



Report and Recommendation of the President to the Board of Directors

Project Number: 54001-001
October 2020

Proposed Policy-Based Loan and Technical Assistance Grant India: West Bengal Public Finance Management Reforms Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 September 2020)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.0137
\$1.00	=	₹73.04

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
GRIPS	–	government receipt portal system
GSDP	–	gross state domestic product
IFMS	–	integrated financial management system
MIS	–	management information system
MTEF	–	medium-term expenditure framework
OCR	–	ordinary capital resources
PAG	–	Office of the Principal Accountant General
PBL	–	policy-based loan
PFM	–	public financial management
TA	–	technical assistance
ULB	–	urban local body
WMA	–	Ways and Means Advances

NOTES

- (i) The fiscal year (FY) of the Government of India ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 31 March 2021.
- (ii) In this report, “\$” refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 54001-001	
Project Name	West Bengal Public Finance Management Reforms Program	Department/Division	SARD/SAPF
Country	India	Executing Agency	Finance Department - Government of West Bengal
Borrower	Government of India		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=54001-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=54001-001-PortAtaGlance		
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Public expenditure and fiscal management		50.00
		Total	50.00
3. Operational Priorities		Climate Change Information	
✓ Accelerating progress in gender equality		GHG reductions (tons per annum)	0
✓ Strengthening governance and institutional capacity		Climate Change impact on the Project	Low
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 5.a, 5.c		Effective gender mainstreaming (EGM)	✓
SDG 8.5		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization:	Low		
5. Safeguard Categorization	Environment: C	Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		50.00	
Sovereign Stand-Alone Policy-Based Lending (Regular Loan): Ordinary capital resources		50.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		50.00	
Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-OTHERS) in the amount of \$350,000.			
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed policy-based loan (PBL) to India for the West Bengal Public Finance Management Reforms Program. The report also describes proposed technical assistance (TA) for Supporting the West Bengal Public Finance Management Reforms Program, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the TA.

2. The proposed program builds on past policy-based programs in West Bengal by improving operational efficiencies and resource planning and management, and taking a whole-of-government approach to public financial management (PFM) through the integration of state financial and information systems.¹ This will strengthen the delivery of public services and generate fiscal savings that help West Bengal augment growth-enhancing development financing.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. West Bengal, a "general category" state in the eastern part of India, accounts for 2.7% of the country's total geographical area.² It is the fourth most populous state in India with 91.2 million inhabitants (7.5% of the national total) as per the 2011 population census. West Bengal's real gross state domestic product (GSDP) increased at a compound annual growth rate of 6.4% from fiscal year (FY) 2012 to FY2019. With an estimated GSDP of ₹11.8 trillion (\$161.6 billion) in FY2019, it is India's sixth-largest state in economic size.³ However, it is also among the poorest states with a per capita income of ₹109,491 (\$1,499.1) in FY2019, compared with the all-India average of ₹126,406 (\$1,730.6).⁴ Although the state's fiscal situation has improved considerably, it remains one of India's most indebted states: its debt–GSDP ratio of 33.4% in FY2019 was the third highest among the general category states.

4. **West Bengal Development Finance Programs.** The Asian Development Bank (ADB) has been working with the Government of West Bengal since 2012 on sustainable PFM reforms. The state's fiscally stressed situation in 2012 provided the rationale for the West Bengal Development Finance Program, implemented during November 2012–July 2014 and financed by a PBL of \$400.0 million from ADB's ordinary capital resources (OCR) and a TA grant of \$0.7 million from ADB's Technical Assistance Special Fund (TASF-other sources).⁵ The state government achieved full compliance with all policy actions, and its commitment to fiscal consolidation was recognized in the program's rating of *successful*.⁶ The policy reforms under the development finance program focused on (i) boosting revenue through eGovernance initiatives in commercial tax administration, and implementing an excise tax management system; (ii)

¹ The program is a continuation of the West Bengal Development Finance Program and the Second West Bengal Development Finance Program, and is in ADB. 2019. [Country Operations Business Plan: India, 2020–2022](#). Manila.

² States in India are divided into "general category" and "Himalayan" states based on their geographic terrain and inherent infrastructure difficulties.

³ Reserve Bank of India. 2019. [Handbook of Statistics on Indian States](#). Mumbai (Table 15).

⁴ Government of India, Ministry of Statistics and Programme Implementation. 2020. [Statistical Data](#).

⁵ ADB. 2012. [Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan and Technical Assistance Grant to India for the West Bengal Development Finance Program](#). Manila (Loan 2926-IND, approved on 30 October 2012).

⁶ The completion report rated the program *successful* and the TA *highly successful*; the overall *successful* rating was upheld by the validation report. ADB. 2015. [Completion Report: West Bengal Development Finance Program in India](#). Manila; and Independent Evaluation Department. 2016. [Validation Report: West Bengal Development Finance Program in India](#). Manila: ADB.

rationalizing expenditure by improving expenditure planning through the medium-term expenditure framework (MTEF), and adopting a subsidy rationalization strategy; and (iii) formulating a debt management strategy. The state government received several awards for its eGovernance system after the program.⁷ The Second West Bengal Development Finance Program, financed by a PBL of \$300.0 million from ADB's OCR and a TA grant of \$0.5 million from ADB's Technical Assistance Special Fund (TASF-other sources), was approved in October 2017. It carried forward the reforms of the first program and promoted the private sector's engagement in service delivery.⁸ It was completed successfully with the release of the second tranche in November 2019.

5. Achievements of the development finance programs. The state finances improved significantly since the launch of the first program in 2012. During FY2012–FY2019, the fiscal deficit fell from 3.4% of GSDP to 2.8%; and its quality improved substantially, as reflected in the ratio of capital outlay to fiscal deficit, which increased from 15.6% to 70.8%.⁹ In the same period, the state government's excise revenue, a key target area in both programs, doubled from 0.4% of GSDP in FY2012 to 0.9% in FY2019, while its own-tax revenue increased from 4.8% to 5.2% of GSDP. As a proportion of GSDP, the expenditure on salaries declined from 5.2% in FY2012 to 3.5% in FY2019, and the expenditure on pensions fell from 1.9% to 1.4% in the same period, supported partly by the voluntary retirement scheme introduced in transport corporations under the second program. The debt–GSDP ratio decreased from 39.9% in FY2012 to 33.4% in FY2019. Therefore, the direction of macroeconomic policies is satisfactory.¹⁰

6. Structural transformation of state governance to continue. The development and implementation of an integrated financial management system (IFMS) under the two finance programs was instrumental in boosting the state government's operational efficiencies and transparency.¹¹ To further sustain the reform momentum, and for better integration and management of state finances, the state government is keen to expand its coverage to state-aided institutions, or “parastatals.”¹² The expansion of eGovernance initiatives under the proposed program is expected to achieve that through a whole-of-government rationalization and systemization of state financial management processes, particularly the administration of financing for parastatals.

