TECHNICAL ASSESSMENT

CHATTISGARH PUBLIC FINANCIAL MANAGEMENT AND ACCOUNTABILITY PROGRAM (P166578)

FINAL REPORT

WORLD BANK

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**Strategic Relevance**

1. **Improvements in public financial management are essential if Chhattisgarh is to achieve its development potential.** Chhattisgarh has lagged the rest of India in economic growth and has fallen short of the national average on many development indicators including health, secondary education, water and sanitation and connectivity. This poor performance can, in part, be attributed to shortcomings in public financial management, resulting in the misalignment of resources and policy goals, difficulties in channelling funds to the intended beneficiaries and poor value for money in the execution of government programs. Recent policy reforms at the Union level have increased the resources available to the GoCG to promote development. If GoCG is to translate increased resources into improved development outcomes, the state will have to improve the efficiency and effectiveness of expenditure, stepping up investments in growth-enabling infrastructure and the social sectors. The Program addresses these challenges across four results areas whose strategic relevance is reviewed below.

2. **Strengthening Financial Management Systems.** The Program will support reforms that will contribute toward improving expenditure planning, investment management, budget execution, financial control, public procurement and accountability. Improvements in medium-term expenditure planning should facilitate the reallocation of resources in line with development priorities and make resource allocations to institutions more predictable. Development of the public investment management system should improve the quality of investment and help crowd in resources from the private sector. Improvements in budget execution processes, procurement and financial control should improve budget credibility, increase value-for-money and facilitate implementation of development programs. Improvements in financial reporting and accountability should strengthen the system and, ideally, inform and empower stakeholders. The Program will address government-wide reforms. Consequently, the Program impact will be seen across sectors and development programs. However, some reforms will target sectors, for instance bringing public works departments into the treasury framework for payments and supporting the development of contract management systems. The Program will also address two challenges in the PFM system that are critical in India’s development context: local bodies and transfers to households.

3. **Strengthening Financial Management of Local Bodies.** There are 10,966 Village Panchayats and 168 urban municipalities in Chhattisgarh. These institutions play an increasingly important role in the management of development programs. Municipalities are responsible for eighteen devolved functions including water and sanitation, road and transport, environmental management and livelihoods programs. Resources are channeled to Panchayats and Municipalities to support these functions from both centrally sponsored schemes and state schemes. Improvements in the quality of public financial management by these institutions can strengthen transparency and accountability, empowering communities. It also reduces the risk of waste and losses through fraud and corruption. Improvements in the quality of financial management can facilitate access to additional resources, both from local taxpayers and by improving access to central and state level schemes. This is a priority in Chhattisgarh like in any other State, given that Panchayats are only eligible for releases under centrally sponsored schemes if they have submitted audited financial reports for the previous year. The release of Performance Grants,
recommended by the XIV Finance Commission, to local bodies, is also dependent on timely completion of audit of ULB and PRI accounts.

4. **Improving Efficiency in Delivery of Benefits.** Direct Benefit Transfers (DBTs) are increasingly used by the GoI and GoCG to channel resources to households and individuals. DBTs are particularly important in Chhattisgarh where the poverty rate hovers around 48 percent and 92 percent of households belong to scheduled castes, scheduled tribes and other backward classes. The major DBT programs are managed through Centrally Sponsored Schemes. GoCG manages 161 DBT programs, comprising both Central and State Schemes, with 8.1 million beneficiaries. Total expenditure on these schemes amounted to Rs. 1,788.16+ crores in FY 2017-18, approximately three percent of the state’s total development expenditure. Improved efficiency in delivery of benefits is critical, both to the well-being of the intended beneficiaries and to the GoCG to minimize the risks of misallocation and fraudulent loss of funds. GoCG has encountered challenges related to manual data entry, inconsistent beneficiary data across departments, absence of data storage and data exchange protocols leading to threat to data privacy and lack of citizen centric data up-dating. Departments act in silos which leads to massive duplication of efforts. The Program will address challenges by developing systems that will automate most of the processing and payment of DBTs and facilitate departmental data interaction under secured protocols.

5. **Strengthening Revenue Administration.** Notwithstanding the recent increase in transfers from Union level, GoCG has strong incentives to increase the share of resources mobilized by State and Local Bodies, to increase both the overall volume of resources for development spending and the volume of discretionary resources. In FY2018-19, GoCG State Tax and State Non-Tax Revenue account for 36 percent and 11 percent of Total State Revenues, with the balance of 32 percent from States’ share of centrally-collected taxes and 22 percent in grants in aid. The performance of third tier government is particularly weak. Property taxes are the principal sources of direct tax revenue for GoCG local governments and account for less than 0.5 percent of SGDP. The introduction of the Goods and Services Tax (GST) on July 1, 2017 has posed a significant challenge for State Governments, particularly those such as Chhattisgarh that are dependent on large-scale industries for a substantial part of their tax base. GoCG’s priority is to improve tax compliance and maximize its revenues from the GST. The Program will support this objective by increasing the number of GST taxpayer registrations and improve tax return filing performance. At the same time, the Program will support the GoCG’s initiative to improve property tax collection through the digitization of property tax rolls and extending the property surveys to 47 municipalities.

**TECHNICAL SOUNDNESS**

6. The Program reflects the needs and priorities identified in consultation with stakeholders in the GoCG. Reform priorities for the period FY19-24 have been identified with the GoCG following a comprehensive assessment of the state’s current PFM environment through a series of stakeholder meetings and consultations during Program preparation. The Program builds on the outcomes of recent reforms, developing the regulatory framework to bring them line with the IT solutions, supporting the roll out and expansion of systems and strengthening the technical capacity for GoCG staff to manage the new systems.

7. The reforms are aligned with agenda of the Government of India and are comparable to reforms underway in other states. State Governments are dealing with a similar set of challenges in modernizing their PFM systems: putting in place systems for fiscal forecasting, medium-term planning and public investment management; shifting the budget process from a focus on expenditure control to the delivery of outcomes; strengthening the quality and timeliness of financial reporting, strengthening the financial management practices of local governments and other government entities; mobilization of revenues; identifying and managing of fiscal risks; strengthening systems for channelling resources directly to the
intended beneficiaries. States are at various stages in this process and there are opportunities for states such as Chhattisgarh to learn from their peers. The Program will take advantage of opportunities for peer learning – in part drawing on the experience of Bank-financed programs in other states – particularly on issues of change management and dealing with the complex political economy of reform.

8. **The emphasis on IT solutions in each of the results areas proposed under the operation reflects on the GoCG’s plans to improve efficiency through further process automation with the objective of achieving a ‘paperless’ and ‘cashless’ PFM environment.** GoCG aspires to pioneer e-Governance initiatives in India that serve as a benchmark for others to follow. In pursuit of this objective, the state has made concerted efforts to progress towards proactive e-Governance, following a “push” model, whereby government proactively and seamlessly delivers just-in-time services to citizens shaped around their individual needs, preferences, circumstance, and location. GoCG has experience in implementing IT-led systems reforms. The Program supports the rollout of existing IT applications such as e-Procurement and developing suitable interface between the e-Kosh, e-Procurement and e-Works which presently operate as stand-alone systems. An efficient and effective IT infrastructure is required in view of the GoCG’s ongoing plans for upgrading IFMIS and continuation of e-Governance services and, hence, the operation includes strengthening enabling IT systems and support which will directly benefit PFM architecture in the state. The IT solutions proposed are comparable to solutions adopted in other Indian states and can be tailored to support the requirements of GoCG.

