**Government of Rajasthan**
**Finance Department**
[Economic Affairs Division]

## Strengthening Public Financial Management System in Rajasthan Project

### EOI EXTENSION

Reference to the EOI submission notice dated 13/05/2016, the last date for submission of Expression of Interests (EOIs) for hiring consultancy service no. 3 **'Developing and Establishing a Commitment Control System and Information System in Government of Rajasthan'** is hereby extended up to Friday, 1st July, 2016. For all other consultancy services the date of EOIs submission will remain as notified earlier. The draft of Terms of Reference (TOR) may be obtained from website (http://www.finance.rajasthan.gov.in/).

**Project Director**
Rajasthan: Strengthening Public Financial Management Project
Joint Secretary, Finance (Economic Affairs Division), Department
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## REQUEST FOR EXPRESSIONS OF INTEREST
### (Consulting Services – Firms Selection)

| | |
|---|---|
| **Country:** | Rajasthan, India |
| **Name of Project:** | Strengthening Public Financial Management in Rajasthan Project |
| **Assignment Title:** | Consultancy for developing and establishing a Commitment Control System and an Information System for Contract Monitoring in Government of Rajasthan, India. |

The Government of Rajasthan has applied for financing from the World Bank toward the cost of the **Strengthening Public Financial Management in Rajasthan Project (P156869)** and intends to apply part of the proceeds for a consultancy to develop and establish a Commitment Control System and an Information System for Contract Monitoring in Government of Rajasthan.

The consulting services ("the Services") include (a) study, design, develop, implement business processes for a Commitment Control System (CCS) in Government of Rajasthan; and (b) set up a system of aggregating information on commitments across the Government. This is sought to be achieved through (a) a study of the existing system/s (AS IS); (b) developing a formal CCS to recognize commitments at every stage in works and services, schemes and employee related payments (TO BE); and (c) implementing a system of capturing these commitments including, defining the data sets required and sources of information, to facilitate analysis and decision making. This is envisaged as the first phase for a complete integrated Contract Management System. The draft Terms of Reference (TOR) for this assignment can be found at (http://finance.rajasthan.gov.in/).

The Finance Department, Government of Rajasthan now invites eligible consulting firms ("Consultants") to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services. *The short listing criteria are available in Annexure-1.*

The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank's Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grant] by World Bank Borrowers, January 2011 – revised 2014 ("Consultant Guidelines"), setting forth the World Bank's policy on conflict of interest.

Consultants may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications. The nature of association whether JV or Sub-Consultant, should be mentioned in the EOI. A Consultant will be selected in accordance with the QCBS method set out in the Consultant Guidelines. Further information can be obtained at the address below during office hours [*i.e. 1000 to 1700 hours*]. Expressions of interest must be submitted by July 1$^{st}$, 2016.

Project Director,
Strengthening Public Financial Management Project
Joint Secretary, Finance (Economic Affairs Division), Department
Secretariat, Jaipur-302015, Rajasthan, India.
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## Short listing Criteria

| S. No. | Basic Requirement | Specific Requirements | Documents Required |
|---|---|---|---|
| 1) | Entity | The Consultant should be in existence for at least for 10 years | Copy of the Incorporation document |
| 2) | Turnover | Positive net worth and an Average Annual Turnover from consulting Services of at least 25 crore during the last three financial years (2012-13, 2013-14 and 2014-15). | Certified copy of the audited financial statements OR certificate from a Chartered Accountant |
| 3) | Overall experience | Should demonstrate at least 10 years experience of working in government sector in Public Financial Management, particularly budgeting, accounting and planning and monitoring of public investment projects | Self certification of details of the experience |
| 4) | Technical Capability | Should have proven track record of having successfully implemented or implementing at least 2 assignments, each of value of at least Rs 50 lakhs. | Work orders and work completion certificates from client |

Draft Terms of Reference

Developing and Establishing a Commitment Control System and Information System in
Government of Rajasthan

**Introduction**

1.      The Government of Rajasthan (GoR) is committed to Governance and Public Financial Management (PFM) reforms as reflected in creating greater transparency, building staff capacity in key areas, strengthening accountability and introducing electronic systems to support better service delivery that cuts across various domains. All these steps are in the right direction to strengthen PFM in the state which would lead to improving service delivery, transparency and good governance.

