



1. Project Data

Project ID P102627	Project Name IN: Bihar PRI	
Country India	Practice Area(Lead) Governance	
L/C/TF Number(s) IDA-51600	Closing Date (Original) 31-Dec-2017	Total Project Cost (USD) 56,476,128.38
Bank Approval Date 27-Sep-2012	Closing Date (Actual) 30-Dec-2019	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	84,000,000.00	0.00
Revised Commitment	69,000,330.23	0.00
Actual	54,176,808.29	0.00

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2. Project Objectives and Components

a. Objectives

The objective of the Project is to support Bihar's capacity to promote and strengthen inclusive, responsive and accountable Panchayat Raj Institutions ("PRIs") in selected Project Districts across the state (Financing Agreement, Credit Number 5160-IN, p. 5).

b. Were the project objectives/key associated outcome targets revised during implementation?



Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project was initially structured around five components.

Component 1: Panchayat Sarkar Bhawan: This component involves construction and making functional Panchayat Sarkar Bhawans (local administration buildings) in approximately 300 Gram Panchayats (village councils) . After restructuring the component was split in two subcomponents. Component 1(a) Construction of 330 Panchayat Sarkar Bhawan (PSBs); (b) Making functional the existing 330 PSBs constructed by the Government of Bihar. Cost: Estimated at appraisal: US\$50m; after restructuring: US\$65m; information on amounts disbursed by component at project closing (actual cost) were provided in local currency (INR) and approximate values in US\$ to US\$49.1 million.

Component 2: Capacity building for Panchayati Raj Institutions: This component builds panchayats' core institutional competencies to empower them to achieve essential development outcomes. The component also engages communities and citizens, through training, mobilization, and the media, to participate in local governance and to hold panchayats accountable. This component had two subcomponents on: a) institutional strengthening, building the core institutional capacity of panchayats, including in basic administrative, planning and financial management capacity; and, b) nurturing development-oriented panchayat leadership and local initiatives in the following areas: natural resource management, nutritional status of women and children, quality of drinking water, and village sanitation. After restructuring, component 2 was retained but natural resource management was dropped as a focus area. Cost: Estimated at appraisal: US\$ 27.5m; after restructuring US\$ 32.5m; approximated actual cost (see above) was US\$2.4 million.

Component 3: Strengthen State Government capacity to manage a gradual decentralization and empowerment process through: a) the establishment of a regulatory framework for PRIs; b) monitoring of panchayat finance and performance; c) capacity building curriculum development; and, d) expanded annual audit coverage. After restructuring, component 3 was retained but focused on a, b and d as capacity building activities were covered under component 2. Cost: Estimated at appraisal US\$ 2.5m; after restructuring: US\$ 7.5m; approximated actual cost (see above) was US\$0.5 million.

Component 4: Panchayat Performance Grant to reward panchayats with exceptional performance on inclusiveness, responsiveness and accountability. After restructuring the component was dropped. Cost: Estimated at appraisal: US\$ 20m; after restructuring: 0; and at project closing: 0.

Component 5: Project Management and Coordination. The implementation agency for the project, the Bihar Gram Swaraj Yojana Society (BGSYS) had four critical roles. It functioned as a catalyst for the Government of Bihar's vision for empowering PRIs, provided technical support, coordinated activities and had fiduciary responsibility. After restructuring this component was retained. Cost: Estimated at appraisal: US\$15m; after restructuring US\$ 15m; approximated actual cost (see above) was US\$4.1 million.



e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost, Financing and Borrower Contribution:

The original total project cost was budgeted at US\$120 million. World Bank financing consisted of US\$84 million (70%) and the borrower contribution was US\$36 million (30%). World Bank financing was revised to US\$ 69,000,330 and borrower financing to 0, reducing the total project cost to US\$ 69 million. The revised World Bank financing corresponds with the reported cancellation of US\$15 million, accrued due to exchange rate gains, at the second restructuring on April 30, 2019. Amount disbursed was US\$56,476,128. According to the project team, the underspend of roughly US\$12.5 million was due to – (i) disallowances by the auditor that could not be recertified by the project; (ii) release of the retention money against the security deposits; (iii) both BGSYS (Bihar Gram Swaraj Yojana Society) and LAEO (Local area engineering office) were unable to furnish expenditure details because of the lockdown during the months of March-May as a result of COVID 19.

