

SUMMARY ENVIRONMENTAL ASSESSMENT REPORT

Supplementary Appendix to the
Report and Recommendation of the President
to the Board of Directors

on the

**ASSAM GOVERNANCE AND PUBLIC RESOURCE MANAGEMENT SECTOR
DEVELOPMENT PROGRAM**

INDIA

This report was prepared by the Borrower and is not an ADB document.

16 December 2004

INTRODUCTION

I. The Program Loan

A. **Objective.** The Program supports ASG's stabilization and consolidation of state finances to enhance growth and reduce poverty by strengthening public finances; fiscal governance; and core governance through policy, legal, regulatory, and institutional reforms.

B. **Components and Outputs.** The Program will support reform measures under three components: (i) reform of state finances, (ii) reform of fiscal governance, and (iii) reorientation of the role of the state. The following outcomes are expected: (i) enhanced fiscal responsibility, (ii) broadened tax base and enhanced tax collection, (iii) enhanced nontax revenues, (iv) restructured state debt, (v) containment of state pension liabilities, (vi) improved state budgeting, (vii) enhanced poverty-focused and growth-oriented expenditure, (viii) public sector enterprise reforms, (ix) strengthened public-private partnership, and (x) public administration review.

II. The Project Loan

A. **Objective.** The project loan will provide (i) procurement of equipment required to develop and implement an integrated public financial management information system for institutional strengthening; and (ii) capacity building to support ASG's fiscal and governance reform efforts to strengthen its implementation of processes and procedures outlined in the Program through engagement of consulting services, increased public awareness, and training.

B. **Components and Outputs.** The specific components are (i) coordination, (ii) capacity building for reform of state finances, (iii) capacity building for fiscal governance reforms, (iv) capacity building for reorienting the role of the state, (v) public finance information technology, (vi) training programs, and (vii) public awareness programs.

III. **Environmental Impact.** An environmental assessment of policy interventions (see attached matrix) was done and confirmed that the program and project loan will not have any direct or immediate environmental impacts. Based on the assessment, the Program will help implement and streamline clear application of existing laws against environmental pollution resulting from the public-private taskforce review of environmental laws, rules, and regulations.

MATRIX ON ENVIRONMENTAL ASSESSMENT OF POLICY INTERVENTIONS

Policy Intervention	Economic and Social Outcomes	Environmental Impact	Mitigation Measures
1. Enhanced fiscal responsibility	<p>Fiscal responsibility regime established under the MTFP and FRB.</p> <p>Fiscal discipline prohibiting WMAs and ODs recourse for negative cash balances established as of FY 2005/2006.</p>	No potential environmental impact is expected.	No mitigation measures required.
2. Broadened Tax Base and Enhanced Tax Collection	VAT and other tax policy and administration reforms.	No potential environmental impact is expected. However, with enhanced tax incidence, lower allocations could be made for environment protection measures by corporates/user groups.	No mitigation measure required. However, compliance with environmental measures should be monitored regularly.
3. Enhanced Non Tax Revenues	Increased user fees in health, transport, water supply and education sectors pursuant to feasibility and affordability strategic review.	Marginal environmental impacts may occur with secondary effects of implementation of user fees policy, e.g. in water, it might intensify ground water exploitation and change patterns of use of natural resources on the negative side. On the positive side it may rationalize the use of the scarce water resources.	The strategic review would examine the implications of the various levies and suggest mitigation measures as necessary.
4. Restructured State Debt	<p>Containment of state debt attained by restructuring and settlement of high interest state debt in accordance with MTFP.</p> <p>Sustainable management of public debt established through automated and comprehensive debt data inventory, and loan procedures and systems processing benchmarks.</p>	No potential environmental impact is expected.	No mitigation measure required.
5. Containment of State Pension Liabilities	Systemic reform for containment of new government employees pension liabilities established.	No potential environmental impact is expected.	No mitigation measure required.

Policy Intervention	Economic and Social Outcomes	Environmental Impact	Mitigation Measures
6. Improved State Budgeting and Expenditure Orientation	<p>Standards for transparent and comprehensive state budget presentation and reporting in accordance with MTFP requirements established.</p> <p>Objective criteria established for allocation of capital and O&M expenditure in accordance with the MTFP.</p> <p>A PFMIS established which underpins compliance with state budget standards and objective criteria.</p>	Marginally positive environmental impact. With better O&M the waste emissions on receptors (land, water, air) are expected to decrease.	No mitigation measure required.
7. PSE reforms and strengthened public private partnerships	<p>A policy framework and coordinated oversight established to enable PSE reforms.</p> <p>A VRS-SSN program for all PSE employees affected by PSE closures established for social impact mitigation of reforms on unproductive PSE expenditures.</p> <p>Streamlining of legal, regulatory, administrative and investment processing requirements for private sector investment assessed.</p>	No potential environmental impact is expected.	No mitigation measure required.
8. Public administration review	Improvement in the quality of public administration expenditure and prevention of corruption.	No potential environmental impact is expected.	No mitigation measure required.

FRB = fiscal responsibility bill; FY = fiscal year; MTFP = medium-term fiscal plan; O&M = operation and maintenance; ODs = overdrafts; PFMIS = public financial management information system; PSE = public sector enterprise; SSN = social safety net; VRS = voluntary retirement scheme; WMAs = ways and means advances.