



Government of Assam

World Bank aided

**Assam State Public
Finance Institutional
Reforms (ASPIRe) Project**



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**THE
WHAT?**

**THE
WHY?**

**THE
HOW?**



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ASPIRe: The Face of PFM Transformation

Assam State Public Finance Institutional Reforms (ASPIRe) is a World Bank aided project aimed at transforming the public finance management in the state. Through this project, the Government of Assam envisages a complete revamp of the revenue and expenditure systems by streamlining the work flow, eliminating redundancies and modernizing the approach towards financial management through various sustainable institutional reforms. This booklet gives the reader a glimpse of the history of the Finance Department, the need and background of the reform initiatives and an overview of the ASPIRe Project.

Finance Department: A Journey through Time

Prior to independence, the Finance Department of Assam comprised only two branches — Finance and Budget. However, with the passage of time, Assam's economy grew in size and consequently, its functions, manifold. To adapt to the changing circumstances, the department gradually expanded to its current size of 12 branches.

Did You Know?

- ♦ Budget system was first introduced in India on 7th April, 1860
- ♦ Mr. James Wilson was the first Indian Finance Member (equivalent to Minister) & delivered the maiden budget speech on 18th February, 1959
- ♦ Post-Independence, the first budget of Union of India was presented on 26th November, 1947 by India's first Finance Minister Sri R.K. Shanmugham Chetty

Roles and Functions

The roles and functions of Finance Department, Government of Assam are laid down in Rule 33 of the Assam Rules of Executive Business, 1968.

The main functions of the department are to frame rules regulating the pay,

leave and pension of state government employees and also rules regulating the number, grading or cadre and emoluments of post under State Government. Finance department advises on the financial aspect of all transactions relating to loans granted by the state government. It also examines and reports on all proposals for borrowing by the state government. It also examines the increase or reduction of taxation and prepares an estimate of total receipts and disbursement of the state every year and looks after government's balances and their ways and means operation.

Preparation of budget is a key function of the Finance Department. It prepares the statement of estimated revenue, expenditure and any supplementary estimates or demands for excess grants (all materials are obtained from departments) which is laid down before legislature every year.

Did You Know?

- ◆ First budget for the State of Assam was presented by Sir Syed Muhammad Saadulla on 3rd August, 1937, the First Premier of Assam Province in British India
- ◆ After Independence, the first budget for the State of Assam was presented by Late Bishnu Ram Medhi, the then Finance Minister of Assam on 11th March, 1948.

The need for reforms

The White Paper presented in June 2016 recognized that “while the budget size ballooned, its financing was forgotten, contributing to lack of credibility of the budget” and had identified the **need for restoring the sanctity of the budget** as a priority.

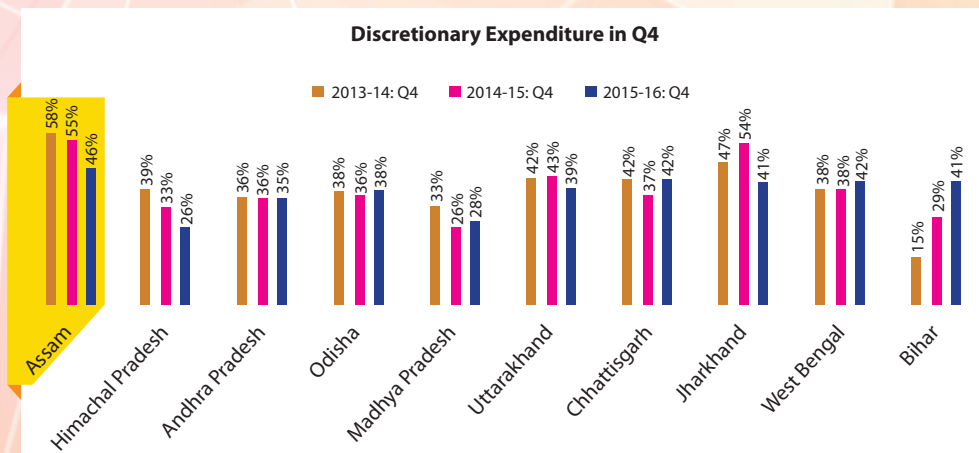
The high-level report ‘Reform Committee on Planning and Budgeting in Assam’ (July 2016) which informed the budget for 2016–2017 had identified three critical issues:

- a. Ambitious and unrealistic budget without adequate resources that forces the Government to apply excessive controls;
- b. Need for resource mobilization, either by way of increased tax through new avenues or savings through prudent allocations; and
- c. Program convergence to avoid duplication of schemes across departments.

While the state's expenditure budget had increased by 88% between 2011-12 and 2015-16, it lacked realism without the support of adequate resources. Consequently, the variances between the original budget and actuals in case of both revenue and expenditure are around 25%.

Further, Assam's finances are characterized by low own source revenue (OSR) of around 30% of total revenue and by huge dependency on central transfers by way of devolution of central taxes and central grants. On the other hand, increase in committed expenditure on salaries, pension, and interest costs has meant that revenue receipts barely cover the committed expenditure leaving limited space for development expenditure. In addition, the GoA's efforts in raising additional resources through the public-private partnership (PPP) mode have not been able to achieve the desired level due to a combination of gaps in policy, framework, and institutional capacity.

In Assam, while seasonality plays an important factor in budget execution, particularly in the execution of developmental works, the constraints articulated above further aggravate the pattern of rush of expenditure in the last quarter/month of the financial year. A comparative analysis of discretionary expenditure reported in the last quarter over the three years (2014–2016) across selected states indicate that such expenditure during the last quarter in Assam (55%) is substantially higher than in other states (see figure below). Such a rush of expenditure contributes to the risk of non-compliance with internal control procedures.



Towards the Reforms

The GoA had identified PFM strengthening and modernization as a reform priority using IT as a key driver. The Finance Department's initiatives as part of the new government's 100-day agenda set the tone for addressing certain pressing operational bottlenecks, which included electronic approval of Fixation of Ceiling, integrating the CTMIS with the e-Kuber payments system of the central bank, online salary bill preparation, automating budget consolidation, and updating the treasury rules and delegation of financial powers.

Inception of ASPIRe Project

As described above, the newly elected government of Assam has been emphasizing on structural reforms to unleash the potential of the State and has taken several steps in this regard. The Government of Assam reached out to the World Bank to take advantage of the significant global and local analytical knowledge of PFM reform experience of the Bank which could be a key value addition for the GoA's reform priorities. The World Bank's experience in supporting PFM reform projects through IT interventions, which include design, development, and implementation of FMIS and revenue systems across the world, can contribute to effective advice, choice of solutions, and implementation. These international experiences and cross learnings from other states within India will provide the state appropriate technology solutions, procurement support for FMIS and revenue IT solutions, and sequencing/phasing of implementation to facilitate successful implementation while mitigating implementation and change management risks.

In this background, the idea of the ASPIRe Project was conceived and subsequently, the project preparation and appraisal stages were completed and a Project Appraisal Document was placed before the board of directors of the World Bank. The board approved this project in the month of June and thereafter the Indian Government signed the loan agreement with the World Bank for this \$44 Million project.



Overall Objectives of ASPIRe Project

The Project aims to ***transform the functioning of the Finance, Taxation and Excise departments*** and the citizens of the State will see transformative benefits accruing to them through efficient processes, better service delivery such as electronic payments and collections for services, transparent public procurement and enhanced tax payer services.

It is expected that by the end of this project, the common citizen will be able to access all the budget execution reports and public procurement contracts in public domain. Further, one of the objectives of the project is to ensure that a large majority of non-GST taxes are collected electronically and that the citizens will be able to file tax returns for non-GST taxes online. Also, it is expected that the Excise revenues, which will also be electronically collected, will go up substantially from the existing Rs.800 Cr. as leakages will be plugged to a large extent.