7. Whole-of-government perspective lacking in public financial management. West

⁷ The state government's Directorate of Commercial Taxes received a national award (FY2015) for excellence in government process reengineering. The Finance Department received (i) FY2014 CSI-Nihilent eGovernance awards for (a) information management in commercial tax administration, and (b) a workflow-based file and letter tracking system; and (ii) the chief minister's award (2014) for the contribution to citizen-friendly tax reforms and eGovernance. The Excise Department received the 2014 Skotch digital inclusion award for its online tax filing system. The state government was acknowledged in the Ministry of Commerce and Industry's 2014 report on improving the business environment across India.

⁸ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan and Technical Assistance Grant to India for the Second West Bengal Development Finance Program*. Manila (Loan 3563-IND, approved in August 2017).

⁹ The fiscal year for a state government in India is the same as that for the national government.

¹⁰ Sector Assessment (Summary): Public Sector Management (accessible from the list of linked documents in Appendix 2).

¹¹ The IFMS is an end-to-end project and the biggest government to government (G2G) and government to citizens (G2C) eGovernance initiative by the state government. Under the West Bengal Development Finance Program, four IFMS modules were developed that automated disbursements, salary accounts of state government employees, the budget–treasury interface, and revenue receipts. Subsequently, three new modules related to budget estimation, management of schemes, and fund flow were added to the IFMS under the Second West Bengal Development Finance Program, which further enhanced the efficiency and improvement of resource management.

¹² Parastatals are state-aided institutions supported partially or wholly by the state government's budget, such as educational institutions, statutory boards and corporations, and local governments (urban and rural local bodies).

Bengal's parastatals, which are supported through grants-in-aid from the state's budget, currently use disparate and partly manual systems. This leads to inefficiencies in the assessment, prioritization, selection, funding, and monitoring of public investment projects and schemes. Also, multiple bank accounts make it difficult for the state Finance Department to monitor transactions under the respective government schemes and obtain a consolidated view of the balances. This resulted in instances where the state Finance Department accessed Ways and Means Advances (WMA)—a temporary loan facility provided by the Reserve Bank of India—to meet its cash flow requirements, when in fact unlinked bank accounts had idle funds available. In FY2019, the interest paid on WMA was \$2.8 million.¹³

8. Inefficient management of social protection systems. While the IFMS implementation under the past programs enabled timely and accurate salary transactions for state government employees, pension processing is not yet fully automated. The manual maintenance of service book records often delays their updates, increases the risk of erroneous entries, and may result in lost or damaged service books. Moreover, since the IFMS is not integrated with the state's Office of the Principal Accountant General (PAG), documents for pension approvals have to be submitted physically.¹⁴ Similarly, the pension management in parastatals includes moving documents from one office to another for authorization, causing transaction delays and costs. On average, it now takes parastatals about 6 months to process and disburse a pension application. Also, the absence of a reliable system to verify pension entitlements can lead to calculation errors. Several retirees have taken judicial recourse, which increases the state's court-related costs. Similar issues arise in the manually administered provident fund for parastatals' employees.

9. Weak resource planning and management. The second development finance program implemented MTEFs in two state departments to improve strategic resource planning. An MTEF requires efforts to institutionalize it and to build the capacity of government officials for using it.¹⁵ Moreover, project management and public works accounting is still partly manual, which lowers efficiency and increases the risk of resource mismanagement. Also, while the past programs brought considerable progress in tax administration, taxpayer services also need improvements to increase business activity and boost tax compliance.¹⁶ To ensure the sustainability of PFM reforms, including learning from international best practices, the state government wishes to institutionalize various aspects of PFM, such as the use of MTEFs and gender-responsive budgeting, more thoroughly by providing specialized training to government officers.¹⁷

10. Inadequate system integration and information management. One of the challenges faced by the state government is the lack of a comprehensive management information system (MIS) that would ensure the availability of needs-based information on all its entities, including parastatals, and enable evidence-based policymaking and impact analyses of current policies. In

¹³ Indian Institute of Management. 2017. *State Finance of West Bengal*. Kolkata.

¹⁴ PAG is an independent body responsible for authorizing pensions and managing state government accounts.

¹⁵ An MTEF is designed to link planning and budgeting. It has a 3–5-year outlook with corresponding budgets (actual annual budget for the first year and estimated budgets for the next 3–5 years). It generally sets out the strategic priorities of the country and the intended outcomes over the medium term. ADB. 2002. [Linking Planning and Budgeting: The Medium-Term Expenditure Framework](#). *The Governance Brief, Issue 2*. Manila.

¹⁶ New research shows that an important determinant for a firm is the ease of paying taxes, regardless of the corporate tax rate. The introduction of electronic systems for filing and paying taxes has cut tax compliance times globally. World Bank and PricewaterhouseCoopers. 2020. [Paying Taxes 2020 Report](#). Washington, DC.

¹⁷ The government of West Bengal runs a number of schemes for the development of women relating to education, economic rehabilitation, empowerment, and protection. The state government wants to further strengthen gender targeting in its public financial management under the WBPFRMP, including building capacity in gender-responsive budgeting, and adoption of MTEF in the Department of Women and Child Development and Social Welfare (para. 28).

the absence of a link between the IFMS and PAG, which has the responsibility to compile the state's accounts, the state treasury must forward its documents to PAG physically, which delays the finalization and reconciliation of accounts.¹⁸ Finally, the absence of an online grievance redress mechanism makes the filing and handling of user grievances in important service areas such as transport and urban local bodies (ULBs) inconvenient and slow.

11. **Lessons.** A key lesson from the implementation of the two past ADB programs is that investment in eGovernance platforms yields high returns through greater operational efficiency, less information asymmetry, better monitoring, less leakage, cost savings, and better service delivery.¹⁹ Some key lessons from the Independent Evaluation Department's validation of the first program's completion report (footnote 6) are that (i) numerous and complex policy actions should be avoided in favor of a clear focus on the core elements of the government's reform agenda, (ii) the government's sustained commitment and ownership are important, (iii) a gradual approach to creating fiscal space is better than a rapid and drastic fiscal adjustment, and (iv) the use of information technology is effective in enabling reforms.²⁰

B. Policy Reform and ADB's Value Addition

12. **Program description.** The proposed program aims to create fiscal space and improve public service delivery through more operational efficiencies, by (i) extending automation reforms to other state departments and parastatals, (ii) upgrading the IFMS and integrating it with the financial management systems of other agencies, and (iii) building the PFM capacity of state and parastatal officers. A stand-alone, two-tranche PBL supported by attached TA is considered to be appropriate because (i) this modality allows sequencing and continuity of policy actions over a period of time in different functional areas and government levels; (ii) structural reforms will improve the efficiency of processes and the use of resources; (iii) the state government is familiar with the modality from its experience with the earlier programs and has shown high commitment to reforms in its long engagement with ADB; and (iv) the modality supports the continuity and sustainability of reforms achieved under successive programs.

13. **Program alignment.** The program supports the Government of India's overarching development objective of making public services more accessible through interoperable eGovernment platforms.²¹ The devastation wrought by Cyclone Amphan in May 2020 and the ongoing coronavirus disease (COVID-19) crisis stressed the importance of digital government operations and processes for greater fiscal sustainability. The program is fully aligned with ADB's country partnership strategy, 2018–2022 for India—support efficient public sector management in state and local bodies, and in sectors through fiscal consolidation; and improve PFM capacity.²² It also directly supports ADB's Strategy 2030, such as operational priority 6: strengthening governance and institutional capacity (paras. 15–17); and operational priority 2: accelerating progress in gender equality (para. 28).

