and revenue receipts, accounting, and grievance redressal.

54. Although the department runs a sophisticated IT front end to enable its operations, it direly lacks a supportive training program in Excise administration for its staff. A functional review will also help the department identify operational areas in need of strengthening. The project would support the Excise Department to further strengthen its e-governance system and improve the regulation of this growing sector and curb leakage in excise revenue. Specifically, the activity includes conducting an institutional assessment study of the department, strengthening IT and support infrastructure, and supporting capacity building and training of officials. Implementation of an institutional reform and strengthening plan following the institutional assessment study is expected to touch upon functional reorganization, training and capacity building. Extending IT networks to cover more field offices, will envelop more staff into digital e-governance and reduce the dependency on outsourced core IT based e-governance services. The benefits are expected to be many fold: (i) reducing expenditure on outsourced services (ii) minimizing the risk of information security concerns through computer based service providers and, (ii) while strengthening staff fiduciary responsibilities over revenue through improved monitoring and regulation of excisable liquor sold in the state. Revenue from excise is expected to increase in consequence.

Transport

55. The Transport Department is an important public-dealing department, which performs functions such as regulation and issue of driving licenses, vehicle registrations, transport permit. In the performance of its functions, the department is also involved in collection of revenue. In the last two decades, although the department has taken some steps toward building capacity, these are not enough—and thus the control processes and governance in the Transport Department are weak leading to less than optimum revenue collection. The GoR now aims to build sustainable capacity in the Transport Department, which will help improve control over processes to improve service delivery to citizens and better management of data, leading to optimum revenue collection and plugging of leakages.

56. The project will support the Transport Department by supporting a BPR study, which will inform the Transport Department's steps in the direction by upgrading its business processes to improve its regulatory and service delivery functions, and increasing accountability. This is to enable the department to improve its operational performance; achieve responsive, effective, and accountable governance; and thereby improve revenue collection from vehicular taxes, other

[15] RSBCL has a monopoly over the wholesale distribution of Indian Made Foreign Liquor and beer to retail licensees in Rajasthan. RSGSM is the aggregator and regulator for supply of country liquor in Rajasthan. The state has 64 production and bottling units, including distilleries, breweries, reduction centers, and bottling plants, and 9,574 distribution points, including points of sale.

license and permit fees and charges. The GoR is in the process of migrating to web versions of the centralized vehicle registration and driving license issuance systems (Vahan 4 and Sarathi 4 of the National Informatics Centre) but other office processes remain largely manual. Along with the migration to the new software systems, the GoR wishes to move to a digital system of regulation including e-payments, e-challans (fines), license renewal, and a host of other regulatory and penal services under powers provided by the Motor Vehicles Act. Concomitant to the need for introducing IT-based e-governance, the project will assist the Transport Department with process improvements in different administrative and regulatory aspects to improve its operational efficiency and service delivery. The BPR study will examine core processes and suggest ways to improve cycle time by reorganizing functions, staff training, improving back office processes using digitization, information sharing and linking various offices for improving effective decision making. Improving access and use of information is expected to result in better regulation of the sector and revenue collection.

Component 3: Project Management and Capacity Building (US$3.30 million, World Bank financing: US$2.30 million)

57. This component seeks to provide continued institutional arrangements and coordination for managing and overseeing the implementation of the project and flexibility in implementation arrangements.

58. This component will ensure the effective implementation of the project activities and monitor and evaluate project implementation progress, outputs, and outcomes. This component will support costs on implementation, coordination, monitoring, learning, communication, change management, and evaluation. This will include establishment and operation of the Project Management Unit (PMU), which will oversee and coordinate activities of the implementing agencies of the project and setting up of an M&E system for the project, including a project MIS and contracting an external M&E agency to monitor project activities and its impact. This component will finance project-related costs—staffing for the project, consultancies, training and related material, office equipment, and operational costs.

59. Given the innovative nature of the project and the GoR’s own reforms trajectory, opportunities to create synergies and address gaps in the reforms trajectory are expected to be identified by the Finance Department over the course of the project. To manage associated risks, the GoR intends to provide flexibility in the project design that allows supporting additional work on existing components or taking up new activities, which are closely connected to successful implementation of other parts of the project. This component would additionally provide need-based TA for interventions and support required by the various departments involved in the project implementation and coordination. A total of twelve[16] line departments/divisions across the GoR are involved with the project execution, implementation, and coordination. The activities to be supported may include consultancies to carry out assessment and studies based on identified needs of the department, institutional review of various functions, and process workflows in the department and appropriate support for the reform plans, as may be needed.

[16] Budget Division, Ways and Means Division, SPFC, Directorate of Treasuries and Accounts, Directorate of Inspection, Department of Panchayati Raj, LFAD, CTD, Excise Department, Planning Department, IT Department, and Transport Department.

B. Project Financing

60. **Lending Instrument.** The project will be financed through a five-year IPF. The total project cost is US$31.00 million and will be funded by an IBRD loan (US$21.70 million equivalent) and the GoR (US$9.30 million equivalent). An IPF was selected as the lending instrument given that this is a TA, the investment is well defined, and the performance elements will be built into the contracting process.

C. Project Cost and Financing

61. The table details project financing by project component (in US$, millions).

Project Components	Project Cost	IBRD Financing	% Financing
Component 1: Strengthening Public Financial Management Framework	6.00	4.20	70
Component 2: Strengthening Expenditure and Revenue Systems (i) TA (ii) DLI-based Financing	 6.01 15.64	 4.20 10.95	 70
Component 3: Project Management and Capacity Building	3.30	2.30	70
Front-end fees	0.05	0.05	
Total Project Costs	31.00	21.70	70

D. Lessons Learned and Reflected in the Project Design

62. **The project design has benefited from the World Bank's extensive experience in PFM reforms.** These include projects/TA operations in Rajasthan and other states and at the central level in India and other countries in the region and supported by relevant workshops, studies,[17] and so on. The main lessons learned and discussed within the World Bank and with the client have been reflected in the project design.

63. **Strong government commitment at the highest level is essential for the changes planned in the project.** The project is being spearheaded at the level of the Principal Secretary (Finance) and it fits within the strategic and business needs of the GoR. 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.

64. **Several activities have been designed alongside reforms in these areas to allow for deeper ownership and commitment during implementation**. New and innovative activities have been designed with a flexible approach to learn and iterate during implementation. Change management has been sufficiently brought into focus while preparing the design, especially where policy-level interventions will be required at certain stages.

65. **Technical leadership of the beneficiary departments is essential and hence the project interventions were finalized based on extensive discussions with the concerned departments**.

[17] These include Status Update of PFM in Rajasthan, Debt Management and Performance Assessment (DeMPA and Rajasthan – A Strategy for sustained and inclusive growth.

These departments will take a technical lead role in the procurement of related consultancies and implementation thereafter, which will lead to better and sustainable outcomes.

66. **Successful implementation of information system projects requires taking a multipronged and phased approach**. Actual investments in information system should be informed by reviewing 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 investments are being preceded by studies to inform the design and choice of the solution, which in turn will determine the phasing and rollout plan and will also identify and seek to address change management and communication aspects.

67. **The project design has also benefited from the World Bank's extensive knowledge of PFM reforms in the states and national-level workshops.** GoR officials benefited from a visit to Andhra Pradesh and Karnataka which have successfully implemented IT systems both on the revenue and expenditure sides.

68. **The project is not intended to cover all PFM areas, but it will focus on the priorities identified by the GoR.** The intention is to keep the project simple and easy to implement over the planned period and considering the capability to deliver.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

69. Because of multiplicity of agencies, there will be a clear need for an enhanced coordination and project management in the proposed project. The overall management and coordination of the project activities will be the responsibility of the Finance Department under the overall leadership of the Finance Secretary, Budget. A Project Steering Committee (PSC) has been formed[18], which will provide strategic direction and overall guidance to the project. This committee will be chaired by the Additional Chief Secretary, Finance, and will comprise Finance Secretaries, the Project Director (PD), and the Secretaries/Heads of Departments of relevant implementing departments. The PD shall be the Member Secretary and the convener for the committee meetings. This committee shall provide overall strategic direction to the project and will meet at least once every six months.

70. The Project Monitoring Committee has also been formed[19]. This committee will be chaired by the Finance Secretary, Budget, and will comprise all nodal officers of relevant departments. This committee shall review and monitor the progress under various components/activities of the project. The PD shall be the Member Secretary and the convener for the committee meetings, which will be held at least once every quarter. It is expected that the committee would meet more frequently during the initial phase of the project implementation.

71. A PMU led by the PD has been established in the EAD of the Finance Department. The PD is supported by a team of functional experts from within the government and external

[18] Vide Order no. F.6 (2) AR/Gr.3/2018 dated January 11, 2018
[19] Vide Order no. F8 (16) P/1/FD/FC & EAD/2015 dated November 10, 2017

consultants and nodal officers from the participating departments. Nodal officers have been deputed to the PMU from each of the concerned department. The PMU will be fully responsible for coordinating and implementing the project. Procurement will be carried out at the PMU in close coordination with the concerned departments.

72. **Each of the participating departments will lead the technical part of the respective reform interventions** including contract management, monitoring implementation, and signing off on deliverables. For each of the components/subcomponents, a nodal person has been put in place for each of the implementing departments including the Budget Division, CTD, the Directorate of Treasuries and Accounts, Directorate of Inspection, DoPR, the Local Fund Audit Department, Department of IT, Transport Department, Excise Department and DoP. The annual expenditure plan for each year shall be prepared by the PMU in coordination with the concerned departments and shall be presented in the meeting of the PSC for its approval. Once the expenditure plan is approved, the PMU and departments would work as per the plan. Any revisions/changes to the plan would be put up before the PSC on a regular basis for ratification. Further details of project responsibilities, accountability, and decision-making authority during implementation have been laid out in a Project Implementation Plan (PIP).

