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Report No: ICR00003243

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-47580)

ON A

CREDIT

IN THE AMOUNT OF SDR 131.8 MILLION
(US\$200.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF INDIA

FOR A

WEST BENGAL INSTITUTIONAL STRENGTHENING OF GRAM PANCHAYATS
PROJECT

December 16, 2016

Social, Urban, Rural and Resilience (SURR) Global Practice
South Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective – November 30th, 2016)

Currency Unit = India Rupees (INR)

SDR 1.00 = US\$ 1.3517

US\$ 1.00 = INR 68.59

FISCAL YEAR

April 1 – March 31

ABBREVIATIONS AND ACRONYMS

AEO	Additional Executive Officer
APA	Annual Performance Assessment
CAG	Comptroller and Auditor General
CAS	Country Assistance Strategy
CFC	Central Financial Commission (also referred to its grants)
CPS	Country Partnership Strategy
DCU	District Coordination Unit
DPRDO	District Panchayats & Rural Development Officer
DTC	District Training Center
ELA	Examiner of Local Accounts
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ETC	Extension Training Centre
EXCOM	Executive Committee of WBSRDA
FM	Financial Management
FMR	Financial Monitoring Report
FRA	Fiduciary Risk Assessment
FTA	Fund Transfer Account
GAAP	Governance and Accountability Action Plan
GAG	Controller and Auditor General
GIS	Geographic Information System
GoI	Government of India
GoWB	Government of West Bengal
GP	Gram Panchayat
GPMS	Gram Panchayat Management System
GRMS	Grievance Redress Management System
ICDS	Integrated Child Development Services
IDA	International Development Association
IEC	Information, Education and Communications
IFR	Interim Financial Reports
INR	Indian Rupees

ISGPP	Institutional Strengthening of Gram Panchayats Project
ISM	Implementation Support Mission
ISR	Implementation Status Reports
MMC	Minimum Mandatory Condition
MTR	Mid-Term Review
M&E	Monitoring and Evaluation
NPV	Net Present Value
OSR	Own Source Revenues
PA	Performance Assessments
PAAO	Panchayat Accounts and Audit Officer
PDO	Project Development Objectives
PIM	Project Implementation Manual
PPA	Project Preparation Advance
PRI	Panchayat Raj Institutions
PS	Principal Secretary
P&RDD	Panchayat and Rural Development Department
QAA	Quality Assurance Audits
SCU	State Coordination Unit
SDR	Special Drawing Rights
SFAA	State Financial Accountability Assessment
SFC	State Finance Commission (also referred to its grants)
SFR	State Financial Rules
SIL	Specific Investment Loan
SRD	Strengthening Rural Decentralization
ST	Scheduled Tribe
STARPARD	Society for Training and Research on Panchayat and Rural Development
TTL	Task Team Leader
USD	United States Dollars
VFM	Value for Money
VGDI	Vulnerable Groups Development Index
WBSRDA	West Bengal State Rural Development Agency

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INDIA
West Bengal Institutional Strengthening of Gram Panchayats Project

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A. Basic Information			
Country:	India	Project Name:	West Bengal PRI
Project ID:	P105990	L/C/TF Number(s):	IDA-47580
ICR Date:	11/14/2016	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF INDIA
Original Total Commitment:	SDR 131.80M	Disbursed Amount:	SDR 131.80M
Revised Amount:	SDR 131.80M		
Environmental Category: B			
Implementing Agencies: Panchayats and Rural Development Department			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	03/19/2009	Effectiveness:		09/03/2010
Appraisal:		Restructuring(s):		
Approval:	06/08/2010	Mid-term Review:	03/01/2013	09/09/2013
		Closing:	12/31/2015	06/30/2016

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Highly Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Highly Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Highly Satisfactory
Quality of Supervision:	Highly Satisfactory	Implementing Agency/Agencies:	Highly Satisfactory
Overall Bank Performance:	Satisfactory	Overall Borrower Performance:	Highly Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Sub-National Government	100	100
Theme Code (as % of total Bank financing)		
Decentralization	40	40
Municipal governance and institution building	20	20
Rural services and infrastructure	20	20
Urban services and housing for the poor	20	20

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Annette Dixon	Isabel M. Guerrero
Country Director:	Junaid Kamal Ahmad	N. Roberto Zagha
Practice Manager/Manager:	Ming Zhang	Junaid Kamal Ahmad
Project Team Leader:	Soma Ghosh Moulik	Roland White
ICR Team Leader:	Qingyun Shen	
ICR Primary Author:	Qingyun Shen	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

To develop institutionally strengthened Gram Panchayats (GPs).

Revised Project Development Objectives (as approved by original approving authority)

PDO was not revised.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Minimum of 80% of 1,000 GPs have well-functioning fiduciary and planning systems as measured through the annual performance assessments.			
Value quantitative or Qualitative)	N/A	80%		98.6%
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Target was exceeded by almost 23%.			
Indicator 2 :	A performance-based system is well established to roll out to other GPs.			
Value quantitative or Qualitative)	No (0)	Yes (1)		Yes
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Achieved, through transparent eligibility criteria and allocation formula of the grants; as well as the institutional arrangements for grant release and utilization tracking. The system will be scaled up to all GPs in ISGPP-II.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Minimum of 80% of GPs (800) receive grants and monitor the service delivery activities supported through the grants.			
Value (quantitative or Qualitative)	0	800 GPs		999 GPs
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Target was exceeded by 25%.			
Indicator 2 :	Number of project beneficiaries of which x% female.			
Value (quantitative or Qualitative)	0	N/A		53.18%
Date achieved	05/06/2010	06/30/2016		06/30/2016

Comments (incl. % achievement)	Targets were not set at appraisal. The M&E report of 2015/16 showed a total number of project beneficiaries of 11.6 million, of which 53.18% were female.			
Indicator 3 :	Minimum of 2,000 GPs trained over life of project in areas mentioned under Component 2.			
Value (quantitative or Qualitative)	0	2000 GPs		3309 GPs
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Target was exceeded by 65%.			
Indicator 4 :	Minimum of 2 GP operating system areas (planning and GPMS) are improved as measured through annual performance assessments			
Value (quantitative or Qualitative)	0	2		2
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Achieved.			
Indicator 5 :	Performance of 100% of targeted GPs is assessed each year			
Value (quantitative or Qualitative)	0	100%		100%
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Achieved.			
Indicator 6 :	Detailed reports on GP investments are available for 80% of targeted GPs			
Value (quantitative or Qualitative)	0	80%		99.9%
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Target was exceeded by 25%.			
Indicator 7 :	Three thematic studies and evaluations are completed			
Value (quantitative or Qualitative)	0	3		5
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments	Target was exceeded. At least five comprehensive studies were conducted: MTR,			

(incl. % achievement)	Review on Capacity Building, Review on Service Delivery, Citizen Recall and Feedback Study, and Final Impact Evaluation Report.			
Indicator 8 :	Project coordination cells at the state and district levels are functioning to provide support and oversight to GPs.			
Value (quantitative or Qualitative)	No	Yes		Yes
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Achieved.			
Indicator 9 :	Information regarding project is distributed widely to all 1,000 participating GPs.			
Value (quantitative or Qualitative)	0	1000		3347
Date achieved	05/06/2010	06/30/2016		06/30/2016
Comments (incl. % achievement)	Target was exceeded by 235%. Project information was distributed to all GPs within the State of West Bengal			