¹⁸ West Bengal's PAG has the following accounts-related responsibilities: (i) compile monthly civil accounts of the state, (ii) prepare annual finance and appropriation accounts, (iii) provide advice on technical issues, (iv) maintain provident fund accounts of state government employees, and (v) verify and authorize pension and other retirement benefits to state government employees.

¹⁹ ADB. 2015. *Completion Report: West Bengal Development Finance Program in India*. Manila.

²⁰ Independent Evaluation Department. 2016. *Validation Report: West Bengal Development Finance Program in India*. Manila.

²¹ Government of India, NITI Aayog. 2017. *India: Three-Year Action Agenda, 2017-18 to 2019-20*. Delhi (Chapter 11).

²² ADB. 2017. *Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation*. Manila.

14. **Policy reform.** A stand-alone, two-tranche PBL is proposed to ensure that the reforms are properly identified and sequenced. The first tranche, to be released upon loan effectiveness, includes actions that build a critical foundation for further reforms. All tranche 1 policy actions were complied with. The second tranche, to be released within 24 months of the first one, will build on the tranche 1 actions and further reinforce the systems at different levels.

15. **Reform area 1: Improved management of social protection benefits, and grants to parastatals.** Policy actions under this reform area will focus on:

- (i) **Better management of state government pensions.** The program enabled online approval of pensions by the respective authorities, including provisions for digital life certification and features to obtain gender-disaggregated data of state government pensioners (tranche 1). The state Finance Department will further improve the efficiency and transparency of the pension sanction system by enabling automatic links with PAG (footnote 14) (tranche 2).
- (ii) **Better management of parastatal employees' pensions and provident fund contributions.** To process pensions efficiently, an automated ePension system was piloted in 65,000 primary and secondary educational institutions with about 420,000 employees, and in 415 rural local bodies with about 23,000 employees (tranche 1). By the time the second tranche is released, the ePension system will be fully rolled out in 1,000 rural and urban local bodies and other autonomous institutions totaling about 180,000 employees. To manage parastatal employees' provident fund contributions efficiently, the state government will implement an automated system that also allows it to obtain gender-disaggregated data (tranche 2).
- (iii) **Better management of grants to parastatals.** The Finance Department operationalized an administrative approval and financial sanction module within the IFMS for automated administrative approval of parastatals' projects, allocation of funds, and monitoring of project-wise fund utilization (tranche 1). To provide in-principle approval of the detailed reports of projects and schemes of ULBs, the IFMS will be integrated with the existing approval system of ULB schemes (tranche 2). To improve cash management, the state government has operationalized an initial version of the schematic bank account management system and registered at least 6,000 bank accounts for efficient public funds management (tranche 1). The system will be fully rolled out with additional features such as ePayment, monitoring of grant disbursements, other transactions, and scheme balances within institutional accounts (tranche 2).

16. **Reform area 2: Improved resource planning, management, and control.** Policy actions under this reform area will focus on:

- (i) **Better taxpayer services.** The government receipt portal system (GRIPS) of the IFMS is an online interface for taxpayers and facilitates the real-time monitoring of revenue collection by the Finance Department. The Finance Department has upgraded the GRIPS to include a payment gateway and mobile application (tranche 1), and will add the following additional features for easier user access, better user experience, and stronger compliance: (a) "my profile" facility for registered users, (b) online application for refunds, (c) facility for multiple services payment through a single debit transaction, (d) direct payment into the state government's treasury deposit account, and (e) capture of gender-disaggregated data for registered users.
- (ii) **Expenditure framework.** Continuing the reforms of the earlier programs, the Finance Department has approved the introduction of outcome-based budgeting

in the Department of Women and Child Development and Social Welfare with a 3-year gender-responsive MTEF linked for the first year with the FY2022 budget allocations (tranche 1).²³ Accordingly, the department will finalize the MTEF and also conduct a gender-impact assessment of at least two of its schemes (tranche 2).

- (iii) **Better project management.** The state government has developed an IFMS mobile application for improved access to the system (tranche 1), and will add a module for project management and public works accounting to the IFMS with gender-disaggregated data of beneficiaries to track the annual physical and financial progress of projects (tranche 2).
- (iv) **Capacity development.** The state government will operationalize a center for fiscal policy and public finance to continuously deepen the PFM capacity of state government and parastatal officials in important reform areas such as MTEFs and gender-responsive budgeting, and sign a memorandum of understanding with at least one PFM institution to provide training (tranche 2).

17. **Reform area 3: Improved information management and service delivery.** Policy actions under this reform area will focus on:

- (i) **Management information system.** The state government will operationalize a comprehensive MIS for informed decision-making based on needs-based information, including gender-related information (tranche 2).
- (ii) **Integration of systems.** The state government has integrated the payment module (ePradan) of the IFMS with the Reserve Bank's upgraded core banking solution (eKuber) for seamless processing of ePayments (tranche 1). It will also enable the IFMS's integration with PAG to avoid duplication of processes and associated transaction costs, and delays in account reconciliation.²⁴
- (iii) **Grievance redress systems.** The second development finance program implemented voluntary retirement schemes in transport corporations to improve operational efficiency. To further ensure that transport services are not compromised by the process but rather strengthened, an online grievance redress system with gender-disaggregated data will be deployed in all transport corporations in the state. Similar systems will be introduced in at least five ULBs as well (tranche 2).²⁵

18. **ADB's value addition.** ADB's important value addition is the application of lessons and insights from the past two reform programs: (i) specifying the areas that need further support to be sustainable, (ii) extending reforms to parastatals and other state departments, (iii) defining new reforms to meet the state government's development objectives, and (iv) strengthening gender-related aspects. The program has particular relevance because West Bengal is under severe fiscal stress after successive economic shocks from COVID-19 and Cyclone Amphan. The reforms will give the state government additional fiscal headroom from efficiency gains. ADB's strengths also lie in its (i) accumulated expertise from conducting similar programs in South Asia, (ii) focused dialogue with the governments of West Bengal and India, (iii) high standards in program design, and (iv) capacity development through the attached TA.

²³ This action is a continuation of the MTEF introduction under the two earlier programs. The second program covered the School Education Department and the Department of Health and Family Welfare. It is now proposed to further deepen MTEF adoption and introduce it in the Department of Women and Child Development and Social Welfare. The department is being targeted for its gender and social impact.

²⁴ eKuber, implemented in 2012, is among the successful central bank-oriented core banking systems in the world. Auctions of government securities, updates of WMA positions, and goods and service tax settlements are done through eKuber.

²⁵ Once the system is demonstrated in these five ULBs, the state government can roll it out in all 125 ULBs.