B. Results Monitoring and Evaluation

73. **Progress toward the PDO will be monitored through reporting on 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 GoR, including the participating departments, to support monitoring of implementation progress and results of project implementation (see Results Framework). The PMU will prepare biannual progress reports based on information obtained from participating departments. The reports will highlight project achievements and implementation constraints and propose measures to improve project performance before submission to the World Bank.

74. **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 GoR'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. During ISMs, the World Bank will work with the GoR 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. The World Bank team will hold a mid-term review mission in coordination with the GoR (September 2020) to take stock of project implementation and take midcourse corrective action, as necessary. 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 GoR.

C. Sustainability

75. **The project is being designed following intensive consultations with all stakeholders.** The GoR has, at various stages during the preparation phase, confirmed its willingness and commitment to see this operation designed and quickly implemented and provided leadership in

its preparation. Moreover, by anchoring project implementation within the departments/agencies and giving them full responsibility for project implementation and management, the project will not only have a positive effect on public sector service delivery but will also build capacity and experience within these government departments/agencies.

76. **The proposed project is expected to address the priority interventions specified by the GoR.** This includes consolidating the work already done by the GoR (such as IFMS) and ensuring that the state follows a reform strategy to realize the full benefits. The project will seek to provide the necessary resources through an IPF instrument, where capacity building will be an integral input across all components.

77. **State ownership and funding for reforms.** The GoR is cognizant of the fact that successful implementation of Rajasthan's inclusive growth strategy will require conducting fiscal policy in a sustainable manner while spending better and more. As has been pointed out in the report, 'Rajasthan: A Strategy for Sustained and Inclusive Growth', spending better requires deepening ongoing PFM reforms to improve resource allocation and service delivery. In Rajasthan, the Chief Minister has been taking steps to enhance PFM and governance. The momentum of ongoing reforms is supported by innovations led by respective champions and each department is ready to invest resources, as has been evident by efforts put in during preparation.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

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

78. Over the past two decades, Rajasthan has generally run high deficits—sometimes on-budget, sometimes off-budget. However, Rajasthan has made major progress in fiscal consolidation since the adoption of the FRBM Act. Going forward, growing fiscal pressures from the electricity distribution companies and the rising needs for higher development and social expenditure could threaten fiscal sustainability. To deliver on the state's agenda for sustained and inclusive growth, it is essential for Rajasthan to increase fiscal space and enhance the effectiveness of expenditures. The PFM interventions under the project will help build capacity and undertake activities that will improve the efficiency of expenditures and improve revenues and would likely alleviate the fiscal stress to a certain extent. Also, with regard to the technical design of the project,

as some of these reform interventions are innovative, there could be difficulties in proper sequencing as well as implementation. This will be mitigated by developing strong ownership, designing the reforms in a seamless process, and carefully calibrating in terms of complementing with existing interventions. In addition, GoR has agreed to ensure continuity in staffing at crucial positions in implementing departments for a period of at least three years.

79. The overall project risk is rated Moderate. The rating takes into account: (a) strong commitment shown thus far by the GoR in implementing the PFM reforms and initiating a number of key project readiness-related activities; (b) the overall institutional capacity of key participating departments in Rajasthan in implementing the proposed PFM reforms; and (c) the project design and the component structure which has been mainstreamed as much as possible. Further, the project does not attempt to address all PFM issues in Rajasthan considering only those that are of immediate priority to the GoR and those that could be implemented within the time frame considering the capacity to deliver.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

80. **The proximate objective of the project is to strengthen PFM in the GoR, sustainably enhancing the delivery of critical public services to citizens and businesses toward the ultimate objective of improved social outcomes and job creation.** Identified activities under the project aim to support the achievement of the proximate objectives through focused interventions in strengthening IT architecture and automation of processes along with capacity building. The expected benefits of project activities are enhanced efficiency, accountability, and transparency in PFM processes and service delivery (G2C and G2B[20]) and improved revenue mobilization.

81. **Strengthened PFM practices are expected to support improvement in the efficiency of use of funds.** This entails increasing the quantity and quality of services delivered for a given amount of expenditure. This outcome will be supported through measures to reduce leakages and input costs, namely: (a) strengthening and modernizing procurement procedures; (b) increasing accountability through robust audit functions and measures to improve allocative efficiency; and (c) strengthening monitoring and participative planning of expenditures.

82. **e-Procurement systems in Rajasthan are presently limited to invitation and receipt of tenders and the project aims to extend this to a full cycle e-Procurement system**. A full cycle system would capture the entire value chain of procurement including post award of contracts, that is, contract management through final payment to the suppliers. The e-Procurement initiative creates a competitive environment for bidding and is expected to lead to reduced tender cycle time, the elimination of contractor cartels (and therefore lower prices/higher quality for procured inputs), and streamlining of processes, leading to efficiency gains and possibly cost savings. Another common form of savings could accrue in the form of reduced advertisement cost as e-Procurement tender notices are substantially shorter and hence cheaper.

83. **Audit institutions in Rajasthan are using archaic auditing practices and lack modern auditing manuals and capacity: the project aims to modernize audit manuals and enhance**

[20] Government to Citizen and Government to Business.

capacity for undertaking higher-level audits such as performance, management, and risk-based audits. This will allow for better accountability of public spending. Improvement of audit institutions can be expected to reduce leakages in government programs, leading to a combination of lower costs and higher volumes of services (including transfers to beneficiaries).

84. **Planning systems in Rajasthan are not linked to the annual budget process: improved participative and decentralized planning that is tied to the budget process has the potential to improve budget accuracy and improve the prioritization of expenditures**. The project aims to develop a strengthened framework for district-level planning and pilot the framework in two districts before acceptance by the GoR. The Government has also identified a need for better planning, appraisal, and implementation of investment projects—in particular, those undertaken under PPPs, which need to include an adequate assessment of future liabilities, fiscal risks, and provide appropriate risk sharing between public and private partners. These activities will improve the quality of planning, sequencing, and monitoring of expenditures, especially capital expenditures—allowing the state to undertake projects with greater Economic Internal Rate of Return.

85. **Modernization of IT systems and technical capacity building of the tax administration in Rajasthan will support improved revenue management, with the broader objective of increasing revenues for priority expenditures.** Taliercio (2004) argues that enhancing the credibility is associated with improved performance of tax agencies.[21] The project focuses on improving the credibility and capacity of the CTD in areas jointly identified with the GoR. The project includes specific interventions in institutional restructuring and modernization of IT systems and capacity development in the CTD and strengthening of e-governance in the Excise and Transport Departments. This is expected to improve the efficiency of operations resulting in better compliance by the taxpayers and improvement in taxpayer service by the departments. These collectively will result in increase in the state's own tax revenue through better compliance and debt collection through reduction of tax arrears.

86. **Interventions in developing capacity for better cash and debt management will help realize potential savings from lower interest costs.** The project will support capacity building of GoR officials in cash and debt management including revenue forecasting and cash flow forecasting. Improved capacity in cash management potentially leads to lower required cash balances and borrowing, reducing negative carrying costs. Development of debt strategies will also help optimize the cost-risk trade-off among different sources of borrowing. Overall, these interventions are likely to support better and more efficient cash management and more accurate budget preparation and reduce effective costs of deficit financing.

87. **The effective return from PFM reforms of the kind under this project will accrue through improved performance of public institutions in delivering services and more efficient and effective use of financial and human resources.** Second-tier benefits will also broadly accrue to the private sector and households from improvements in the efficiency, effectiveness, and accountability of public spending and public services, including greater predictability on dealings with government. Improvements in public procurement and e-

[21] Taliercio, Robert R. 2004. "Administrative Reform as Credible Commitment: The Impact of Autonomy on Revenue Authority Performance in Latin America." *World Development* 32 (2): 213–232.

Procurement will facilitate market participation, expanding business opportunities for a larger number of contractors and reducing their processing costs. Improvements in budget control and cash management will reduce delays and scope for discretion in payments to contractors—this increased predictability and shorter lag in payments are expected to lead to decreased costs because suppliers are essentially financing the government when payment delays are excessive or unpredictable. Implementation of selected e-Government services will bring direct benefits to the private sector and households by improving transparency, facilitating access, and reducing processing costs.

B. Technical

88. **The approach to project design is strong and is based on the needs and priorities identified by the GoR and further reinforced through a series of stakeholder discussions.** It builds upon the achievements already made by the GoR such as implementation of the IFMS, and the project's interventions will continue to strengthen this area.

89. **The project is being carried out as a strategic programmatic engagement of the World Bank in PFM at the subnational level.** Overall, the aim is to remain strategic yet flexible while engaging at the subnational level and leverage the knowledge gained from rich PFM engagements at the union and subnational levels over the past decade. This is expected to usher in the next generation of PFM reforms. The design will remain responsive to the current priorities identified by states and informed by the strategic intent.

90. **Given that a major change has been affected in revenue administration through the introduction of the new indirect tax regime (GST), significant and timely efforts are required for successful transition and concurrently maintaining the existing systems for a few more years.** This would include an institution-wide restructuring, BPR, and enhancement of IT systems. Interventions with the Excise Department will build on existing reforms in e-governance and lead to better compliance. Interventions with the Transport Department will tap into revenue potential for past arrears as well as build systems for more efficient and effective revenue management for a growing transport sector in the state.

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

92. **Given that this is primarily a TA project, the major focus would be to build the capacity of the government personnel.** This would be done across several line departments and divisions such as Budget, EAD, SPFC, State Public Procurement Portal (SPPP), CTD, Excise, Department of Treasury and Accounts, and DoP and RDPR.

C. Financial Management

93. **The FM responsibilities for the project will vest with the PMU established within the Finance Department of the GoR.** The PMU has the requisite capacity for implementing World Bank-funded operations. FM arrangements for the project are fully reliant on 'use of country systems' and are assessed as satisfactory. The overall FM risk is rated to be Moderate.