9. **The Program will support extensive capacity building of GoCG personnel.** GoCG recognizes that improvements in PFM processes require enhanced capacity of finance staff. The Program encompasses capacity building at two levels. First, the Program will build the capacity of GoCG to manage the reform process. This capacity building effort will target senior officials, providing them with technical and management skills, access to technical experts and peers from other States to support the change management process. Second, the Program will build the capacity of a far larger number of GoCG officials to administer and manage the systems developed through the reform process. In some cases, this will entail learning and applying new procedures and processes. In others, this will entail learning and applying new skills, particularly analytical skills so that decision-makers are able to take advantage of the data rich environment enabled by the investments in IT solutions. The capacity building program will be based on Training Needs Analysis. One-time training will not suffice. GoCG will formulate a curriculum which includes refresher training and plan to enhance the capability of its training institutes to deliver regular training in these areas. Additionally, the option of using self-paced e-Learning modules followed by certification will be explored and scaled up if it is found to be sustainable.

**PROGRAM DESCRIPTION**

10. **The objective of the Program is to: improve accountability in the management of public finances; strengthen revenue administration; and improve efficiency in delivery of benefits in selected schemes, in the state of Chhattisgarh.** The PDO level Result indicators are as follows:

- Complete and timely State financial reports available in public domain
- Reduction in backlog of audits of local bodies
- Increase in property tax collected in selected urban local bodies.
The objective of the program is to improve accountability in the management of public finances; strengthen revenue administration; and improve efficiency in delivery of benefits in selected schemes. In the Disbursement-Linked Indicators and Results:

1. Strengthening Core Financial Management Systems and Services
   - Engaging team of professionals for: strengthening IFMIS & Treasury systems; developing policy for commitment controls developing toolkits for PIM; developing MTFF model;
   - Conduct of training needs in PFM and Public Procurement of GoCG staff and design training content and modules
   - Software, hardware and rollout costs for transition of e-Kosh to IFMIS strengthening

2. Strengthening Financial Management of Local Bodies
   - Pilots for outsourcing of accounting of Village Panchayats
   - Accounting Enterprise modules rolled out across all ULBs
   - Engaging team of professionals to: develop strategy to improve Local Fund Audit performance and reduce backlog of audits; procure software, hardware for LFAD as per Institutional Strengthening Plan; and training staff; 6 pilot audits for the six Regional Offices of LFAD

3. Strengthening Revenue Administration
   - Engaging team of professionals for (a) undertaking property surveys and GIS base map; and (b) updating of the property register/s for 47/158 ULBs
   - Training of CTD staff for enhanced outreach and cost of operationalizing the Help Desk
   - Software, hardware and rollout costs for enhanced tax analytics, information and audit systems

4. Improving efficiency in delivery of benefits in selected schemes
   - Engaging team of professionals for development and roll-out of Dynamic Beneficiary Registry and Data Exchange Platform
   - Preparation and deployment of Policy Planning Tool
   - Preparation of data Sharing and Consent Framework Policy & Guidelines
   - Selected schemes digitized using Common Application Platform framework

The expected outcomes include:

- Complete and timely State financial reports made available in public domain
- Implementation of PIM Framework
- Strengthened Medium Term Fiscal Framework
- Improvement in accountability of the program
- Improvement in efficiency in delivery of benefits
- Strengthening Financial Management of Local Bodies
- Reduction in backlog of audits of local bodies
- PRIASoft module updated for all receipts and expend by all Village Panchayats
- State level dashboard provides real-time information on ULB performance
- Universal use of DBT for validated baseline of beneficiaries in selected schemes
- Increase in property tax collected in selected urban local bodies
- Increase in GST taxpayer registration
- Universal use of DBT for validated baseline of beneficiaries in selected schemes
- Increase in Number of GST registered taxpayers
- Universal use of DBT for validated baseline of beneficiaries in selected schemes

11. The PfGR will support a sub-set of the activities under the GoCG PFM reform program, focusing on those elements of the Program that are most technically and institutionally challenging where the Bank can draw on international experience and lessons learned from other Indian states. The main activities programmed under the PfGR operation are outlined below.

Results Area 1: Strengthening Core Financial Management Systems and Services

Enabling availability of complete and timely State financial reports in public domain by supporting transition of E-KOSH to an Integrated Financial Management Information System (IFMIS)

12. Over the last few years, the DoAT has undertaken several modernization steps to increase the efficiency and effectiveness of the treasury system. The Directorate of Accounts and Treasury (DoAT), under the Finance Department is responsible for all treasury operations, exercising control over payments and receipts and monthly financial reporting to the AG (A&E). GoCG has 28 treasuries, 40 sub-treasuries and 5,157 DDOs. Modernization has focused on the automation of systems. These include development and deployment of the following modules that have resulted in significant process changes and benefits thereof:

- e-Kosh: An online treasury system that has replaced the stand-alone application at all treasuries/sub treasuries.
- e-Karmchari and e-Payroll: An online HR system maintaining employee and pensioners data base and supporting payroll and pension verification. e-Payroll has been implemented across the state covering about 2 lakhs employees.
- CPS and e-Pension: Contributory Pension Scheme 2004 (CPS) and e-Pension used for online P.P.O. generation for supporting pension processing and payment.
- e-Works: standalone customized data management system developed and implemented by the five core public investment departments namely Public Works Department (PWD); Public Health Engineering Departments (PHED); Forest Department; Rural Engineering Services (RES) Department; Water Resources Department and Treasury PAO.
- E-Challan: online receipts module for receipt collection with SBI as agency bank and 13 other identified banks.
- E-Refund: Introduced and implemented, after various discussion with Commercial Tax Department with an aim to put transparency in the refund process. At the same time Vendor payment online modules and e-Bill system were initiated and implemented.
13. **Multiple standalone information systems like E-works, E-procurement, RBIs e-Kuber need to be integrated with e-Kosh:** The e-Kosh system have developed rapidly and organically over time with support of the NIC state team, and several functionalities need to be developed or strengthened further to transition the organic home-grown system into an enhanced IFMIS. Data sharing with AG is through softcopy (through email) along with manual sharing of supporting documents. The network connectivity across various offices and locations also needs improvement.

14. **The PforR operation will support the following activities with a view to delivering a fully integrated financial management information system.**

- **Analysis of current business processes:** the existing e-Kosh system together with the associated standalone systems and related IT systems/infrastructure including cyber security, connectivity and data centres needs to be reviewed with the objective of defining the “As is’ and ‘To Be’ processes and Functional and System Requirement Specifications (FRS and SRS) for the envisaged IFMIS, based on a Business Process Review. This will then establish the premises for the enhanced IFMIS. The department also proposes to include an assessment of the hardware requirements including field IT hardware to replace those that are nearing end of life or facing capacity shortcomings.

- **Roll out of IFMIS in five works departments** namely PWD, PHED, Water Resources, Forest and Rural Engineering Services Departments which are currently outside the ambit of E-KOSH and transact through cheques

- **Interfaces with stand-alone systems:** integration with stand-alone systems like e-Procurement, e-Karamchari (HR) and e-Works to support: identification and removal of data inconsistencies and establish framework for inter/ intra-departmental interactions; wider access to well-managed data by promoting an integrated view of the department’s operations and to upgrade multiple databases at a time; a ‘cashless’ and ‘paperless’ treasury payment system; establish security measures to prevent internal & external threats and cyber-attacks; and establish flexible and robust data storage facilities. This will also ensure that payments by the five works departments are brought into the ambit of IFMIS

- **Integration with the AG’s software:** Currently, Data sharing with AG is through softcopy (through email) along with manual sharing of supporting documents. Server-to-server integration will provide access to the AG for the accounts as and when required for the purposes of Voucher Level Computerized data, book sections, and AG (Audit).

