

OFFICIAL DOCUMENTS

Supplemental Letter No. 2

STATE OF ASSAM

June 27, 2017

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

INDIA: Loan No. 8765-IN
(Assam State Public Finance Institutional Reforms (ASPIRe) Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

We refer to: (a) Section II.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 II.A of the Schedule to the Project Agreement between the Bank and the State of Assam.

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 ASSAM



By _____
Authorized Representative

Attachment – Performance Monitoring Indicators

Results Framework and Monitoring

Results Framework

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

Intermediate Results Indicators							
Indicator Name	Baseline	Cumulative Target Values					
		YR-1	YR-2	YR-3	YR-4	YR-5	End Target
Enhanced controls in budget	Processes for budget	Contract awarded by AS-CFMS for FMIS	Budget distribution module for HoD/	100% of transactions (other	Decision support system in FMIS	At least 75% of the DDOs have	Budget distribution by HoDs and

execution and reporting (Text)	distribution, budget control, and bill submission by the DDOs are manual; and no decision support system for Finance Department	systems integrator.	BCOs to DDOs has been operationalized and integrated with FMIS treasury system by the Finance Department.	than exceptions notified in Government Order) of Public Works, and Forest Departments have been made through the FMIS treasury system by the Finance Department. Budget Manual and Finance Rules updated and notified.	has been implemented for the Finance Department.	submitted bills to the treasuries using the FMIS. Online submission of monthly accounts to AG	BCOs, budget control by the treasury, and bill submission by the DDOs automated; decision support system for the Finance Department operationalized
Increased e-collection and e-payments (Text)	E-collection for Excise nil; for the CoT 35% by volume for VAT and nil for other taxes; and fragmented systems and low base of e-payments	E-collection portal developed and rolled out for excise and all non-GST taxes administered by CoT.	At least 70% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 60% of the payments made by the treasuries have been done electronically using e-kuber.	At least 80% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 70% of the payments made by the treasuries have been done electronically using e-kuber.	100% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 80% of the payments made by the treasuries have been done electronically using e-kuber.	100% of excise and non-GST tax administered by CoT collected through the e-collection portal; and at least 90% of the payments made by the treasuries have been done electronically using e-kuber.	100% of excise and non-GST tax (administered by the CoT) collected electronically and at least 90% of payments made electronically by the treasuries
Enhanced capacity in Cash and Debt Management (Text)	Fragmented institutions for debt management; absence of active cash and debt management and cash-flow	Cash and Debt Management Unit established	Finance Department has prepared an annual borrowing calendar based on rolling monthly cash-flow forecasts (error margins on	An annual Debt Statistical Bulletin (with disclosure of direct liabilities and guarantees) has been published by the Finance Department	Finance Department has prepared an annual borrowing calendar based on rolling monthly cash-flow forecasts (error margins on	Finance Department has prepared an annual borrowing calendar based on rolling monthly cash-flow forecasts (error margins on	Cash and Debt Management Unit established; annual borrowing informed by realistic cash-flow forecasts; Debt Statistical

	forecasting		cash balance forecast not exceeding 20%)		cash balance forecast not exceeding 15%)	cash balance forecast not exceeding 10%)	Bulletin published
Enhanced public disclosure of budget information and citizen's engagement (Text)	Limited budget disclosures	Budget disclosures made by Finance Department include at least the following sections: (a) Budget at a glance; (b) Analytical Statement; (c) Transfer to Local Bodies; and (d) Action taken report on the budget of the previous year	Disclosures made by Finance Department complying with the requirements of the Assam's FRBM Act at least the following: (a) key fiscal indicators; (b) changes in accounting standards and policies affecting fiscal indicators; (c) guarantees and borrowings.	Budget disclosures made by Finance Department include at least the following: (a) object head wise expenditure; (b) outstanding liabilities; (c) salary details for government; (d) budgetary impact of major policy changes; and (e) procurement plan for 3 major spending departments	Disclosures made by Finance Department further complying with the requirements of the Assam's FRBM Act at least the following: (a) impact of supplementary demands for grants on fiscal indicators; (b) a statement containing the outcome of the review of trends in receipts, expenditure and fiscal indicator targets	The Finance Department has provided public access to in-year Budget execution reports.	Enhanced budget disclosure to citizens, including compliance with the disclosure requirements of the Assam's FRBM Act
Strengthened public procurement framework and capacity building of officials (of which 5% are female) (Text)	Outdated procurement rules; no SBDs; and no system for public procurement training	Finance Department has notified and published the procurement rules and SBD in the Official Gazette of GOA	Procurement Reform Unit constituted and functional	500 officials trained in public procurement.	Additional 1,000 officials trained in public procurement.	Information on resolution of procurement grievances disclosed publically	Procurement rules and SBD notified and published; resolution of procurement grievances disclosed publically; enhanced procurement capacity of the GoA's officials (1500 officials)