As a part of the project preparation, three Project Implementation Units (in Commissionerate of Taxes, Commissionerate of Excise and Directorate of Accounts & Treasuries, Assam) and a Project Management Unit have already been set up. The ***ASPIRe Project is of 5 years duration*** and the expected project completion date is March 31, 2022.

The project has been signed and declared effective w.e.f 25th September 2017 – after receiving the Legal opinion from Advocate General, Government of Assam.

Project Success Indicators

The key project indicators are the following:

- a. Reduction in share of discretionary expenditure in the last quarter of the financial year
- b. Public access to key budget execution reports and procurement contracts awarded
- c. Reduction in cost of collection of tax revenue in Commercial Tax and Excise Departments.

Key Beneficiaries

The key beneficiaries of the project will include the Finance Department, Office of Commissioner of Taxes, Department of Excise and Department of Information Technology; procuring agencies in select line departments and government officials. All line departments, directorates and field level units will benefit from having information of budget execution rates and status of payment of bills.

The project will also benefit the citizens of Assam through efficient processes and better service delivery provided by public institutions (such as electronic payments and collections for services, better public procurement and enhanced tax payer services) and enhanced transparency.

Project Components

The project consists of three components.

Component 1: Strengthening Public Finance Institutional Capacity will finance activities to strengthen selected PFM institutions and functions in the state. This will include institutional assessment and strengthening, capacity building, and analytical studies;

Component 2: Strengthening Expenditure and Revenue Information Systems; and

Component 3: Project Management, Monitoring and Evaluation, and Coordination. Components 1 and 3 will finance inputs under TA and project management (that is, reimbursement of reported eligible expenditures), while Component 2 uses a combination of financing inputs and results.

Implementation Mechanism

For Project Management of this project as well as for a long term objective of bringing about synergy in planning and implementation of various IT based Public Financial Management reforms of the Finance Department, the Special Purpose Vehicle (SPV) named as "Assam Society for Comprehensive Financial Management System (AS-CFMS)" was registered on 2nd March 2016 upon receipt of Cabinet Approval on 28th February 2016.

AS-CFMS has two tier administrative structure: the Governing Body (GB) chaired by the Honourable Chief Minister, and the Executive Committee (EC) chaired by the Chief Secretary to Government of Assam.

Progress under ASPIRe Project

- ASPIRe Project has a full time Project Director and an Additional Project Director – both from the IAS cadre.
- A Project Management Unit, comprising a balanced mix of experienced domain experts and young executives has been constituted for the overall administration of the project.
- Four consultancies in the domains of Financial Management Information System (FMIS), GST Readiness Assessment, Excise e-Governance Solution, and PPP Policy Reforms have been recruited. Most of these have delivered their first draft of the to-be reforms report.
- **Procurement Reforms Activity:** Assam Public Procurement Act, 2017 has been passed by Hon'ble Assembly & is one of the most progressive procurement acts in the country with provision for latest procurement methods like GeM, Swiss Challenge, Reverse Auction etc. Procurement Rules as well as Standard Bidding Documents (SBDs) are under preparation.
- **Constitution of Cash and Debt Management Unit:** The Debt and Cash Management Cell has been proposed to be established within the Finance Department to handle daily cash, debt issues. To this effect, a domain expert with experience of working with the RBI has been engaged as Cash & Debt Advisor.
- **Information and Communication Technology Upgradation:** Procurement of hardware and networking peripherals for the Commissionerate of Taxes has been completed and a vendor has been awarded the contract. Subsequently, the bidding process for supply of servers and networking devices for the Directorate of Accounts and Treasuries has also been initiated under the project.
- **Government e-Marketplace (GeM):** ASPIRe Project has been the action leader in the adoption of GeM. A training of trainers (ToT) programme was organized in partnership with the National Institute of Financial Management (NIFM) in the month of June and thereafter, the project has been providing training assistance to various government officials. The project has also initiated its first procurement on GeM in the month of August.