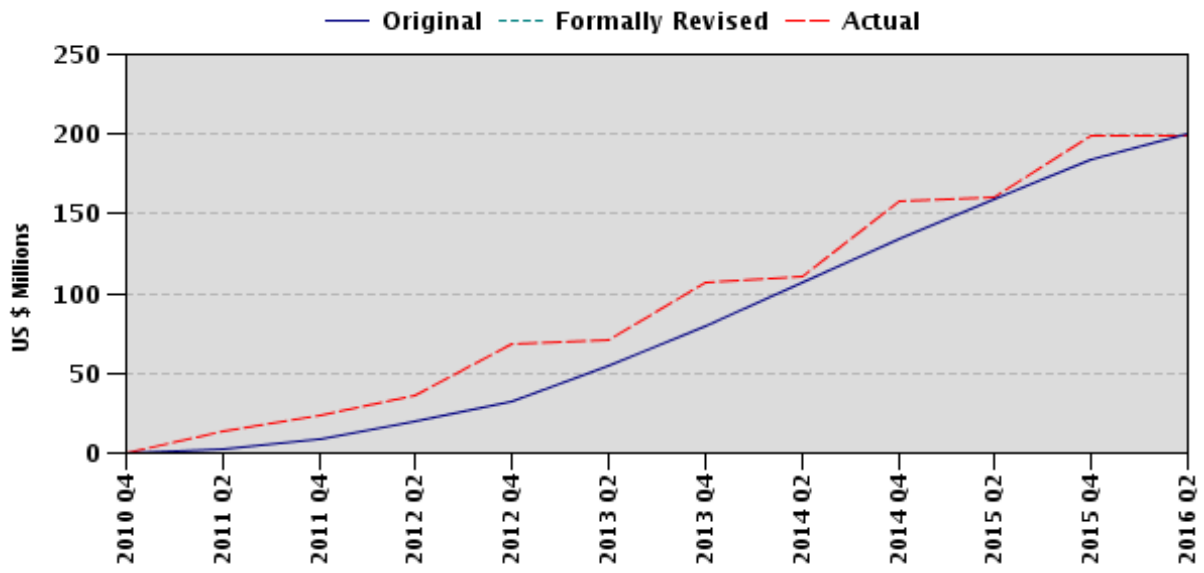
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	05/07/2011	Satisfactory	Satisfactory	23.61
2	12/18/2011	Satisfactory	Moderately Satisfactory	36.64
3	05/31/2012	Satisfactory	Moderately Satisfactory	66.22
4	12/27/2012	Satisfactory	Satisfactory	70.35
5	06/12/2013	Satisfactory	Satisfactory	106.92
6	11/19/2013	Satisfactory	Satisfactory	110.55
7	05/03/2014	Satisfactory	Satisfactory	158.25
8	10/04/2014	Satisfactory	Satisfactory	158.25
9	06/03/2015	Satisfactory	Satisfactory	198.70
10	12/21/2015	Satisfactory	Satisfactory	198.70
11	06/30/2016	Satisfactory	Satisfactory	198.70

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

Country and Sector Background

1. West Bengal was one of the forerunners in establishing the three-tier Panchayati Raj System (PRI) for rural local governance in India. The PRI system in West Bengal, at the time of project appraisal, consisted of 3,351 Gram Panchayat (GP), 333 Panchayat Samiti (block), and 18 Zilla Parishad (district) institutions¹. The Panchayat and Rural Development Department (P&RDD) of the State Government of West Bengal (GoWB) since inception was committed to the rural decentralization process within the state through providing PRIs with the resources, capacities and incentives to improve their service delivery and governance. In particular, the government wanted to focus on GPs - the lowest level of rural governments that were legally empowered to deliver local infrastructure and services² - as critical delivery and governance units within the overall PRI system. In order to achieve this objective, however, the government needed to address three priority challenges: funding gaps, capacity constraints, and performance/results monitoring.

2. To address these challenges, the GoWB planned to introduce a grant to GPs to invest in public services and infrastructure in line with local needs, together with the necessary capacity-building inputs to allow them to enhance their performance. The overall strategic vision was to institute a discretionary block grant system which would incentivize better local governance and service-delivery performance throughout the state. Under such a context, the GoWB requested support from the World Bank and the Institutional Strengthening of Gram Panchayats Project (ISGPP) was proposed. The ISGPP, while limited to around a third of the GPs in the state, sought ultimately to have a *systemic* impact that the grant introduced by the project will be expanded to all GPs, funded by GoWB on a regular and sustained basis.

Rationale for Bank involvement

3. The ISGPP emerged as part of a growing partnership between the Bank and one of the most populous states in India characterized by deep development needs and challenges. With respect to PRIs, the state government clearly indicated a willingness to introduce significant policy and institutional reform. In this context, the Bank undertook a major study on rural fiscal decentralization in 2007 (*West Bengal: Fiscal*

¹ At the time of project closing, the PRI system in West Bengal consisted of 19 districts, 341 blocks and 3,347 GPs.

² West Bengal Panchayat (Third Amendment) Act, 2006.

Decentralization to Rural Governments”), which was jointly published with P&RDD and which played a major role in identifying the need for and design of ISGPP.

4. From a sectoral perspective, the World Bank had extensive expertise and distinct comparative advantages in the area of decentralization and the development of local government systems. In India, the Bank had a strong record of engagement with decentralization and local government issues. ISGPP represented one of three Bank operations on rural local governments in India - the others being in Karnataka (P078832) and Kerala (P102624) - all of which were focused on strengthening the PRI system as a key institutional locus of service-delivery and governance. It was expected that during implementation these three programs would generate lessons for one another, and for the respective states’ overall approaches to decentralization.

Contribution to higher level objectives

5. The proposed program was expected to make a valuable contribution to pillar three of the India Country Assistance Strategy (CAS) for 2009-2012 “Increasing the effectiveness of public service delivery” - both as a result of the nature of the local services infrastructure funded and by virtue of its institutional strengthening focus aimed at “supporting institutional arrangements that promote an enabling environment for results”. From a national perspective, the project was expected to contribute to the implementation of the 73rd Constitutional Amendment relating to rural local governance – not just in West Bengal, but also more broadly through the demonstration effects that the project would generate for decentralization processes in other states.

1.2 Original Project Development Objectives (PDO) and Key Indicators

6. The project development objective (PDO) was to develop institutionally strengthened GPs. Achievement of the PDO was expected to be measured in terms of the following key performance indicators: by the end of the project (i) a minimum of 80% of 1,000 GPs have well-functioning fiduciary and planning systems as measured through the annual performance assessments³, and (ii) a performance-based grant transfer system is well established to roll out to other GPs.

1.3 Revised PDO and Key Indicators, and reasons/justification

7. The PDO and the PDO-level indicators were not revised.

1.4 Main Beneficiaries

³ The quality of GPs’ fiduciary and planning systems will be measured through the Project’s Annual Performance Assessment system, along with separate independent evaluations. GPs will be assessed according to criteria in the areas of: (i) planning and budgeting; (ii) project execution and service delivery; (iii) accounting, financial reporting and audit; and (iv) participation, transparency and accountability.

8. Three groups of beneficiaries were expected from this project. First, the direct beneficiaries were the 1000 participating GPs in the targeted districts, which received the block grants and technical assistance from the project. Second, the GPs which received trainings under the project but did not qualify for the block grants would also benefit from this project, in terms of expected improvement in soft skills and capacity building. Thirdly and lastly, upper-level governments (including the districts, blocks, and state agencies) which received technical support and trainings under ISGPP were considered as beneficiaries of this project as well.

1.5 Original Components

9. The project contained four components with a total budget of US\$200 million. The funding plan for each component is summarized in the table below, with descriptions of the components underneath.

Table 1: Project Financing by Component

Components	Funding Breakdown					
	Total (US\$ million)	% of Project	IDA credit (US\$ million)	% of IDA credit	GoWB funding (US\$ million)	% of GoWB funding
1. Grants to Gram Panchayats	197.40	84.00	162.40	81.20	-	-
1a. Block Grants	162.40	69.11	162.40	81.20	-	-
1b. State Funded United Grants	35.00	14.89	-	-	35.00	100.00
2. Capacity building for GPs	21.20	9.02	21.20	10.60	-	-
3. State oversight and monitoring of PRIs	6.90	2.94	6.90	3.50	-	-
4. Program management and implementation	9.50	4.04	9.50	4.80	-	-
Total	235.00	100.00	200.00	100.00	35.00	100.00

Component 1: Grants to Gram Panchayats (US\$197.4 million – IDA, GoWB)

10. This component was the largest component of ISGPP and comprised of two subcomponents: (a) IDA Block Grants, and (b) State Funded Untied Grants.