94. **A key development positively affecting the PFM systems and processes in the GoR is the implementation, in 2011, of a web-based solution—IFMS**. Implementation of the IFMS provided the GoR with opportunities to carry out process reengineering and automate processes to ensure high quality of financial data. The IFMS covers multiple financial activities such as budget planning, preparation, distribution/allocation, funds management, treasury functions, electronic payments and receipts, disbursement of pension and checking of reimbursement claims of pension, management of pay roll system, and so on.[22]

95. **Planning and budgeting.** The Finance Department has created a separate account head in its budget (demand for grants) and has made provision of INR 25.64 crores for FY17–18 (revised estimates) and has been sanctioned an approval for INR 44.55 crores for FY2018-19. The GoR has established a system for budget preparation, which has been automated in the state's IFMS. The budget process is elaborated in the Budget Manual (2012) and follows a budget calendar. It is guided by an annual budget circular issued every year in end-August, which provides standardized formats for preparation of the budget. The PMU will review the annual work plans/budgets of all the participating departments and prepare a consolidated annual work program (AWP) considering the funding proportion of the state governments and the World Bank for the budget year. This consolidated AWP-cum-Budget will be submitted by the PMU to the PSC for its approval before submission to the Budget Division for making budgetary provision. The budget proposals received by the Budget Division are reviewed by formally constituted and functioning internal Budget Finalization Committees.

96. **Flow of funds.** The World Bank funds will be provided to the GoI and made available to the GoR in accordance with standard arrangements between the GoI and the states. Budgeted funds (World Bank and counterpart share) for the project will be routed through the GoR's state budget and will be managed by the state Treasury following GoR's extant systems. The budget allocations will be done online through the Financial Management Information System (FMIS). The Drawing and Disbursing Officer (DDO) at the PMU will prepare and submit the bills through the FMIS to the Treasury for processing and payment.

97. **Internal control, rules, and regulations.** The GoR's internal control framework and administrative procedures applicable to the project transactions are laid out in the following documents: Budget Manual (2012), General Finance and Accounts Rules (2015), including the

[22] The IFMS automates the internal control framework, through online preparation and distribution of budgets, online submission and approval of bills, electronic payments, online generation of salary bills, electronic payment of government revenue, and online submission of accounts to the state AG.

Delegation of Financial Powers, Transparency in Public Procurement Act, 2012.[23] Project specific arrangements are further detailed in approved PIP.

98. **Accounting and financial reporting.** Accounting will be on cash basis using the GoR's IFMS, guided by the General Finance and Accounts Rules. The PMU will serve as the accounting center for the project. The achievement of milestones/deliverable under contracts shall be confirmed by the respective implementing departments, based on which the PMU would process the payment through the Treasury in accordance with extant procedures of the GoR. Payments are made by the Treasury electronically. The Finance Department has designated a DDO for the project and has placed a Finance Officer in the PMU on deputation. The PMU will prepare unaudited interim financial reports (IFRs) from the accounting records maintained in the IFMS. IFRs will reflect the actual expenditures incurred both under the TA and EEP to support the DLIs achieved by the project, submitted to the World Bank within 45 days from the end of each calendar quarter.

99. **External audit.** The Controller and Auditor General (CAG), through the offices of the AG in Jaipur, will be the external auditor for the project. The scope of audit will be as per the terms of references (ToRs) agreed with the office of the CAG. The audit report for the project will be submitted by the PMU to the World Bank within nine months from the close of the financial year. The audit report for the expenditures incurred under retroactive financing will be combined with the first-year audit report.

100. **Public disclosure.** The annual audited project financial statements and the audit report will be disclosed on the websites of the GoR and the World Bank.

101. **FM staffing and training.** The Finance Department has designated a DDO for the project and has placed a Finance Officer in the PMU on deputation, who will be responsible for ensuring implementation of the agreed FM and accounting arrangements under this project. In addition, PMU will be staffed with an Accountant. The FM staff working under the project will be provided sufficient training on World Bank procedures.

102. **Disbursement arrangements** The applicable disbursement methods will be 'reimbursement' and "advance'. Disbursement will be made as follows:

(a) The "advance" in the designated account held by CAAA will be denominated in USD and shall not be exceeding twenty five percent of the allocation to Category 1 (subject to the concurrence of the MI Division of DEA).

(b) TA under the project will be disbursed based on actual expenditures reported in the quarterly IFRs.

[23] These documents are supplemented by circulars and notifications issued by the Finance Department and other concerned departments. Key internal control arrangements include (a) approval of activities by competent authorities, (b) processing of all payments by the state Treasury, (c) periodic reconciliation of accounts with AG (A&E), (d) approval of deliverables by respective executing departments based on which payments will be approved by the PD, and (e) recording of assets procured under the project and yearly verification.

(c) **Disbursement against DLIs.** The disbursements against DLIs will be made based on satisfactory achievement of DLIs and verified as per the agreed verification protocol, supported by EEPs incurred under Component 2 of the project. The basic principles governing the DLI-based component are as follows:

(i) Project will submit reports (at least annually) showing the status of achievement of DLIs. This will be verified, where appropriate, by an Independent Verification Agency (IVA) to be appointed by the project as per 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 EEPs being adequate to cover the value of DLI(s) 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 adequate EEP is reported subsequently. Reported EEP will be considered cumulatively.

(iii) If the project does not achieve the DLI target(s) for a particular year, the same will be rolled over till the DLI is achieved. It is clarified, that in the case of non-scalable DLIs (as provided for in the DLI Verification Protocol), the Bank will only disburse against the full achievement of the DLI target for that particular year.

(iv) In case the audited EEP is less than the reported EEP, the difference would be adjusted against disbursement of subsequent DLI.

(v) In the case of partial achievement of any specific scalable DLI, the Bank may, at its discretion, reallocate an amount not exceeding [thirty percent] [30%] of the proceeds of the Loan to any other DLI. In no case shall the amount allocated against any DLI be increased by more than [thirty percent] [30%] through any reallocation, including the reallocation mentioned herein.

103. **Disbursement schedule.** Loan funds will be disbursed against the TA component and the DLIs achieved, under the following category/s subject to the allocated amount, reported EEP, and the disbursement percentage as indicated in table 1 below.

Table 1. Disbursement Schedule

Category	Amount of the Loan Allocated (Expressed in US$)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
Goods, works, non-consulting services, consultant services, training, operating costs for Components 1, 2 (TA only), and 3 under the Project	10,695,750	70
Eligible expenditures under Component 2 (DLIs) of the Project	10,950,000	70

Category	Amount of the Loan Allocated (Expressed in US$)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
Front-end fee	54,250	Amount payable pursuant to the Loan Agreement
Total Amount	**21,700,000**	

104. **Retroactive financing.** The GoR will seek retroactive financing, not exceeding US$4 million, for project-related work undertaken by the borrower during the project preparation, in advance of effectiveness. This will be eligible for financing subject to compliance with the World Bank's procurement procedures. Expenditures incurred from May 15, 2017 until the date of signing of the loan Agreement, subject to US$4 million, (overall up to 20 percent of the World Bank contribution) can be claimed. For retroactive financing, the PMU will submit a separate stand-alone unaudited IFR certifying the actual expenditure incurred and disbursed.

105. **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

106. Procurement for the 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 (January 2011, revised July 2014) (Procurement Guidelines); Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers (January 2011, revised July 2014) (Consultant Guidelines); and the provisions stipulated in the Legal Agreement. 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).

107. **Procurement Plan.** The PP is available in Systematic Tracking of Exchanges in Procurement (STEP). Initial training on STEP has been provided to the procurement staff. The Finance Department and the implementing partners have developed a PP for procurement of civil works, goods, and consulting services planned for the first 18 months of the project, which has been approved by the World Bank project team.

108. **e-Procurement.** The e-Procurement system of the GoR (National Informatics Centre platform) was assessed by the World Bank with respect to the Multilateral Development Bank electronic government procurement guidelines and was found to be acceptable for use in World Bank-funded transactions. All procurement of goods and works (NCBs as well as ICBs) under this project will, therefore, be conducted through the GoR e-Procurement system (National Informatics Centre platform), using agreed SBDs.

109. **Procurement methods.** The following are the thresholds for the various methods of procurement.

Table 2. Procurement methods and thresholds

Category	Method of Procurement	Threshold (US$ Equivalent)
Works	International Competitive Bidding (ICB)	>40,000,000
	National Competitive Bidding (NCB)	Up to 40,000,000 (with latest NCB conditions)
	Shopping	Up to 100,000
	Direct Contracting (DC)	As per paragraph 3.7 of Guidelines
	PPP for Works	As per paragraph 3.14 of Guidelines
	Force Account	As per paragraph 3.9 of Guidelines
	Framework Agreement (FA)	As per paragraph 3.6 of Guidelines
Goods and non-consultant services	ICB	>3,000,000
	Limited International Bidding (LIB)	Wherever agreed by the World Bank
	NCB	Up to 3,000,000 (with NCB conditions)
	Shopping	Up to 100,000
	DC	As per paragraph 3.7 of Guidelines
	PPP Services	As per paragraph 3.14 of Guidelines
	Force Account (only for non-consultant services)	As per paragraph 3.9 of Guidelines
	FA	As per paragraph 3.6 of Guidelines
	Procurement from United Nations (UN) Agencies	As per paragraph 3.10 of Guidelines
Consultants' Services	Selection Based on Consultants' Qualifications (CQS)/Least-Cost Selection	Up to 300,000
	Single-Source Selection (SSS)	As per paragraphs 3.9–3.11 of Guidelines
	Individuals	As per Section V of Guidelines
	Particular types of Consultants	As per paragraphs 3.15–3.21 of Guidelines
	Quality- and Cost-Based Selection/Quality-Based Selection/Selection under a Fixed Budget	For all other cases
	(i) International short list (ii) Short list may comprise national consultants only	>800,000 Up to 800,000

110. **Government e-Market place**: To improve efficiency and transparency of small value purchases in Bank financed projects, the Bank has agreed to allow use of Government e-Market place (GeM) as follows: (i) Use of GeM is allowed in lieu of shopping up to US$ 30,000 in catalogue mode; (ii) Use of GeM is allowed in lieu of shopping up to US$ 100,000, provided there are at least 3 suppliers for the item on GeM and the Purchaser uses RFQ (mini competition or bidding among suppliers) feature on GeM to discover the final price; (iii) In both above cases Borrowers will record their assessment on reasonableness of price; and (iv) GeM is not to be used in lieu of NCB. The borrower may use the shopping method subject to thresholds or GeM as it deems appropriate.