- **Interfacing with the e-Kuber system of the RBI** to facilitate smooth handling of receipts and payments and move to an environment of minimal or no reconciliations

**Adoption of new PFM practices**

15. **The PforR will support GoCG efforts to adopt modern PFM practices that will contribute to improvements in resource allocation and strengthen the control framework.** GoCG proposes to carry out a Public Expenditure and Financial Accountability assessment for the State. This will help the state benchmark its performance against global standards and develop a reform action plan, prioritized and integrated into a medium-term action plan, with clear timelines.

16. **GoCG intends to improve its fiscal planning instruments to meet the requirements under FRBM Act and facilitate the alignment of resources with policy objectives.** GoCG prepares and presents to the Legislature a broad statement of fiscal policy objectives and a set of fiscal targets projected over the next two years. This exercise is however undertaken without clearly stating the underlying assumptions and therefore, lacks rigor. Also, the projections are not used to develop medium term budget estimates for individual spending agencies. The PforR will support GoCG in the development of a macroeconomic model for the preparation of
a Mid-term Fiscal Framework which will show the medium-term fiscal flows under current tax and spending policies under various scenarios and clearly enunciated assumptions. This will help improve the budget preparation cycle and link the annual allocations with a medium-term fiscal framework, prepared broadly confirming to desired fiscal targets.

17. GoCG has identified the need for improving efficiency in Public Investment Management by strengthening the Planning, Management and Monitoring of Capital Expenditures. This entails strengthening institutional capacities and integrating planning processes by department and districts as well as developing capacity to plan, appraise, implement, and evaluate project and capital investments proposals. The main objective is to establish a system to ensure that all investment projects are properly selected, appraised, and prioritized in an orderly manner and in relation to the available fiscal space before they are included in the budget for financing. In the design of the PIM processes, due regard will be given not only to issues of economy, efficiency and growth but cross cutting issues such as climate change and gender. The Program will support: assessment of the current PIM policies and procedures (identification of gaps), development of a road map for strengthening PIM, and development of a policy and guidelines covering the entire life cycle of investment projects; and appraisal of at least 10% of the projects in two-line departments applying the new guidelines. Social and Environmental risk screening will be integrated as part of the appraisal toolkit of investment projects.

18. The PforR operation will support the updating of the Treasury Manual and State Financial Rules bringing them in line with the new automated processes. The State Finance Rules followed by GoCG were inherited from Madhya Pradesh and are now outdated. The PforR will support updating of the Treasury Manual and State Financial Rules to bring them in line with business processes and changes with the use of IT systems and the introduction of new PFM practices. The operation will also support developing rules for procurement of services, developing standard bidding documents for procurement of services, new-age procurement models of goods and works.

PFM training and capacity building of staff performing PFM functions

19. The PforR operation will support training of officials to support implementation of new PFM practices and operating systems. The results envisaged to be achieved are preparation of a Training Strategy through a Needs Assessment study and developing a training strategy and roadmap, development of e-modules for standard curriculum in different thematic/functional areas of Public Financial Management and Public Procurement, enhancing training infrastructure (library, teaching aids, IT enabled learning systems, twining arrangements with national/State level training Institutions) and completion of training and certification of at least 3,000 government staff.

Results Area 2: Strengthening Financial Management of Local Bodies

Institutional strengthening of the Directorate of Local Fund Audit (LFAD)

20. The PforR operation will support the introduction of risk-based approach audit to improve the quality of audits and to address audit backlogs. By a notification dated May 1, 2018, the Chhattisgarh State Legislature has formed a Local Body and Panchayat Raj Accounts Committee, to scrutinize Annual Consolidated Audit Reports of Urban and Rural Local Bodies after they are laid before the Legislature. GoCG now wants to strengthen the institutional capacity of the LFAD to fulfill its mandate. This will entail drawing a roadmap for strengthening LFAD including a strategy to reduce audit backlogs, updating of the Act, Rules and Audit Manuals, a training needs assessment, development of suitable training course curriculum and material for upgrading skills of the LFAD staff, demonstrating value-addition through risk-based audit pilots and reduction of audit backlogs in at least 60% of the entities that fall within the purview of audit by LFAD.

Strengthened Public Financial Management Capacity in Local Governments
21. In a major initiative, Panchayat Raj and Rural Department mobilized their block level functionaries to ensure that Year book/s for FY 2017-18 were closed for 10,929 Village Panchayats. There are however, challenges with respect to the data quality and the continued ability to maintain the timeliness. Under the Program, PRDD proposes to pilot use of outsourced accounting services – Chartered Accountancy firms, Institutions, NGOs, Common Service Centers – to achieve closure of month books of at least 90% PRIs within 45 days of the end of the month.

22. The PforR operation will support the roll out of the Finance Budget and Accounting Management Module of a web-based e-governance system covering all municipalities in a one stop shop exercise. This will also include operationalization of a State level dashboard which will enhance transparency and accountability of ULB performance. The system will have 18 modules of which the first phase will cover four including Financial Budget and Accounting Management, Public Grievance Management, Asset Management and an Urban Local Bodies web portal. Basic municipal accounting reforms have been carried out and double-entry book-keeping is complete for all 168 municipalities. Municipal Accountants have been appointed in all Urban Local Bodies. GoCG now intends to further build on the strong base that has been created.

Results Area 3: Strengthening Revenue Administration

Strengthening Commercial Tax Administration (CTD)

23. The PforR operation seeks to improve tax compliance under the GST through taxpayer facilitation and communication and by strengthening the Commercial Tax Department tax analytics capabilities. The thrust of the Government’s tax compliance efforts would be to increase the GST taxpayer registrations, improve tax return filing performance and smoothen the process of tax refunds to make the system tax friendly. The Department will modernize its field office IT infrastructure to be compliant with the requirements of India’s GST Network. The Department will improve its tax outreach effort by posting tax facilitators in tax offices below headquarters (at the circle offices) and a media campaign focused on information regarding the GST and its requirement and alerting taxpayers to timelines and refund procedures. The expected outcome is an increase in registered GST taxpayers by 25 percent over the baseline.

24. Development of management information systems. Unlike the earlier VAT system, where the Commercial Tax Department in the state could generate required MIS for tax administration and policy, the MIS from the GSTN is yet to be structured in a manner required by the Commercial Tax Department. Certain tax return data is available in a standardized manner that needs to be organized and analyzed to be available for policy analysis be it tax filing performance by dealers, input tax credit, tax paid or for economic policy such as subsidies to industries against previous VAT exemptions phased out under the GST regime. The CTD is unable to compare product wise or industry wise tax revenue from the earlier VAT regime and under the GST regime. Unlike Model 1 states that have full access to the tax filing data, model 2 states – such as Chhattisgarh – only have access to standardized returns data. However, the full range of tax returns data is available should a model 2 state require this, but this will require development of an API (Application Programming Interface). From April 1, 2018 inter-state transport of goods requires generation of an e-way bill by the consignee/consignor and for intra-state this became effective in Chhattisgarh from June 2, 2018. This data will be integrated as well with VAT and GST data to provide a comprehensive database for analytics and decision support system. Going forward Chhattisgarh wants to use a commercial vehicle tracking system using RFID technology to match-up with the e-way bill system.