- a) Block Grants (US\$162.4 million – IDA): This sub-component provided a performance-based block grant to participating GPs on an annual basis, for expenditure on local public goods and services. Eligibility to access the grant was determined by a prescribed set of minimum mandatory conditions (MMCs) and performance criteria which focused on key performance areas, including: planning and budgeting; project execution and service delivery; accounting, financial reporting and audit; and participation, transparency and accountability. Grant allocations were calculated on a per capita formula, with a minimum

allocation applied to account for investment lumpiness and incentive effects. Grant funding provided by the project were integrated with other untied funds of the GPs⁴. The grants were all accounted for under the existing accounting system – Gram Panchayats Management System (GPMS) – and audited as part of the annual GP certification audit conducted by the Comptroller and Auditor General’s (CAG) local office (Examiner of Local Accounts, ELA).

- b) State Funded Untied Grants (US\$35.0 million – GoWB): This subcomponent was financed by GoWB in the form of annual State Finance Commission (SFC) untied grant releases to Gram Panchayats, in one or more installments each year. It showed the commitment from the GoWB to promote decentralization in the state. These funds were budgeted by GoWB and allocated and disbursed to GPs using existing arrangements. As these were *untied* grants, GPs that received SFC funds could use them in combination with other funds/revenues.

Component 2: Capacity building for GPs (US\$21.2 million - IDA)

11. This component was designed to provide support to strengthen the institutional capacity of GPs to deliver basic services. In particular, support was focused to meet the objectives and performance indicators associated with this project. The project deployed a range of approaches to capacity development, including: (i) system development support; (ii) mentoring support; (iii) formal training; (iv) demand-led support; (v) exposure visits; and (vi) strengthening of the GP internal audit function. Activities in this component were monitored and evaluated under Component 3. During project implementation, the GPMS mentoring support was extended to all GPs within the state, since it was a mandate of the state to roll out GPMS across all GPs. Project-related education and training events were also extended to all GPs.

Component 3: State oversight and monitoring of PRIs (US\$6.9 million - IDA)

12. This component aimed to strengthen P&RDD’s systems for the oversight and monitoring of PRIs, through four types of activities: (i) Annual Performance Assessments (APAs) and Quality Assurance Audits (QAAs); (ii) improvement of internal monitoring and information and reporting systems; (iii) evaluations and studies of the program; and (iv) external audit support focusing on project GPs.

Component 4: Program Management and Implementation (US\$9.5 million- IDA)

13. This component was designed to support implementation and management of the project. The overall responsibility for project implementation resided in P&RDD, which executed the project through the West Bengal State Rural Development Agency

⁴ Aside from the block grant disbursed from ISGPP, untied funds of the GPs also included transfers made in terms of the State Finance Commission (SFC) and the Thirteen Finance Commission (TFC) from the Central Government (also referred to as CFC), as well as own-source revenues (OSR) collected by GPs.

(WBSRDA), a technical umbrella agency anchored within P&RDD. For purposes of this project, an ISGPP cell was created by WBSRDA to undertake day-to-day management of project execution state-wide. Specific activities included: (i) project information, education and communications (IEC); (ii) project management support, including financing selected establishment, consultancy, goods and equipment, as well as operating costs of the project implementing and executing institutions, such as: P&RDD, WBSRDA and the ISGPP Cell; and (iii) project reporting.

1.6 Revised Components

14. Components were not revised.

1.7 Other significant changes

15. A request for extension was submitted on December 8, 2015 to extend the Credit closing date from December 31, 2015 to June 30, 2016. The extension was approved by the Country Director. No other change was made to the design, scope, or funding allocations of this project.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

16. *Lessons learned were incorporated.* At the project preparation and design stage, the task team gathered international experience from local government institutional strengthening programs that the Bank had supported previously in a number of diverse countries, including Uganda, Tanzania, Cambodia, Indonesia, Bangladesh and India (Karnataka). Many of those projects had design features with some parallels to the West Bengal ISGPP, and some particularly relevant lessons⁵ were incorporated in the project design.

17. *Risks were assessed and mitigated.* Project design took into consideration critical risks and possible controversial aspects of the project. The most substantial risks were the weak systems and the low capacity of GPs to perform various tasks required by the project. Therefore, the project chose to focus on a sample of less than a third of GPs (1,000) in half the Districts (9) in the state. These GPs were picked on the basis that they had sufficient capacity in place to implement the project. In addition, the project adopted

⁵ These lessons included: (i) the supply-side capacity building without demand-side incentives showed disappointing results (therefore ISGPP used block grants as financial incentives for GPs to take on capacity building activities); (ii) the implementation entity can easily be overwhelmed if the project coverage is too wide or if the targeted local governments are too weak (therefore ISGPP only targeted the 1,000 GPs which had relatively higher capacities to mitigate the risk); (iii) the integrity of the performance evaluation system has to be maintained so that the performance grant system would not be “gamed” by the participating GPs (therefore ISGPP introduced an annual external audit of the APA to ensure the objectivity and reliability of APA scores to be used as the criteria of qualifying GPs for grant funding); and (iv) lessons from the Karnataka Panchayats Strengthening Project on disbursement and fiscal issues.

a performance-based financing approach, which incentivized GPs to improve their performance and increase their capacity in order to be eligible for receiving project grants.

2.2 Implementation

18. The ISGPP was implemented by the Panchayats & Rural Development Department (P&RDD) of GoWB. The ISGPP Cell created under the West Bengal State Rural Development Agency (WBSRDA) was responsible for day-to-day project management, supervision and reporting. District Coordination Units (DCUs) set up in the nine project districts facilitated district-level project implementation and managed the mentoring teams that provided handholding support to GPs. Training under the capacity building component was provided by the Society for Training & Research on Panchayats & Rural Development (STARPARD) under P&RDD.

19. The ISGPP operation was designed to be a five-year operation from 2010 to the end of 2015. A Mid-term Review (MTR) of the project was conducted as planned in September 2013, at which time 53% of the total IDA allocation had disbursed. Given the actual and expected expenditures by component, the cost matrix was revised slightly at MTR, with some reallocation of funds between project components: about 5% of the total Credit (about US\$10 million) was reallocated from Components 2 and 3 to Components 1 and 4⁶.

20. The agreed loan amount of SDR 131.8 million had been fully disbursed at the original project closing date of December 2015. When converted to US dollars, the accumulated amount of disbursement stands at US\$ 198.7 million, as opposed to US\$ 200 million estimated at the time of appraisal, due to fluctuations in the exchange rate of SDR to USD over the project cycle. Annual block grants were released to qualified GPs at the beginning of each budget planning cycle, which avoided financial uncertainty in the budget planning of the GPs. The last round of grant transfer was made in June 2015. At the request of GoWB, the project closing date was then extended from December 31, 2015 to June 30, 2016 to allow GPs to fully utilize the funds released. At the time of evaluation, there was a balance of US\$ 1.37 million (equivalent to SDR 0.7347 million, or 0.56% of total credit) in the project designated account, which was not utilized and will be returned to the Bank. The unutilized amount, as analyzed by the Bank's Financial Management Specialists on the project team, was mainly due to the depreciation of the Indian Rupees (INR) against the US Dollar in the final year⁷.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

⁶ Table (a) of Annex 1 lists the details of the original and revised project costs by component.

⁷ The final project disbursement of US\$ 40.45 million was transferred to GoWB on June 3, 2015, at which time the exchange rate was INR 64.058 to USD 1. Therefore, the ISGPP cell and the GPs budgeted for INR 2,591.15 million equivalent. On the closing date of June 30, 2016, the exchange rate was INR 67.467 to USD 1. The USD equivalent of the same INR budget became US\$ 38.40 million, i.e., US\$ 1.95 million less than the disbursed amount.

21. *M&E Design.* The results framework of ISGPP was clear and concise, with two outcome indicators directly linked to the PDO and nine intermediate results indicators corresponding to the four components. The baseline value of each indicator was either 0 or obtained from P&RDD documentation. The annual target values were set progressively along the project span. Indicators in the results framework were measurable through information collected by the GPs, DCUs, ISGPP Cell, and/or independent firms. To ensure sufficient capacity and that resources were available for the collection of valid and accurate project data for M&E purposes, project design incorporated technical assistance to review the P&RDD information systems, to rationalize the various reporting streams, and to develop the necessary management information systems. Component and 3 was designed to support the building of the government's internal performance monitoring systems as well as financial and progress reporting, including using APAs to measure the progress of participating GPs. The quality of the APAs was then monitored by an independent auditing process, the QAAs.