Dates:

The Project was approved on September 27, 2012 but only became effective on August 21, 2013 due to changes in senior government counterparts and slow progress on approving posts critical to the implementation of the project. Subsequently it underwent three Level 2 restructurings.

1. The first took effect on June 15, 2016, and included a revised results framework (PDO indicators reduced from seven to three and revised with more specific targets), revised and dropped components (most significantly, component 4 on performance grants was entirely dropped and a new implementing agency was introduced), funds were reallocated, disbursing arrangements were changed and the project closing date was extended by 18 months to June 30, 2019.
2. The second restructuring took place on April 30, 2019 and involved a cancellation of US\$15 million of the credit due to exchange rate gains.
3. The third restructuring was affected in June 2019 and extended project closing by an additional six months to December 30, 2019.

Only US\$730,000 was disbursed prior to the first restructuring in 2016. Almost all project finance was disbursed in the final eight months from April to December 2019.

3. Relevance of Objectives

Rationale

Given the extension of project implementation over more than seven years this project traversed three World Bank-supported country strategies (CAS FY2009-2012, CPS FY2013-17 and CPF FY2018-22). The project is rated in relation to the country strategy in effect at the time of the last restructuring (June 2019, after which the majority of the finance was disbursed).



Despite an impressive trajectory of growth and poverty reduction in recent years (the percentage of people living in extreme poverty dropped from 46 to 21 percent in the two decades up to 2011) significant gaps in service delivery persist and public-sector institutions are often inefficient and unaccountable. PRIs form a central core of public sector institutions at state and local level. The PDO therefore had considerable and continued relevance to the country conditions, with improving the agility, performance and responsiveness of India’s Public Sector Institutions at the core of the current CPF, as is strengthening the efficiency, accountability, governance, and quality of service delivery (CPF FY2018-2022, p. 2). The institutional strengthening supported by the project is expected to improve service delivery. Given the size and diversity of India, the focus on Bihar state was pertinent. It is one of India’s poorest and most populous states with relatively high growth rates presenting an opportunity for sustained poverty reduction if governance and service delivery can be improved simultaneously (CPF FY2018-2022, p. 9) . Considerable capacity constraints and diminishing interest in the decentralization agenda at the outset of the project were critical development challenges to PRIs making their projected contribution to service delivery in Bihar. The ICR suggests that the project was “ahead of its time” (ICR p. 30, page references are to the PDF version of the ICR). The current CPF articulates the importance of investing in state capabilities to address the implementation challenge. WBG’s approach to strengthening local public sector institutions in rural areas includes an expanded role for the Panchayat Raj Institutions in public service delivery, particularly in the area of public financial management (CPF FY2018-2022, p. 26-27). The PRIs are also seen as important in addressing India’s gender gap, as women have considerable voice in local institutions (CPF FY2018-2022. p. 32).

The PDO was also well aligned with development objectives of both the Government of India and the state government of Bihar. The former follows a strategy of state building that encompasses strong commitment to strengthen Gram Panchayats (GPs). At state level, the Chief Minister promoted a vision of “Government at your doorstep” which relied on strengthened GPs. The project was based on Bank’s continued dialogue with the Government of Bihar over the past six years.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

More Inclusive Gram Panchayats

Rationale

The theory of change was that the construction of purpose-built operational PSBs; undertaking community engagement through training, mobilization, and the media; and strengthening panchayats’ core institutional competencies would lead to greater inclusion of women and other vulnerable people as well as more responsive and accountable GPs. The term vulnerable people refer mainly to members from scheduled castes and scheduled tribes (SC/ST) that are officially designated groups of people in India as defined in the



