Himachal Pradesh: Technology driven public finance reforms

Technology enabled service delivery in the Finance Department

'Service delivery' reform in government often tends to be associated with large citizen-facing departments. The Finance Department of the Government of Himachal Pradesh (HP), through its transformative journey, has proven that such reforms are relevant even in departments with relatively lesser citizen-interactions.

When it comes to governance, HP has traditionally been a reform-oriented state. While the State Government continues to improve front-end service delivery across functions, it has been on a path of reform of its public financial management (PFM) systems as well. The Finance Department has implemented a series of technology-enabled improvement initiatives under the HP PFM Capacity Building Program (2017 to 2023). These initiatives have helped the Department improve service delivery to its customers, namely, taxpayers, staff, pensioners, contractors, and other government departments, and engage more meaningfully with other stakeholders - the central bank[1], commercial banks, the national securities depository[2], and the Supreme Audit Institution[3], to name a few. On the other hand, the reforms have helped the Government transition to real-time paperless transaction processing, thereby improving productivity and reducing carbon footprint.

Situation before the initiative

The Department of Treasuries and Accounts (DoTA), which comes under the administrative control of the Finance Department, handles thousands of government receipts and payments every day. It is also responsible for processing salary and pension to government personnel. Internal and external stakeholders include 5,200 expenditure points (called DDO - Drawing and Disbursing Officers), over 2 lakh employees, and over 1.5lakh pensioners. HP was the first state in the country to introduce computerization in Treasuries in 1989-90. However, transactions continued to be carried out in isolated, distributed computerized systems with minimal data exchange amongst the systems. Extracting meaningful information for decision-making required frequent human intervention. The large volume of transactions often resulted in process delays, bulky paperwork, and scope for errors at every stage of processing. Accounts compilation and reconciliation was often delayed. In the absence of real-time information on receipts, expenditure, and cash position, budget monitoring and cash management suffered.

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[1]Reserve Bank of India
[2]National Securities Depository Limited
[3]Comptroller and Auditor General of India

The reform path

The transformation exercise began from the Government's transaction processing and accounting system –called the IFMIS (Integrated Financial Management Information System). Attempting to implement a single comprehensive technology solution (akin to an ERP - Enterprise Resource Planning) would entail huge investment and make the exercise complex. GoHP adopted the 'modular' approach to implement the IFMIS[4]. The system was rolled out in phases with the technical help from the NIC at every stage and not as a "big bang" deployment. Treasury systems were migrated to the client-server technology[5] in 2000-01, which allowed workflow-based automation of bill processing within Treasury offices. The systems were later migrated to cloud-based technology[6] in 2006-07. This enabled extending the functionality beyond Treasury offices to all government departments and the public as well.

HPOLTIS - the Online Treasury Information System –is the accounting engine and forms the core of the IFMIS. Over time, modules covering separate functions were developed & implemented by the NIC and finally integrated with HPOLTIS. The following modules were implemented over a period of around 16 years: *eSalaries* and *ePensions* for processing salaries and pensions of government employees and pensioners, *eVitaran* for electronic distribution of budget allocations, *eNPS* for managing data of subscribers of the National Pension Scheme, *eBudget* for preparation of the annual state budget, *eChallan* for electronic remittances to government by the public, and *eBills* for electronic preparation and processing of Treasury bills (payment vouchers). A powerful reporting engine -*eKosh*- was developed, which pulls data from various modules and produces meaningful transactional and summary reports.
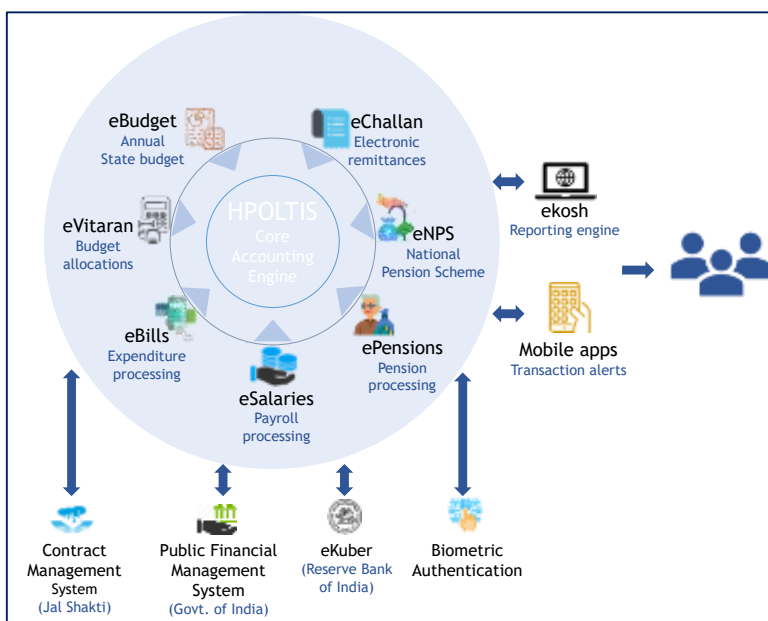
IFMIS modules were integrated with external systems as well. Like *eKuber* - the transaction processing system of the Reserve Bank of India; Government of India's *PFMS – Public Financial Management System* for implementation of Central schemes and *Jeevan Pramaan* – portal for verification of life certificates of pensioners; National Securities Depository Limited's *NPS - National Pension System*; and HP's own *CMS - Contract Management System,* implemented in the Jal Shakti Department for managing works contracts. The integration enabled seamless electronic exchange of data with those systems. A suite of mobile apps was developed, which provide information to beneficiaries, namely, employees, pensioners, and contractors on financial transactions with the Government. A biometric authentication system was also implemented for authentication of IFMIS users.