25. Development of business analytics capabilities. A dedicated Business Analytics function will be created in the CTD to strengthen tax compliance and guide its tax audit function. Business analytics will be used for the following functions: conduct research on tax issues and industry, commodity and sectors and identify concerns and trends requiring policy and administrative response; (b) conduct tax impact of policy proposals;
analyze tax refunds; routine analysis, statistics, MIS and report generation; gathering market and taxpayer intelligence; and assessment of revenue risks arising from data analyzed.

26. **Strengthening tax audit capabilities.** Tax audit decisions are based on information from multiple sources including tax return filing, e-way bill and collateral information from other sources. Field audits have not been practiced systematically in Chhattisgarh. The Program will strengthen the tax audit function by creating a risk-based tax audit system, training on tax audit officials, improving the quality of tax audit reports, and using business analytics to identify taxpayers posing revenue risk. In an innovative practice, the Department has employed 14 Chartered Accountants to assist its auditing function. These staff will need to be supported by standardized tax audit systems along the lines proposed.

27. **Tax Payer Facilitation.** CTD intends to set up facilitation desks across its 30 circles to facilitate small tax-payers compliance under the GST. The experience with help desks has been positive so far and the CTD would like to make these all in one help desk that can assist those in remote districts file their returns and pay their taxes. The function is expected to be staffed by one facilitator per circle and in its headquarters.

28. **Strengthening and replacing field IT equipment/networks.** The CTD proposes to strengthen IT networks, which will include an assessment of the hardware requirements for its data center and field IT hardware to replace those that are nearing end of life or facing capacity shortcomings. The Department will take a detailed inventory of its IT hardware and systematically identify replacement requirement.

29. **Training Needs Analysis and Capacity Building of CTD Staff.** A one-time training program for CTD staff was carried out under the DfiD Trust funded technical assistance program in 2013 but there has been no follow up. With the introduction of GST and new areas of tax administration such as Service Taxation, GoCG plans to revamp and build its tax administration training capacity and initiate a systematic training program.

**Improving Property Tax System in Urban Local Bodies**

30. The objective of this component is to support the initiative taken by the Urban Administration Department to improve Property Tax collection of Urban Local Bodies through the digitization of property tax rolls using GIS and extending the property surveys to an additional 47 selected Nagar Nigams and Nagar Palikas. This is expected to generate an increase in property tax collection in the 47 selected Nagar Nigams and Nagar Palikas by 20 percent over baseline.

31. **The Urban Administration and Development Department intends to digitize property records in the state.** To date, about 60 percent of urban property records (about 4.5 lakh) have been digitized. In total there is estimated to be nearly a million properties. The state has adopted satellite-based GIS mapping and completed house-to-house property survey with new property numbering in 10 Municipal Corporations. GIS data in 9 cities is also available for area-based planning. However, the digital records have not been updated systematically through follow-up GIS updating and resurvey of property. Furthermore, the initial exercise faced several challenges from granularity of remote sensing data, problems in ground truthing particularly in establishing ownership details and location of property leading to about 25 percent errors. GoCG has linked construction permits to property records under an Ease of Doing Business program. Cost of regular updating GIS information and resurvey of property has been a barrier while the incremental property tax gain is not assured. In a change of approach, Drone based property survey is being used in the capital city Raipur. Raipur experienced a 90 percent increase in property tax assessment between 2015-16 and 2017-18 while other cities experienced an average of 25 to 30 percent increase. In 2016-17 Property tax collection achieved 90 percent coverage in nine cities and at least 90% of the tax was collected. However, in other cities compliance, especially for newer properties, continues to be by way of on-line self-assessment.

32. **Property tax collection was outsourced in three municipal corporations of Bilaspur, Bhilai and Durg.** The outsourced agency carried out a digital house to house survey updating property tax records and resolving
property tax assessment disputes, if any. This has led to a 36 percent improvement in property tax assessment in Bhilai between 2015-16 and 2017-18 and 77 percent improvement in Property Tax assessment in Bilaspur over the same period. Based on this experience under the program, Chhattisgarh now wants to carry out the digital property survey first to establish ground truthing and then in a second stage incorporate this into GIS maps for 158 other towns and municipalities.

33. The Program will support UAD’s plan to undertake digital property surveys in 47 Nagar Nigams and Nagar Palikas. This will include GIS data creation, property survey along with property re-numbering along with capture of other systematic data about the properties and ownership. The data will be housed in the State Data Centre that will enable the Urban Local Bodies to prepare Property Tax Demand.

Results Area 4: Improving Efficiency in Delivery of Benefits in selected Schemes

Roll-out of Dynamic Beneficiary Registry and Data Exchange Platform

34. Social Registries are information systems that support the intake, registration, and determination of potential eligibility for one or more social programs. In terms of population covered, social registries contain information on all potential applicants, whether they are deemed eligible for, or enrolled in, select social programs. Only a few selected states in India have an operational Social Registry, their use has become more common as a tool for efficient delivery, integration and overall operation of social assistance and other social programs. The GoCG intends to leverage the Socio-economic census 2011 data as the base data for developing the registry in a phased manner.

35. GoCG intends to convert policy formulation for efficient delivery of benefits into a completely data driven process. GoCG intends to enhance the existing tool named “SANKALP”, which will be linked to Dynamic Beneficiary Registry. The purpose of the tool is to provide an automated interface to assist different state departments while preparing their budget allocation for respective schemes. The tool will allow the flexibility to state departments to apply different deprivation criteria to identify potential beneficiaries every year and subsequently allocate budget accordingly. Using the Dynamic Beneficiary Registry and the SANKALP tool, the state would be able to proactively identify the citizens who are eligible for certain benefits and schemes on their own through a Trigger Management Platform (TMP) thereby discarding the need for the citizen to apply on their own or the need for departments to identify beneficiaries manually. GoCG would be able to leverage the potential of Open Data initiative which would bring forth crucial statistical insights to enable data driven governance. The objectives and benefits to State, Department, and Citizen are summarized below.

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<tr>
<th>Stakeholder</th>
<th>Savings</th>
<th>Data Accuracy</th>
<th>Process Automation</th>
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<tbody>
<tr>
<td>State</td>
<td>1. Due to de-duplication via TMP (Trigger Management Platform)</td>
<td>1. State gets accurate insights</td>
<td>1. State-wide efficiency in beneficiary data handling</td>
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<td></td>
<td>2. Ability to accurately target citizens</td>
<td>2. Data-driven governance</td>
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<td></td>
<td>2. Repeated field efforts will be avoided</td>
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<td>Department</td>
<td>1. De-duplication/identification of ghost beneficiaries</td>
<td>1. TMP saves identification efforts</td>
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<td></td>
<td>2. Data authentication efforts minimised</td>
<td>2. Beneficiary authentication via platform</td>
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<tr>
<td>Citizen</td>
<td>1. Lower risk of being wrongfully excluded</td>
<td>1. Citizens don’t stand at a risk of being wrongfully excluded</td>
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<td></td>
<td>2. Lower risk of being not enrolled</td>
<td>2. Automated enrolling via TMP</td>
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36. **The Dynamic Beneficiary Registry will operate through a Data Exchange Framework.** The DEF enables automation of all internal and external Government data interfaces anchored in secure protocols. A data exchange platform will serve as the backbone of IT system. It would institute a set of standard principles, guidelines and frameworks that the government agencies must adopt enabling seamless sharing and collaboration within the government system. This will allow diverse government application systems to seamlessly exchange data through a set of defined security protocols, standardized technologies and applications ensuring data uniformity across the system and use it for deriving meaningful results.