Constitution of India. SCs primarily comprise groups of people who were previously considered 'untouchables' and are often economically and socially marginalized; and live in extreme poverty. STs comprise groups of people who, in highly generic terms, can be described as dwelling in compact areas, following a community way of living, in harmony with nature, and having a uniqueness of culture, distinctive customs, traditions and beliefs which are simple, direct and non-acquisitive by nature (description adopted from Reimeingam, M (2013): Journal of North East India Studies, Vol. 3, No. 1, Jan.-Jun. 2013, pp. 1-17).

The PDO indicator, women participating at regular Gram Sabha meetings in project GPs, increased from a baseline of 96 to 330 by project closing, fully achieving the target. This increased participation also included SC/ST members, which were part of the original target group for inclusion. The intermediate results indicators of: Number of new Panchayat Sarkar Bhawan constructed, and number of functional project GPs with newly constructed Panchayat Bhawans, both targeted at 330, increased from a baseline of 0 to 271 and from 0 to 330 respectively by project closing. Moving the GPs to dedicated offices, and making the structures and spaces gender-friendly, provided a comfortable and safe space that facilitated inclusion. Three intermediate indicators on: a) constitution of standing committees, b) regular meeting of standing committees to discharge their statutory functions and c) systematically recording attendance in project GPs, all targeted at 330, were also fully met at project closing against baselines of a) 96, b) 19 and c) 0, respectively.

Additional evidence for the objective being met is provided through a methodologically robust, survey-based joint assessment (by BGSYS and the Bank) looking at the extent to which the construction of local government offices equipped with staff, furniture, fixtures, and other peripherals, helped build inclusive institutions. This survey is of central importance in evaluating the efficacy of the project due to shortcomings in the revised results framework (discussed below) which implied that some objectives did not have results indicators, or the connection was not obvious. The survey provided evidence of increased inclusiveness due to improved location of PSB offices (previously meetings often took place the residence of the President of the GP), better accessibility and greater gender-friendliness of the PSBs. For the latter, 93% of respondents said that the project GPs were gender friendly against 33% in non-project GPs. The survey assessment does not state whether respondents to this question included both men and women (who might have different perspectives on gender friendliness). The ICR concluded that the project contributed towards women empowerment as they "...can now participate regularly and articulate their demands from local representatives without fear of ill-treatment" (ICR, p. 19).

Standing Committees were constituted and performing their mandated duties, with data captured by the Gram Panchayat Management System (GPMS) of location, date and time of official meetings. However, the ICR does not indicate whether or not decision-making was made increasingly by Standing Committees.

The results chain for inclusion, as well as the results indicators, is relatively convincing. Participation of women in the regular Gram Sabha was recorded in the minutes of the Gram Sabha meetings. The ICR argues compellingly that the outputs and intermediate outcomes in terms of built and functional Panchayat Sarkar Bhawans (PSBs) with much safer and gender-friendly structures was critical to the participation of women in Gram Sabha Meetings. Yet measuring this effect is challenging since newly constructed PSBs were completed close to project completion, so there was little time for them to have had an effect. On the other hand, the project supported making another 330 PSBs operational and, although these offices did not have as gender friendly features as the ones financed by the project, the fact that meetings took place in an official, dedicated space strengthened the participation of women, even before the effects of the newly designed PSBs could be realized. This was complemented by other project financed activities such as community engagement through training, mobilization, and the media, and strengthening panchayats' core



institutional competencies contributing towards documented achievements. Thus, there is credible evidence that project outputs led to the achievement of the inclusiveness outcome.