22. *M&E Implementation.* Data needed for measuring and tracking the outcome and intermediate results indicators were collected through a three-tier reporting system. First, feeding to each ISR every six months, P&RDD and the ISGPP cell provided the standard semi-annual progress reports, quarterly financial management reports, and annual project progress reports. Second, the DCUs and the district training centers submitted concurrent reports on mentoring, formal training, and GP infrastructure outputs for all untied funds to the ISGPP cell. Third, project GPs prepared and submitted to the DCUs their monthly reports on progress against planned physical outputs for all project funds which were available online. The project also supported accountability and transparency to citizens through public disclosures, an information dissemination strategy, and the Grievance Redress Management System (GRMS). In particular, the Project introduced the concurrent planning and monitoring system through GIS with use of cost-effective smart phones, which ensured a high degree of transparency and accountability in execution of various projects as well as captured participation of citizens in ward level meetings. This innovation was scaled up to some non-ISGPP GPs as well.

23. *M&E Utilization.* Information collected for M&E purposes was used in both project implementation and evaluation studies. The APA scores were used as the major eligibility criteria for the GPs to receive block grants. The M&E system delivered reliable data and reports on a regular basis that helped P&RDD and the Bank to conduct timely project reviews, identify key issues, and make informed decisions. During the project lifespan, eleven ISRs were archived, all of which contained key information on project performance and outcome/results indicators. In addition, two comprehensive evaluation studies (the Mid-Term Review - MTR - and the final Impact Evaluation study) were conducted as scheduled. The findings of MTR were used to identify actions needed to strengthen GP operations, studies and various assessments, and were successfully implemented by the project. The findings of the Impact Evaluation study are now being used for project evaluation and the preparation of ISGPP-II.

2.4 Safeguard and Fiduciary Compliance

24. *Environmental and Social Safeguards.* ISGPP was assigned environmental Category “B”. Four safeguards policies were triggered: Environmental Assessment (OP/BP 4.01); Physical Cultural Resources (OP/BP 4.11); Indigenous Peoples (OP/BP 4.10); and Forests (OP/BP 4.36). An Environmental Analysis was conducted prior to project appraisal to identify and address environmental issues. Mitigation measures were designed and built into the Environment and Social Management Framework (ESMF), which was developed and publicly disclosed at the beginning of the project (FY 2010-11). A framework approach was chosen because the project design permitted GPs to use the grants at their discretion, meaning that neither the exact location nor the type of investments could be identified prior at project appraisal. A unique tool for social inclusion of vulnerable sections of the rural areas, namely the Vulnerable Group Development Index (VGDI) was designed and conceptualized by the Project, which ensured inclusive development in service delivery as well as planning systems.

25. The ESMF listed mitigation measures/procedures to respond to the safeguards policies triggered. All investments proposed were to be checked against the negative list and an Environmental Review Form was to be completed to identify potential environmental impacts. To prevent/minimize damage to Physical Cultural Resources, GPs were to ensure that there would be no physical damage to objects and/or structures with paleontological, historical, religious, aesthetic or other cultural significance, and any cultural relics found would be deposited with the relevant government authority. To avoid/minimize adverse impacts on Forests, GP activities in forest areas were to be closely monitored and any intervention that might affect forest cover would be required to obtain prior Forest Department approval.

26. Conformity to the ESMF by project GPs was mandated by GoWB Government Order dated March 25, 2010. The roles and responsibilities for implementation of the ESMF was detailed at state, district, and GP levels. The capacity building and communication strategy of ISGPP also involved provision of training on environmental management and assessment procedures for GP functionaries, members of relevant GP sub-committees, and project staff at all levels (district and state).

27. Over the course of the project, the number of GPs that completed ESMF screening and review increased steadily, from 842 GPs in FY 2011/12 to 999 GPs in 2015/16 (of the 1,000 GPs). While most GPs used the block grants for infrastructure investment sub-projects, land acquisition was not reported as an issue because almost all subprojects were small scale on public land⁸. The Environment Audit of ISGPP reported that there was no improper land acquisition or dispute with landowners in the sampled sub-projects. In sum, Bank safeguard policies were complied with.

⁸ For example, the ESMF Government Order specified that all construction or repair of buildings must be done on government land or panchayat land only. Road improvement projects usually limited the expansion of existing right-of-way to avoid the need of appropriating/acquiring private land. In some cases when private land was necessary, it was done on a voluntary basis and villagers were quite often willing to donate their small piece of land for the construction work, the donated land was registered in the name of the GP and the legal document was available at the GP office.

28. *Procurement.* The Bank's assessment of procurement capacity and risks during project preparation highlighted the presence of a strong regulatory framework in West Bengal. Therefore, the procurement guidelines/rules of ISGPP built on the existing Gram Panchayat Account, Audit and Budget Rules 2007 of GoWB, (and its Amendments) and were supplemented by the specific requirements for the implementation of schemes. A GP Procurement Manual and a Grant Operation Manual were developed and made available to the GPs. Implementation support was provided through the capacity building activities of the project. A comprehensive Procurement Audit conducted in early 2015 showed that the GP procurement practices provided satisfactory fiduciary control in respect of the small scale development activities funded by ISGPP, although performance varied by district and by GP. The average percentage of contracts with all required documentation was higher than 95% in eight of the nine district project districts. Acknowledging the merits and benefits of ISGPP's procurement norms in preventing corruption and promoting transparency, GoWB mandated a Procurement Manual with standard procurement procedures to all GPs in January 2014. Overall, compliance with Bank procurement policies is considered satisfactory.

29. *Financial management.* A financial management (FM) assessment was conducted during project preparation and the findings were used to finalize the FM arrangements of ISGPP. The guiding principle was to build up the existing FM arrangements within the state through capacity building efforts under the project, i.e., the establishment and implementation of GPMS. Over the course of the project, ISGPP cell was responsible for the overall accounting and reporting of project expenditures. While there were moderate shortcomings in financial management, they did not hinder the timely and reliable provision of information required to manage and monitor the implementation of the project. The Project developed a 'Financial and Administrative Manual' which was quite comprehensive. Compliance with Bank FM requirements is rated satisfactory.

2.5 Post-completion Operation/Next Phase

30. *Continuation of project outputs.* The GPMS introduced and financed by ISGPP has become an integral part of GP operations in West Bengal. Service delivery infrastructure and physical assets built by GPs using ISGPP block grants remain operational. The GPs are committed to cover the operating and maintenance costs of these facilities from their budget. GoWB has also adopted policies to increase funding flows from the state to GPs. The fourth SFC has recommended the application of APAs for all untied funds in the state, including SFC funds.

31. *Follow-on operations.* GoWB is seeking to roll-out and mainstream the performance-based grant modalities of ISGPP to all GPs and has requested Bank support for a follow-on project, i.e., ISGPP-II. ISGPP-II is now under preparation as a Program-for-Results (PforR) operation and is expected to be presented to the Board in February 2017.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Rating: High

32. *Relevance of Objectives is rated High.* The PDO is highly relevant to the country conditions as it contributed to the implementation of the 73rd Constitutional Amendment of India, relating to decentralization and the empowerment of rural local government. It is fully aligned with the Government's vision for development outlined in India's 12th Five-Year Plan (2013-2017) for "faster, sustainable, and more inclusive growth". The PDO is also aligned with the Bank's current Country Partnership Strategy (CPS) for India for 2013-2017, which calls for three main engagement areas: "Integration, Transformation, and Inclusion". The CPS notes that "Institutional development plays a key role in the case of spatial transformation, whereas strengthened accountability is critical for social inclusion." (Page 26 of CPS). The CPS specifically emphasizes that the Bank shall scale up support in performance-based public management, e-governance, as well as public and financial management. ISGPP provides such support to GoWB. As GPs serve the rural population who lag behind their urban counterparts, strengthening GPs in terms of planning, budgeting and service delivery capacity would contribute significantly to the development of rural areas and promote inclusive growth across the state. The PDO was appropriately framed, without being overly ambitious.