19. **Development coordination.** The Department of Economic Affairs in India's Ministry of Finance coordinates the activities of its development partners to ensure that effective and harmonized assistance is built around the country's development agenda. The ADB program team consulted with the World Bank during program preparations to assess complementary reform areas and support coordination.²⁶ The World Bank's ongoing Institutional Strengthening of Gram Panchayats Program II (2017–2022) includes a series of measures to enhance the voice of the people in rural local bodies for public services and complements ADB's program.²⁷ ADB also held discussions with the International Monetary Fund, which has provided its most recent macroeconomic assessment for India.²⁸

C. Impacts of the Reform

20. The program is aligned with the following impact: better access to public services through interoperable eGovernment platforms, which is India's overarching development objective (footnote 21). The effect of the reform will be greater operational efficiency of the state government's PFM system by linking the state Finance Department, parastatals, and independent agencies such as PAG and the Reserve Bank.²⁹ Policy actions under reform area 1 will improve the delivery of services for employees and pensioners and reduce officials' unproductive time;³⁰ cut logistics and judicial proceeding costs through automated administrative processing; and enable interest savings from more effective cash management with a clear picture of parastatals' schemes and account balances. The rationalized revenue expenditure will contribute to fiscal savings for the state government. Reform area 2 will improve resource allocation, increase tax revenue and business activity through better taxpayer services, and boost the capacity of the state government to implement PFM reform actions. Savings will also materialize from automated project management that reduces time and cost overruns. Reform area 3 will enable informed and timely decision-making based on real-time information availability. Finally, grievance redress systems in transport corporations and targeted ULBs will improve service delivery.³¹

D. Development Financing Needs and Budget Support

21. The development financing requirement for the state government based on the deficit projections for FY2021–FY2023, excluding the fiscal impact of COVID-19 and Cyclone Amphan, is estimated at \$17.2 billion.³² The financing requirement will be met entirely from domestic sources, including loans from the central government, which will relend the local currency proceeds from external financing to the state government.³³ Taking into consideration the state's

²⁶ On 9–10 May 2020, ADB joined a public resource management roundtable in Delhi organized by the World Bank at the request of India's Department of Economic Affairs. The event gave the state governments of Andhra Pradesh, Assam, Chhattisgarh, Himachal Pradesh, Kerala, Odisha, Punjab, Rajasthan, Uttarakhand, and West Bengal an opportunity to discuss their eGovernance initiatives for mutual learning.

²⁷ The projects by major development partners in West Bengal are listed in Development Coordination (accessible from the list of linked documents in Appendix 2).

²⁸ International Monetary Fund Assessment Letter (accessible from the list of linked documents in Appendix 2).

²⁹ The design and monitoring framework is in Appendix 1.

³⁰ The average pension processing time in parastatals will be reduced from 180 days to 45 days.

³¹ Economic Analysis (accessible from the list of linked documents in Appendix 2).

³² The financing requirement is expected to be higher than this estimate because of the fiscal impact of COVID-19 and Cyclone Amphan. However, the state government has submitted its fiscal impact estimates of COVID-19 and the cyclone to the Government of India for additional fiscal support. Since the matter is under consideration, those estimates have not been shared with ADB, and are not included.

³³ In India's federal structure, state governments enjoy strong autonomy with a clear demarcation or concurrency of subjects between the central and state governments. However, the central government determines the borrowing limit for states that have outstanding loans from the central government (external financing to state governments is routed through the Government of India). The annual borrowing limit for states is 3% of GSDP, which the central

(i) development financing requirements, and (ii) conformity with the Government of India's policy on counterpart financing requirements, ADB will provide a PBL of \$50.0 million as budget support to the state government. The policy reforms under the program are expected to augment revenues and improve operational efficiencies, leading to reduced current expenditure and more fiscal space. The program will thus contribute to financial sustainability while also sustainably increasing development spending.³⁴

22. The government has requested a regular loan of \$50.0 million from ADB's OCR to help finance the program. The loan will have a 15-year term, including a grace period of 3 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan and program agreements. Based on the straight-line method, the average maturity is 9.25 years, and there is no maturity premium payable to ADB. The loan will be disbursed in two equal tranches (para. 24).

E. Implementation Arrangements

23. The borrower will be India, which will relend the local currency generated from the proceeds of the loan to the state, in accordance with the government's arrangement for transfer of external assistance. The governments of India and West Bengal fully concur with the state-level PBL, and the state government has sufficient policy autonomy and ability to address sector issues. The proceeds of the PBL will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

24. As in the previous ADB programs, the state Finance Department will be the executing agency. It will constitute a steering committee chaired by the Principal Secretary and including the secretaries of the implementing agencies to provide overall program oversight, and resolve interdepartmental issues during implementation.³⁵ A senior official (joint secretary or above) from the Finance Department will manage the program as the program director in coordination with the eGovernance group of the Finance Department. The program director and other key officials from the Finance Department will also be on the steering committee. ADB will monitor program implementation through periodic progress reports and regular missions. Procurement, advance contracting, and retroactive financing are not expected. The first tranche of \$25 million will be released upon loan effectiveness, expected in November 2020. The second tranche of \$25 million will be released upon full compliance with the second-tranche actions, expected by 31 December 2022.

III. ATTACHED TECHNICAL ASSISTANCE

25. Attached transaction TA—India: Supporting the West Bengal Public Finance Management Reforms Program—will assist the implementation of the program, including capacity building, and help ensure compliance with the second-tranche actions. The TA outputs are: (i) actions to upgrade, integrate, and expand the IFMS monitored; (ii) gender-responsive MTEF developed; and (iii) social and gender aspects strengthened.³⁶ The TA is estimated to cost \$400,000, of which

government relaxed to 5% in FY2021 because of COVID-19. Intergovernmental Fiscal Arrangements in India (accessible from the list of linked documents in Appendix 2).

³⁴ Program Impact Summary (accessible from the list of linked documents in Appendix 2).

³⁵ The Additional Chief Secretary headed the Finance Department until recently and was expected to chair the steering committee as also noted in the Development Policy Letter. With a change in his portfolio, Principal Secretary, Finance will now head the department and the steering committee. The implementing agencies are the departments of Panchayat and Rural Development, Urban Development, Transport, Women and Child Development and Social Welfare, and School Education.

³⁶ Attached Technical Assistance Report (accessible from the list of linked documents in Appendix 2).

\$350,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The state government will provide counterpart support in the form of counterpart staff remuneration, office accommodation and supplies, local transport, other logistical support, and other in-kind contributions. ADB will administer the TA. The Public Management, Financial Sector, and Trade Division of its South Asia Department will select, supervise, and evaluate the consultants. The implementation arrangements for the TA will be aligned with those of the program. The state Finance Department will carry out the overall supervision and coordination. A total of 17 person-months of consulting services (national) will be required intermittently.³⁷

IV. DUE DILIGENCE

26. **Governance.** The PFM framework of the state government is strong. All departments follow the PFM-related national and state laws, and all employees abide by the conditions of ethics as prescribed in the state government's published gazettes.³⁸ The regular statutory external audit is done by the Office of the Comptroller and Auditor General of India (Supreme Audit Institution of India). Budgeting is linked to fiscal targets, as specified under the West Bengal Fiscal Responsibility and Budget Management Act, 2010, which aims to ensure prudence in fiscal management and fiscal stability. Specific to the program, since this is a PBL, ADB financing will be provided as budget support. There is no transfer of resources to the implementing agencies specifically for policy actions, other than through the usual annual budgetary approval procedures. No risk associated with fund flow arises. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the state government's Finance Department. ADB's website link for reporting fraud and corruption was shared with the department, which will inform the implementing agencies accordingly.