2.      There has been a paradigm shift in the PFM environment with the implementation of an online computerized treasury system - the Integrated Financial Management System (IFMS) – which is a web based system for capturing government's financial transactions including budget planning, preparation, allocation and distribution, fund management, treasury operations , pension payments , Works transactions on Treasury mode, electronic payments and receipts, accounting and automated link with banks, AG office. This system is also integrated with major revenue departments. Another key development has been the passing of the Rajasthan Transparency in Public Procurement Act, 2012 that provided the framework for further strengthening procurement regulations. GoR launched the State Public Procurement Portal (sppp.raj.nic.in) under IFMS inter alia to provide free and open access to general public of all procurement related information required by the Act, thus ensuring transparency in procurement.

3.      To further strengthen its PFM and governance environment, GoR is taking up the *Rajasthan Public Financial Management Strengthening Project* (PFM Project) with financing from the World Bank. The overall objective of the project is to contribute to enhancing efficiency, effectiveness and transparency in public financial management in Rajasthan through strengthening PFM framework, systems and institutions of GoR to enhance governance and accountability.

**Background**

4.      Under the present dispensation, state governments in India, including GoR, follow cash-based system of accounting. Therefore, commitments and stocks/flows of expenditure arrears are not recognized in formal government accounts or in the fiscal reports compiled by the Accountant General. In this system, additional records are required to be maintained. Reports on commitments and expenditure arrears could be compiled, on a nonsystematic basis, from the internal records of individual line departments, though these are considered only by a core group of officials, may not be reported to the Finance Department and may not cover all the areas. Therefore, commitments are known only when they are actually paid. Annual budgets may partially allocate resources for reducing stock of expenditure arrears. Moreover, there are indications that line departments could be exercising discretion in selecting arrears to be cleared, and may not systematically clear arrears based on FIFO basis.

5.      (Under Revision)…..

6.      (Under Revision) ……

7.      GoR now has a well-established accounting and reporting system - the Integrated Financial Management System or IFMS. The IFMS implemented by GoR facilitates online distribution of approved budget to the line departments and internally to the Drawing and Disbursing Officers (DDOs); online submission of bills by DDOs to the Treasuries; and online bill passing and authorization by the Treasuries and hence accounting. Rajasthan IFMS has some capabilities of capturing information on commitments (such as in the proposed Works Accounting module) which needs to be upgraded. IFMS provides a platform for online budget estimation exercise for all offices, Heads of Departments, Administrative Departments and Expenditure Divisions of Finance Department. This is actually the platform where all commitments of the Departments are being captured by Finance Department. Another platform under IFMS is the supplementary grants (1st and 2nd) where commitments are being captured. Budget documents are also linked with BFC/ budget estimation process. IFMS in GoR is a tool where budget control is being maintained with all government transactions so the possibility of excess expenditure or false projection of expenditure has completely been controlled. Online bill submission for all Drawing and Disbursing Officer is mandatory and the same can be generated after availability of budget allocation on the system.

8.      A Commitment means an obligation to make a future payment subject to fulfillment of certain conditions, contractual or otherwise. The commitment of resources is a critical stage of the expenditure process. Controlling commitments is essential for controlling expenditure. The key objective of commitment control is to manage the initial incurrence of obligations, rather than the subsequent cash payments, in order to enforce expenditure ceilings and avoid expenditure arrears[1]. A commitment control system (CCS), therefore, identifies and reserves funds for future payment obligations leaving the uncommitted budgeted funds for other expenditure. An essential element of fiscal discipline is the presence and continued adequacy of expenditure controls at different stages of budget execution, namely authorization, commitment, verification and payment . A CCS involves mechanisms for monitoring and control of payment obligations including availability of reliable information on stock and flows and age profile, and above all a clear definition of payment arrears and the system of controlling expenditure and sanctions.