33. *Relevance of Design and Implementation is rated High.* The four project components were consistent with the stated objectives, and together contributed to the achievement of the PDO. By providing block grants to *eligible* GPs under Component 1, the project created a financial incentive for GPs to improve their performance to meet the standards to be eligible. Concurrently, by offering capacity building support to GPs under Component 2, the project helped GPs to receive the assistance needed to become eligible for the grants. Components 3 and 4 respectively support the successful implementation of Component 1 and the overall project. The results framework was clear and concise: the two outcome indicators were directly linked to the PDO, and the nine intermediate results indicators correspond to the main intermediate outcomes/outputs of the four components.

34. The relevance of the design was confirmed by the successful implementation of the project and achievement of the end-of-project targets of the outcome and intermediate indicators. The decision of GoWB to seek Bank support for the follow-on ISGPP-II to mainstream the institutional strengthening of GPs to all GPs in the state confirms the relevance of implementation.

3.2 Achievement of Project Development Objectives

Rating: High

35. Achievement of the PDO ("to develop institutionally strengthened GPs") was measured by two outcome indicators in the Results Framework: (i) a minimum of 80% of

1000 GPs have well-functioning fiduciary and planning systems as measured through the annual performance assessments; and (ii) a performance-based grant transfer system is well established to roll out to other GPs.

At least 80% of 1000 GPs have well-functioning fiduciary and planning systems as measured through annual performance assessments. Rating: High

36. ISGPP used annual performance assessments (APAs) as both the basis to determine the eligibility of GPs to receive block grants from the project and also as a tool to measure the functioning of their fiduciary and planning systems. The APAs provided a standardized and objective method to quantify and measure the performance of GPs in a fair and transparent manner. To ensure the validity, objectivity and quality, APAs were carried out by an independent agency (except for the first year, when only four mandatory minimum conditions were assessed and no score-based performance measures were carried out and it was done by P&RDD). All APAs were reviewed by P&RDD for validation. In addition, Quality Assurance Audits (QAAs) by an independent consulting firm on a randomly selected sample of 10% of APAs provided third-party validation of APA findings.

37. The number of GPs that met the APA score thresholds and qualified to receive block grants doubled from the first year of the project (2010/11) to the last year of the project (2015/16), as shown in the table below. In the last budget cycle, 987 of the 1000 project GPs met the Minimum Mandatory Conditions (MMCs) and received APA scores of at least 70. Over the entire course of the project, 999 of the 1,000 project GPs met the qualification criteria and received block grants at least once.

Table 2: Criteria Used and Number of GPs Qualified for ISGPP, 2010-2016

Year	Criteria of qualification	No of GPs qualified
2010-11	Meet MMCs	483
2011-12	Meet MMCs	841
2012-13	Meet MMCs	797
2013-14	Meet MMCs + Scoring at least 60 in APA	792
2014-15	Meet MMCs + Scoring at least 70 in APA	960
2015-16	Meet MMCs + Scoring at least 70 in APA	987

38. Although it is a challenge to define “well-functioning” for evaluation purposes with a threshold score of APA, that 982 of the 1,000 GPs (98.2%) scored more than 90 (out of 100) on the APA of 2015 compared to the target of “a minimum of 80% of 1000 GPs” provides strong justification for a rating of “High”.

A performance-based grant transfer system is well established to roll out to other GPs. Rating: High

39. The establishment of a performance-based grant transfer system requires readiness in four aspects: (i) establishment of transparent performance rating criteria for defining grant eligibility; (ii) establishment of a reasonable allocation formula of the grants; (iii) establishment of institutional arrangements for timely release of grants; and

(iv) establishment of an accountable monitoring and evaluation system for tracking the utilization of grants. Documentation of ISGPP provides evidence that all four elements have been well established in West Bengal.

- *Grant eligibility.* APA scores, based on performance rating criteria, were the basis to determine eligibility of GPs for grants and have been institutionalized in the state. The fourth SFC has recognized the significance of the APA criteria and recommended its adoption for all untied funds to GPs.
- *Grant allocation.* The grant allocation formula was based on a simple per-capita (as per census population) formulation. A floor amount of INR 1.2 million (equivalent to US\$21,502) was provided to each eligible GP to undertake activities as per the approved plan. Feedback received from the district coordinators indicates that the allocation rules were well accepted by GPs and were considered reasonable.
- *Grant release.* Institutional arrangements for grant release were established according to the budget cycle of the GPs. The ISGPP block grant was released each year during May and was routed to the designated bank accounts of the District Panchayats & Rural Development Officer (DPRDO), and from there to the GP's designated bank account. The entire process was electronic and grants were transferred from the project to GP accounts within three days.
- *Monitoring and Evaluation.* The process of carrying out APAs and QAAs through independent external agencies have been well institutionalized within the state. The GIS-based planning and monitoring system is well established and its application has been extended to all GPs in the state. Citizen education and engagement were made possible through various IEC channels and grievance redress mechanisms were formally systemized through developing a Grievance Redress Management System (GRMS) which was launched in June 2016.

40. As mentioned in Section 2.5, a second phase of ISGPP has been requested by GoWB to scale up the performance-based grant transfer system to all GPs in the state and is now under preparation. Under ISGPP-II GoWB plans to institutionalize access to all discretionary funds to GPs based on performance rating and evaluation measures, along the lines of those introduced by ISGPP.

41. In addition to the two PDO-level indicators, the project also achieved all intermediate outcomes set for the four components. Section F: Results Framework Analysis of the ICR Data Sheet provides the details.

42. Based on the above discussion the overall achievement of PDO is rated “**High**”.

3.3 Efficiency

Rating: Substantial

43. Two types of returns were considered as benefits of ISGPP: (i) returns on the investments funded by ISGPP block grants; and (ii) returns on the increased financial capacity and governance efficiency of GPs.

Cost-benefit analysis of investments in GPs funded by ISGPP block grants

44. Over the course of the project, around 92,000 investments/activities carried out by the project GPs using ISGPP grants. As shown in Table 3 below, these activities can be grouped under three major sectors: transport (about 54 percent), water and sanitation (23 percent), and public buildings (around 20 percent). The potential benefits of these investments include reduced transport costs, reduced flood damage, reduced water borne diseases and the associated health benefits, reduced time cost of fetching water, and increased job creation.

Table 3: Summary of Major Assets Built Using ISGPP Grants in the GPs⁹

Sector	Type of Assets Created	Output Quantity	Investment (INR million)	Investment (USD Million)	Percentage (%)
Transport	New Road (Concrete / Black Top, brick)	29,074 Km	5,706.6	97.03	42.0
	Repairing of existing roads	15794 Km	1,633.4	27.77	12.0
Water and Sanitation	Water Supply: Tube well, construction of arsenic free water sources, water treatment plant)	11312 Facilities	425.5	7.24	3.1
	New Piped Water Supply System	14252 Km	1,503.1	25.56	11.1
	Repairing of Existing Toilets	1616 Toilets	137.4	2.34	1.0
	Sanitation and Drainage (construction of public toilet, drain) – New work	6481 Sites	1,033.4	17.57	7.6
Public Buildings	New Building (ICDS ¹⁰ Centre, Market complex, and other Public utility infrastructure)	4313 Facilities	1,168.9	19.88	8.6
	Repairing of Buildings	3295 Buildings	381.6	6.49	2.8
	Other Community Assets (community toilet, bus stand, bathing ghat, burning ghat etc.)	8210 Facilities	1,219.9	20.74	9.0%
Total		91961 Subprojects	13,594.6	231.16	100

⁹ The quantity and investment amount in Rupees were provided by the ISGPP cell, as of June 30, 2016. The amount in US million for each category was calculated using an average conversion rate of 55.81 (Rupees to USD) during the project cycle.