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[4]A modular approach is known to be more cost effective and less straining on the implementer's capacities. (See 'Investing in financial management information systems, World Bank blogs – September 03, 2020).
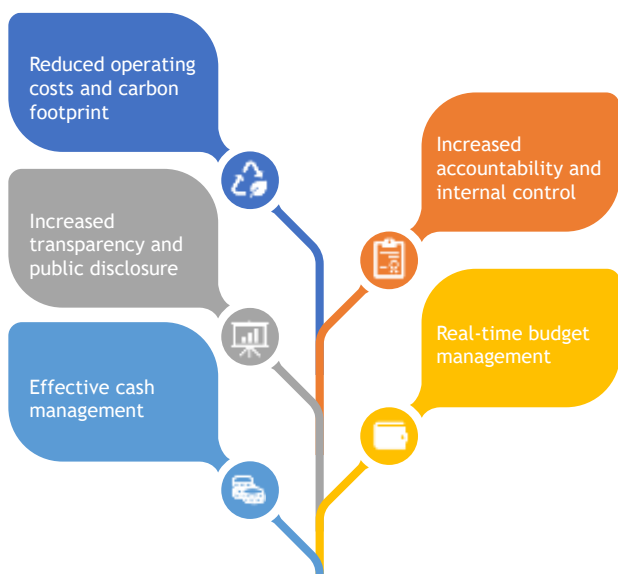
[5]A technology that allowed application software hosted on a central server to be accessed from multiple computers connected to the server over a network.

[6]A technology that enabled a centrally hosted application software to be accessed from multiple points over the internet.

The initiative was not confined to implementation of technology solutions. The State Financial Rules were amended on the lines of the General Financial Rules of the Union Government. Operations manuals were developed for Treasury officers and DDOs separately. Extensive training was imparted to users of IFMIS. Budget reforms included citizen consultations during the annual budget preparation exercise. The Government now puts out key fiscal information on the public domain using data visualisation tools.

The takeaways

As of September 2022, the IFMIS processes, on an average, around 2.1 lac receipt transactions and around 6 lac payment transactions in a month. Transaction processing times have reduced drastically; so have the number of physical visits to Treasury offices by public. Duplication of data entry of and physical paperwork has significantly reduced since expenditure data is digitized at source at all the DDO offices. A budget allocation from the Finance Department to other State departments is fully paperless, cutting down on physical movement of files and processing time. Electronic transaction processing has helped in increasing internal controls.

Reduced operating costs and carbon footprint

Increased transparency and public disclosure

Effective cash management

Increased accountability and internal control

Real-time budget management

Integration of various transactional modules with HPOLTIS has enabled real-time budgetary control. Payments are electronic, ending the use of paper-based instruments like cheques. The system has more than 25,000 registered external payees (vendors, suppliers, service providers) and the number is growing. Salaries and pensions of the entire government establishment is processed online. A pensioner today can walk into any Treasury Office, Citizen Service Centre, or office of the National Informatics Centre and obtain his life certificate in minutes. On the receipts side, thanks to introduction of digital payments, close to 70% of all government receipts are electronic. "We plan to take digital receipts up to 80 % in the next year" says Mr. Deepak Bhardwaj, Additional Director, Treasuries.

Near real-time information availability has made cash management easier for the Finance Department. The reforms also took the Government a step towards better transparency and public disclosure. Anybody can log into the *eKosh* portal and look up information on the government's finances to the minutest detail. The suite of mobile apps has made accessing information on specific transactions simple for anyone making or receiving payments from Government.

The enablers

Strong leadership from the top and a committed program management team played a huge part in the reform success. Positioning the IFMIS as the centrepiece of the full suite of technology applications ensured data integrity and interoperability. The modular (vis-à-vis big bang) approach to implementation helped inquickly learning from mistakes and improvises. Extensive training throughout the implementation helped in faster internalization and better ownership of the system. "We have invested more than 20,000 training man-days in preparing the staff for the new system" says Mr. Rohit Jamwal, Director, Treasuries.The entire software development and implementation was handled in-house with excellent support from the State unit of the National Informatics Centre, saving the State Government a significant sum that would otherwise have been spent on software, consultancy, and implementation contracts. Biometric authentication system has ensured increased security of transactional data. Integration with external systems has ensured real-time exchange of data and a seamless end-user experience both for GoHP staff and the public.

The road ahead

Encouraged by the outcomes achieved, the Finance Department has set its sight on higher goals. The focus in the coming years will be on making submission of monthly accounts to the Accountant General's office completely paperless. Data analytics tools would be implemented for generating strategic insights for fiscal management. The Finance Department has started the implementation of an electronic Audit Management System and strengthening internal capacities of the State Audit Department. The Department will also implement a Commitment Control System[7] which will integrate information from different systems like the IFMIS, the CMS, the electronic procurement system and so on. An automated environment brings with it increased information security and privacy risks. The Finance Department intends to put in place a comprehensive information security policy, commission information systems audits, and implement a business continuity plan."The achievements of the past have given us the confidence that technology driven change can be implemented and sustained. The coming years will see the Finance Department implementing more cutting-edge technology solutions, further improving its responsiveness to its stakeholders" says Mr. Prabodh Saxena, Additional Chief Secretary (Finance), Government of Himachal Pradesh.

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[7]A Commitment Control System helps governments in budget management and cash management.