9.      To reap the benefits of the IFMS functionalities and the data available, GoR intends to establish a complete framework for commitment management and control. With this background, GoR wishes to have a CCS that would capture -

   ▪   the commitments starting from the stage when the project is conceptualized till the final step of release of payments (stages of administrative and financial sanction; contract

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[1] Commitment Controls, Dimiter Radev and Pokar Khemani (Oct 200(), Fiscal Affairs Department, International Monetary Fund

award; completion of work but invoice to be raised, or invoice pending payment). This will help support better cash management and improve budget realism/credibility;

- assessing the impact of commitments under existing and new schemes from a multi-year perspective;
- Employee-related commitments: including pension and other retirement obligations; and
- Commitments emanating from the local governments.

10. There are four stages in the budget execution process - (a) authorization or allocation of appropriations to spending agencies; (b) **commitment i. e. incurring a future obligation to pay**; (c) verification; and (d) payments[2]. GoR is seeking to focus on expenditure control at the commitment stage which will involve capturing and generating management information at every stage in the process (see illustration below). Moreover, with the weakening fiscal position looming large over GoR (including due to losses of its power sector), it is now more important to have a system that reports on commitments and help GoR controlling them. This will facilitate, in later phases, evolving a Contract Management System and a Public Investment Management system.

11. As part of the PFM Project, GoR wishes to engage the services of a consulting firm to support it in the development and establishment of a Commitment Control System (CCS) including an Management Information System (MIS) for aggregating contract information that will facilitate expenditure control and better cash management, support decision making and set the ground for a complete contract management system in the next phase. The current assignment will also include designing a software solution (a utility) for electronic capturing of commitments, linkage with budget limits and repository of contract information drawn through integration with other e-applications in the state.

**Objective of the Assignment**

12. The objective of this assignment are - (a) to study, design, develop, implement business processes for a Commitment Control System (CCS) in Government of Rajasthan; and (b) set up a system, including software application, of aggregating information on commitments entered into by the line departments. Alternatively, the CCS could also be a system to control/monitor commitments embedded in IFMS.

13. This is sought to be achieved through (a) a study of the existing systems; (b) developing a formal CCS by recognizing commitments at every stage in works and services, schemes and employee related payments; (c) implementing a system of capturing these commitments including defining the datasets required and sources of information to facilitate analysis and decisions[3]; and (d) suggest the institutional design and operational arrangements and legal and procedural changes for commitment controls.

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[2] *ibid*

[3] Based on the outputs from this assignment, GoR may in the next phase go in for a complete Contract Management System linked to the CCS.

**Detailed Scope of Work**

*14.*     The scope of work to meet the objective of the assignment is as follows:
**Part A**

15.     **(A1)** *Conduct an AS IS and TO BE study* of -
    i.    present system of commitment control in the works and other line departments of GoR including the datasets available, the source documents, the method/s of formal/informal controls instituted and reporting. the adequacy of the present system of funds releases by GoR - timing, period, amount - and linkage with commitments
    ii.    system of allocating funds to individual projects
    iii.    data available (digitally or paper-based) in respect of contracts entered into by the line departments and the applications where they reside.

Based on this study, identify the gaps that restrict implementing a formal CCS and the gaps that are needed to be plugged in order to have complete system of contract reporting at all stages, at one place. Gap analysis may include the practical aspects of execution of actual works/ projects and provisions should be made in this process for unavoidable circumstances. Document the CCS implemented in other jurisdictions - nationally and internationally. The report will include, at a strategic level, recommendations on improvements in the state's public financial management system vis-à-vis the commitment system (a) formulating a credible budget with achievable revenue targets; (b ) adequate budget provisions for commitments carried forward from previous fiscal years; and (c) measures to embed commitment controls in IFMS. The consultant will prepare reports on AS IS study, Gap Analysis and TO BE study.