111. **Capacity building.** A procurement orientation workshop was organized during the preparation, which was attended by representatives of all the departments participating in the project.

112. **Procurement Risk Assessment and Mitigation (PRAMS).** As part of the project preparation process, an assessment of procurement capacity of implementing entity was conducted using PRAMS and accordingly, risk mitigation measures have been proposed. The PMU staff (that is, Joint Secretary and Operation Assistant) have some prior experience in World Bank-funded procurement.

113. **Risks and mitigation measures**. The main areas of procurement risks are: (a) limited capacity and inefficiencies resulting in delays in procurement and contract management processes; (b) noncompliance with agreed procurement arrangements; (c) external interference in the procurement process; and (d) involvement of multiple line departments, all of which may delay decision making because of bureaucratic processes in place. Mitigation measures are: (a) use of skilled procurement staff for handling procurement activities, (b) monitoring through PP and quarterly reports, (c) use of e-Procurement and contract management tools, (d) procurement training/workshops and so on, (e) training and handholding provided by the World Bank, (f) prior and post reviews by the World Bank, (g) internal and external audits, (h) disclosure of procurement-related information, and (i) appropriate handling of complaints. The risk ratings have been decided based on both the probability of occurrence of various events as well as their likely impact. Based on the risk factors and mitigation measures, the overall procurement risk rating for the project is determined as Substantial. Procurement risk and the progress on various mitigation measures will be reassessed during the implementation phase and risk rating will be done accordingly.

114. **Procurement prior review thresholds.** The World Bank will prior review (thresholds are based on the Substantial rating) the following contracts:

(a) **Works.** All contracts more than US$10 million equivalent

(b) **Goods and IT.** All contracts more than US$2 million equivalent

(c) **Non-consulting services.** All contracts more than US$2 million equivalent

(d) **Consultants.** All contracts more than US$1 million equivalent for firms and more than US$300,000 equivalent for individuals

115. These thresholds are for the initial 18-month implementation period; based on the procurement performance of the project, these thresholds may be subsequently modified. Even for post review cases, the inputs of the World Bank on Technical Specifications/ToRs will be obtained by the project. The prior review thresholds will also be indicated in the PP. The PP will be subsequently updated annually (or at any other time if required) and will reflect any change in prior review thresholds. The prior review thresholds will be reviewed during the implementation of the project and modified, based on the risk assessment.

116. **In the case of contracts subject to prior review**, the implementing agency shall seek the World Bank's no-objection before granting/agreeing to (a) an extension of the stipulated time for

performance of a contract that either increases the contract price or has an impact on the planned completion of the project; (b) any substantial modification of the scope of works, goods, non-consulting services or consulting services, other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency), which singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract.

117. **National procurement procedure conditions**. National competition for the procurement of goods and works, according to the established thresholds, will be conducted in accordance with paragraphs 3.3 and 3.4 of section III of the Guidelines.

118. **Disclosure of procurement information.** The following documents shall be disclosed on the project website: (a) PP and updates; (b) invitation for bids for goods and works for all NCB and shopping contracts; (c) request for expression of interest for selection/hiring of consulting services; (d) contract awards of goods and works procured following ICB/NCB procedures; (e) list of contracts/purchase orders placed following shopping procedure on a quarterly basis; (f) short list of consultants; (g) contract award of all consultancy services; (h) list of contracts following DC or CQS or SSS on a quarterly basis; (i) monthly financial and physical progress report of all contracts; (j) action taken on the complaints received on a quarterly basis; and (k) any information required under the provisions of 'suo moto' disclosure as specified by the Right to Information Act.

119. The following details shall be published on United Nations Development Business online and the 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; (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; and (e) list of contracts/purchase orders placed following SSS or CQS or DC procedures on a quarterly basis.

120. **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 correspondence 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 implementing agency would be retained by the implementing agency.

121. **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.

122. **Procurement training**. The project could avail the free massive open online course on public procurement (www.procurementlearning.org) offered by the World Bank as well as the paid

Professional Diploma in Public Procurement course delivered through the Charter of Public Procurement Studies.

123. **Oversight and monitoring by the World Bank**. All contracts not covered under prior review by the World Bank will be subject to post review during ISMs and/or special post review missions, including missions by consultants hired by the World Bank. To avoid doubts, the World Bank may conduct, at any time, Independent Procurement Reviews of all the contracts financed under the loan.

E. Social (including Safeguards)

124. Overall, the project would benefit the citizens of Rajasthan by creating more efficient public sector management and reducing the cost and enhancing the quality of delivery of public services. The project activities largely involve supporting of studies, training of staff, development of IT-based systems, and data tracking and analysis. None of the activities of the project are likely to have any adverse social impacts.

125. Rajasthan has areas with high concentration of scheduled tribes, including tribal sub-plan areas as per Schedule V of the Constitution of India. The state receives funds as part of the budget allocations from the Centre for financing targeted interventions in tribal areas/for tribals. However, the project does not require interaction with the tribal population directly as the nature of the project activities are largely studies on current systems and practices, IT-based FM systems improvement, and staff training. However, implications of project interventions to enhance transparency, accountability, and efficiency in budget spending and monitoring, to the extent possible, shall be assessed in terms of its positive effect on tribal population and by gender as part of the M&E arrangements and impact studies planned under the project. The project does not anticipate any construction activities. Hence, neither OP 4.10 on Indigenous Peoples nor OP 4.12 on Involuntary Resettlement is being triggered.

126. **Gender**. As per Census 2011, female workforce participation in Rajasthan is 35.12 percent compared to 51.47 percent of male workforce participation. However, it needs to be noted that 42.7 percent of women are engaged in rural areas as against 12 percent of women in the urban workforce. According to a circular issued by the Department of Personnel, GoR, reservation of vacancies for women candidates in government jobs (direct recruitment) is 30 percent, of which 5 percent is reserved for widows. However, the actual percentage of women employed varies across different sector and government departments. While Education and Health departments have higher number of women employees (as teachers and health workers respectively), departments connected with public finance (finance, G&T, SPFC, audit, inspection, ways and means) have relatively lower number of women employees. As the project activities primarily involve activities for strengthening PFM, recruitment of women employees is outside the scope of the project. Emphasis under the project will be to target training of female officials employed in the participating departments. The GoR will separately track training provided to women under the project and is fully committed to enhancing their coverage. GoR will include atleast five percent

of female officials of the department in select departments for undertaking the training proposed under the project[24].

127. **Citizen engagement**: Citizen engagement under project will be enhanced through several aspects. Procurement results framework has a specific result on citizen engagement through seeking feedback on State procurement function (SPFC and SPPP). The DPP framework will be developed and implemented with the objective of enhancing general citizens. On tax administration, a help desk support will capture the citizen feedback on services provided by CTD.

F. Environment (including Safeguards)

128. The project does not involve any construction and/or refurbishment works. There are no expected environmental impacts from the soft investments proposed by the project. Hence, this is a category 'C' project, and therefore does not need to meet any provisions under environmental safeguards. However, there could be issues of e-waste management for which compliance with e-waste management rules will be made mandatory. Under sub-component 1.2 which strengthens GoR's public investment management processes, it has been agreed that the proposed strategy and framework will be designed to integrate climate change considerations.

G. Other Safeguards Policies Triggered

129. The project is limited to the provision of TA to support the Government's reform agenda in PFM and will not have any negative environmental impact. Hence, no safeguards policies are triggered.

H. World Bank Grievance Redress

130. 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 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.

[24] Baseline will be determined in year 1 of the project for the participating departments.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

PDO Statement							
The PDO is "to contribute to improved budget execution, enhanced accountability, and greater efficiency in revenue administration in Government of Rajasthan."							
These results are at	Project Level						
Project Development Objective Indicators							
Indicator Name		**Cumulative Target Values**					
	Baseline	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**End Target**
Strengthened budget execution by improving controls over commitment	Commitment Control System does not exist	Policy on Commitment Control, along with procedures/ guidelines, developed	Software solution for Commitment Control developed and accepted Policy, procedures/ guidelines and software solution piloted in 2 (two) departments	Policy on Commitment Control approved and notified by GoR; Policy, procedures/ guidelines and software solution implemented in 10 (ten) (cumulative) departments.	CCS being used in 10 (ten) departments covering 90% of their capital expenditure above threshold as established by the policy	CCS being used in 20 (twenty) departments covering 90% of their capital expenditure above threshold as established by the policy	CCS being used in 20 (twenty) departments covering 90% of their capital expenditure above threshold as established by the policy
Strengthened public procurement framework and capacity (including training of minimum 5% female employees of	Draft SBDs for new contracting methods under preparation Lack of institutionalized public procurement training system with limited outreach	The Finance Department has notified, and published upto 5 SBDs[25] for new contracting methods, in the Official Gazette	SPFC has developed a database of debarred firms and made it available to state and procuring entities.	4,000 officials trained and certified in public procurement	Additional 6,000 officials trained and certified in public procurement		SBDs notified and published Database of debarred firms developed Procurement capacity of the

[25] Supply & Installation, Swiss challenge, PPP documents, Modified Annuity, IT Equipment

the department)	No database of debarred firms						officials enhanced
Institutional strengthening (IS) of Local Fund Audit Department (LFAD)	Outdated audit manual and processes and no automation	IS framework for LFAD, including a time bound action plan and design for Audit Management Software (AMS) developed. Draft LFA Manual, including risk-based audit methodology developed	5 Pilot audits completed. Final LFA Manual, including risk-based audit methodology, approved by GoR 50% technical staff of LFAD trained in the new framework.	Risk-based audit methodology implemented across all Regional Offices of LFAD. Audit Management Software (AMS) operationalized in headquarters and at least one Regional Office of LFAD. All technical staff of LFAD trained in the new framework.	AMS operationalized in additional three Regional Offices of LFAD.	AMS operationalized in all Regional Offices (8) of LFAD.	New framework followed in all Regional Offices of LFAD and audit process migrated to AMS
Improving effectiveness of Tax Audit in the Commercial Taxes Department (CTD)	Audit hit rate low[26] (10%)	New audit methodology prepared and approved	Audit hit rate improves to 12%	Audit hit rate improves to 15%	Audit hit rate improves to 17%	Audit hit rate improves to 20%	Audit hit rate improved to 20%

Intermediate Results Indicators							
		Cumulative Target Values					
Indicator Name	**Baseline**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**End Target**

[26] Audit hit rate measured as percent of cases where discrepancy was noticed during audits completed during the year.

