

OFFICIAL DOCUMENTS

Supplemental Letter No. 2

STATE OF HIMACHAL PRADESH

May 31, 2017

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

INDIA: Loan No. 8753-IN
(Himachal Pradesh Public Financial Management Capacity Building
Program)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

We refer to: (a) Section III.A of Schedule 2 to the Loan Agreement of even date between India and the International Bank for Reconstruction and Development (Bank); and (b) Section III.A of the Schedule to the Project Agreement between the Bank and the State of Himachal Pradesh.

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

Very truly yours,

STATE OF HIMACHAL PRADESH

By 
Authorized Representative

Attachment – Performance Monitoring Indicators

Results Framework and Monitoring

Project Development Objective. Improve the efficiency of Public Expenditure Management and Tax Administration in Himachal Pradesh

Results Areas Supported by PforR	PDO/Outcome Indicators (key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results (IR) Indicators (critical processes, outputs, or intermediate outcome indicators needed to achieve each aspect of the PDO)	DLI #	Unit of Measure	Baseline (2015–16)	End Target (2021–22)
Results Area 1: Improving efficiency of the FD in an enhanced control environment	PDO Indicator 1: Reduce variance between originally approved budget to expenditure		2	Percentage change	Variance between originally approved budget to expenditure outturns of six large departments ¹ was 44% (FY2015–16)	Variance between originally approved budget to expenditure outturns of six large departments reduced to 15%
		IR Indicator 1.1: Electronic interface of IFMIS implemented in all departments	1	Rollout to % of DDOs	Manual submission of bills from departments (through 4,700 DDOs) to treasuries and manual submission to the AG	Rollout to all DDOs including DDOs of all three LoC departments and online submission of monthly accounts by treasuries to the AG
		IR Indicator 1.2: Internal controls of the FD strengthened	2		Weak internal controls; specific FM functions still manual	Revised treasury rules; manuals adopted and made operational and specific manual processes automated
		IR Indicator 1.3: Strengthening PFM in the state by provision of comprehensive and wide-ranging training	n.a.	Man-days of training	Training neither strategic nor according to a plan	Development of training needs assessment, training plan, and provision of adequate resources to deliver

¹ Finance, Public Works, Primary Education, IPH, (higher) Education, Health Services

Results Areas Supported by PforR	PDO/Outcome Indicators (key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results (IR) Indicators (critical processes, outputs, or intermediate outcome indicators needed to achieve each aspect of the PDO)	DLI #	Unit of Measure	Baseline (2015–16)	End Target (2021–22)
						required training to all stakeholders
		IR Indicator 1.4: Strengthening components of the PFM cycle through analytical studies of the core FD functions	n.a.	Number of analytical studies conducted	No recent studies (last review during PEFA 2009) conducted to refine the core functions	Recommendations made to the GoHP on fund, debt, revenue, and expenditure management
		IR Indicator 1.5: Increased transparency and citizen engagement	3	Disclosure of budget/execution reports and citizen participation	Nascent citizen engagement on budget; no disclosure of contract information; fiscal information only through standard reports	Scaling up citizen engagement on the budget process; disclosure of (a) contract award and procurement opportunities through e-Procurement and (b) progress on large contract through the new IPH system
Results Area 2: Increasing efficiency and performance through better contract management	PDO Indicator 2: Increased value of transactions processed through the e-Procurement system		4	Percentage increase in value of e-Procurement	Software implemented in 5 departments and 15 parastatals with sporadic usage (of the six modules) and value of transactions processed at INR 24.41 billion	Increase in value of transactions processed through the e-Procurement system by 90% over baseline
		IR Indicator 2.1: CMS in IPH Department implemented	5	Rollout of software in % of divisions	Used in 17 divisions but usage irregular	Complete rollout of all 14 modules of CMS across 100% divisions and head office