27. **Poverty and social.** The program's emphasis on stronger operational efficiencies and public service delivery will positively impact efforts to lower poverty and promote social development.³⁹

28. **Gender.** The program is categorized *effective gender mainstreaming*. It aims to upgrade the PFM systems to obtain gender-disaggregated data on (i) pensioners of the state government and parastatals, (ii) provident fund accounts, (iii) registered users of GRIPS, (iv) beneficiaries of state government projects, (v) grievances submitted to transport corporations and five targeted ULBs, and (vi) information retrieved through the MIS. In addition, at least one course will train government officials in gender-responsive budgeting; and the capacity for expenditure targeting will be strengthened in the Department of Women and Child Development and Social Welfare through a gender-responsive MTEF (para. 16). The department will conduct gender impact assessments for at least two schemes of the department as part of the MTEF preparation.

29. **Safeguards.** Given the nature of the program, all three safeguard categories (environment, involuntary resettlement, and indigenous peoples) are C.⁴⁰ The program's policy actions will not generate any environmental, involuntary resettlement, or indigenous people impacts.

³⁷ A consulting firm will be engaged using the quality- and cost-based selection method with a standard quality-cost ratio of 90:10. All consultants will be recruited in line with ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). All disbursements under the TA will follow ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

³⁸ The relevant regulations include (i) General Financial Rules (2017), (ii) West Bengal Financial Rules (1979), (iii) West Bengal Treasury Rules (2005), (iv) Delegation of Financial Power Rules (1977), and (v) The West Bengal Service Rules (1971). ADB. 2017. [West Bengal Drinking Water Sector Improvement Project: Financial Management Assessment](#). Manila. includes the PFM assessment of the Government of West Bengal (paras. 12–14).

³⁹ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

⁴⁰ Detailed risks and mitigating measures are in Matrix of Potential Environmental and Social Impacts and Measures (accessible from the list of linked documents in Appendix 2).

30. **Risks and mitigating measures.** Major risks and mitigating measures are summarized in the table and detailed in the risk assessment and risk management plan.⁴¹ Overall, risks are assessed to be *low* and the integrated benefits and impacts are expected to outweigh the costs.

Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Coordination issues in dealing with implementing agencies	The program steering committee will include heads from the implementing agencies for the resolution of issues.
Exogenous shocks such as the COVID-19 pandemic restrict the availability of personnel to undertake reform actions.	Most reform actions involve the development of information technology systems. Some capacity has already been built for handling operations remotely. ADB will engage with GOWB to address further capacity issues.
Leadership and ownership continuity may be at risk if key senior management staff leave the state Finance Department, particularly after the state legislative assembly election in 2021.	ADB will regularly engage with the new leadership for their ownership and support, and stress the importance of continuity of staff. Transaction technical assistance consultants will build the capacity of the next level of department officials and ensure continuity if senior officials are transferred.
PAG delays upgrading its system for the link-up with GOWB's IFMS.	GOWB will engage continually with PAG to stress the importance of timely system integration. It will ensure that the IFMS is ready for integration with the PAG system.

ADB = Asian Development Bank; COVID-19 = coronavirus disease; GOWB = Government of West Bengal; IFMS = integrated financial management system; PAG = Office of the Principal Accountant General, West Bengal.
Source: Asian Development Bank.

V. ASSURANCES AND CONDITIONS

31. The Government of India and the Government of West Bengal have assured ADB that the implementation of the program shall conform to all applicable ADB policies, including those concerning anticorruption measures,⁴² safeguards, gender, procurement, consulting services, and disbursement as described in detail in the loan agreement. No disbursement shall be made unless ADB is satisfied that the government has completed the policy actions specified in the policy matrix relating to the program.

VI. RECOMMENDATION

32. I am satisfied that the proposed policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$50,000,000 to India for the West Bengal Public Finance Management Reforms Program, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and program agreements presented to the Board.

Masatsugu Asakawa
President

26 October 2020

⁴¹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

⁴² ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective			
Improved accessibility of public services with interoperability of eGovernment platforms achieved (India: Three-Year Action Agenda, 2017-18 to 2019-20) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Effect of the Reform</p> <p>Improved operational efficiency of GOWB's financial management system</p>	<p>By FY2023:</p> <p>On average, GOWB pensioners received their first pension within 30 working days of retirement (FY2019 baseline: average of 120 days)^b</p> <p>Coverage of ePension system extended to (i) 180,000 employees from ULBs, RLBs, and other autonomous institutions, and (ii) 420,000 employees from primary and secondary educational institutions (FY2019 baseline: NA)</p> <p>On average, pensioners in the targeted parastatals^c received their first pension within 45 working days of retirement (FY2017 baseline: average of 180 days)</p> <p>At least 98% of the transacted amount recorded for direct payment into the treasury account from the GRIPS (FY2020 baseline: 92%)</p>	<p>Finance Department's progress reports</p>	<p>Intensified COVID-19 pandemic heightens fiscal pressures and requires the government to divert investment away from the operation and maintenance of information and communication technology infrastructure.</p>
<p>Reform Areas</p> <p>1. Improved management of social protection benefits, and grants to parastatals</p>	<p>Key Policy Actions</p> <p>By 2020:</p> <p>1a. Improved pension management system with (i) digital life certification of pensioners, (ii) online sanction of pensions by respective pension authorities, and (iii) facility to obtain gender-disaggregated data established for GOWB pensioners (FY2019 baseline: NA) [OP6.2, OP2.3.2]</p> <p>1b. Scheme-wise bank account management system operationalized, with at least 6,000 bank accounts of state departments and parastatals registered in the system (FY2019 baseline: NA)</p> <p>By December 2022:</p> <p>1c. Online submission to PAG of service records and sanctions of pensions by the respective authorities enabled in the IFMS (FY2020 baseline: NA)</p> <p>1d. ePension system with facility to obtain gender-disaggregated data introduced and operationalized in at least (i) 1,000 ULBs and RLBs and other autonomous</p>	<p>1a.–f. Finance Department's progress reports</p>	<p>Leadership and ownership continuity may be at risk if key senior managers leave the Finance Department.</p> <p>PAG delays upgrading its system for the link-up with GOWB's IFMS.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>institutions, and (ii) 65,000 primary and secondary educational institutions (FY2019 baseline: NA) [OP6.2, OP2.3.2]</p> <p>1e. An improved provident fund management system developed by the Directorate of Pension, Provident Fund, and Group Insurance for efficient management of employees' provident fund in parastatals, with a provision for gender-disaggregated data (FY2020 baseline: NA) [OP6.2, OP2.3.2]</p> <p>1f. Online system for the management of ULB projects and schemes integrated with GOWB's IFMS (FY2020 baseline: NA) [OP6.1]</p>		
2. Improved resource planning, management, and control	<p>By 2020:</p> <p>2a. Existing GRIPS upgraded by the Finance Department to include payment gateway and mobile application (FY2019 baseline: NA) [OP6.2]</p> <p>By December 2022:</p> <p>2b. Gender-responsive medium-term expenditure framework for Department of Women and Child Development and Social Welfare integrated into GOWB budget for FY2022 (FY2020 baseline: NA) [OP2.3.2]</p> <p>2c. Gender impact assessment reports submitted on selected GOWB schemes for the Department of Women and Child Development and Social Welfare as part of the medium-term expenditure framework (FY2020 baseline: NA) [OP2.3.2]</p> <p>2d. The following features added to the GRIPS and operationalized by the Finance Department: (i) "my profile" facility for registered users, (ii) online application for refund of receipts, (iii) facility for making payment for multiple services through a single debit, (iv) direct payment by ULBs and RLBs into treasury deposit account, and (v) capture of gender-disaggregated data for registered users (FY2020 baseline: NA) [OP6.2, OP2.3.2]</p> <p>2e. IFMS module for project management and public works accounting developed by Finance Department (FY2020 baseline: NA)</p>	2a.–f. Finance Department's progress reports	<p>Resistance to the adoption of an automated system for project management and public works accounting</p> <p>Exogenous shocks such as COVID-19 restrict availability of personnel to undertake reform actions.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	2f. A center for fiscal policy and public finance established and memorandum of understanding signed with at least one public financial management institution (FY2020 baseline: NA) [OP2.3.2]		
3. Improved information management and service delivery	<p>By 2020:</p> <p>3a. ePradan module of GOWB's IFMS integrated with the upgraded Reserve Bank of India payment platform (eKuber) (FY2019 baseline: NA)</p> <p>By December 2022:</p> <p>3b. A comprehensive management information system operationalized for real-time availability of needs-based reports, including gender-related information (FY2020 baseline: NA) [OP2.3.2]</p> <p>3c. Centralized treasury system module of the IFMS upgraded for online submission of monthly statement of accounts to PAG (FY2020 baseline: NA)</p> <p>3d. A web-based grievance redress system for all transport corporations with gender-disaggregated data on grievances established (FY2020 baseline: NA) [OP6.2.4, OP2.3.2]</p> <p>3e. Web-based system for grievance redress with gender-disaggregated data established in at least five ULBs (FY2020 baseline: NA) [OP6.2.4, OP2.3.2]</p>	3a.–e. Finance Department's progress reports	
<p>Budget Support</p> <p>Asian Development Bank: \$50.0 million (regular ordinary capital resources loan)</p> <p>Government of West Bengal: \$21.6 million</p> <p>Technical Assistance: \$350,000 (grant from TASF-other sources)</p>			