¹⁰ Integrated Child Development Services

45. Given the demand driven nature of GP investments, investments had not been determined at project appraisal, and an estimated economic rate of return (ERR) was not computed; however, a potential ERR of 20% or higher was expected at appraisal. Results from the cost-benefit analysis of a sample of completed GP investments indicate that the ERRs of the sample investments are in the 20.12 percent to 27.23 percent range and have positive NPVs.

Increased financial capacity and governance efficiency of GPs

46. It is difficult to quantify the benefits of increased financial capacity and governance efficiency. However, as discussed in Annex 3, ISGPP contributed to (i) improved scale economy in investments, (ii) predictability of funds and faster grant transfer with timely release, (iii) improved utilization of untied funds, and (iv) increased generation of own source revenues (OSRs), especially when compared to non-ISGPP GPs.

47. A detailed description of project benefits and the results of the economic analyses are included in Annex 3: Economic and Financial Analysis.

48. *Administrative efficiency is rated high.* The agreed loan amount of SDR 131.8 million had been fully disbursed at the original project closing date of December 2015. A six-month extension was required to enable project GPs to utilize the block grants and close contracts.

49. Based on the above, project efficiency is rated as **Substantial**.

3.4 Justification of Overall Outcome Rating

Rating: Highly Satisfactory

50. Based on the ratings of relevance (high), efficacy (high), and efficiency (substantial) in sub-sections 3.1, 3.2, and 3.3 above, the overall outcome of the project is rated *Highly Satisfactory*.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

51. *Poverty impacts.* ISGPP contributed to the state's poverty reduction efforts by providing additional discretionary grants to the project GPs that enabled them to:

- Build infrastructure to improve access to basic services (i.e., connectivity and water/sanitation) for rural residents, most of whom are poor.
- Increase capacity to generate own source revenues that would be used to invest in poor rural communities.

- Improve their governance, in terms of transparency and accountability, as well as inclusive growth, especially for vulnerable groups, by encouraging community participation.

52. *Social inclusion.* ISGPP introduced the Vulnerable Group Development Index (VGDI) as a new tool for promoting inclusive development in GPs. The VGDI helped GPs to identify backward areas and disadvantaged rural citizens and enabled their active participation in the planning processes of GPs. Using the VGDI, GPs were able to prioritize areas and/or activities for ensuring equitable and sustainable development and reflected them in their Integrated Action Plans, thus ensuring social inclusion.

53. *Gender.* ISGPP developed and incorporated a women empowerment programme in the capacity building component. In addition, participation of women residents in GP meetings was included in the APA scoring system, thus encouraging women's voices to be heard. As a result, a significant rise has been noted in the attendance of women representatives at key local governance meetings. APA reports of 2012 found that 77.1% of GPs had women's attendance rate in the range of 25%-40%. The situation improved over time and the APA reports of 2015 found that in 57.3% of GPs the attendance was more than 40%.

54. ISGPP also helped to promote greater gender responsive budgeting and planning in project GPs. Just before the 2013 panchayat general elections, GoWB adopted a landmark policy to reserve 50% of elected representative slots in all gram panchayats for women. Subsequently, STARPARD provided training to the Elected Women Representatives (EWRs), which empowered them to take part in critical decision making processes. In turn, gender specific initiatives have since gradually gained prominence in the budgeting and planning of GPs. The Gender Responsive Budgeting Report prepared by the social development specialists of ISGPP highlighted that a growth in the proportion of gender specific budget allocation per female has been observed in seven of the nine project districts, with the highest increase of 122% in Bankura District.

(b) Institutional Change/Strengthening

55. Institutional strengthening is the PDO of ISGPP. The highlights of institutional change/strengthening brought about by ISGPP are:

- The performance-based grant transfer system created a substantial financial incentive for GPs to improve their performance.
- The APA, a standardized scoring system, provided a transparent and objective way to evaluate the performance of GPs.
- Training, mentoring support and need-based assistance to GPs have increased the technical and administrative capacity of GPs.
- Citizen participation and inclusion of vulnerable groups in GP meetings have improved GP governance.
- Computerized GP management systems (GPMS) established under ISGPP have improved the efficiency of everyday GP tasks.

56. To promote the effectiveness of institutional strengthening through capacity building, ISGPP developed a comprehensive web-enabled Training Management Information System (MIS) application, the first of its kind in India, for STARPARD. The STARPARD MIS incorporates a dynamic online report generation facility allowing users to generate reports to enable detailed analyses on trainings, such as trainees' profile, number of trainings conducted, training gaps of the GP functionaries, etc. This training MIS helped identifying who received what training at any point of time; the training gap analysis can instantly be generated, which helped designing training plan appropriately. This Training MIS is now open for public access.

57. ISGPP also seems to have had positive impacts on the work dynamics of GP functionaries and elected representatives. In interviews conducted by a third-party consultancy, GP officials indicated that capacity building initiatives under ISGPP provided them greater clarity on their roles and responsibilities. In addition, while there was an increase in work load, most of the functionaries in project GPs would still like to stay in ISGPP GPs, because of higher job satisfaction and respect from community members for their work under ISGPP.

(c) Other Unintended Outcomes and Impacts

58. A number of spillover effects from ISGPP were frequently mentioned and are documented. These include:

- 1) *Increased interest in and accumulated knowledge of performance-based grant financing in non-project GPs.* Many non-project GPs have become familiar with the performance-based grant financing mechanism and have observed the improved performance of project GPs. Non-ISGPP GPs adjacent to ISGPP GPs have demanded to bring their GPs under ISGPP. There are also instances of community members in neighboring non-ISGPP GPs demanding ISGPP type interventions.
- 2) *Exchange of knowledge and expertise between project and non-project GPs.* Non-ISGPP GPs expressed their admiration of systems introduced by ISGPP, such as the GIS-based planning and monitoring system, more untied funds and better record keeping, as well as the need-based support provided by district mentoring teams. A GP official in a project GP, who was later transferred to a non-project GP, made significant changes in the functioning of his new non-ISGPP GP by implementing lessons learned during his previous stint at the ISGPP GP.
- 3) *Mainstreaming of frameworks and tools introduced by ISGPP.* Procurement Guidelines, GIS-based planning and monitoring system, ESMF, VGDI, GPMS, Web-based monitoring system, Score-based APA system for untied/discretionary grants allocation and GRMS developed under ISGPP have been updated and mandated for use by all GPs in the state. This has facilitated the participation of all GPs in the upcoming ISGPP-II.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

59. An assessment study of Citizens' Recall and Feedback of Communication Tools and Service Delivery under ISGPP was carried out by a third-party consultancy in January 2016, using both quantitative and qualitative methods. The study found that ISGPP had a significant impact on rural communities in terms of increased awareness and improved service delivery. Service delivery through planned public infrastructure, such as improved roads, water supply, sanitation and drainage systems, was mentioned by respondents. Respondents also feel that GPMS had improved service delivery, e.g., the computerized system of issuing birth and death certificates had speeded up the process significantly. Annex 5 provides more details on the study.

4. Assessment of Risk to Development Outcome

Rating: Moderate

60. The major development outcomes of ISGPP are improved capacity and performance of GPs, as well as improved service delivery from investments funded by the block grants. The former outcome could be further specified as the combination of three aspects: (i) improved operational efficiency through introducing computerized management systems/techniques; (ii) improved financial management performance of GPs based on APA and auditing results; and (iii) enhanced fiscal capacity to deliver public services using untied grant funds. The risk that these development outcomes will not be sustained is rated Moderate, as explained in the table below.