16.     **(A2)** *Develop a Policy on Commitment Control in the Government of Rajasthan* including -  definition of commitments and expenditure arrears; defining the roles and responsibilities for commitment origination, authorization and carry-over; treatment of commitments at fiscal year-end and for multi-year obligations; review of commitments; forecasts of financial requirements; reporting commitment information; variance reporting system. This will include -

- the institutional arrangements for administering the CCS
- definition of criteria for sanctioning/ incurring commitments at each level (even if a legal obligation has not arisen) including purposes, amounts, and authorization levels and linkage with budget preparation and execution
- definition of criteria for recording commitments coinciding with the occurrence of the originating event (timeliness); recorded against budget classification
- all types of commitments including administrative, program, and procurement award/ modification
- commitment tracking post contract signing
- definition and treatment of expenditure arrears that could be included in PFM documents such as the FRBM Act/Budget Manual and suggested mechanisms for preventing and management of expenditure arrears

17.     **(A3)** *Prepare detailed Procedures* - Based on the study and Policy, develop detailed procedures to record and control all commitments and contracts. This would include clear definition of the source documents, decision points and reporting; enhancements needed in IFMS or other applications and changes in the existing forms/bills. Information to be captured for contracts should not only include basic details but also the financial and physical progress and there should be cclearly defined separate processes for commitment controls in respect of civil and works departments.

18.     **(A4)** *Design and Develop an automated solution for CCS* - Design and develop a Commitment Interface System solution, in line with the Policy and detailed procedures, that will allow data entry for commitments directly or pulling information from existing e-applications such as IFMS or e-procurement or other applications implemented by the state. This would also include capturing information on contracts and provide "dashboards". The consultant will also design and develop a system for capturing the data on commitments in departments/agencies where digitization has not happened and integrate it with the main solution.

Provide a data migration and digitization methodology and suggesting data upload formats that are available electronically or in paper documents. Provide support roll-out of the application across departments and support GoR in drafting a directive for implementing the CCS. The consultant will review and assess the requirements of the users and document the same. The consultant will also prepare a technical and user manual for the solution.

19.     **(A5)** *Conduct workshops/training sessions* to disseminate the proposed information systems to familiarize a set of officials from various departments with the application. This should at least one round of all line departments as per program agreed with GoR. The workshops/training should include demonstrating the system through live cases based on actual data.

**Part B**

Provide Handholding support for 12 months including support in O & M, roll-out to departments and amendments to the system/application due to user feedback and experience.

20.     The consultant will specifically consider the following during the course of the study and suggest solutions to appropriately deal with these:

- Political announcements/ commitments after budget authorization by State legislative
- Budget Announcements considered after printing and finalization of budget documents
- Changes/ modifications in the approved projects including price variations and un-budgeted commitments
- Changes in Policies/ status of pay allowances/ service rules
- Priorities of Government on a particular sector during a particular time including changes in priorities due to GoI's decisions)
- Sector specific study in respect of commitment control may be required to capture nuances specific to that sector. (some major sectors are works, education, Medical and health, agriculture, water resources, public health and engineering, police, IT,

social justice etc) Sector specific procedures or rules for commitments may be required in some sectors.

- Recording of commitments should be considered after the confirmation or approval (as per rules) for a specific task/ project and should record each stage thereafter very clearly. Commitment control is easily identifiable in respect of big projects or works, but the methods of commitment controls for schemes related to public welfare need to be defined more carefully in line with GoR requirements. Gaps between procurement process and actual implementation should also be minimized and controlled.
- Mandatory system of online sanctions (with the complete study of appropriate levels and subjects (sector wise)) can be established for addressing the commitment controls through the system.
- Definition of commitments in term of state Government should also be re- considered as it should directly be associated with the due approvals.
- Without recording of approval for estimated expenditure on new projects/ tasks/ works/ services/consultancies/ purchases/ procurements/ schemes/ policies etc calculation of commitments cannot be made effective in the system.