Implementation of a strengthened decentralized participatory planning process in Rajasthan	Weak decentralized participatory planning process and not linked to the annual budget process	Strengthened draft state DPP framework and Procedures Manual prepared.	District plan for first pilot prepared as per agreed draft framework on selected software	District plan for second pilot prepared as per agreed draft framework on selected software	Strengthened DPP Framework finalized and approved by GoR and notified. Order issued-for mainstreaming the approved framework		District level planning under strengthened framework mainstreamed in RDPR and DoP.
Increased coverage of e-Procurement	e-Procurement tender value in 2016–2017 - INR 23,000 crores	e-Procurement tender value has increased by 10% over baseline	e-Procurement tender value has increased by 20% over baseline	e-Procurement tender value has increased by 30% over baseline	e-Procurement tender value has increased by 40% over baseline	e-Procurement tender value has increased by 50% over baseline	Enhanced coverage of e-Procurement
Reduced delays by making awards within initial bid validity period in ten identified departments[27]	Estimated 50% contracts are awarded within initial bid validity period.	Issue and publish rules under RTPP for minimizing delays in award within initial bid validity period	60% contracts awarded within initial bid validity period in the ten departments.	80% contracts awarded within initial bid validity period in the ten departments.	90% contracts awarded within initial bid validity period in the ten departments.		90% contracts awarded within initial bid validity period in the ten departments
Improved awareness of SPFC (percentage citing awareness in total users surveyed)[28]	Survey done by Consumer Unity & Trust Society International(CUTS) (12% for SPFC)	—	—	60%	—	80%	Enhanced awareness of SPFC among stakeholders; survey to be conducted in Year 3 and Year 5
Reduction in tender notice advertisement expenditure	The expenditure incurred in the Year 2017-18 on NIT is 0.41% of the	Develop mechanism and frame of appropriate rules for minimizing expenditure on	Tender notice advertisement expenditure reduced up to 0.30% of the	Tender notice advertisement expenditure reduced up to 0.20% of the			Tender notice advertisement expenditure reduced up to 0.20% of the procurement

[27] Public Works, PHED, Water Resources, Education, Medical & Health, DoIT&C, Forest, Energy, LSG, UDH
[28] Perception surveys will be conducted in Year 3 and Year 5.

	procurement value (Rs. 27,000.00 cr.) during 2017-18.	tender notice advertisements	procurement value 2019-20	procurement value during 2020-21			value during 2020-21
Improve debt management - Enhance transparency and systemize procedures	Debt records are manual and not centralized. Consolidated and electronic debt recording system does not exist. MTDS is not prepared. DSA does not include shocks and scenario analysis. Dedicated debt statistical bulletin not prepared.	A consolidated debt recording system procured and implemented Annual DSA report prepared Annual Debt Statistical Bulletin prepared Staff trained in the use of debt recording system	Development of MTDS/analytical software Debt Statistical Bulletin published	MTDS prepared, which informs the annual borrowing plan	Procedures Manual for Debt Management has been prepared, approved by the Finance Department, and implemented		Strengthened debt management - reliable MTDS, DSA prepared; consolidated debt database used to prepare analytical outputs
Improved cash management practices as measured by improved accuracy in cash flow forecasts	Monthly cash flow forecasts not prepared	Daily cash flow forecasts on a rolling basis for a 30-day period prepared, with error margins not exceeding 15%	Error margins in daily cash flow forecasts reduced to less than 10%				Cash flow forecasts prepared more accurately and error margins reduced to less than 10%
Institutional strengthening of internal audit (IA) function	Audit setup needs strengthening; Outdated manual, rules,	Road map for strengthening IA developed	Draft modernized Internal Audit Manual developed	Pilot demonstrating risk-based and value-added audits completed	Final modernized Internal Audit Manual notified, rules/circulars updated, and action plan		Modernized Internal Audit Manual developed and action plan for

	circulars, and processes				developed for implementation across the state and notified[29]		implementation notified
Strengthened tax administration in the CTD	Need to align institutional structure and processes in the CTD to evolving indirect tax regime	Functional and institutional assessment of the CTD completed Information and Communication technology upgraded for the CTD strengthening	TNA completed. Report on institutionalizing training strategy and training courseware prepared Setting up a tax analytic function in the department[30]	Capacity of the tax audit function strengthened[31]	A system of department performance metrics developed to assist the strategic function		Capacity of the CTD strengthened
Decline in non/stop filers in the CTD	Non/stop filers (annual returns) as percentage of active dealers. Baseline to be determined on the basis of FY17–18 in FY2018–19[32]		Decline by 5% from baseline	Decline by 10% from baseline	Decline by 15% from baseline	Decline to 15%	Risk to revenue managed by reducing the percentage of non/stop filers as percentage of registered active dealers to 15%
Value of tax recoveries (reduction in	Tax arrears for last three years	Tax arrears for last three years reduced to 50% of total	Tax arrears for last three years reduced to 45% of total	Tax arrears for last three years reduced to 40% of total	Tax arrears for last three years reduced to 35% of	Tax arrears for last three years reduced to 30% of	Tax arrears for last three years reduced to 30% of total arrears

[29] This will include a framework for evaluating the benefits of the internal audit function.
[30] The tax analytic function must be a formal function under a Joint Commissioner with analytical staff that produces at least these four reports: (a) performance analysis of the CTD, (b) periodical monitoring of revenue collection, (c) tax expenditure analysis, (d) tax capacity and tax effort.
[31] Tax audit function strengthened by (a) improvement of skills through specialized training on audit and writing audit and assessment reports, (b) introduction of an audit manual, (c) risk-based selection for audit improvement, and (d) peer review of audit reports
[32] The transition to GST has meant the emergence of a new baseline and the VAT baseline may not be relevant anymore. Some businesses have not migrated (migration from VAT to GST is about 92 percent), whereas there will be new registrants in the service sector. There may also be some registrations that will be withdrawn during the first year of GST.

arrears) in the CTD	at 57% of total arrears[33]	arrears as on March 31, 2018	arrears as on March 31, 2019	arrears as on March 31, 2020	total arrears as on March 31, 2021	total arrears as on March 31, 2022	
Data for policy action	Administrative /MIS/transactional data not being used for planning and monitoring purposes	Mobilization of consultants, data compilation, and quality assessment	Data analytics, sensitization, and capacity building of stakeholders	Construction of indices for at least two sectors	Construction of indices for another five sectors	Usage of developed indices in planning and monitoring; develop plan on updating indices	Usage of developed indices in planning and monitoring; develop plan on updating indices
Strengthening of Transport Department	The average growth in the Transport Department[34] revenue during past four years (from 2013-14 to 2016-17) is 12.24 %	Develop BPR and action plan for the strengthening of the Transport Department	Adopt action plan and initiate implementation. Discontinue manual collection and move to full electronic system of taxes, fees and fines. A computer system implemented to facilitate information exchange between RTOs.	Growth in Transport Department's revenue for FY 2019-20 over FY2018-19 by 12.75%	Growth in Transport Department's revenue for FY 2020-21 over FY2019-20 by 13.00%	Growth in Transport Department's revenue for FY 2021-22 over FY2020-21 by 14.00%	Growth in Transport Department's revenue for FY 2021-22 over FY2020-21 by 14.00%
Strengthening of Excise Department	The average growth being the CGAR in the Excise Department[35] revenue during past three years (from 2014-15	Conduct institutional assessment/BPR of the Excise Dept.	Develop action plan for the strengthening of the Excise Department.	Growth in Excise Department's revenue for FY 2019-20 over FY2018-19 by 13.00%	Growth in Excise Department's revenue for FY 2020-21 over FY2019-20 by 13.50%	Growth in Excise Department's revenue for FY 2021-22 over FY2020-21 by 14.00%	Growth in Excise Department's revenue for FY 2021-22 over FY2020-21 by 14.00%

[33] 2015–2016.
[34] Transport department revenue for FY 2016-17 is Rs. 3622.83 cr.
[35] Excise Department revenue for FY 2016-17 is Rs. 7053.68 cr.

	to 2016-17) is 12.46 %.						