Rating

Substantial

OBJECTIVE 2

Objective

More responsive Gram Panchayats

Rationale

There is no results indicator for this objective. There are intermediate indicators measuring capacity building, which are steps towards increased responsiveness. One intermediate results indicator is the number of trained Project Elected Representatives (ER) . It seems plausible that training of ERs would contribute towards improved levels of attendance and more responsive service delivery. The target was fully achieved having increased from a baseline of 236 to 330 by project closing (ICR, p. 37) but this is insufficient to conclude the objective was met. The two intermediate results indicators on Standing Committees, assessed above, also had indirect relevance and achieved their targets.

Better evidence that capacity building translated into improved responsiveness is provided through the survey-based joint assessment, using the following indicators: (i) availability of functionaries at the GP office; (ii) availability of application forms and RTPS facility; and (iii) visits required for submission of a service-specific application. Delivery of services by GPs was defined in the assessment as the "...direct, facilitation, and beneficiary selection services that come under the mandate of Gram Panchayats." (ICR p. 81). The survey was inconclusive on (i) and (ii) with minor differences in the availability of dedicated officials and application forms between project and non-project GPs. On (iii) the survey indicated project impact as there was a marked difference between project and non-project GPs in the ability to submit applications for various documents (birth certificate, death certificate, pension scheme forms, etc.) during the first visit.

The ability to use newly constructed PSBs as temporary Covid-19 isolation centers has been a key, unintended benefit (see Section 10c, below). However, the results measured are only initial steps towards the aspirational notion of responsiveness envisioned initially.

Rating

Modest

OBJECTIVE 3

Objective

More accountable Gram Panchayats

Rationale



The results indicator that "project GPs disclose annual plans, annual budget, statement of accounts and progress reports" increased from a baseline of 50 to 330 by project closing, fully achieving the target. The indicator of "regular meetings of GPs focusing on program planning and budgeting" increased from a baseline of 96 to 330 by project closing, fully achieving the target. A number of intermediate results indicators also point to progress toward the intended objective:

- Project GPs preparing annual plans and monitoring implementation, baseline 96, actual achieved at completion: 330
- Strengthened capacity of vigilance committees (VC) on subject matters, baseline 0, actual achieved at completion: 330
- Financial management capacity of GPs is strengthened, baseline 0, actual achieved at completion: 330
- Project GPs producing consolidated annual financial statements, baseline 96, actual achieved at completion: 330
- Coverage of GP annual audit, baseline 96, actual achieved at completion: 330

These PDOs and intermediate results indicators (ICR p. 36-38) provide evidence of the achievement of the objective with a plausible link to Bank support provided to project GPs.

The joint BGSYS/Bank survey produced strong additional evidence of impact on (i) the number of visits required to obtain mandated services requested (ii) time required for issuing certificates, job cards and pension schemes and (iii) services provided locally. While more work is needed to achieve a fuller sense of accountability, the results achieved in project GPs are important steps and can be plausibly associated with the achievement of the accountability outcome.

Rating

Substantial

OVERALL EFFICACY

Rationale

Overall, the rating of the efficacy of the project is based on achievement of results framework targets. Despite some limitations in the articulation of the results chain and results framework especially the connection between the PDO and the results indicators, especially in relation to measure responsiveness in objective 2, there is evidence of the project delivering results. In addition, to get a fuller understanding of achievements in project GPs vs non-project GPs, survey results were also considered.

To an extent, these different pieces of evidence provide a level of triangulation confirming achievement of objectives. Only the number of new PSBs built fails to meet the target. Achievements are in line with the detailed definitions of inclusiveness, responsiveness and accountability in the PAD, and are generally linked to project support. However, because PSBs newly constructed by the project were not completed until close to project completion, it is not yet clear to what extent the new features embodied in them will contribute to the desired achievements.



Had it been feasible, a pre-project survey would have allowed a comparison between pre- and post-project perceptions.