37. **Government of Chhattisgarh has appointed Chhattisgarh Infotech Promotions Society (CHiPS) as the nodal body to design and develop Data Exchange Framework and Dynamic Beneficiary Registry platforms.** CHiPS has prepared a Detailed Project Report (DPR) and has finalized and issued the Request for Proposal (RFP). As per the RFP, a high-level design highlighting the different components will be developed under the PforR operation as represented in the diagram below.

38. **Dynamic Beneficiary Registry, SANKALP along with DEF will enable data interaction between departmental databases maintaining data privacy though a secured network of APIs across GoCG departments.** This would enable data quality improvement, minimizing time and optimize the cost incurred by the Government agencies in data collection, data management and protection. Further it is being proposed to conduct field survey ensuring data quality, Aadhaar authentication and Aadhaar seeding, this would further pave the way for accurate identification of beneficiary enabling effective Government service delivery. The solution would also provide Demographic Authentication services through the platform to for incremental verification of beneficiary – creating a system of federated authenticated databases. The architecture would also provide functionality for the beneficiary to update their own data, creating an empowered society. Along with this the architecture would have an additional layer of trigger management platform for proactive
identification of beneficiary and share the information with concerned department. An Open Data Portal will allow SMEs and academicians to use data for quality statistical research.

**Developing Data Sharing and Consent Framework Policy & Guidelines**

39. It is imperative that firm legal framework for data protection is the foundation on which data-driven governance is pursued. In India, the state uses personal data for purposes such as the targeted delivery of social welfare benefits, effective planning and implementation of government schemes. While data can be put to beneficial use, the unregulated and arbitrary use of data, especially personal data, has raised concerns regarding the privacy and autonomy of an individual.

40. To mitigate the risk of misuse of personal data of beneficiaries and to further ensure that beneficiary consent is recorded accurately, the Program will develop a supporting legal framework. In this regard, GoCG has drafted State Aadhaar Act which has been tabled for legislative approval and will be further supported by the existing relevant laws in India dealing with data protection such as, Information Technology Act, 2000 and the (Indian) Contract Act, 1872. Expected outcome is to develop Data Sharing and Consent Framework Policy & Guidelines which shall be codified and developed as rules engine as part of Data Exchange Framework and Dynamic Beneficiary Registry.

**Digitization of State funded schemes using Common Application Platform framework**

41. There are approximately seventy-eight (78) GoCG state-specific schemes which are currently operational in a manual mode for enrolment, identification and disbursement of benefits. GoCG through the operation intends to digitize all schemes, however for the purposes of measuring the impact, five (5) schemes have been short-listed. Each of the short-listed schemes will be digitized, wherein a MIS system shall be developed with the capability to digitally records beneficiary enrolment, verification, identification and disbursement of benefits. The selected schemes are: Merit Scholarship [Department of Technical Education]; Samajik Suraksha Pension Scheme [Department of Social Welfare]; Post-Matric Scholarship Scheme for OBC students [Tribal Department]; Bhagini Prasooti Sahayata Yojana [Labor Department]; and Navnihaar Chhatravritti Yojana [Labor Department].

42. The Program will develop a Common Application Framework for digitization of state schemes. The Common Application Framework will provide a standardized template and architecture to develop scheme specific applications with minimal application development efforts and will further adhere to all the prescribed protocols. The outcome of the intervention is digitization of selected schemes and subsequently integrated with the Dynamic Beneficiary Registry platform through DEF.

**Operationalizing the Complaints/grievances handling related to selected schemes**

43. Grievance redressal, problem solving, and alternative dispute resolution system is essential for long term success of the Dynamic Beneficiary Registry. Grievance Redressal Mechanism (GRM) is key to component of managing operational risk through effectively identifying the problems and addressing them. GRM can be an effective tool for early identification, assessment, and resolution of complaints on projects. Implementation of Dynamic Beneficiary Registry and DEF will allow for a new beneficiary identification system for direct benefit transfer and data driven governance, it becomes increasingly important, as huge community of citizens and government offices shall require support to adapt to the new system. Currently, there are helplines for some of the schemes, however most of the grievances are addressed in an ad-hoc manner. GoCG also has two channels for recording grievances: governance related issues are currently handled by Jansikayat.cgstate.gov.in; and Nagrik Sambandh Center, which is a call center and currently have the functionality to make outbound calls to undertake tele-surveys and ascertain beneficiary satisfaction.

44. The Program will support GoCG in development of guiding principles, operating procedures and monitoring framework to strengthen GRM. To address this, CHiPS have been appointed as the nodal agency.
to monitor the implementation of the GRM. The Program will support enhancement of the centralized call center which will provide support mechanism to record, track and monitor grievances and feedbacks from beneficiaries. Especially, in the context of data-driven governance, the centralized call center will have a pivotal role in minimizing inclusion and exclusion errors.

**Universal use of DBT for validated beneficiaries in selected schemes**

45. Direct Benefits Transfer ensures seamless delivery of monetary benefits directly into a beneficiary account and/or access to in-kind benefits at last mile, thereby reducing redundant steps and resulting in timely delivery of benefits. The basic premise is to enable a friction-less interaction between Government and Citizens in welfare programs. Direct Benefit Transfers offer a huge opportunity to increase efficiencies in government payment systems. The system can provide the end user with a range of financial services, in addition to on-time government payments.

46. GoCG has established a DBT cell whose primary functions is to focus on reforms for ensuring effective public service delivery through accurate identification of beneficiaries coupled with reduce delivery time. The DBT cell was established to implement a Government of India directive for implementation of Direct Benefit Transfer (DBT) under all Centrally Sponsored Schemes by June 2016. GoCG has developed a DBT portal (http://dbt.cgstate.gov.in/DBT/Home.aspx) for continuous monitoring and tracking of fund flow. However, the DBT portal is still in rudimentary stage with features like manual upload of data and view of reports.

47. The Program will support development of DBT portal functionalities and features will be enhanced and will include but not limited to automation, real-time data exchanges, analytics engine. In addition to the state DBT portal, it is expected that with the development of Dynamic Beneficiary Registry, Data Exchange Framework, SANKALP tool, digitization of state schemes and its integration with IFMIS and PFMS, the benefits transfer for eligible and identified beneficiaries will be undertaken electronically with few exceptions.

**INSTITUTIONAL ASSESSMENT**

48. There is high level of commitment to and ownership of the Program on the part senior officials of the principal implementing agencies. The Finance Department and Electronics and Information Technology Department are the two key implementing agencies responsible for about 70 percent of the total Program outlay, with the Commercial Tax Department, Panchayat and Rural Development Department and Urban and Administrative Development Department collectively implementing the remaining 30 percent of Program outlays. Senior management of each agency has defined the respective Program activities.