Indicator Description				
Project Development Objective Indicators				
Indicator Name	**Description (indicator definition, and so on)**	**Frequency**	**Data Source/Methodology**	**Responsibility for Data Collection**
Strengthened budget execution by improving controls over commitment	This indicator tracks implementation of CCS in the state, including implementation of commitment control software.	Annual	Data from CCS; information and reports on the committed amounts for each of the budget lines from the departments; usage of the data by the line managers in decision making	Finance Department
Strengthened public procurement framework and capacity (including training of minimum 5% female employees of the department)	This indicator tracks the notification of five agreed SBDs in the official gazette of the GoR and training and certification of 10,000 staff in public procurements.	Annual	Development of training context and methodology; information on number of courses and number of officials trained; e-Procurement portal	Finance Department
Institutional strengthening (IS) of the Local Fund Audit Department (LFAD)	This indicator tracks the development, implementation, and usage of a modernized framework/manuals for LFAD and audit process migrated to newly developed AMS	Annual	Copy of Local Fund Audit framework, new manuals, AMS developed	Finance Department and LFAD
Improving effectiveness of Tax Audit in the CTD	This indicator measures the improvement in audit hit rate in the CTD	Annual	Records from the CTD	CTD
Intermediate Results Indicators				
Indicator Name	**Description (indicator definition, and so on)**	**Frequency**	**Data Source / Methodology**	**Responsibility for Data Collection**
Implementation of a strengthened decentralized participatory planning process in Rajasthan	This indicator measures the development of a strengthened DPP framework and actual piloting of district plans using the framework and selected software and link with the budget exercise.	Annual	Copies of district-level plans prepared under strengthened framework with the use of selected software	Planning Department, Panchayati Raj Department and Finance Department
Increased coverage of e-Procurement	This indicator measures the yearly increase in e-Procurements across the state.	Annual	Procurement records from departments	Finance Department, SPFC

Reduced delays by making awards within initial bid validity period in ten identified departments	This indicator measures award of 80% contracts within initial bid validity period in five departments.	Annual	Procurement records, files, and logs in the SPPP portal	Finance Department, SPFC
Improved awareness of SPFC (percentage citing awareness in total users surveyed)	This indicator measures enhanced awareness of SPPP and SPFC among stakeholders.	Year 3 and 5	Results of surveys conducted, procurement records	Finance Department
Reduction in tender notice advertisement expenditure	This indicator tracks the reduction in tender notice advertisement expenditure from 0.41% of procurement value during 2017-18 to 0.20% of the procurement value during 2020-21	Annual	Procurement records, files, and logs in the SPPP portal	Finance Department, SPFC
Improve debt management - Enhance transparency and systemize procedures	This indicator tracks strengthening of debt management - preparation of MTDS, DSA, and consolidated debt database used to prepare analytical outputs.	Annual	Copies of MTDS, DSA, and consolidated debt database as evidence by records submitted by the Budget Division	Finance Department, Budget Division, Ways and Means
Improved cash management practices as measured by improved accuracy in cash flow forecasts	This indicator measures preparation of cash flow forecasts more accurately and reduction in error margins to less than 10%.	Annual	Copies of cash flow forecasts and also year-on-year variance statements	Finance Department
Institutional strengthening of internal audit (IA) function	This indicator tracks the development of a modernized Internal Audit Manual and formulation of action plan for implementation.	Annual	Copies of Internal Audit Manual, notification for implementation and issue of updated rules and circulars	Inspection Department, Finance Department
Strengthened tax administration in the CTD	This indicator tracks the strengthening of capacity of the CTD.	Annual	Details on training provided, assessment(s) of trainees, copies of institutional assessment, TNA	CTD
Decline in non/stop filers in the CTD	This indicator measures the reduction in non/stop filers in the CTD.	Annual	AFSs and details of filers extracted from the CTD’s records and files	CTD
Value of tax recoveries (reduction in arrears) in the CTD	This indicator measures the reduction in tax arrears for last three years to 20% of total arrears.	Annual	Records from the CTD	CTD and Finance Department
Data for policy action	This indicator tracks the construction and usage of indices in planning and monitoring function.	Annual	Tools used to sensitize users on indices, proof of implementation, and usage	Planning, IT, Finance

Strengthening of Transport Department	This indicator tracks the Institutional assessment/BPR, development of action plan for Transport Department and percentage growth of revenue of Transport department	Annual	Records from Transport Department/outputs from consultancy	Finance and Transport
Strengthening of Excise Department	This indicator tracks Institutional assessment/BPR, development of action plan for strengthening of Excise Department and percentage growth of revenue of excise department	Annual	Records from Excise Department/Outputs from consultancy	Finance and Excise

Table 3. DLI Matrix
(Amounts in US$, millions)

DLI Indicators	Baseline	DLI Targets [36] for Year 1 March 31, 2019	DLI Targets for Year 2 March 31, 2020	DLI Targets for Year 3 March 31, 2021	DLI Targets for Year 4 March 31, 2022	DLI Targets for Year 5 March 31, 2023
DLI #1: Strengthened public procurement framework and capacity (US$2.85 million)						
DLI #1.1: Strengthened public procurement documents and e-Procurement (US$1.5 million)						
Strengthened public procurement documents and e-Procurement	Draft SBDs under preparation No database of debarred firms e-Procurement tender value in 2016–2017 - INR 23,000 crore	Finance Department has notified and published up to five (5) SBDs for new contracting methods[37] in the Official Gazette. **Formula-** 20% of DLI Value for each SBD notified and published.	SPFC has developed a database of debarred firms and made available to state and procuring entities	e-Procurement tender value has increased by 30% over baseline **Formula-** US$ 100,000 for a minimum of 10% increase over baseline; plus US$ 10,000 for every additional percentage increase thereafter upto a maximum of 30% increase.	e-Procurement tender value has increased by 40% over baseline **Formula-**US$ 30,000 for every percentage increase over 30% upto a maximum of 40%.	e-Procurement tender value has increased by 50% over baseline **Formula-**US$ 30,000 for every percentage increase over 40% up to a maximum of 50%.
DLI #1.1 value	**1.50**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**
DLI#1.2: Reduced delays by making awards within initial bid validity period ($ 0.75 million)						
Reduced delays by making awards within initial bid validity period[38] in ten identified[39] departments.	50% contracts are awarded within initial bid validity period.	Issue and publish rules under the RTPP Act for minimising delays in award within initial bid validity period.	60% contracts awarded within initial bid validity period in the ten departments. **Formula-** US$ 20,000 for every percentage increase	80% contracts awarded within initial bid validity period in the ten departments. **Formula-**US$ 10,000 for every percentage increase over 60% up	90% contracts awarded within initial bid validity period in the ten departments. **Formula-**US$ 20,000 for every percentage increase	

[36] DLI values will be paid for achievements in fractional percentages.
[37] Supply & Installation, Swiss challenge, PPP documents, Modified Annuity, IT Equipment
[38] Initial Bid Validity Period being the period specified in the bid documents of GoR for which the bids are expected to be valid.
[39] Public Works, Public Health and Engineering, Water Resources, Education, Medical & Health, Information Technology & Communication, Forest, Energy, Local Self-Government, Urban Development &Housing.

DLI Indicators	Baseline	DLI Targets [36] for Year 1 March 31, 2019	DLI Targets for Year 2 March 31, 2020	DLI Targets for Year 3 March 31, 2021	DLI Targets for Year 4 March 31, 2022	DLI Targets for Year 5 March 31, 2023
			over 50% upto a maximum of 60%.	to a maximum of 80%.	over 80% up to a maximum of 90%.	
DLI#1.2 Value	**0.75**	**0.15**	**0.20**	**0.20**	**0.20**	
DLI#1.3: Reduction in tender notice advertisement expenditure ($0.60 million)						
Reduction in tender notice advertisement expenditure	The expenditure incurred in the Year 2017-18 on the notification inviting tender is 0.41% of the procurement value (Rs. 27,000.00 cr.) during 2017-18.	Develop mechanism and frame appropriate rules for minimising expenditure on tender notice advertisements	Tender notice advertisement expenditure reduced up to 0.30% of the procurement value for FY 2019-20 **Formula-** US$ 18,200 for every point zero one percentage (0.01%) decrease below 0.41% up to 0.30%.	Tender notice advertisement expenditure reduced up to 0.20% of the procurement value for FY2020-21 **Formula -** US$ 20,000 for every point zero one percentage (0.01%) decrease below 0.30% up to 0.20%.		
DLI#1.3 Value	**0.60**	**0.20**	**0.20**	**0.20**		
DLI #1 Value	**2.85**	**0.65**	**0.70**	**0.70**	**0.50**	**0.30**
DLI #2: Improve debt management - Enhanced transparency through improved processes and decrease in riskiness of the GoR's debt portfolio (US$1 million)						
Improve debt management - Enhance transparency and systemize procedures	Debt records are manual and not centralized. Consolidated and electronic debt recording system does not exist. MTDS is not prepared.	Prepared an annual DSA report (US$0.25 million)		Prepared an MTDS report that informs the annual borrowing plan	Procedures Manual for debt management prepared, approved, and implemented	

DLI Indicators	Baseline	DLI Targets [36] for Year 1 March 31, 2019	DLI Targets for Year 2 March 31, 2020	DLI Targets for Year 3 March 31, 2021	DLI Targets for Year 4 March 31, 2022	DLI Targets for Year 5 March 31, 2023
	DSA does not include shocks and scenario analysis. Dedicated debt statistical bulletin is not prepared.	Published Debt Statistical Bulletin (US$0.25 million				
DLI #2 value	**1.00**	**0.50**		**0.30**	**0.20**	
DLI #3: Strengthened commitment control system (US$1.20 million)						
Strengthened budget execution by improving controls over commitments	CCS does not exist	Policy on commitment control, along with procedures/guidelines, developed	Software solution for commitment controls developed and accepted – (US$0.15 million) Policy, procedures/guidelines, and software solution piloted in 2 (two) departments – (US$0.15 million)	Policy on commitment control approved and notified by the GoR – (US$ 0.10 million) Policy, procedures/guidelines and software solution implemented in 10 (ten) (cumulative) departments (US$0.10 million) **Formula-** US$ 10,000 for every department that implements the above	CCS being used in upto 10 (ten) departments covering 90% of their capital expenditure above threshold as established by the policy **Formula-** US$ 10,000 for every department that uses CCS (covering minimum 50% of the capital expenditure above threshold), plus US$250 for every percentage increase for every dept. that covers capital expenditure above 50% upto a max. of 90%.	CCS being used in 20 (twenty) departments covering 90% of their capital expenditure above threshold as established by the policy **Formula-** US$ 10,000 for every department (beyond ten departments) that uses CCS (covering minimum 50% of the capital expenditure above threshold), plus US$250 for every percentage increase for every dept. that covers capital expenditure above