Overall Efficacy Rating

Substantial

5. Efficiency

The PAD stipulates that an Economic and Financial Analysis is “not applicable” to the project (PAD, p. 12). The ICR contains a relatively detailed efficiency analysis in annex 4 where it is argued that rate of interest could not be assessed before the complete functioning and utilization (in terms of better accessibility of basic services) of this infrastructure, however, a gross estimate of a potential 15 percent economic rate of return or higher is put forward based on “learning from the project” (ICR p. 42).

While the project was substantially delayed this did not increase the cost of the project, primarily since the recipient benefited from exchange rate gains (the Indian Rupee depreciation 23% of against US\$ between July 2012 and December 2019). After project restructuring (explained below), implementation was efficient, especially given the relative complexity of the target of constructing 330 PSBs in rural areas within a relatively short timeframe. 59 PSBs (18%) were not finished at project closure and taken over by the state government. The restructuring undertook a number of corrections to the project which increased efficiency substantially, such as identifying a new implementing agency, the Local Area Engineering Organization. The efficiency analysis presents an interesting figure plotting DO/IP ratings and disbursements against the restructurings, clearly illustrating the important impact of restructuring on the efficiency and overall performance of the project. It would have been valuable to add data on the construction and equipping of PSBs on the same chart, in order to better connect the results achieved to construction of new PSBs.

The project made good use of innovative tools such as e-Project Management System (e-PMS) online software that captures information about construction activities providing status of construction activities at different sites as well as independent third-party verification and quality audit, regular field visits to construction sites and follow up on compliance with recommendations. Initiatives such as CoST, the Infrastructure Transparency Initiative (CoST) recommends the use of similar assurance processes to improve infrastructure governance, seek efficiency gains and strengthen value for money of public infrastructure investments. The shortfall in the number of PSBs constructed is may have been higher without this close follow up

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

Rate Available?

Point value (%)

***Coverage/Scope (%)**



Appraisal	0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance is rated as **high** as the project remained pertinent to the current CPF, government policies and strategies both in its thematic and geographical focus. Efficacy is a marginal **substantial** based on **substantial** achievement of the objective of more inclusive Gram Panchayats, **modest** achievement of the objective of more responsive Gram Panchayats, and **substantial** achievement of the objective of more accountable Gram Panchayats. The main issue with the efficacy rating is that the results framework and parts of the resulting evidence is weak. The impact on gender is strong and convincing which carries a **substantial** rating of the inclusiveness objective. The efficiency of the project was substantial as the delays faced did not result in higher cost to the project. After restructuring, which represented reasonable adaptations, the project picked up pace substantially with complex outputs delivered in a relatively timely manner. Given shortcomings in evidence provided for the achievement of project outcomes the rating is rounded down to **moderately satisfactory**.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Any development outcome that relies on infrastructure faces an inherent risk of that infrastructure not being operated as intended or adequately maintained. For example, the achievement of the gender-based objective is partly based on infrastructure such as separate toilets and breastfeeding rooms. Should these facilities be used for other purposes or fall into disrepair it would according to the logic of the project have the potential to undermine its results. While the ICR indicates that the government will take over construction of PSBs and that the ones built as part of the project are becoming a model across Bihar for construction financed by the state (ICR, p. 16), a reversal of this commitment, or technical or financial constraints should lead to the gender friendly model not being followed, would compromise the gender-based objective. It is also important that government uses good practices in procurement, as demonstrated by this project, as well as the innovative use of the e-pms and the third-party verification mechanisms, to minimize risk to sustainability.

There is a risk that full rollout of the GPMS will be further delayed by the delay in approving GP accounting rules, which would compromise monitoring of project-supported and future achievements. Furthermore, if the achieved level of disclosure of annual plans, annual budget, statement of accounts and progress reports was to diminish, it would negatively impact on the increased level of responsiveness and accountability.