COVID-19 = coronavirus disease; FY = fiscal year; GOWB = Government of West Bengal; GRIPS = government receipt portal system; IFMS = integrated financial management system; NA = not applicable; OP = operational priority; PAG = Office of the Principal Accountant General, West Bengal; RLB = rural local body; ULB = urban local body.

^a Government of India, NITI Aayog. 2017. [India: Three-Year Action Agenda, 2017-18 to 2019-20](#). Delhi.

^b The fiscal year is the same for India's national and state governments. The pension processing time will be computed from the date of application submission.

^c Parastatals are defined as institutions that are supported partly or wholly through grants from the state government's budget. They include educational institutions, statutory boards, and corporations. The pension processing time will be computed from the date of application submission.

Contribution to the Strategy 2030 Operational Priorities:

OP2.3.2: Measures on gender equality supported in implementation (9)

OP6.1: Entities with improved management functions and financial stability (1)

OP6.2: Entities with improved service delivery (66,000)

OP6.2.4: Citizen-engagement mechanism adopted (2)

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=54001-001-3>

1. Loan Agreement
2. Program Agreement
3. Sector Assessment (Summary): Public Sector Management
4. Contribution to Strategy 2030 Operational Priorities
5. Development Coordination
6. Country Economic Indicators
7. International Monetary Fund Assessment Letter
8. Summary Poverty Reduction and Social Strategy
9. Risk Assessment and Risk Management Plan
10. List of Ineligible Items
11. Attached Technical Assistance Report
12. Matrix of Potential Safeguards Impacts of Policy Actions

Supplementary Documents

13. Economic Analysis
14. Intergovernmental Fiscal Arrangements in India
15. Program Impact Summary

DEVELOPMENT POLICY LETTER

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आर्थिक कार्य विभाग
नॉर्थ ब्लॉक, नई दिल्ली - 110001
Government of India
Ministry of Finance
Department of Economic Affairs
North Block, New Delhi - 110001

D.O No. 5/3/2019-ADB-I
Dated 29th September, 2020

Dear Sir,

I am writing this in the context of the 'West Bengal Public Finance Reform Program' Loan.

A copy of the letter dated 14th September 2020 from the Government of West Bengal to the Government of India expressing the unequivocal commitment to implement the 'West Bengal Public Finance Reforms Program' is enclosed. A negotiation for this policy-based loan of US\$50 million will probably be held in early part of October, 2020.

I am pleased to convey the full support of the Government of India to the Government of West Bengal in implementing the Program, and request ADB to lend US\$50 million from its Ordinary Capital Resources so as to enable the Government of India to on lend these funds to the Government of West Bengal.

I assure you of the highest consideration of the Government of India.

With regards,

Encl: as above

Yours sincerely,


(Sameer Kumar Khare)

Mr. Masatsugu Asakawa
President.
Asian Development Bank.
6 ADB Avenue, Mandaluyong City.
1550 Metro Manila
Philippines

রাজীব সিনহা
মুখ্য সচিব
পশ্চিমবঙ্গ
Rajiva Sinha
Chief Secretary
West Bengal



পশ্চিমবঙ্গ সরকার
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D.O. No. 304 - CS/2020

Date : 14.09.2020

Dear Sir,

**Subject: West Bengal Public Finance Management Reforms Program
—Development Policy Letter**

1. The Asian Development Bank (ADB) and the Government of West Bengal (GOWB) have been engaged since 2012 in continuous policy dialogue about sustainable public financial management (PFM) reforms and the state's developmental agenda. GOWB's fiscally-stressed situation in 2012 provided the rationale for the West Bengal Development Finance Program (WBDFP) implemented during November 2012–July 2014, and focused on revenue enhancement, expenditure rationalization, and debt management. The Second WBDFP was approved in October 2017 to carry forward the reforms initiated under the WBDFP. The Second WBDFP was closed in November 2019.

2. The implementation of the two programs (WBDFP and Second WBDFP) has contributed to significant improvements in state finances. The development and implementation of integrated financial management system (IFMS), in particular, has been instrumental in enhancing operational efficiencies and transparency of the state government. Now that the system has been institutionalized and its advantages are visible, there is a need to sustain the reform momentum and expand its coverage to state-aided institutions for better integration and management of state finances. The expansion of eGovernance initiatives under the proposed program represents a continuation of the structural transformation of the state's governance through a whole-of-government rationalization and systemization of the state's financial management processes, particularly with respect to its administration of financing for parastatals.