DLI Indicators	Baseline	DLI Targets [36] for Year 1 March 31, 2019	DLI Targets for Year 2 March 31, 2020	DLI Targets for Year 3 March 31, 2021	DLI Targets for Year 4 March 31, 2022	DLI Targets for Year 5 March 31, 2023
						50% upto a max. of 90%.
DLI #3 value	**1.20**	**0.30**	**0.30**	**0.20**	**0.20**	**0.20**
DLI#4: Improving Efficiency in Revenue Administration, Tax Recoveries /Arrears and Tax Audit in CTD (US$4.50 million)						
DLI #4.1: Decline in non/stop filers (CTD) (US$1.50 million)						
Decline in non/stop filers in the CTD	Non/stop filers (annual returns) as percentage of active dealers. Baseline to be determined on the basis of FY17–18 in FY2018–19		Decline by 5% from baseline **Formula-** US$ 80,000 for every percentage decline below baseline.	Decline by 10% from baseline **Formula-** US$ 70,000 for every percentage decline below (baseline minus 5%)	Decline by 15% from baseline **Formula-** US$ 80,000 for every percentage decline below (baseline minus 10%)	Decline to 15% **Formula-** US$ 70,000 for every percentage decline below (baseline minus 15%)
DLI #4.1 value	**1.50**		**0.40**	**0.35**	**0.40**	**0.35**
DLI#4.2: Value of Tax Recoveries (reduction in arrears) in the CTD (US$1.50 million)						
Value of tax recoveries (reduction in arrears) in the CTD	Tax arrears for last three years at 57% of total arrears[1]	Tax arrears for last three years reduced to 50% of total arrears as on March 31, 2018 **Formula-** US$ 42,900 for every percentage decrease below 57% up to 50%	Tax arrears for last three years reduced to 45% of total arrears as on March 31, 2019 **Formula-** US$ 60,000 for every percentage decrease below 50% up to 45%	Tax arrears for last three years reduced to 40% of total arrears as on March 31, 2020 **Formula-** US$ 60,000 for every percentage decrease below 45% up to 40%	Tax arrears for last three years reduced to 35% of total arrears as on March 31, 2021 **Formula-** US$ 60,000 for every percentage decrease below 40% up to 35%	Tax arrears for last three years reduced to 30% of total arrears as on March 31, 2022 **Formula-** US$ 60,000 for every percentage decrease below 35% up to 30%
DLI #4.2 Value	**1.50**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**
DLI # 4.3: Improving effectiveness of tax audit in the CTD (US$ 1.5 million)						
Improving effectiveness of tax audit in CTD	Audit hit rate low[40] (10%)	New audit methodology prepared and approved	Audit hit rate improves to 12%	Audit hit rate improves to 15%	Audit hit rate improves to 17%	Audit hit rate improves to 20%

[1] 2015–2016 being the information available for the last three fiscal years as on March 31, 2016

[40] Audit hit rate measured as percentage of cases where discrepancy was noticed during audits completed during the year.

DLI Indicators	Baseline	DLI Targets [36] for Year 1 March 31, 2019	DLI Targets for Year 2 March 31, 2020	DLI Targets for Year 3 March 31, 2021	DLI Targets for Year 4 March 31, 2022	DLI Targets for Year 5 March 31, 2023
			Formula- US$ 150,000 for every percentage increase over baseline up to a maximum of 12%.	**Formula-** US$ 100,000 for every percentage increase over 12% up to a maximum of 15%	**Formula-** US$ 150,000 for every percentage increase over 15% up to a maximum of 17%	**Formula-** US$ 100,000 for every percentage increase over 17% upto a maximum of 20%
DLI #4.3 value	**1.50**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**
DLI #4 value	**4.50**	**0.60**	**1.00**	**0.95**	**1.00**	**0.95**
DLI#5: Improving Efficiency in Non-tax revenue departments (Transport, Excise) (USD 1.40 million)						
DLI#5.1: Strengthening of Transport Department (USD 0.80 million)						
Strengthening of Transport Department	The average growth in the Transport Department[41] revenue during past four years (from FY 2013-14 to FY 2016-17) is 12.24 %	Develop BPR (business process review) and action plan for the strengthening of the Transport Department	Discontinue manual collection and move to full electronic system of taxes, fees and fines.	Growth in Transport Department's revenue for FY 2019-20 over FY2018-19 by 12.75%	Growth in Transport Department's revenue for FY 2020-21 over FY2019-20 by 13.00%	Growth in Transport Department's revenue for FY 2021-22 over FY2020-21 by 14.00%
DLI Value	**0.80**	**0.25**	**0.25**	**0.10**	**0.10**	**0.10**
DLI#5.2: Strengthening of Excise Department (USD 0.60 million)						
Strengthening of Excise Department	The average growth being the CAGR in the Excise Department[42] revenue during past three years (from FY 2014-15 to FY 2016-17) is 12.46 %.	Conduct institutional assessment/BPR of the Excise Dept.	Develop action plan for the strengthening of the Excise Department.	Growth in Excise Department's revenue for FY 2019-20 over FY2018-19 by 13.00%	Growth in Excise Department's revenue for FY 2020-21 over FY2019-20 by 13.50%	Growth in Excise Department's revenue for FY 2021-22 over FY2020-21 by 14.00%
DLI #5.2 Value	**0.60**	**0.15**	**0.15**	**0.10**	**0.10**	**0.10**
DLI #5 Value	**1.40**	**0.35**	**0.35**	**0.30**	**0.20**	**0.20**
Total DLI value	**10.95**	**2.40**	**2.35**	**2.45**	**2.10**	**1.65**

41 Transport department revenue for FY 2016-17 is Rs. 3622.83 cr.
42 Excise Department revenue for FY 2016-17 is Rs. 7053.68 cr.

Table 4. 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
1.1	**Strengthened public procurement documents and e-Procurement**	**March 31, 2019 (Year 1) -** The Finance Department has notified and published upto five (5) SBDs for new contracting methods[43] in the Official Gazette.	Yes	Finance Department	n.a.	Five procurement SBDs published in the GoR's official gazette, hosted on the website of the Finance Department, and shared with the World Bank. **Formula-** 20% of DLI Value for each SBD notified and published.
		March 31, 2020 (Year 2) - SPFC has developed a database of debarred firms and made it available to state and procuring entities.	No	Finance Department	n.a.	Database of debarred firms communicated to all procuring entities of GoR issued by way of a circular/letter by Finance Department
		March 31, 2021 (Year 3) - e-Procurement tender value has increased by 30% over baseline.	Yes	Finance Department	IVA	Information on contracts tendered through e-Procurement portal for the fiscal year to be compared with the baseline **Formula-** US$100,000 for a minimum of 10% increase over baseline; plus US$ 10,000 for every additional percentage increase thereafter upto a maximum of 30% increase.
		March 31, 2022 (Year 4) - e-Procurement tender value has increased by 40% over baseline.	Yes	Finance Department	IVA	Information on contracts tendered through e-Procurement portal for the fiscal year to be compared with the baseline **Formula-** US$ 30,000 for every percentage increase over 30% upto a maximum of 40

[43] Supply & Installation, Swiss challenge, PPP documents, Modified Annuity, IT Equipment

	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, 2023 (Year 5) - e-Procurement tender value has increased by 50% over baseline.	Yes	Finance Department	IVA	Information on contracts tendered through e-Procurement portal for the fiscal year to be compared with the baseline **Formula**- US$ 30,000 for every percentage increase over 40% upto a maximum of 50%.
1.2	**Reduced delays by making awards within initial bid validity period in 10[44] (ten) identified departments**	**March 31, 2019 (Year 1) –** Issue and publish rules under the RTPP Act for minimising delays in award within initial bid validity period.	No	Finance Department	N.A.	Revised Rules for timelines of contract processing / award for allowing contract award within initial bid validity period notified and published
		March 31, 2020 (Year 2) – 60% contracts awarded within initial bid validity period in the ten departments.	Yes	Finance Department	IVA	Information on contracts awarded for the fiscal year to be compared with the baseline by tracking the information on the GoR website as part of desk review. **Formula-** US$ 20,000 for every percentage increase over 50% upto a maximum of 60%.
		March 31, 2021 (Year 3) - 80% contracts awarded within initial bid validity period in the ten departments.	Yes	Finance Department	IVA	Information on contracts awarded for the fiscal year to be compared with the baseline by tracking the information on the GoR website as part of desk review. **Formula-** US$ 10,000 for every percentage increase over 60% upto a maximum of 80%.