**Indicative Deliverables, Timelines and Payment Stages**

21.    The man months estimated is 102. The indicative deliverables, timelines and payments terms for the following activities, which will be a lump sum contract value, are as follows.

| Output/Deliverables (Part A) | Timeline from commencement of the contract | Payments |
|---|---|---|
| Inception Report | 1 month | 10% |
| Progress Report | 2  months | -- |
| AS IS study, Gap Analysis and TO BE study | 4 months | 10% |
| Policy on Commitment Control in Government of Rajasthan with detailed Procedures on CCS | 6 months | 20% |
| Design, Development, testing, Go Live and UAT of the CCS solution, Data Migration Strategy, documentation of users' requirements and manuals | 12 months | 30% |
| Implementation and Roll out of the CCS solution | 15 months | 20% |
| Training and Workshops completed | 18 months | 10% |

*All deliverables will be reviewed and accepted by GoR before the payment is due.*

**Part B:** The activity relating to Handholding Support, including support in O & M, roll-out to departments and amendments to the system/application due to user feedback and experience, would be time-based for a period of initial 12 months extendable by 12 months (or for a lesser period as decided by GoR) for which the consultants will paid according to actual time spent as mutually decided with GoR.

**List of key positions, whose CV and experience would be evaluated**

22.    The consulting firm expressing interest in the assignment should demonstrate that they have successfully carried out e-Governance assignments or similar work at the sub-national level in India and have sufficient qualified key staff to undertake the proposed assignment, as below.

The key staff will be supported by adequate number and qualified staff experienced. Ability to speak and read Hindi would be essential.

| Position | Qualifications/Experience |
|---|---|
| Team Leader | • Post Graduate in Economics / Management / Public Policy or similar professional qualification<br>• At least 15 years' experience including review, design and implementation of e-Governance projects of similar nature with good knowledge of BPR and government budgeting and accounting systems.<br>• Preferably having experience in successful execution of a commitment control system. |
| Domain Expert - Government Budget and Accounting Systems | • Professional qualification such as CA, MBA OR a former government official<br>• Minimum 5 years relevant experience in IT projects in government sector<br>• Expert knowledge of government financial systems (budgeting and accounting at the sub-national level) demonstrated by at least 5 years in assignments in this area<br>• Preferably having experience in successful execution of a commitment control system. |
| Domain Expert - Planning, execution and management of Capital Investment Projects | • A qualified engineer or MBA or equivalent qualification<br>• Minimum 10 years experience in planning, execution and management of capital investment projects at the level of Chief Engineer/ Superintendent Engineer<br>• Experience of working in public works department would be an added advantage |
| Software Systems Analyst / Lead Developer | • B. E./ B. Tech / MCA/ Degree in Computer Science<br>•<br>• With minimum 10 years of experience in designing and development of software applications through the complete SDLC (Software Development Life Cycle)<br>• Industry Standard certifications of relevant software technologies would be a plus<br>• Relevant experience preferably in government sector would be an advantage |
| Software Developer / Engineer | • B. E./ B. Tech / MCA / Degree in Computer Science<br>• With minimum 5 years of experience in development of software applications through the complete SDLC (Software Development Life Cycle)<br>• Industry Standard certifications of relevant software technologies would be a plus<br>• Relevant experience preferably in government sector would be an advantage |

Besides the above, the consultant will include other experts to support the team, as required domain experts for imparting training and integrators/programmers for the development and rollout of CCS solution.

23. **Services & Support to be provided by GoR**

• The assignment will be administratively coordinated by the Project Director of the Project Management Unit established under the PFM project.

- Technical coordination will be done by a designated Coordinator in the PMU. The consultant is expected to consult all stakeholders, as required.

- The PMU will facilitate meetings with the stakeholders and will constitute a team to provide feedback on the draft deliverables. The draft will be approved by GoR.

- For training, GoR will provide the venue and assign the trainees, but all other requirements will be arranged by the Consultant according to appropriate approval of Government.

- GoR will also provide the Master Data to the vendor for data digitization of legacy data. The Consultant will be required to obtain confirmation of the data from Government users after migration in the system by vendor.

- GoR will also provide the IT infrastructure based on the specifications provided by the vendor and also arrange space to host the application in the State Data Center. Source codes of the Application will be retained by GoR. Security Audit/ Cyber security of application will be done by the vendor with authorized agencies.