West Bengal Public Finance Management Reforms Program

3. The program aims to create fiscal space and improve public service delivery through increased operational efficiencies by (i) extending automation reforms to other state departments and parastatals, (ii) upgrading IFMS and integrating it with financial management systems of other departments and (iii) capacity development of state and parastatal officers in PFM. ADB's support will be utilized to initiate key reforms in the following three areas:

- (i) **Improved management of social protection benefits, and grants to parastatals.** Policy actions under this reform area will focus on (a) improved pension management of state government pensioners by fully automating the system and enabling automatic linkage with the Office of the Principal Accountant General, West Bengal (PAG); (b) automated pension and provident fund management for parastatal employees with

features to obtain gender-disaggregated data; (c) automated grant management system to increase efficiencies in assessment, prioritization, selection, fund release, and monitoring of public investment projects and schemes; and (d) improved cash management by automating approval and operationalization of a scheme-wise bank account management system for real-time monitoring of grants-in-aid disbursements and scheme-wise account balances.

- (ii) **Improved resource planning, management, and control.** Policy actions under this reform area will focus on (a) improved taxpayer services by upgrading the government receipt portal system (GRIPS) of IFMS with additional features for easier user access, better user experience, and improved compliance; (b) the adoption of medium-term expenditure framework for better linkage among policy, planning and budget, the proposed program in the Department of Women and Child Development and Social Welfare; (c) improved project management through the development of IFMS modules on project management and public works accounting; and (d) PFM capacity development through the operationalization of the *centre for fiscal policy and public finance*.
- (iii) **Improved information management and service delivery.** Policy actions under this reform area will focus on (a) operationalization of a comprehensive management information system (MIS) for informed decision-making; (b) integration of IFMS with the upgraded eKuber system of Reserve Bank of India (RBI); (c) integration of IFMS with PAG to avoid duplication of processes, delays in account reconciliation, and associated transaction costs; and (d) operationalization of an online grievance management system, featuring gender-disaggregated data on grievances in transport corporations and at least 5 urban local bodies (ULBs).

4. For effective gender targeting, the Government of West Bengal will upgrade its PFM systems to obtain gender-disaggregated data for (i) pensioners of the state government and parastatals, (ii) provident fund accounts, (iii) registered users of GRIPS, (iv) beneficiaries of state government projects, (v) grievances submitted to transport corporations and targeted 5 ULBs, and (vi) information retrieved through MIS. In addition, at least one course will be launched for training government officials in gender-responsive budgeting; and capacity for expenditure targeting will be strengthened in a key social sector department through gender-responsive MTEF. Gender impact assessments will also be conducted for at least two schemes of the department as part of the MTEF preparation.

5. The outcomes of the proposed program will be reflected in, and monitored through improved operational efficiency of the financial management system of the state government linking state finance department, parastatals, and other government agencies (RBI and PAG), and resulting in improved service delivery. We recognize the challenge and risks entailed in this proposed program but remain committed to its implementation. We also confirm that the policy actions and new initiatives that accompany this program are reflective of and fully in consonance with the reform agenda of the Government.

6. As in the previous programs, GOWB's Finance Department will continue to be the executing agency of the program. The Finance Department will constitute a steering committee

chaired by the Additional Chief Secretary and including the secretaries of relevant implementing departments to provide overall program oversight, and resolve interdepartmental issues during implementation. A senior official (Joint Secretary or above) from the Finance Department, will manage the program as the program director in coordination with the eGovernance group of the Finance Department. The program director and other key officials from the Finance Department will also be a part of the steering committee.

7. We would like to thank ADB for working closely with the Government of West Bengal in developing this program and would like to reiterate our full support for it.

Best regards,

Yours sincerely,



Rajiva Saha

Dr. Ajay Bhusan Prasad Pandey
Secretary
Ministry of Finance
Government of India
North Block
New Delhi – 110001

POLICY MATRIX

	Tranche 1 (On loan effectiveness)		Tranche 2 (24 months from Tranche 1)
Reform Area 1: Improved management of social protection benefits, and grants to parastatals			
1.	<p>The Finance Department had (i) developed the eService Book for GOWB employees; (ii) enabled online sanction of pension applications by the respective PSAs through the HRMS module of IFMS; (iii) established systems within the pension sanction system to obtain gender-disaggregated data regarding beneficiaries; and (iv) implemented digital life certification in all treasuries of West Bengal in order to streamline and automate the pension sanction system for GOWB employees.</p> <p>(Document required: Finance Department to provide a compliance report confirming that i-iv have been complied with, including as attachments the eService Book and a screenshots of items (ii) to (iv))</p>	1.	<p>The Finance Department shall have improved efficiency and transparency of the GOWB's pension sanction system by enabling online submission of service records and sanction of pension by the respective PSAs to the PAG, West Bengal.</p> <p>(Document required: Finance Department to provide a compliance report, including as an attachment a copy of the enabled online submission and sanctioning system, confirming that IFMS has been upgraded to enable online submission of service records and sanction of pension to PAG, West Bengal)</p>
2.	<p>The Finance Department had approved the development of an ePension system and associated mobile application, with features for gender disaggregated data (including an option to access service through a mobile application) and implemented the system on a pilot basis in (i) parastatals¹ covering approximately 65,000 primary and secondary educational institutions benefiting a total of approximately 420,000 employees; and (ii) 415 RLBs, benefiting a total of approximately 23,000 employees to achieve automated pension management of the employees of institutions receiving grants from the state government.</p> <p>(Document required: Finance Department to provide a copy of the approval and compliance report, including as attachments confirmation by the School Education Department and Panchayat and Rural Development Department, confirming that ePension system, including a mobile application has been piloted in i-ii)</p>	2.	<p>The Finance Department shall have completed the full operationalization of the ePension system, with features to obtain gender disaggregated data, in parastatals including at least 1,000 ULBs, RLBs and other autonomous institutions, covering a total of approximately 180,000 employees.</p> <p>(Document required: Finance Department to provide a compliance report, including as attachments confirmation by relevant state departments, that ePension system is fully established in the targeted parastatals)</p>

¹Parastatals are defined as state-aided institutions which are supported wholly or partially through grants from the state's budget and include educational institutions, statutory boards and corporations, and local governments (ULBs and RLBs).