Increased coverage of e-procurement (Text)	GO issued for mandatory E-procurement for procurement above Rs. 20 lacs E-procurement tender value in 2015–2016 - INR 5,700 crores	50% increase in E-procurement tender value over baseline	10% increase in E-procurement tender value over previous year	GO issued lowering E-procurement threshold to Rs. 10 lacs (other than exceptions as notified in GO) 20% increase in E-procurement tender value over previous year	20% increase in E-procurement tender value over previous year	GO issued for lowering E-procurement threshold to Rs. 5 lacs (other than exceptions as notified in GO) 20% increase in E-procurement tender value over previous year	Enhanced coverage of e-procurement (250% increase over baseline)
Increased human resource capacity in PFM of officials (of which 10% are female) (Text)	No formal training strategy and sporadic training on PFM	Training needs assessment completed.	PFM training methodology and content approved based on training strategy	500 officials in the finance cadre trained in PFM	Additional 750 officials in finance cadre trained in PFM	Additional 750 officials in finance cadre trained in PFM	Enhanced PFM capacity of the GoA's finance officials (2250 officials trained)
Enhanced services provided by Office of the Commissioner of Taxes using e-Governance (Text)	Fragmented and outdated IT applications; e-return filing at 15% for VAT; e-returns do not have in-built electronic scrutiny feature; and no e-governance solutions for non-GST state taxes	Contract for new IT application for CoT awarded by AS-CFMS.	CoT has operationalized utilities for e-returns and online scrutiny of returns for all non-GST state taxes in the new IT application.	CoT has operationalized the utilities for Invoice matching and ITC auto-population for VAT returns in the new IT application.	CoT has generated Tax arrears certificate for initiating tax arrears recovery online within 30 days of completion of assessment.	100% of Non GST tax returns for the previous year are filed electronically	Enhanced taxpayer services provided by CoT for returns, obligations, and communication
Strengthened institutional	Inadequate audit systems that is,	Report on institutional	Service taxation capability	A functioning Tax Analytic Unit	At least 60% of cases selected for	At least 80% of cases selected for	Core tax administration

capacity in Office of the Commissioner of Taxes (Text)	lack of system-based audit selection and limited tax analytical capacity	assessment and capacity-building needs for the CoT completed. Assam has issued GO mandating time bound completion of 90 % assessment by year 1 and 100% by year 2.	established	established	audit completed	audit completed	functions strengthened
Enhanced services provided by Excise Department using e-Governance (Text)	All procedures and processes are manual in the Excise Department; Excise revenue was INR 808 crore in 2015-2016	(i) Assam has notified the Excise Rules 2016 in the Official Gazette. (ii) Contract for e-governance solution for Excise Department has been awarded by AS-CFMS.	Excise Department has issued at least 10% of all transport permits (issued in the financial year) electronically.	Excise Department has issued at least 50% of all transport permits (issued in the financial year) electronically.	Excise Department has issued at least 80% of all transport permits (issued in the financial year) electronically.	The Excise Revenue Collection has increased by at least 80% over the revenue in financial year 2015-16.	E-governance solution operationalized in the Excise Department with (a) e-services to taxpayers and (b) MIS for monitoring and regulation; 80% increase in excise revenue over baseline