[44] Public Works, Public Health and Engineering, Water Resources, Education, Medical & Health, Information Technology & Communication, Forest, Energy, Local Self-Government, Urban Development &Housing

	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, 2022 (Year 4) - 90% contracts awarded within initial bid validity period in the ten departments.	Yes	Finance Department	IVA	Information on contracts awarded for the fiscal year to be compared with the baseline by tracking the information on the GoR website as part of desk review. **Formula-** US$ 20,000 for every percentage increase over 80% upto a maximum of 90%.
1.3	**Reduction in tender notice advertisement expenditure**	**March 31, 2019 (Year 1) –** Develop mechanism and frame of appropriate rules for minimizing expenditure on tender notice advertisements	No	Finance Department	n.a.	Revised Rules for expenditure on tender notice advertisement framed and shared with the Bank
		March 31, 2020 (Year 2) – Tender notice advertisement expenditure reduced up to 0.30% of the procurement value for FY 2019-20	Yes	Finance Department	IVA	Information on advertisement expenditure for contracts tendered for the fiscal year to be compared with the baseline **Formula-** US$ 18,200 for every point zero one percentage (0.01%) decrease below 0.41% upto 0.30%.
		March 31, 2021 (Year 3) - Tender notice advertisement expenditure reduced up to 0.20% of the procurement value for FY 2020-21	Yes	Finance Department	IVA	Information on advertisement expenditure for contracts tendered for the fiscal year to be compared with the baseline **Formula-** US$ 20,000 for every point zero one percentage (0.01%) decrease below 0.30% upto 0.20%.
2	**Improve debt management - Enhanced transparency and systemize procedures**	**March 31, 2019 (Year 1) -** Annual DSA report has been prepared. Debt Statistical Bulletin published	No	Finance Department	n.a.	Annual DSA prepared by the Budget Division and forwarded by the Finance Department to the World Bank Debt Statistical Bulletin for last fiscal year published on the GoR website

	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 3) - An MTDS report prepared that informs the annual borrowing plan	No	Finance Department	n.a.	MTDS report prepared by the Budget Division and shared with the WB.
		March 31, 2022 (Year 4) - Procedures Manual for debt management prepared, approved, and implemented	No	Finance Department	IVA	Debt management manual prepared, relevant orders issued, and manual operationalized in the Budget Division
3	**Strengthened budget execution by improving controls over commitment**	**March 31, 2019 (Year 1) -** Policy on commitment control along with procedures/guidelines developed	No	Finance Department	n.a.	Policy on commitment control forwarded by the Finance Department to the World Bank
		March 31, 2020 (Year 2) - Software solution for commitment controls developed and accepted Policy, procedures/guidelines, and software solution piloted in 2 (two) departments	No	Finance Department	IVA	Software on commitment control developed and accepted by the GoR [IVA to verify the software development solutions] CCS solution implemented and relevant training completed in two departments; commitment reports generated from the CCS in the two departments Report by the Finance Department
		March 31, 2021 (Year 3) - Policy on commitment control approved and notified by the GoR. Policy, procedures/guidelines, and software solution implemented in 10 (ten) (cumulative) departments	Yes	Finance Department	IVA	Policy on commitment control accepted, notified, and relevant orders issued across GoR; CCS solution implemented and relevant training completed in 10 (cumulative) departments (including the 2 pilot);

	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
						Formula- US$ 10,000 for every department that implements the above Reports to be shared by GoR .
		March 31, 2022 (Year 4) - CCS being used in upto 10 (ten) departments covering 90% of their capital expenditure above threshold as established by the policy	Yes	Finance Department	IVA	Commitment reports generated from the CCS in the 10 departments covering 90% of their capital expenditure above threshold as established by the policy **Formula-** US$ 10,000 for every department that uses CCS (covering minimum 50% of the capital expenditure above threshold), plus US$250 for every percentage increase for every dept. that covers capital expenditure above 50% upto a max. of 90%. Reports to be shared by GoR.
		March 31, 2023 (Year 5) – CCS being used in 20 (twenty) departments covering 90% of their capital expenditure above threshold as established by the policy	Yes	FD	IVA	Commitment reports generated from the CCS in the 20 departments covering 90% of their capital expenditure above threshold as established by the policy **Formula**- US$ 10,000 for every department (beyond ten departments) that uses CCS (covering minimum 50% of the capital expenditure above threshold), plus US$250 for every percentage increase for every dept. that covers capital

	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**
						expenditure above 50% upto a max. of 90%.
4.1	**Decline in non/stop filers in the CTD**	**March 31, 2020 (Year 2):** Decline by 5% from baseline	Yes	CTD	IVA	Baseline of non/stop filers will be determined based on data available for first year of GST implementation (FY17–18)- information to be shared with the World Bank by December 2018. Share data, records, and relevant logs demonstrating that the non/stop filers in the CTD have reduced to 5% less than the baseline identified in Year 1. [Access to offline and online records to be provided with necessary confidentiality caveats]. **Formula-** US$ 80,000 for every percentage decline below baseline.
		March 31, 2021 (Year 3): Decline by 10% from baseline	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that the non/stop filers in the CTD have reduced to 10% less than the baseline identified in Year 1 **Formula**- US$ 70,000 for every percentage decline below (baseline minus 5%)
		March 31, 2022 (Year 4): Decline by 15% from baseline	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that the non/stop filers in the CTD have reduced to 15% less than the baseline identified in Year 1 **Formula-** US$ 80,000 for every percentage decline below (baseline minus 10%)

	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, 2023 (Year 5): Decline to 15%	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that the non/stop filers in the CTD as a percentage of active dealers is maximum of 15% **Formula-** US$ 70,000 for every percentage decline below (baseline minus 15%)
4.2	**Value of tax recoveries (reduction in arrears) in the CTD**	**March 31, 2019 (Year 1) -** Tax arrears for last three years reduced to 50% of total arrears as on March 31, 2018	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that tax arrears have reduced to 50%. Internal departmental information to be provided (on a non-identifying/redacted basis as the case may be). **Formula-** US$ 42,900 for every percentage decrease below 57% up to 50%
		March 31, 2020 (Year 2) - Tax arrears for last three years reduced to 45% of total arrears as on March 31, 2019	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that tax arrears have reduced to 45%. **Formula-** US$ 60,000 for every percentage decrease below 50% upto 45%
		March 31, 2021 (Year 3) - Tax arrears for last three years reduced to 40% of total arrears as on March 31, 2020	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that tax arrears have reduced to 40%. **Formula-** US$ 60,000 for every percentage decrease below 45% upto 40%
		March 31, 2022 (Year 4) - Tax arrears for last three years reduced to 35% of total arrears as on March 31, 2021	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that tax arrears have reduced to 35%. **Formula-** US$ 60,000 for every percentage decrease below 40% upto 35%

	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, 2023 (Year 5) - Tax arrears for last three years reduced to 30% of total arrears as on March 31, 2022	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that tax arrears have reduced to 30%. **Formula-** US$ 60,000 for every percentage decrease below 35% upto 30%
4.3	**Improving effectiveness of tax audit in the CTD**	**March 31, 2019 (Year 1) -** New audit methodology prepared and approved	No	CTD	n.a.	New audit methodology as developed by consultant and approved by the CTD and communicated to the WB [in writing]
		March 31, 2020 (Year 2) - Audit hit rate[45] improves to 12%	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that cases where discrepancy was noticed during audit improves to 12%. **Formula-** US$ 150,000 for every percentage increase over baseline upto a maximum of 12%.
		March 31, 2021 (Year 3) - Audit hit rate improves to 15%	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that cases where discrepancy was noticed during audit improves to 15%. **Formula-** US$ 100,000 for every percentage increase over 12% upto a maximum of 15%
		March 31, 2022 (Year 4) - Audit hit rate improves to 17%	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that cases where discrepancy was noticed during audit improves to 17%. **Formula-** US$ 150,000 for every percentage increase over 15% up to a maximum of 17%

[45] Audit hit rate measured as percentage of cases where discrepancy was noticed during audits completed during the year.

	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, 2023 (Year 5) - Audit hit rate improves to 20%	Yes	CTD	IVA	Share data, records, and relevant logs demonstrating that cases where discrepancy was noticed during audit improves to 20%. **Formula-** US$ 100,000 for every percentage increase over 17% upto a maximum of 20%
5.1	**Strengthening of Transport Department**	**March 31, 2019 (Year 1) –** Develop BPR and action plan for strengthening of Transport Department	No	Transport Department	n.a	BPR and action plan developed
		March 31, 2020 (Year 2) – Discontinue manual collection and move to full electronic system of taxes, fees and fines.	No	Transport Department	IVA	Share relevant orders/documents and transaction records evidencing movement to full electronic system [either through the POS, wallets or logging of the transaction amounts collected once at the office]; IVA to verify
		March 31, 2021 (Year 3) – Growth in Transport Department's revenue for FY 2019-20 over FY2018-19 - 12.75%	No	Transport Department	IVA	Share relevant documents and transaction records evidencing growth in revenue; IVA to verify
		March 31, 2022 (Year 4) – Growth in Transport Department's revenue for FY 2020-21 over FY2019-20 - 13.00%	No	Transport Department	IVA	Share relevant documents and transaction records evidencing growth in revenue; IVA to verify

	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, 2023 (Year 5) - Growth in Transport Department's revenue for FY 2021-22 over FY2020-21 - 14.00%	No	Transport Department	IVA	Share relevant documents and transaction records evidencing growth in revenue; IVA to verify
5.2	**Strengthening of Excise Department**	**March 31, 2019 (Year 1) –** Conduct institutional assessment/ BPR of the Excise Dept.	No	Excise Department	n.a	Share report on institutional assessment of the Excise Department.
		March 31, 2020 (Year 2) – Develop action plan for the strengthening of the Excise Department.	No	Excise Department	n.a.	Share Action Plan document for the strengthening of the Excise Department
		March 31, 2021 (Year 3) – Growth in Excise Department's revenue for FY 2019-20 over FY2018-19 by 13.00%	No	Excise Department	IVA	Share relevant documents and transaction records evidencing growth in revenue; IVA to verify
		March 31, 2022 (Year 4) – Growth in Excise Department's revenue for FY 2020-21 over FY2019-20 by 13.50%	No	Excise Department	IVA	Share relevant documents and transaction records evidencing growth in revenue; IVA to verify
		March 31, 2023 (Year 5) - Growth in Excise Department's revenue for FY 2021-22 over FY2020-21 by 14.00%	No	Excise Department	IVA	Share relevant documents and transaction records evidencing growth in revenue; IVA to verify

Note: n.a. = not applicable.