8. Assessment of Bank Performance

a. Quality-at-Entry

The project had a high level of relevance and had the right aspirations to address the development challenges associated with the functioning of the GPs. However, an initial delay of almost one year followed by lack of progress in implementation until a substantial restructuring of the project in June 2016, show the preparation of the project was lacking, given its level of ambition. The project had an excessive number of result indicators, absence of baseline data and poor assessment of the capacity of the Bihar Construction Department (BCD) to carry out the construction of the PSBs. Also, the BGSYS was initially understaffed and poorly equipped to initiate implementation. After restructuring BGSYS was strengthened with more staff and a new implementing agency was identified that was capable to swiftly initiate construction and deliver the required outputs. The ICR does not explain how this agency was identified and why it was not engaged at the outset. According to the ICR, the US\$ 20 million performance grant component was entirely dropped at the request of the state government because of lack of capacity to monitor and evaluate performance on the ground. Quality-at-entry was weak despite the availability of a PHRD grant of US\$ 565,000 to finance project preparation that was extended in October 2008 (Letter, October 7, 2008: PHRD Grant No. TF 092825 – IN, Preparation of Bihar Panchayat Strengthening Project). The rating given to quality-at-entry is consistent with the early ISRs.

Quality-at-Entry Rating
Unsatisfactory

b. Quality of supervision

The initial restructuring of the project was highly successful in that it provided adjustments to allow implementation to begin leading to a project that was moderately satisfactory in achieving development impact in most of areas, particularly on gender. This intervention was the result of attentive supervision. The ICR describes the situation after the restructuring as a total turnaround with significant progress in all areas (ICR p. 28). The evidence provided by the ICR supports this claim with significantly more AMs (three between 2007 and 2014, none between 2014 and 2016, increasing to seven between 2017 and 2019) (ICR, p. annex 6, p. 47). The ratings provided by ISRs started to slowly improve from unsatisfactory in throughout 2014 – 2016, to moderately unsatisfactory in 2017 and eventually reaching moderately satisfactory in April 2018 (ICR, p. 2-3). There was also attention to fiduciary aspects, environmental and social safeguards.

Quality of Supervision Rating
Highly Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory



9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design had room for improvement both before and after restructuring. The project initially had seven indicators that were difficult to measure and presented without baseline data. The ICR mentions additionally that the environmental and social safeguards during initial stages were “extremely weak” (ICR p. 26). While restructuring improved the PDO-level indicators (ensuring they were measurable, achievable and time bound), the causal link between the PDO and the remaining PDO-level indicators was not always clear (see efficacy section above). In the results chain (ICR, chart 1, p. 11) the original wording of the PDO on Panchayats becoming responsive, inclusive, and accountable is erroneously inserted as an “underlying assumption”. This confuses the results framework as the central objectives of the project clearly cannot be an underlying assumption. Finally, the PDOs as defined at inception (PAD, Annex 1, p. 7) were much broader than could be reasonably expected in project GPs.

The Task Team acknowledged that the PDO was set high and did not feel there was scope to change it once the project was underway, since would require complex renegotiation with the client. There was some urgency (also from management) to disburse funding so that the country (and specifically the state of Bihar) would not lose out on IDA financing (India has graduated to low middle-income status and is transitioning out of IDA).

b. M&E Implementation

As noted, baseline data was collected with significant delay in 2018. Indicators were measured by “social mobilisers”, as reported in the ICR. The weaknesses described above were to an extent corrected through use of the survey of beneficiary perception referred to in Section 4. The monitoring system for the construction work was real time and made good use of the e-pms and third-party verification mechanisms. Due to delays in the construction of project PSBs, it was difficult to measure the contribution of new features to achievement of the PDO. No Mid-Term Review was carried out. Instead, and in line with advice from management, detailed AMs were prepared to review and monitor progress. The use of a Third-Party Quality Audit Agency from the second part of 2018 added to the quality of M&E.

c. M&E Utilization

Utilization of the M&E framework was reasonable. Data was collected on a regular basis in the field and channeled back to decision-makers. The second and third restructurings (project extensions) were informed by monitoring activities.