Results Areas Supported by PforR	PDO/Outcome Indicators (key indicators to measure the achievement of each aspect of the PDO statement)	Intermediate Results (IR) Indicators (critical processes, outputs, or intermediate outcome indicators needed to achieve each aspect of the PDO)	DLI #	Unit of Measure	Baseline (2015–16)	End Target (2021–22)
Results Area 3: Unlocking revenue potential through modernization of the ETD	PDO Indicator 3: Backlog of pending VAT/ CST assessments reduced		6	Percentage of pending VAT/CST assessments	Pending tax assessments (VAT and CST) is 294,000 (2011/12–2015/16)	Backlog reduced by 100% over baseline and (90% of) in-year assessments completed within 1 year of return filing
		IR Indicator 3.1: Institutional strengthening and modernization of the ETD	n.a.	Implementation of accepted recommendations	Weak institutional and organization structure and obsolete e-applications	All accepted short- and medium-term recommendations implemented including optimizing the assessing function
		IR Indicator 3.2: Institutional performance of the ETD improved	7	Creation/enhancement of specialized functions	No specialized units; recovery process is weak	Audit function, service tax specialization, and EIU functioning as an integral part of the ETD
		IR Indicator 3.3: Enhanced capacity of officials implementing GST by providing training not covered by the sovereign function	n.a.	Number of staff/dealers trained	GST rollout training to be imparted and systematic training instituted for the department	Field-level staff of the ETD trained in functional aspects of GST. Additionally, training and communication provided to dealers.
		IR Indicator 3.4: e-Governance application for excise function implemented	8	Rollout of system across the state	No e-Governance application for excise function	Excise e-Governance system rolled out in 100% of the offices, including issuance of at least 90% transport permits through the system

Indicator Description

Indicator Name (#)	Description (Clear Definition and so on)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
						Responsibility for Data Verification	Scalability of Disbursement (Yes/No)
PDO Indicator 1	Reduce variance between originally approved budget to expenditure	Annual	In-year budget reports	Reports at the end of the fiscal year will be analyzed to compare budget versus actual for the key departments	FD	IVA	No
IR Indicator 1.1	Electronic interface of IFMIS implemented in all departments	Annual	Self-certification by the Director of Treasuries confirming rollout to DDOs completed and bill submission process automated, Government Order and system usage reports	Reports generated from IFMIS	FD	IVA	No
IR Indicator 1.2	Internal controls of the FD strengthened	Annual	Approved and notified documents and progress reports prepared by the FD	Approved manuals, notified treasury rules, reports indicating system usage and data generated from IFMIS	FD	IVA	No
IR Indicator 1.3	Strengthening PFM in the state by provision of comprehensive and wide-ranging training	Annual	Training needs assessment, training plan, and provision of resources	Documents and sample information regarding actual training delivered	FD	n.a.	n.a.
IR Indicator 1.4	Strengthening components of the PFM cycle through analytical studies of the core FD functions	Annual	Reports and recommendations	Progress on consultancies to perform analytical studies reported by the FD	FD	n.a.	n.a.

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IR Indicator 1.5	IR Indicator 1.5: Increased transparency and citizen engagement	Annual	Progress reports prepared by the FD	Progress on citizen participation and usage of interactive interface reported by the FD	FD	IVA	No
PDO Indicator 2	Increased value of transactions processed through the e-Procurement system	Biannual	e-Procurement system usage reports	System usage reports to be generated from the system in addition to the value of e-Procurement	DIT	IVA	No
IR Indicator 2.1	CMS in IPH Department implemented	Annual	Usage reports and monthly accounts	Reports indicating system usage and monthly accounts to be generated from the CMS	IPH Department	IVA	No
PDO Indicator 3	Backlog of pending VAT/ CST assessments reduced	Annual	Databases of the ETD with details of pendency of each year	Reports and assessment orders as provided by the ETD	ETD	IVA	No
IR Indicator 3.1	Institutional strengthening and modernization of the ETD	Annual	Progress of consultancy study	Agreed deliverables submitted by the consultant to be reviewed by the ETD	ETD	n.a.	n.a.
IR Indicator 3.2	Institutional performance of the ETD improved	Annual	Self-certification from the Commissioner of the ETD regarding creation of units along with the official notification issued by the GoHP	Review of Government Orders, operation of the enhanced units/functionalities	ETD	IVA	No
IR Indicator 3.3	Enhanced capacity of officials implementing GST by providing training not covered by the	Annual	Number of staff/dealers trained	List of staff/dealers trained to be prepared by the ETD	ETD	n.a.	n.a.

Indicator Name (#)	Description (Clear Definition and so on)	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection	DLIs	
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	sovereign function						
IR Indicator 3.4	e-Governance application for excise function implemented	Annual	e-Governance application implemented by ETD	Excise e-Governance system fully rolled out at all offices. Data on system usage, notifications on discontinuation of manual systems, and integration with HPBL.	ETD	IVA	No