

**STATE OF RAJASTHAN**

May 29, 2018

**OFFICIAL  
DOCUMENTS**

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

INDIA: Loan No. 8855-IN  
(Strengthening Public Financial Management in Rajasthan Project)  
Performance Monitoring Indicators

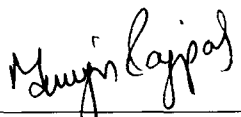
Dear Sirs and Mesdames:

We refer to Section II.1 of the Schedule to the Project Agreement of even date between the International Bank for Reconstruction and Development (the Bank) and the State of Rajasthan.

Unless otherwise agreed with the Bank, we shall monitor and evaluate the implementation of the Project in accordance with the Performance Monitoring Indicators attached to this letter.

Very truly yours,

**STATE OF RAJASTHAN**

By   
Authorized Representative

Attachment – Performance Monitoring Indicators

## 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	Baseline	Cumulative Target Values					
		Year 1	Year 2	Year 3	Year 4	Year 5	End Target
<b>Strengthened budget execution by improving controls over commitment</b>	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
<b>Strengthened public procurement framework and capacity (including training of minimum 5% female employees of</b>	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 <sup>1</sup> 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 officials

<sup>1</sup> Supply & Installation, Swiss challenge, PPP documents, Modified Annuity, IT Equipment

the department)	No database of debarred firms						enhanced
<b>Institutional strengthening (IS) of Local Fund Audit Department (LFAD)</b>	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
<b>Improving effectiveness of Tax Audit in the Commercial Taxes Department (CTD)</b>	Audit hit rate low <sup>2</sup> (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
Implementation of	Weak	Strengthened draft	District plan for	District plan for	Strengthened DPP		District level

<sup>2</sup> Audit hit rate measured as percent of cases where discrepancy was noticed during audits completed during the year.

<b>a strengthened decentralized participatory planning process in Rajasthan</b>	decentralized participatory planning process and not linked to the annual budget process	state DPP framework and Procedures Manual prepared.	first pilot prepared as per agreed draft framework on selected software	second pilot prepared as per agreed draft framework on selected software	Framework finalized and approved by GoR and notified.  Order issued-for mainstreaming the approved framework		planning under strengthened framework mainstreamed in RDPR and DoP.
<b>Increased coverage of e-Procurement</b>	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
<b>Reduced delays by making awards within initial bid validity period in ten identified departments<sup>3</sup></b>	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
<b>Improved awareness of SPFC (percentage citing awareness in total users surveyed)<sup>4</sup></b>	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
<b>Reduction in tender notice advertisement expenditure</b>	The expenditure incurred in the Year 2017-18 on NIT is 0.41% of the procurement	Develop mechanism and frame of appropriate rules for minimizing expenditure on tender notice advertisements	Tender notice advertisement expenditure reduced up to 0.30% of the procurement value 2019-20	Tender notice advertisement expenditure reduced up to 0.20% of the procurement value during 2020-21			Tender notice advertisement expenditure reduced up to 0.20% of the procurement value during

<sup>3</sup> Public Works, PHED, Water Resources, Education, Medical & Health, DoIT&C, Forest, Energy, LSG, UDH

<sup>4</sup> Perception surveys will be conducted in Year 3 and Year 5.

	value (Rs. 27,000.00 cr.) during 2017-18.						2020-21
<b>Improve debt management - Enhance transparency and systemize procedures</b>	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
<b>Improved cash management practices as measured by improved accuracy in cash flow forecasts</b>	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%
<b>Institutional strengthening of internal audit (IA) function</b>	Audit setup needs strengthening; Outdated manual, rules, circulars, and processes	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 developed for		Modernized Internal Audit Manual developed and action plan for implementation notified

					implementation across the state and notified <sup>5</sup>		
<b>Strengthened tax administration in the CTD</b>	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 <sup>6</sup>	Capacity of the tax audit function strengthened <sup>7</sup>	A system of department performance metrics developed to assist the strategic function		Capacity of the CTD strengthened
<b>Decline in non/stop filers in the CTD</b>	Non/stop filers (annual returns) as percentage of active dealers. Baseline to be determined on the basis of FY17-18 in FY2018-19 <sup>8</sup>		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%
<b>Value of tax recoveries (reduction in arrears) in the</b>	Tax arrears for last three years at 57% of total arrears <sup>9</sup>	Tax arrears for last three years reduced to 50% of total arrears as on March	Tax arrears for last three years reduced to 45% of total arrears as on March	Tax arrears for last three years reduced to 40% of total arrears as on March	Tax arrears for last three years reduced to 35% of total arrears as on	Tax arrears for last three years reduced to 30% of total arrears as on	Tax arrears for last three years reduced to 30% of total arrears

<sup>5</sup> This will include a framework for evaluating the benefits of the internal audit function.

<sup>6</sup> 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.

<sup>7</sup> 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

<sup>8</sup> 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.

<sup>9</sup> 2015-2016.

CTD		31, 2018	31, 2019	31, 2020	March 31, 2021	March 31, 2022	
<b>Data for policy action</b>	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
<b>Strengthening of Transport Department</b>	The average growth in the Transport Department <sup>10</sup> 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%
<b>Strengthening of Excise Department</b>	The average growth being the CGAR in the Excise Department <sup>11</sup> revenue during past three years (from 2014-15 to 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%	Growth in Excise Department's revenue for FY 2021-22 over FY2020-21 by 14.00%

<sup>10</sup> Transport department revenue for FY 2016-17 is Rs. 3622.83 cr.

<sup>11</sup> Excise Department revenue for FY 2016-17 is Rs. 7053.68 cr.

Indicator Description				
<b>Project Development Objective Indicators</b>				
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
<b>Intermediate Results Indicators</b>				
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	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



departments				
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	Annual	Records from Transport Department/outputs from consultancy	Finance and Transport

	growth of revenue of Transport department			
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