49. The Program Steering Committee (PSC) under the leadership of the Principal Secretary e(PSF), Finance (PSF) and Secretaries of participating departments will provide strategic leadership and interdepartmental coordination for Program implementation. This will facilitate coordination in the implementation of the activities and periodic monitoring the progress of deliverables for timely achievement of results. The Directorate of Institutional Finance supported by the PMU will provide operational level coordination between different stakeholders and facilitate implementation of Program activities.

50. The operation is fully integrated in the GoCG administration and implementation is designed to promote the use of existing GoCG structures. GoCG has confirmed its willingness and commitment to see this operation designed and implemented quickly, by providing leadership and direction for its preparation. Further, by anchoring implementation within the departments and giving them full responsibility for management and execution of activities, the operation will have a positive effect on building capacity and experience within these departments. Where institutional capacity is limited, and special skills are required, outside expertise including technical assistance and consulting services will be acquired.

51. Each of the participating departments will implement their part of the Program, including procurement of the consultancies and goods, monitoring implementation, and signing off on deliverables.
The procurement systems of the GoCG will be followed for any procurement under this operation, supported with technical inputs from the World Bank team. Further, the departments will pay the consultants/suppliers based on a budgetary allocation for the Operation.

**DESCRIPTION AND ASSESSMENT OF PROGRAM EXPENDITURE FRAMEWORK**

52. **The overall expenditure framework of the Government Program for 2018-24 is estimated at US$ 58 million.** The Government Program Cost includes the cost of the ongoing reforms across five GoCG departments: Finance Department (FD); Electronics and Information Technology Department (EITD); Commercial Tax Department; Urban Administration and Development Department (UAD); Panchayat Raj and Rural Development Department (PRDD); and the Department of Commerce and Industries. The Government Program Cost includes expenditures related to development and implementation of the e-Procurement system, refurbishment of Apex Training Institute, outsourcing of accounting and auditing services and design, development and implementation of e-Governance in Urban Local Governments and apportioned costs of salaries, and office expenditures considered essential for the implementation of the reform program and the achievement of the Program results. Apportioned costs for salaries and other operating expenditures have only been estimated for the Finance and Commercial Tax Departments and only twenty percent of these costs have been considered Program-related. This is a reasonable assumption given that the Program impacts virtually all departmental business processes. The actual proportion of time on Program-related matters is likely to be higher for more senior officials. Salaries represent just 11 percent of Program costs. Program costs are derived from the State budget for Year 0 i.e. FY2018-19 and extrapolated for the next five years.

53. **The total cost of the PforR Program is US$36 million, of which World Bank financing is US$25.2 million.** The Program cost comprises of incremental costs to the Government of Program implementation. Table 3.1 gives the breakdown of Program expenditure by department. Program expenditure will be on consultancies, IT hardware, connectivity, software development, training and other capacity-building activities, M&E, refurbishment costs and operational expenditure. The breakdown between World Bank and GoCG financing of the PforR Program respects the Government of India requirement that State Governments co-finance thirty percent of the cost of externally financed projects and programs.

54. **The PforR Expenditure Program will be implemented through the GoCG budget and can be tracked through GoCG accounting and reporting systems.** Program expenditure will be under a separate budget line item under the respective Demand for Grant of implementing Departments. Once the annual budget is allotted by the FD, the implementing departments have the autonomy to undertake procurement and spend the budget allocations on Program activities. Expenditure tracking systems are well established and operate efficiently. EITD will release funds to Chhattisgarh Infotech Promotion Society (CHiPS), UAD to and State Urban Development Agency (SUDA), and PRDD to TPSIRD which are state owned institutions registered under the Chhattisgarh Societies Act 1973 under the administrative control of the respective line departments. Fiduciary Assessment given in Annex 4 indicates that the FM systems and procurement systems are adequate to ensure proper utilization of Program funds. All expenditures are subject to audit by the CAG with expenditures of Societies being subject to audit by CA firms.

55. **The risks to the Program Expenditure Framework are considered low.** Program expenditure constitutes a miniscule portion of the overall state expenditure budget which is about USD 11.5 billion for FY 18-19 only. Extraneous factors affecting overall government expenditure are unlikely to affect budget allocations to the Program. The Program will address the priority need for increasing revenue potential, upgrading and strengthening public financial management systems and improving implementation of schemes all of which contribute to expenditure control and potential savings. There is a high level of commitment and ownership within GoCG. The reforms also reflect the PFM reform priorities of the government at the national level.
**Table 3.1. Program Expenditure Framework for FY19-24 (in USD)**

<table>
<thead>
<tr>
<th>Department</th>
<th>Expenditures</th>
<th>Government Program</th>
<th>PforR Operation</th>
<th>IBRD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance</strong></td>
<td>Consultancies, IT hardware, software development, training material, M&amp;E, IVA, refurbishment costs, salaries and operational costs</td>
<td>18,624,286</td>
<td>11,817,143</td>
<td>8,272,000</td>
</tr>
<tr>
<td></td>
<td>Salaries &amp; Allowances, office expend, consultancy services, training and meeting expenditures, 20% Program-related of which</td>
<td>5,114,706</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treasury Directorate</td>
<td>3,804,982</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Directorate for Institutional Finance</td>
<td>369,897</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accounts Training Institutes</td>
<td>158,733</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal Audit Cell</td>
<td>411,196</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Local Fund Audit Cell</td>
<td>369,897</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transition of e-Kosh to IFMIS, including technical assistance, upgradation of hardware and software</td>
<td>7,060,000</td>
<td>7,060,000</td>
<td>4,942,000</td>
</tr>
<tr>
<td></td>
<td>Consultancy Services for: developing Guidelines for Public Investment Management;</td>
<td>1,428,571</td>
<td>1,428,571</td>
<td>1,000,000</td>
</tr>
<tr>
<td></td>
<td>Consultancy Services for: development of model for MTFF; and establishment of Project Management Unit</td>
<td>1,428,571</td>
<td>1,428,571</td>
<td>1,000,000</td>
</tr>
<tr>
<td></td>
<td>Refurbishment of new [rental] building for Apex Training Institute, considered necessary for program results</td>
<td>735,294</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training Needs Assessment, development of e-Learning modules for Finance Department staff, `as is studies' of LFAD, development of strategies for backlog in audits, development of manuals and software for follow up of audit observations</td>
<td>2,857,143</td>
<td>1,900,000</td>
<td>1,330,000</td>
</tr>
<tr>
<td><strong>Panchayat &amp; Rural Development</strong></td>
<td>Consultancies, IT hardware and software</td>
<td>1,642,857</td>
<td>1,642,857</td>
<td>1,150,000</td>
</tr>
<tr>
<td></td>
<td>Cost of pilots for outsourcing of accounting function for Village Panchayats, training on PRIASoft</td>
<td>1,642,857</td>
<td>1,642,857</td>
<td>1,150,000</td>
</tr>
<tr>
<td><strong>Urban Administration Department</strong></td>
<td>Consultancies, IT hardware, software development, accounting and audit services and GIS data purchase</td>
<td>15,196,576</td>
<td>5,307,143</td>
<td>3,715,000</td>
</tr>
<tr>
<td>Department</td>
<td>Expenditures</td>
<td>Government Program</td>
<td>PforR Operation</td>
<td>IBRD</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>-----------------</td>
<td>------</td>
</tr>
<tr>
<td><strong>Accounting, internal and external audit services - Fourteenth Finance Commission grants, considered necessary for Program results</strong></td>
<td>8,978,088</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERP Software for ULBs [part funded by Bank]</td>
<td>2,647,059</td>
<td>1,792,857</td>
<td>1,255,000</td>
<td></td>
</tr>
<tr>
<td>GIS data purchase, property survey along with property market valuation (for rent or sale) to build the property tax roll, digitizing property records, review of legal and policy framework of the property tax system</td>
<td>3,571,429</td>
<td>3,514,286</td>
<td>2,460,000</td>
<td></td>
</tr>
<tr>
<td><strong>Electronics &amp; Information Technology</strong></td>
<td>Consultancies, IT hardware, software development and training</td>
<td>17,320,308</td>
<td>14,285,714</td>
<td>10,000,000</td>
</tr>
<tr>
<td>e-Procurement Project - Expend related to e-Procurement Project implemented by IT Department, considered necessary for Program results</td>
<td>3,034,594</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Exchange Framework, Dynamic Beneficiary Registry, State DBT Portal &amp; Data Driven Governance, Data Quality Improvement and Grievance Management System</td>
<td>14,285,714</td>
<td>14,285,714</td>
<td>10,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Commercial Tax</strong></td>
<td>Consultancies, IT hardware, software development and training</td>
<td>4,853,511</td>
<td>2,857,143</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Salaries &amp; Allowances, office expend, consultancy services, training and meeting expend of Commercial Tax Department, 20% Program-related</td>
<td>1,996,368</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIS Support, strengthening and replacing field IT equipment/network, training needs assessment and capacity building and development of business analytics skills in Commercial Tax Department</td>
<td>2,857,143</td>
<td>2,857,143</td>
<td>2,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Front end Fee</strong></td>
<td></td>
<td>63,000</td>
<td>63,000</td>
<td>63,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>57,700,538</td>
<td>35,973,000</td>
<td>25,200,000</td>
</tr>
<tr>
<td><strong>Rounded off to</strong></td>
<td></td>
<td>58,000,000</td>
<td>36,000,000</td>
<td>25,200,000</td>
</tr>
</tbody>
</table>