Table 4: Assessment of Risk to Development Outcomes by Individual Criterion

Development Outcomes		Rating and Major Risk Criteria	Rationale for Rating
Improved capacity and performance of GPs	(i) Improved operational efficiency by using computerized systems.	Negligible to Low. Technical Risk.	The system is already in place. Some GP staff may need to be trained to operate the systems. This can be addressed by offering training sessions.
	(ii) Improved financial management performance of GPs based on APA and auditing results.	Modest. Financial and Economic Risks.	The performance-based grant transfer system, using APAs as eligibility criteria, is well established and well-understood by the GPs. As the improved performance was mainly due to the financial incentive created by ISGPP, a continuation of performance grants is needed to sustain the system. ISGPP-II will fund the mainstreaming of this system to all GPs.
	(iii) Enhanced fiscal capacity from receiving performance-based grants.	Modest. Financial and Economic Risks.	Sustainability of this outcome depends on the continuation and roll-out of ISGPP to the next phase. While ISGPP II is already under preparation, there is still residual uncertainty regarding the financial and fiscal capacity of GPs in the long term.
Improved service delivery from investments financed by block grants.		Modest. Financial and Economic Risks.	Infrastructure investments financed by ISGPP grants have been completed. Some of the assets (i.e., markets, water and sanitation facilities) can generate revenues to recover operation and maintenance (O&M) costs. Other infrastructure, such as roads and drainage systems, would require financial support

	from the GPs for O&M. If GPs fail to provide sufficient funding, the sustainability of these assets may be in question.
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5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

61. ISGPP was prepared at a time when West Bengal was in the middle of a devolution process. The PDO was clear and simple, and was well aligned with both the CAS and the government’s policy towards improved decentralization and empowerment of local governments.

62. Substantial background research was conducted during project preparation on existing conditions, particularly with regard to fiscal capacities and service delivery challenges of the GPs. Project design incorporated lessons learned from international experience and using performance-based financing as the incentive for GPs to improve performance and capacity. Project components were carefully designed to complement and reinforce each other to achieve project outcomes. The existing intergovernmental transfer system was used and the existing budget cycle was taken into consideration to ease the grant release procedure and to ensure consolidation of fiscal resources available to GPs.

63. The appraisal of the project was thorough, with careful consideration of economic, institutional, fiduciary, technical, social and environmental issues, and included risk assessments and mitigation measures. The Bank appraised the detailed Project Implementation Manual (PIM, which included a Grant Operational Manual on the specifics of Component 1 and manuals for use by the targeted GPs) prepared by the implementing agency and confirmed that it provided guidance on project implementation modalities and instruments.

64. The results framework was clear and the data sources of the indicators were identified and connected to the project outcomes; however, some indicators used wording that may be subject to interpretation, e.g., “well-functioning” and “well-established”.

(b) Quality of Supervision

Rating: Highly Satisfactory

65. Throughout the project implementation period, the Bank focused on supporting the project agencies to implement the many innovations under the project: the APA process; the QAA process; orienting GPs on institutional aspects, implementation of investments by GPs in line with the ESMF, the Grant Operation Manual and the

Procurement Manual. The Bank paid special attention to capacity building activities, especially with reference to the implementation of inclusive planning, mainstreaming financial, accounting systems and service delivery through GIS, WBMS, GPMS, VGDI, participation of women, enhancing local accountability, improvements in monitoring and oversights, etc. Bank management joined the missions at important periods of the project; the Country Director visited the project to demonstrate management appreciation of the project's impressive progress, and met with senior GoWB officials to discuss prospects for mainstreaming project achievements to all GPs in the state.

66. *Environmental and Social Safeguards.* The Bank provided support in implementing the ESMF and later helped to simplify it to make it robust and easier to implement. The Bank team encouraged and advised on the development and implementation of the VGDI, which contributed to GPs to prioritize areas/activities in support of inclusive development.

67. *Fiduciary and Procurement.* The Bank team's review of existing financial reporting software of P&RDD helped in identifying crucial issues, which were later addressed in ISGPP with explicit support from the Bank. The staff of ISGPP Cell and DCUs acknowledged that they had limited knowledge about procurement issues as far as GP procurement was concerned at the beginning of the project. The Bank team provided substantive support to P&RDD to develop the Procurement Manual through the project, which was later mainstreamed in 2014 to all GPs in the state as a standard practice.

68. *Contribution to Post-completion Operation and Transition Arrangements.* During the second half of the project, the Bank was actively engaged in discussions with GoWB and GoI, on mainstreaming the performance-based block grant system to all GPs in the state and also to institutionalize various ISGPP innovations, including VGDI, GPMS, increased participation of women, and citizen participation. With the strong ownership of GoWB and proactive actions of the Bank, a second phase of ISGPP (i.e. ISGPP-II) is scheduled to be appraised and presented to the Board in early 2017. ISGPP-II will mainstream the performance grant approach of ISGPP (including APAs, QAAs and on-demand capacity building) to all GPs in West Bengal through the Program-for-Results instrument using government systems. The Bank ISGPP team has been working closely with the preparation team of ISGPP-II to ensure smooth transition between the two projects, including providing inputs on project design, facilitating meetings with the client, and coordinating on project missions. A Project Preparation Advance (PPA) of US\$ 4.5 million from ISGPP-II will cover the financing needs of GPs between the closing of ISGPP and the effectiveness of ISGPP-II. The mainstreaming of the ISGPP design elements to all GPs will ensure the sustainability of the ISGPP concepts and systems.

69. As indicated earlier, GPs have ensured that service delivery infrastructure and physical assets built by ISGPP block grants remain operational. In addition, GPs are committed to cover the operating and maintenance costs of these facilities from their budget.

70. *Implementation Support and Interaction with the Borrower.* The Bank team monitored project implementation closely through timely missions as well as frequent informal interactions from the New Delhi office. Before project closing (June 30, 2016), eleven Implementation Support Missions (ISMs) were conducted, with an average interval of about seven months. In between implementation support missions, Bank’s task team followed closely with follow-up visits and meetings. In addition, Bank team members communicated with the Borrower through phone calls, emails and virtual meetings to offer frequent off-site guidance and support to address project issues when prompted, particularly regarding queries on Bank procedures and policies. The mid-term review was carried out in 2013 as scheduled. Following each ISM, formal communications with the Borrower and the implementation agencies were made in a timely manner through Management Letters and Aide Memoires. Given the highly satisfactory outcome of the project, the Bank generally rated project performance as satisfactory in Implementation Status Reports (ISRs). However, when there were slippages (as during most of 2012) implementation progress was downgraded to moderately satisfactory. In addition, the Bank was candid in reflecting minor shortcomings in procurement and financial management by rating them moderately satisfactory from time to time; this also provided an incentive for the implementing agencies to improve their performance.

(c) Justification of Rating for Overall Bank Performance

Rating: Satisfactory

71. Based on ratings of Bank Performance in Ensuring Quality at Entry (Satisfactory) and Quality of Supervision (Highly Satisfactory), overall Bank Performance is rated “Satisfactory”.

5.2 Borrower Performance

(a) Government Performance

Rating: Highly Satisfactory

72. The GoWB had provided consistent and extensive support to the project in a timely manner. The project received good exposure and attention from the highest-level government officials within the state, which ensured that essential, but innovative, features of the project, such as the APAs and QAAs were implemented effectively. The P&RDD played an essential role in communicating and disseminating the project mandates to the Districts, which ensured the cooperation and facilitation of the Districts and Blocks, to which the project GPs belong. GoWB deserves special credit for developing and implementing VGDI, strengthening women’s participation, and mainstreaming GPMS, introducing online monitoring and reporting by GPs and geotagging of assets and setting up the GRMS. The ELA conducted the annual external audit of the project GPs on time. The State Department of Finance took proactive measures and provided additional funding to address the fluctuation in currency exchange

rates. Most importantly, GoWB choose to build on the momentum generated by ISGPP by proposing and obtaining GoI support for ISGPP-II, the follow-on project.

(b) Implementing Agency or Agencies Performance

Rating: Highly Satisfactory

73. The ISGPP Cell under WBSDRA was setup at the onset which assumed overall responsibility for day-to-day project management, coordination and monitoring of the project performance. The State Coordination Unit (SCU), headed by the Project Manager, was well-staffed and consisted of several sub-teams working on different topic areas and components. At the district level, the District Coordination Units (DCUs) provided mentoring and handholding support to the GPs in each of the nine project districts. Over the course of the project, apart from successfully implementing the ISGPP work programme, both the SCU and DCUs demonstrated excellent performance in a number of areas, as discussed below.