M&E Quality Rating

Modest

10. Other Issues



a. Safeguards

The project was classified as Category B and triggered both environmental and social safeguard policies of the Bank: OP/BP 4.01, Environmental Assessment and OP/BP 4.12, Involuntary Resettlement, respectively. It was assessed that the project would not have any significant adverse and/or irreversible environmental impact. BGSYS was assigned responsibility for compliance with the environmental and social safeguard policies of the project (PAD, p.45-46).

An environmental assessment (EA) study was undertaken by the Government of Bihar at appraisal stage and an Environmental Management Framework (EMF) was developed as an outcome of the EA study and subject to a consultative process and disclosed on the same website. Environmental safeguarding during project implementation focused primarily on avoiding negative impacts related to the selection of land parcels and construction of new PSB infrastructure.

A Resettlement Policy Framework (RPF) was prepared by Government of Bihar consistent with all applicable laws and policies of the Government of Bihar and World Bank (PAD, p. 15). The draft RPF was discussed at a stakeholder workshop and disclosed on the website of the Department of Panchayati Raj, Government of Bihar in 2011.

The ICR points to delays in monitoring compliance with the Environmental and Social Management Plan during the construction of the PSBs but does not report any impacts during project implementation. These seem to have been avoided mainly due to PSBs being constructed on government land and identification of encumbrance-free land that also met EMF criteria. The ICR does not make reference to findings of monitoring reports. The initial restructuring which led to dropping of natural resource management did not lead to a new assessment.

b. Fiduciary Compliance

Pressure to disburse assigned IDA funds was a significant factor in the project being restructured rather than closed after a number of years of inactivity. As indicated, this restructuring was successful and led to moderately satisfactory outcomes. After the cancellation of US\$15 million as a result of exchange rate gains, only 82 percent of the US\$69 million available was disbursed by project closure. Borrower financing was reduced to zero in the revised project. There is a lack of clarity in relation to these figures as different currencies are used in different documents with USD, XDR and INR at different times. The relevant Bank staff indicated that the government contribution was not annulled. Despite significant efforts it has not been possible to clarify these discrepancies.

The ICR refers to delayed submissions of internal audit reports and project audit report by the LAEO and complications in funds flow, accounting, reporting, and auditing mainly due to dissimilar financial management systems of BGSYS and LAEO.

It was only possible to obtain a breakdown of actual project cost by component in local currency (INR) which due to currency fluctuations makes it difficult to reconcile with the amounts originally budgeted. The Senior Finance Management Specialist of the project indicated that component specific expenditure is not captured in the system.



c. Unintended impacts (Positive or Negative)

The project resulted in a number of unintended positive outcomes. While not contributing directly to the project outcome, the approach to planning, monitoring and finishing the new PSBs as transformational infrastructure, including the use of e-PMS (and potentially third party verification), has been adopted as a model for all capital projects across the Panchayat Raj Department. This is a significant contribution as the State of Bihar has and continues to invest in this type of structures with domestically mobilized resources. The BCSYS has been transformed from an understaffed, poorly managed, high turnover agency to a resource and capacity-building center for the Panchayats of the whole state which will continue working to sustain and build on the results achieved by the project.

The newly constructed PSBs have turned out to be of great use as temporary isolation centers after the outbreak of the Covid-19 pandemic, especially for migrant workers in Bihar. The buildings were physically functional in terms of toilets, water, and electricity and hence providing the basic necessities and hygiene required for quarantine over longer periods of time.

The project does not seem to have produced any negative unintended impacts.

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	The ICR is very clear about the shortcomings of the project.

12. Lessons

Lessons in the ICR are condensed and augmented by IEG. The first lesson aims to catch the essence of a number of recommendations in the ICR. The second is an IEG lesson that builds on one of the identified shortcomings of the project. The third lesson is an amalgamation of at least three lessons from the ICR along these lines.