**DESCRIPTION AND ASSESSMENT OF PROGRAM RF, DLIs AND M&E**

56. The Results Framework developed jointly with the GoCG includes specific indicators and identifies the means for measuring achievement of the results, including source of data, frequency and methodology of data collection (Annex 1). GoCG has developed a robust M&E system to support Program implementation which will generate semiannual reports within 30 days from the close of the semester and annual reports within 45 days from the end of the GoCG FY. Progress reports will be submitted to the PSC for review, endorsement and submission to the World Bank. The Bank will monitor progress through semi-annual
supervision missions and will report to World Bank management through Implementation Status and Results Reports, an MTR, and at the completion of the operation, an Implementation Completion and Results Report.

57. **The Disbursement Linked Indicators have been defined in consultation with the GoCG in a manner that link the DLIs to progress toward achievement of the PDO.** The DLIs (Annex 2) have been formulated in consultation with the GoCG and taking the following into consideration: to signal a critical action in the achievement of the PDO; the need for a financial incentive to achieve the intended result; whether the DLI can be monitored, measured and reported routinely; and GoCG’s capacity to achieve the results in the Program implementation period.

58. **The M&E arrangements for the operation have been defined as an integral part of the Results Framework and DLI matrix.** Use of IT based systems will facilitate easy tracking and reporting of quantitative values and have been considered while defining the results and DLIs. Program outputs that relate to changes in the regulatory framework, processes and working methods will require some element of reporting on qualitative aspects that will be captured in the progress reports. There is no need for extensive field-level data collection. The M&E systems and reports generated will provide details and status on procurement of goods and services, implementation of systems, and capacity building. The responsibility of instituting a robust M&E system is vested with the various participating departments, in coordination with the Finance Department.

**Rationale for Public Provision and Financing**

59. **The Program supports the development of public financial management systems that constitute core state functions.** PFM is a requirement for democratic governance, macroeconomic stability, and the effective allocation and use of public resources. The Program supports reforms that encompass the whole of the GoCG public financial management system both upstream – strategic planning, expenditure planning and annual budgeting – and downstream – revenue administration, procurement, budget execution, control, accounting, reporting, monitoring and evaluation, audits, and oversight. The Program focuses on high risk areas within the public financial management system, notably the management systems for direct benefit transfers, public investment management and contract management. Improvements in public financial management will help mobilize resources, curb corruption, improve value-for-money and improve the developmental effectiveness of public expenditures.

**Program’s Economic Impact and Evaluation**

60. **Economic analysis of the project provides a quantitative assessment of the direct benefits and costs associated with changes in economic welfare arising from the project.** Quantifying many of these benefits depends on the availability and reliability of data. This economic analysis provides estimates of benefits and costs using data based on various sources including the Government Budget Documents 2017-18, the IMF World Economic Outlook, IMF International Financial Statistics and Staff Projections.

61. **The economic analysis suggests that project is feasible: the net present value (NPV) in real terms is US$43.4 million at 12 percent discount rate and internal rate of return (IRR) is 27.5 percent.** The economic analysis is based on the assessment of program-related costs – including investment and costs related to operating and maintenance, including licenses and system operation and maintenance – and three streams of benefits. These are: first, efficiency savings from DBT schemes arising from de-duplication and deletion of non-existent beneficiaries, and opt-out options in schemes; second, increases in property taxes arising from improvements in the accuracy of the property tax register using GIS mapping and property surveys; and third, increases in Goods and Sales Tax revenues arising from improved compliance, as a result of increased registration tax payers, the use of tax analytics and effective tax audits. A summary analysis is presented in Table 3. The basis for the assessment of each benefit stream are reviewed below:
62. **Savings from DBT.** The Government of India DBT Bharat Portal states that Total Funds Transfer in Centrally Sponsored Schemes (CSS) for both Cash and In-Kind Transfers is INR 190,870.9 crore in FY 17-18. Estimated savings across all states for these CSS schemes are estimated at 17 percent of expenditure arising from the elimination of duplicate, non-existent and ineligible beneficiaries. The savings accruing to the selected Program schemes are assumed to be of the same order as reported savings on Central Schemes because states implement all schemes and savings from Central schemes comes from state implementation. For Chhattisgarh, the Total Normative Budget allocation for the selected state schemes in Year 18-19 is INR 5,514,430,000. If we apply an increase to allocation @5% every year until the end of project lifecycle, the total estimated Normative Budget Allocation at the end of project is expected to approximately INR 30,470,706,734. No explicit savings will accrue in the first three years (17-18,18-19 and 19-20) of the project as investment in developing systems will be in process. Instead we assumed that savings will start accruing from 2021-22 onwards. Total approximate normative budget allocation for selected schemes in 2021-22 and 2022-23 will be INR 13,086,466,159. Applying the national estimated savings rate of 17 percent to the selected state schemes implies that in financial year 2021-22 and 2022-23, the Government of Chhattisgarh will save approximately INR 2,224,699,247. If we average the savings over the project lifecycle, Result Area 4 is expected to yield approximately INR 44.49 crore per year. Therefore, total savings for the last two years of project is expected to be INR 88.98 crore, as compared with total project expenditure for Result Area 4 of INR 70 crore.