	Tranche 1 (On loan effectiveness)		Tranche 2 (24 months from Tranche 1)
3.	<p>The Finance Department had operationalized the initial version of SBMS module of IFMS and registered at least 6,000 bank accounts of state departments and parastatals in SBMS for efficient public fund management.</p> <p>(Document required: Finance Department to provide a compliance report confirming that SBMS is operationalized and at least 6,000 bank accounts registered in SBMS, including as an attachment a screenshot of SBMS module)</p>	3.	<p>The Finance Department shall have completed the full operationalization of the SBMS for improved management of payment transactions and account balances, including:</p> <ul style="list-style-type: none"> (i) a system to enable state departments and parastatals to execute transactions through ePayment advices for their respective institutional bank accounts, (ii) a system for tracking transactions and balances under institutional bank accounts for government projects and schemes, and (iii) a system for monitoring disbursements and institutional account balances for grants-in-aid. <p>(Document required: Finance Department to provide a compliance report confirming that SBMS is upgraded with i–iii complied with, including as attachment approvals by the relevant state departments and screenshots of items i–iii)</p>
4.	<p>The Finance Department had approved and operationalized an AAFS module for automated administrative approval of projects, allocation of funds, and monitoring of project-wide fund utilization for improved management of state-wide project and scheme approvals.</p> <p>(Document required: Finance Department to provide a compliance report confirming that AAFS is operationalized, including as an attachment a screenshot of the AAFS module)</p>	4.	<p>For improved financial management of ULB's projects and schemes, the Finance Department shall have (i) operationalized a web-based <i>Rapid Scrutiny Protocol</i> with standard formats for providing in-principle DPR approval of projects and schemes of ULBs, and (ii) integrated the existing online system for ULBs' scheme management with the GOWB's IFMS.</p> <p>(Document required: Finance Department to provide a compliance report confirming that i–ii are operationalized, including the circular of the finance department instructing the use of the automated system and a screenshot of the automated approval system)</p>
		5.	<p>The Directorate of Pension, Provident Fund, and Group Insurance of Finance Department shall have developed and operationalized an automated provident fund management system with features for generating gender-disaggregated data for efficient management of parastatal employees' provident fund contributions.</p> <p>(Document required: Finance Department to provide a compliance report confirming the operationalization of the provident fund management)</p>

	Tranche 1 (On loan effectiveness)		Tranche 2 (24 months from Tranche 1)
			system with a provision for gender-disaggregated data including as attachment confirmation by the Directorate of Pension, Provident Fund, and Group Insurance)
Reform Area 2: Improved resource planning, management, and control			
5.	<p>The Finance Department had upgraded the existing GRIPS to include payment gateway and mobile application to improve revenue administration and compliance.</p> <p>(Document required: Finance Department to provide a compliance report, including as an attachment a screenshot of the upgraded GRIPs, confirming that GRIPs upgraded to include payment gateway and mobile application)</p>	6.	<p>The Finance Department shall have added the following additional features in GRIPS for improved accessibility and tax-payer compliance:</p> <ul style="list-style-type: none"> (i) 'My Profile' facility for registered users, (ii) Online application for refund of receipts, (iii) Facility for making payment for multiple services through a single debit transaction, (iv) Direct payment by ULBs and RLBs into treasury deposit account of the State, and (v) Capture of gender-disaggregated data for registered users. <p>(Document required: Finance Department to provide a compliance report confirming that GRIPs upgraded to include i–v, including as attachments screenshots of items i–v)</p>
6.	<p>The Finance Department approved the introduction of outcome-based budgeting in the Department of Women and Child Development and Social Welfare² with a 3-year gender-responsive MTEF linked for the first year with the FY2022 budget allocations.</p> <p>(Document required: Finance Department to provide a copy of the approval of introduction of outcome-based budgeting in the Department of Women and Child Development and Social Welfare)</p>	7.	<p>As steps towards adoption of outcome-based budgeting, the Department of Women and Child Development and Social Welfare shall have (i) implemented the MTEF in accordance with the Finance Department's circular linking the FY2022 budget allocations with the MTEF, and (ii) submitted gender impact assessment reports for FY2022 to the Finance Department for at least two schemes.</p> <p>(Document required: Finance Department to provide confirmation from the Department of Women and Child Development and Social Welfare that (i) it has implemented the MTEF in accordance with the Finance Department's circular, and (ii) prepared gender impact assessment reports for FY2022 including those reports as attachments)</p>

² This action is a continuation of MTEF introduction in the earlier two programs. In the Second WBDFFP, School Education Department and Department of Health and Family Welfare were covered. It is now proposed to further deepen MTEF adoption and introduce it in the Department of Women and Child Development and Social Welfare. This department is being targeted for its gender and social impact.

	Tranche 1 (On loan effectiveness)		Tranche 2 (24 months from Tranche 1)
7.	The Finance Department had developed an IFMS mobile application to enable convenient user access at any time and from any place. (Document required: Finance Department to provide a compliance report confirming the development of the mobile application, including as attachment a screenshot of the mobile application)	8.	The Finance Department shall have developed and operationalized the project management and public works accounting module in IFMS with gender-disaggregated data of beneficiaries to track annual physical and financial progress of projects from sanction until completion. (Document required: Finance Department to provide a compliance report confirming the operationalization of project management and public works accounting module, including as attachment a screenshot of the module)
		9.	The Finance Department shall have established a centre for fiscal policy and public finance ("Centre") to train GOWB and parastatal officers in various aspects of PFM, including adoption of MTEFs and gender-responsive budgeting, and signed a memorandum of understanding with at least one PFM institution to provide such trainings. (Document required: Finance Department to provide approval for establishment of the Centre, appointment letters of key staff of the Centre; course descriptions and MOU with PFM institution)
Reform Area 3: Improved information management and service delivery			
		10.	The Finance Department shall have operationalized a comprehensive MIS for availability of need-based management information reports in real-time for all modules of IFMS, including gender-related information. (Document required: Finance Department to provide a compliance report on operationalization of comprehensive MIS, including as attachment a screenshot of the MIS)
8.	The Finance Department had integrated the payment module of IFMS (ePradan) with RBI's upgraded payment platform (eKuber) for automated flow of payment transactions. (Document required: Finance Department to provide a compliance report on integration of IFMS with RBI's upgraded eKuber system, including as attachment a screenshot of the updated ePradan module)	11.	The Finance Department shall have upgraded the CTS module of IFMS to enable online and paperless submission of monthly account statements to the PAG, West Bengal. (Document required: Finance Department to provide a compliance report confirming that CTS has been upgraded to enable online submission of monthly accounts statements to PAG,

	Tranche 1 (On loan effectiveness)		Tranche 2 (24 months from Tranche 1)
			West Bengal, including as attachment a screenshot of the updated CTS module)
		12	The Department of Transport, and Department of Urban Development and Municipal Affairs shall have established web-based grievance redress systems for transport corporations and at least 5 ULBs, with features for gender disaggregated data on grievances, for improved user feedback and service delivery. (Finance Department to provide a compliance report including confirmations from the Transport Department, and Department of Urban Development and Municipal Affairs, that they have established web-based grievance redress systems with features for gender disaggregated data on grievances in Transport Corporations and 5 ULBs)

AAFS = administrative approval and financial sanction; CTS = centralized treasury system; DPR = detailed project report; FY = fiscal year; GOWB = Government of West Bengal; GRIPS = government receipt portal system; HRMS = human resource management system; IFMS = integrated financial management system; MIS = management information system; MOU = memorandum of understanding; MTEF = Medium-Term Expenditure Framework; PAG = Office of the Principal Accountant General, West Bengal; PFM = public financial management; PSA = pension sanctioning authorities; RBI = Reserve Bank of India; RLB = rural local body; SBMS = schematic bank account management system; ULB = urban local body.

Source: Asian Development Bank and Government of West Bengal.