



Report No: RES00217

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE

Uttarakhand Public Financial Management Strengthening Project

APPROVED ON 07-Mar-2019

TO
India

Governance Global Practice
South Asia Region

Regional Vice President:	Martin Raiser
Regional Director:	Mathew A. Verghis
Country Director:	Auguste Tano Kouame
Practice Manager:	Hisham Ahmed Waly
Task Team Leader(s):	Krishnamurthy Sankaranarayanan, Arvind Prasad Mantha



ABBREVIATIONS AND ACRONYMS

Abbreviation	Description
AFS	Annual Financial Statements
CTD	Commercial Tax Department
DSA	Debt Sustainability Analysis
FRBM	Fiscal Responsibility and Budget Management
FY	Financial Year
GIS	Geographic Information System
GoUk	Government of Uttarakhand
GRM	Grievance Redressal Management
HRMIS	Human Resource Management Information System
IBRD	International Bank for Reconstruction and Development
IFMIS	Integrated Financial Management Information System
IPF	Investment Project Financing
MTDS	Medium-Term Debt Strategy framework
MTFP	Medium Term Fiscal Plan
OAMS	Online Audit Management System
PBC	Performance Based Condition
PDO	Project Development Objective
PFM	Public Financial Management
RBF	Results Based Financing
RLB	Rural Local Bodies
SBD	Standard Bidding Documents
TA	Technical Assistance
UDD	Urban Development Directorate
UKPFMS	Uttarakhand Public Financial Management Strengthening
ULB	Urban Local Bodies
US\$	United States Dollars



BASIC DATA

Product Information

Operation ID P166923	Operation Name Uttarakhand Public Financial Management Strengthening Project
Product/Financing Instrument Investment Project Financing (IPF)	Geographical Identifier India
Approval Date 07-Mar-2019	Current Closing Date 30-Jun-2024
Original EA Category Not Required (C) (PAD Approval Package-07 Mar 2019)	

Organizations

Borrower India	Responsible Agency Finance Department, Government of Uttarakhand
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OPERATION STATUS

Project Development Objective (DO)

Original Development Objective

The project development objective is to enhance accountability in public finances and increase effectiveness of revenue management systems in Uttarakhand

Disbursement Summary (in USD million)

Source of Funds	Net Commitment	Disbursed	Balance	% Disbursed
IBRD	31.58	23.17	8.41	73.36
IDA	--	--	--	0



Grants	--	--	--	0
Policy Waivers				
Does this restructuring trigger the need for any policy waiver(s)?				No



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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Background

1. **The Uttarakhand Public Financial Management Strengthening Project (P166923) was approved by the World Bank's Board of Executive Directors on March 7, 2019, and became effective on August 20, 2019, with a closing date of June 30, 2024.** The Project Development Objective (PDO) is to enhance accountability in public finances and increase effectiveness of revenue management systems in Uttarakhand. The project was restructured once, on February 1, 2023, to effect changes in certain Performance Based Conditions (PBCs¹).
2. **The project is an Investment Project Financing (IPF) which combines Technical Assistance (TA) and results-based financing (RBF) through PBCs.** The overall project cost is US\$39.48 million, of which US\$31.58 million is International Bank for Reconstruction and Development (IBRD) Loan and the balance is counterpart financing. Of the IBRD financing, US\$24 million (or 76 percent) is allocated to PBCs, while the remaining US\$7.58 million (or 24 percent, including front end fee) is in the form of TA. The project activities are grouped in three technical components, with a fourth component supporting project management.