1. Flexibility and adaptation to context and problem. When implementation delays threaten the achievement of results, proactiveness, adaptation and flexibility in restructuring and implementation is of central importance to bring the project back on track. In the case of this project, the initial PDO,



results framework and operational design did not sufficiently take into account the scale of the challenge, the capacity constraints, and the poor governance context in Bihar. Future operations need to calibrate their expected outcomes and results framework against the situation on the ground both in terms of capacity, previous experiences, political economy constraints and the specific problem it seeks to address but must also remain flexible, adaptive and innovative in implementation to overcome unforeseen challenges and to achieve unexpected results. An example of the latter is the ability to use newly constructed PSBs as temporary Covid-19 isolation centers. The provision of toilets, water, and electricity was originally thought of as a way of enhancing more inclusion of women and other underserved citizens. In the event, design features have been in some cases repurposed to provide the basic necessities and hygiene required for quarantine, especially for migrant workers temporarily unable to return to their homes.

2. Innovative and tailored tools and approaches are needed for difficult contexts. During implementation of the project it was determined that the level of ambition of the PDO was too high and that comprehensive strengthening of the inclusiveness, responsiveness and accountability of the Panchayat Raj Institutions was overly ambitious. Yet a survey showed some positive results in this regard. The IEG finds that a challenging context does not necessarily imply that governance-focused projects cannot be delivered. Success depends on the tools and approaches applied, which should be relatively innovative, simple, engaging and tailored to the context. For example, the construction of the PSBs could have been subjected to a greater level of transparency and citizens engagement in the design and construction of the buildings, which would have made them more transformative. This would have complemented innovative mechanisms already applied such as the e-PMS, other ICT tools and the third-party verification and quality audit. The project could have been more innovative in this sense and sought to identify approaches to strengthening transparency and accountability in the public sector or built budget literacy. Embracing such approaches is critical to make governance-oriented reforms harder to reverse and more sustainable.

3. Ownership, continuity of senior management and staff and capacity-building are central to the success of governance reforms, even when outside the direct control of the Bank. In the case of this project, IEG finds that expanding the notion of ownership by proactively engaging stakeholders in early discussions about projects and partnership frameworks could broaden and deepen ownership, creating demand from outside government. Making projects problem-driven and focused on addressing real issues can help retain commitment alongside intensive capacity building, technical assistance and mentoring all tailored to the local context. Continuous capacity building and training increases learning and application, especially when there is high turnover of staff.

13. Assessment Recommended?

Yes

Please Explain

The results achieved in project GPs are important first steps, but when the ICR was prepared, it was too early to measure the link between some key aspects of support such as newly constructed PSBs with new features, and achievement of PDO. In addition, more work is needed to achieve the fuller, aspirational sense of



inclusiveness, responsiveness and accountability stated in the PAD, and it would be useful to assess how much of this has taken place at a later stage.

14. Comments on Quality of ICR

The ICR is well-written, sheds light on the challenges faced. Although it makes a strong case for the choices made to bring the project back on track, this is done in a reasonably balanced manner. Complemented with a frank interview with the Task Team, it provides sufficient evidence to inform the rating of the project. Perhaps more attention to the consequences of the bar being set too high in the initial project design could have been helpful. Information on project finances was difficult to untangle as there were major discrepancies between figures provided on actual disbursements in the ICR Data Sheet and in Annex 3. According to the Task Team those figures are not comparable. Only local currency figures were available for the actual cost of the project by component (based on amounts actually disbursed) which were later provided in approximate US\$ figures. The ICR is very candid in its criticism of the original results framework but not as forthcoming with assessing the limitations of the post-restructuring results framework. The evidence provided from the joint BGSYS Bank survey makes it clear that the original PDO was met to an extent while also pointing to the confusion in the results chain where the PDO was essentially downgraded to an assumption.

a. Quality of ICR Rating

Substantial