63. **Increases in property tax revenues.** The compound annual growth rate of property tax revenues in the recent past period for all ULBs combined has been 20 percent. This increase has been driven by a resurvey of all properties in the chosen 47 ULBs and accurately locating this on a GIS map and surveying which allows accurate verification of the nature of property, its use and location. This is important because Chhattisgarh’s Property tax system applies different unit area rates for different use of property (residential, commercial) and location of property (along major roads or deeper). The exercise also corrects past errors in measuring size of properties and discover new properties or extensions that were not captured. Improvements in compliance have also played a part. The latest information for the cities in the program show 75% compliance. Mapping and surveying exercises of this sort has been undertaken in 9 cities in Chhattisgarh with impressive results. The capital city saw property tax revenue increase 90 percent between 2015-16 and 2017-18. A small city such as Rajnandgaon experienced an 80 percent increase in in this same period. Other cities had less spectacular success with Property Tax increase ranging between 30 percent – 25 percent. Most of these cities also saw in increase in compliance rates of 5 percent to 10 percent. The projected growth rates in property tax of 32 percent for the selected sample may hence be viewed as pragmatic given the recent experience in other cities in the state undertaking such reform.

64. **Increases in GST revenues.** State own tax revenue was projected to grow by 14 percent for five years from 2017-18, by the Government of India, when India transitioned from VAT to GST on which basis a compensation strategy was also designed should state tax revenue grow slower on account of GST. Chhattisgarh’s state revenue grew at 1 percent in 2017-18 but by 13 percent including compensation. The GST goods alone grew by 12.5 percent after including compensation. For this analysis, Chhattisgarh’s GST is projected to grow conservatively in a staggered manner from 11 percent to 14 percent in the 10th year and subsequently at the rate of growth of nominal GSDP (10.5 percent, indicating tax elasticity of one) over the remaining projection period of five years giving a period average growth rate of 13 percent. GST policy rates are assumed to remain unchanged over the projection. The use of an outreach program involving communication campaign and help desks and extensive use of data analytics is expected to add more tax registrants to the state’s tax base for GST, identify tax leaks and excess input tax credits and improve tax compliance gradually improving tax revenue growth. The expanded tax analytics program will use the full range of tax returns data and correlate this with data on goods movement available from the e-way bill system (a kind of trucking pass and consignment note) that transporters need to carry and data on trucks movement from the RFID system that Chhattisgarh plans to put into place to improve reporting of sales of goods.
transactions. In addition to this the program focuses on tax audit strengthening that is expected over time to detect lost tax revenue from under-reporting of sales and extra input tax credit/ refund. These actions will over time improve tax compliance. The twin efforts targeted at improving compliance and expanding the tax base should push Chhattisgarh growth rate in GST towards the projected rate and enable the state to reduce its dependence on the GST compensation grant that ends in 2021-22.

65. **There are other economic benefits that are not quantified.** These include: improvements in policy alignment of the budget, the quality of public investment, budget execution efficiency and transparency and accountability in PFM underpinned by the improved institutional framework, modernized procedures and integrated information systems.

66. **Program beneficiaries.** The beneficiaries include: policy makers and senior management of government institutions who, with the help of the modern information systems, procedures and processes will be able to make decisions based on better structured, more comprehensive and more timely information; external stakeholders, including citizens, the general public and commercial enterprises who will benefit from improvements in the information on public finances and, ultimately, improvements in efficiency of budget execution processes, the delivery of benefits and public services.

### Table: 3.2 Economic Analysis

<table>
<thead>
<tr>
<th>Economic Analysis: Chhattisgarh</th>
<th>INR Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic costs</strong></td>
<td></td>
</tr>
<tr>
<td>Project investment</td>
<td>-40.5</td>
</tr>
<tr>
<td>Staff time expense for project implementation</td>
<td>10</td>
</tr>
<tr>
<td>O&amp;M cost</td>
<td>0</td>
</tr>
<tr>
<td>Front end fee</td>
<td>0.06</td>
</tr>
<tr>
<td>Commitment fee (0.25% of undisbursed balance)</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Total economic costs</strong></td>
<td>50.2</td>
</tr>
</tbody>
</table>

| **Economic benefits**           |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Savings from Direct Benefit Transfer | 0          | 0          | 0          | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       | 44.5       |            |
| Gains from growth in property taxes | 0          | 3.1        | 7.1        | 12.3       | 24.2       | 33.5       | 45.2       | 59.7       | 77.7       | 99.9       | 127.1      | 160.6      | 201.5      | 251.5      | 312.5      |            |
| Loan disbursements              | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       | 0.01       |            |
| Contribution of project interventions relating to GST | 0          | 1.2        | 2.7        | 4.5        | 8.2        | 14.7       | 24.5       | 38.7       | 58.5       | 85.6       | 94.6       | 104.5      | 115.5      | 127.6      | 141.0      |            |
| **Total economic benefits**     | 0          | 4.3        | 9.8        | 61.2       | 76.9       | 92.7       | 114.2      | 142.9      | 180.7      | 229.9      | 266.2      | 309.6      | 361.5      | 423.6      | 498.0      |            |
| **Net benefits**                | -50.2      | -65.9      | -57.2      | -4.5       | 43.8       | 59.0       | 79.3       | 106.9      | 143.6      | 191.5      | 226.5      | 268.6      | 319.2      | 380.1      | 453.1      |            |
| **Net real benefits**           | -50.2      | -62.8      | -52.1      | -3.9       | 36.3       | 46.6       | 59.8       | 76.9       | 98.5       | 125.4      | 141.5      | 160.1      | 181.5      | 206.1      | 234.4      |            |

| IRR (NPV)                       | 27.5%      | $43,444,692|

**World Bank’s Value Addition**

67. **The Bank’s significant global and local knowledge of PFM reforms will be a key value addition** in supporting GoCG’s reform priorities. The Bank’s engagement with the Union and State Governments in India span reforms in various elements of PFM, such as budget, information systems, revenue administration, cash...
management, financial reporting and audit. This has been built on the foundation of strong operational knowledge of PFM systems and their links to service delivery gained from experience in Bank-financed projects, diagnostics including PEFA assessments at the Union and State levels and studies of PFM in local governments. GoCG also sees the Bank as a valued knowledge partner leveraging on the Bank’s global experience and knowledge gained from three ongoing subnational PFM projects in India. The Bank’s support also brings an independent perspective on project design and implementation.

Technical Risk Rating

68. The technical risk of the Operation has been assessed as Moderate. Following is the summary of risks identified with the proposed mitigation measures:

Table 4: Risk and Mitigation Measures

<table>
<thead>
<tr>
<th>Risks Identified</th>
<th>Proposed Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Given that the operation involves introducing improvements in the Treasury system, Revenue and DBT administration using IT as a key driver together with introduction of new PFM practices and procedures, change management risks exist.</td>
<td>Change management and communication strategy will be an integral input across all components. One of the focus areas that the PforR operation has fed into the Government Program design is engaging and capacity building of government personnel to mitigate change management risks.</td>
</tr>
<tr>
<td>One of the key components is upgrading the existing treasury system (e-Kosh) in to an Integrated Financial Management Information System (IFMIS). e-Kosh has developed organically over time with the support of the State NIC team. User needs and requests have formed the basis of development of e-Kosh. There is lack of documentation contributing to lack of institutional history and increased dependence on individuals.</td>
<td>Required documentation to meet globally acceptable standards of software development and change management will be prepared under the PforR operation.</td>
</tr>
<tr>
<td>Delay in the procurement of services to create GIS maps and property survey in ULBs will delay increase in Property tax collection.</td>
<td>The PMU will provide support in day to day management of the Program including procurement.</td>
</tr>
</tbody>
</table>