B. Project Status

3. **The progress towards achievement of the PDO and Implementation Progress are both rated 'Moderately Satisfactory'².** The disbursements currently stand at 73 percent of the IBRD Loan. There are no outstanding audit reports for the project.
4. **The project has achieved three out of five PDO indicators.** Two PDO indicators are lagging and need additional time beyond the current closing date of June 30, 2024. The progress on the achievement of PDO indicators are outlined below:
 - a. **PDO indicator 1: Complete and timely state financial reports made available in public domain:** All annual targets and final target have been fully achieved.
 - b. **PDO indicator 2: Improved coverage of internal audit for high-risk auditees:** The end targets have been achieved and coverage has increased from 10 to 60 percent.
 - c. **PDO indicator 3: Enhanced transparency of key budget and procurement information:** Intermediate Targets for year 1, year 2, year 3, and year 4, respectively on citizen participation in budget preparation, implementation of Grievance Redressal Mechanism (GRM) portal, publishing of budget documents bilingually, and publishing of contract award in public domain, have been completed. Standard Bidding Documents (SBD), which is year 2 target, are delayed. While SBDs have been submitted to the Government of Uttarakhand (GoUK) for approval and will undergo various rounds of review, expected to be achieved after June 30, 2024. The year 3 target on disclosure of Medium-Term Fiscal Plan (MTFP) in accordance with the State Fiscal Responsibility and Budget Management (FRBM) is expected to be achieved by July 2024.

¹ The term Disbursement Linked Indicators (DLIs) is also referred to as Performance Based Conditions (PBCs), in line with World Bank's revised terminology.

² Per the publicly disclosed Implementation Status and Results Report, approved by the World Bank management on February 2, 2024: <https://documents1.worldbank.org/curated/en/099020224115510523/pdf/P1669231e334e800b19f1c1429e272bda08.pdf>



- d. **PDO indicator 4: Improved timeliness in preparation and publication of Annual Financial Statements (AFS) of ULBs:** Intermediate targets for year 1, 4, and 5 have been achieved. Accounts of 56 ULBs have been published on the Urban Development Department (UDD) website. The project is in advanced stage of achieving the end target of this PDO indicator.
 - e. **PDO indicator 5: Increased property tax collections of participating ULBs over baseline:** Collections have increased by 35 percent over the baseline, which was the end target for this indicator and has been achieved.
5. **The implementation progress, key reforms and results achieved to date include the following:**
- a. An Integrated Financial Management Information System (IFMIS), including Human Resource Management Information System (HRMIS) and budget module have been implemented across the state. The entire state budget is prepared, allocated, distributed, and executed through this system. All payments, including payroll and pension processing of State employees, are done through this system. State Accounts are submitted to the State Accountant General within ten days of month-end. Service records of more than 250,000 employees and pensioners have been digitized, which is aiding faster payroll and pension processing. Progress in this area is tracked through PDO indicator 1 and PBC 1.
 - b. Online Audit Management System (OAMS) has been implemented to cover the entire internal audit function. With use of the software, application of new audit manuals on risk-based audits and training of audit staff, internal audit coverage has increased from 10 to 60 percent. Timeliness of audit report has improved as most of the audit reports are issued within two months from the completion of audit. The achievement of PBC 2 of year 5 on thematic audits is under progress and expected to be completed beyond current closing date of June 30, 2024. Progress in this area is tracked through PDO indicator 2 and PBC 2.
 - c. The coverage of Financial Attest Audit of local bodies (ULBs and Rural Local Bodies (RLBs)) has improved and audit backlogs have significantly reduced. Progress in this area is tracked through PBC 6.
 - d. Transparency has improved through publication of key budget documents, citizen friendly budgets, implementation of Procurement GRM portal, publishing budget bilingually, as well as publishing MTFP. Progress in this area is tracked through PDO indicator 3 and PBC 3.
 - e. Double entry accrual-based accounting system for ULBs is rolled out across the state. Training has been provided to all accounting staff of ULBs, and it has improved the timeliness in the preparation and publication of Annual Financial Statements. Progress in this area is tracked through PDO indicator 4 and PBC 4.
 - f. Property tax software has been implemented and tax records have been digitized in 68 ULB across the State. This has led to increased tax collections of more than 35 percent in the ULBs covered by the project. Further interventions like Geographic Information System (GIS) mapping, drone flying and door-to-door survey of the properties for 14 cities are underway and expected to be completed after the current closing date of June 30, 2024. This will further increase the demand and collection of the ULBs. Progress in this area is tracked through PDO indicator 5 and PBC 5.
 - g. Commonwealth's Meridian Software for debt data recording and management has been implemented. All debt data has been entered in the software and reconciled with the lenders and State Accountant General. Debt Procedures Manual has been implemented to facilitate guidance and uniform application of procedures. Monthly and yearly cash and borrowing plan is now regularly prepared, and reviewed by the Secretary Finance, GoUk. The 'Debt Statistical Bulletin' has been published, and Medium-Term Debt Strategy framework (MTDS) and Debt Sustainability Analysis (DSA) are being prepared to guide the State on debt management decisions. These actions have led to change in the debt strategy leading to reduction