**Annex**
**Levels of commitment – An illustration**
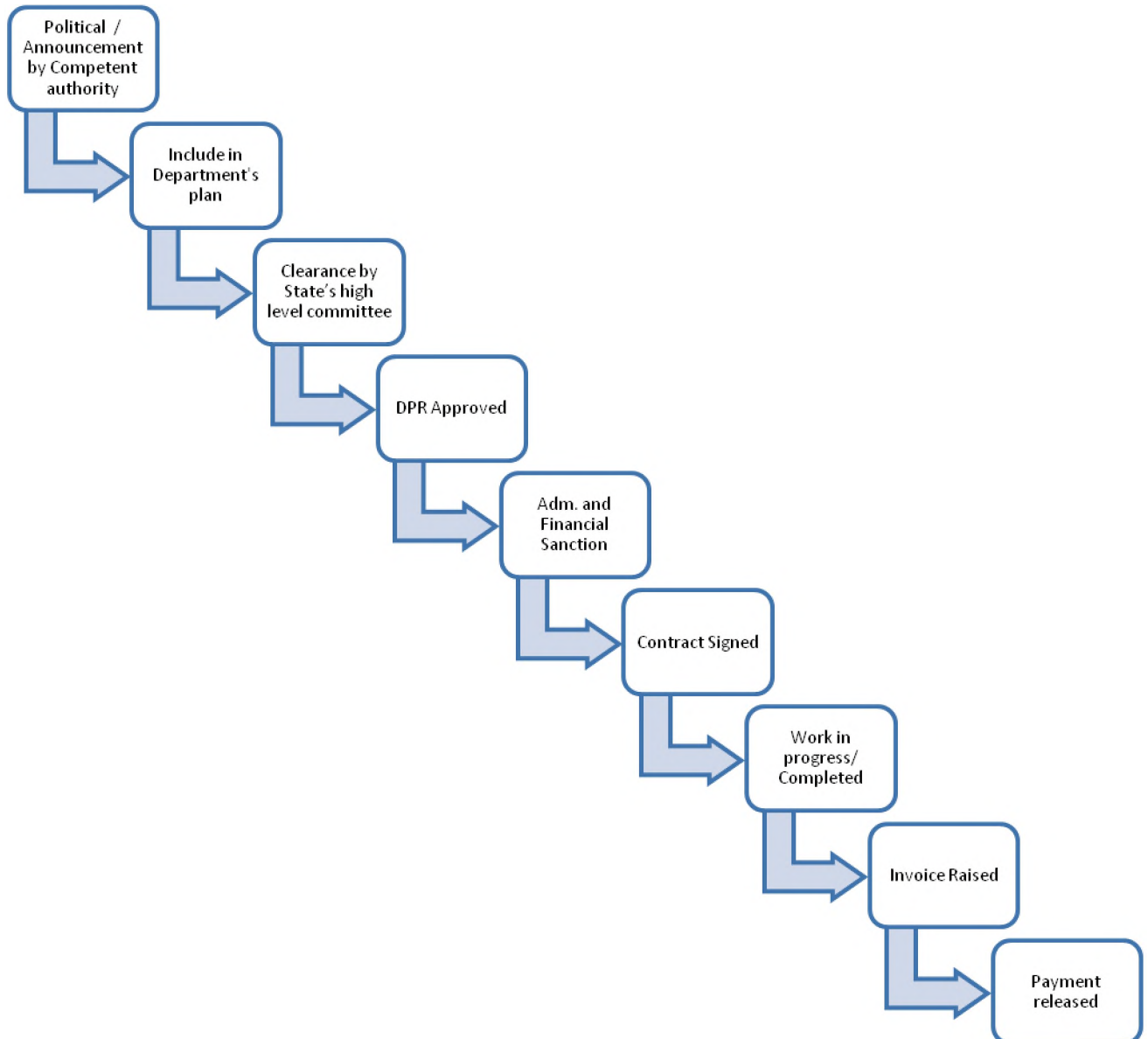


Notes:
1. The above chart/table is only an illustration.
2. Commitments are expected to move to the next level as they become more and more concrete. Once they shift one level down or up will reduce commitment at that level and increase commitment at the next level.
3. Salary/Pension related commitments may originate with Finance Commission / Finance Department announcements.
4. Similarly for schemes announced during or after budget session may have different levels.