in interest costs. In the recent years, the debt taken by the State has reduced considerably due to proper cash forecasting. Progress in this area is tracked through PBC 7.

- h. PFM Capacity building in the State is improved by providing training and capacity building of the State officials from premier institutes. Memorandum of Undertaking with leading public finance institutes has been entered for development of training materials/modules and providing training to State officials.
- i. Revenue administration in the Commercial Tax Department (CTD) and Stamps Department has been strengthened through business intelligence solutions, analytic tools and consultancy studies for revenue augmentation. These measures have led to increase in overall tax collections in the departments.

C. Rationale for Restructuring

- 6. **The Department of Economic Affairs, Government of India has requested for a one year extension of the project closing date, from June 30, 2024, to June 30, 2025, vide their letter no F.No.19/26/2016-FB-II, dated June,27,2024, in order to fully achieve the PDO, PBCs, Results Framework indicators, complete the remaining project activities, and sustain the PFM reforms in the State.**

II. DESCRIPTION OF PROPOSED CHANGES

- 7. **Based on the request, the proposed project restructuring includes a one year, no cost extension of the project closing date, from June 30, 2024, to June 30, 2025.**



III. PROPOSED CHANGES

Operation Information	Proposed Changes	Operation Information	Proposed Changes
Disbursements Estimates	Yes	Loan Closing Date Extension	Yes
Development Objective	No	Implementation Schedule	Yes
Safeguard Policies Triggered	No	Loan Cancellations	No
ISDS	No	Reallocations	No
MFD/PCE	No	Financial Management	No
Results	No	Procurement	No
Risks	No	Institutional Arrangement	No
Legal Covenants	No		
Conditions	No		
Implementation Modalities	No		
Disbursements Arrangements	No		
DDO	No		
Clients	No		
Appraisal Summary	No		
Components	No		

IV. DETAILED CHANGE(S)

COSTS & FINANCING

Private Capital Facilitation

Is this an MFD-Enabling Project (MFD-EP)?

Is this project Private Capital Enabling (PCE)?

LOANS

Loan Closing



Loan/Credit/Trust Fund	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-89280-001	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2025	30-Oct-2025

DISBURSEMENTS

Operation Dates & Projection Details

Reasons to change the full Disbursement date and/or the projection

Change in Pace of Implementation

Implementation Start Date

07-Mar-2019

Operation Closing Date

30-Jun-2024

Projected Date for Full Disbursement

30-Oct-2025

Expected Disbursements (in US \$) (Absolute)

Year	Original Estimation at Preparation (Approval Package – 07 Mar 2019)	Revised Estimation	Actual
FY2019	90,000.00	0.00	0.00
FY2020	3,750,000.00	2,100,000.00	2,091,796.16
FY2021	6,950,000.00	200,000.00	161,755.72
FY2022	7,200,000.00	5,400,000.00	5,397,734.75
FY2023	7,150,000.00	9,000,000.00	9,259,330.64
FY2024	5,500,000.00	7,500,000.00	6,177,539.51
FY2025	850,000.00	3,500,000.00	0.00
FY2026	0.00	3,880,000.00	0.00