74. *Mentoring Support to GPs.* The mentoring teams have been the project's interface with the primary beneficiaries, i.e., the GPs. Throughout the project, the SCU provided capacity building inputs to the DCUs with the help of a strong monitoring system and feedback mechanism through regular reviews, meetings and frequent field visits for on-site support. By the end of the project, over 113,630 days of mentoring support had been provided to GP employees and elected representatives through 62 mentoring teams, covering planning and governance, financial management and procurement, as well as rural engineering. The ISGPP impact evaluation report showed that mentoring support transformed the way project GPs functioned in West Bengal and were instrumental in assisting project GPs to be effective institutions.

75. *Innovation in Monitoring and Evaluation.* The ISGPP developed a sound three-tiered concurrent reporting system: GPs collected and reported to the DCUs in six monitoring templates that were developed for tracking project activities. DCUs then reviewed the reports and submitted them to the SCU. In the first two years, project M&E relied on paper-based monitoring formats. Due to a strong demand for a more transparent and efficient monitoring and reporting system, ISGPP launched the web-based monitoring system in February 2013, with built-in features for data entry, update and reporting. Real-time reports on the project status could be prepared and the information was accessible to the public. Introduction of this online monitoring system brought about a significant paradigm shift in GP governance that led to greater transparency and increased efficiency in M&E activities.

76. *Documentation of Project Information.* The project, with the help of a comprehensive web portal (as a sub-domain of P&RDD's portal) has disclosed all project reports, procurement information, and other notifications to the public at wbisgpp.gov.in. This practice contributed largely to transparency and accountability of project implementation agencies. The ISGPP impact evaluation report found that ISGPP GPs have better documentation systems in place, compared to non-ISGPP GPs.

77. *Effective Communication Strategies.* A comprehensive communication strategy was developed and implemented by the SCU not only to help the GPs better understand project features and rules, but also to encourage citizen engagement. Both traditional channels (such as face-to-face workshops, publications and newsletters, and TV commercials/Radio spots) and social media (YouTube, Twitter, Google plus, Facebook, Instagram, etc.) were used to reach different demographic groups. Information was generally disseminated in both English and Bengali to serve a broad audience. The bilingual monthly newsletters and quarterly periodicals had a large impact in all the GPs across the state and in dissemination of best practices in other states and other departments of the state.

78. *Post-completion Operations and Transition Arrangements.* As mentioned above, GoWB has requested Bank support on a follow-on project, ISGPP-II, which will be a PforR operation supporting the government program to roll out performance-based grants to all GPs in West Bengal. It is expected that the ISGPP Cell (including the core team) will continue to play an important role in the implementation of ISGPP-II. Such continuity in project management and coordination helps ensure a smooth transition from ISGPP to ISGPP-II. For example, with the accumulated knowledge acquired from ISGPP implementation, staff from the ISGPP Cell engaged actively in discussing and identifying the DLIs for the ISGPP-II operation.

(c) **Justification of Rating for Overall Borrower Performance**

Rating: Highly Satisfactory

79. Based on the ratings of Highly Satisfactory for both Borrower and Implementing Agency Performance, overall Borrower Performance is rated “**Highly Satisfactory**”.

6. Lessons Learned

80. ISGPP has achieved a highly satisfactory outcome and provides several lessons to inform the design and implementation of similar projects in the future.

Project Design

81. **Performance-based block grants are an effective and efficient in improving the performance of local governments.** ISGPP was instrumental in creating an altogether new governance environment in the project GPs by using performance-based grants to motivate GPs to improve their performance on institutional aspects, especially on timely preparation of annual plans and budgets, execution of sub-projects, citizen engagement, accounting, monitoring and reporting, etc. A well-designed APA system was resulted in a credible allocation of grants, while improved planning processes and increased community participation also helped to enhance effective utilization of the block grants.

82. **Mentoring, as a key element of capacity building, is a prerequisite to enhance project achievements.** The mentoring model for capacity building proved to be very

effective due to the close interaction with key stakeholders. It gave GP officials and elected representatives the confidence to successfully utilize the block grants to implement the service delivery elements of the project.

83. **Innovations with a selected group of higher-capacity GPs can results in spillover effects on non-participating GPs.** The project only selected a third of the GPs within the state, which had better capacity and performance to begin with. This was meant to mitigate the risk of GPs with low capacity not being able to meet the requirements of a performance-based block grant system. As indicated in Section 3.5 (c), the project had spillover effects on non-project GPs: increased interest in and accumulated knowledge of performance-based financing; exchange of knowledge and expertise between project and non-project GPs; and mainstreaming of ISGPP frameworks and tools.

Project Implementation

84. **Political will and Borrower ownership are key to the success of local governance improvement programs.** There was a strong demand and commitment from GoWB to implement ISGPP. The objective of this project, to strengthen the institutional capacity of the GPs, was well aligned with GoWB's plans to deepen the devolution of powers and functions to rural local governments. The project was prepared at a time when various decentralization processes had already been underway in the state. Although with the change in government at the state level at the beginning phase of the project, it did not affect the implementation of the project. During the project, the national and panchayat-level elections also happened but did not either the PDO or project implementation.

85. **Strong leadership and stable project teams in the implementing agency as well as at the Bank, and close collaboration between the two teams are key to effective project implementation.** On the Bank side, the Task Team Leader (TTL) during project implementation was part of the Bank team during project preparation, appraisal and negotiations. This enabled the Bank team to build mutual trust and collaborative relationships with the Borrower. On the Borrower side, there was a stability in state leadership, such as the state Minister of Panchayats, Principal Secretary and the Project Manager. The Project Manager of the ISGPP Cell has been leading the SCU and the DCUs with a strong and stable team of professionals. Continuity of staff in SCU, DCUs and mentoring teams working with GPs resulted in their growing familiarity with project requirements and procedures and compliance with them. After a steep learning curve in the beginning, the staff were able to perform project implementation and management tasks in a skillful and efficient way.

Results Monitoring and Evaluation

86. **Separation of the executing and evaluating agencies helped ensure the objectivity and integrity of performance assessment.** Maintaining the integrity of the performance evaluation system was key to the success of ISGPP. The use of consulting

firms for the external audit of the annual performance assessments managed by the implementing agency rather than the executing agency ensured objectivity.

87. **Good communication and documentation improve transparency and citizen participation.** The impact evaluation of the project showed that providing information to community members resulted in their increased and active participation in various GP meetings. Dissemination of project information to GP residents through various channels, such as GP Information Booklets, TV commercials, radio spots, notice boards, hoardings and wall writings, ensured that community members were well informed and could participate effectively in the GP platforms.

88. **Comments on Issues Raised by Borrower/Implementing Agencies/Partners**

(a) **Borrower/implementing agencies**

89. There were several issues that were identified by the borrower during interactions with the SCU and DCUs, which are very useful in informing project design of other similar projects in the future.

- *Better vertical and horizontal coordination is needed from different departments at different levels of government.* It was indicated by some of the district coordinators that the role of Panchayats Samities (blocks) was largely missing in ISGPP implementation, which sometimes caused delays in the project implementation, due to a lack of interest and low priority for the block officials.
- *Partial coverage of beneficiaries may cause unpredicted challenges in project implementation.* ISGPP only covered a third of all GPs in the state, due to considerations on GP capacities as well coordination and implementation complexities. As a result, some subdivisions officers (upper-level government of GPs) were not interested to monitor the project because only part of the GPs were covered under ISGPP, rather than all.
- *To fully release the potentials of GPs in OSR generation, an enabling environment with loosened state regulations/restrictions is needed.* There was a study done by ISGPP on how to augment OSRs and policy recommendations have been made in the document. It was noted that the GPs' ability to collect OSR through non-tax items, e.g. user fees, is constrained by the tariff ceilings set by the state. The tariff ceilings are sometimes not updated for over ten years. Homestead land and building taxes are limited due to outdated value assessment. Income-generating projects, i.e. market complex could generate OSR in a long time. The GPs need to be better informed and educated regarding these potentials so that they could maximize the benefits of the ISGPP untied funds through investing in income-generating assets.

(b) **Cofinanciers**

Not Applicable.

(c) **Other partners and stakeholders**
Not Applicable.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate* (USD millions)	Actual/Latest Estimate (USD millions) ¹¹	Percentage of Appraisal (%)
Component 1: Grants to GPs	197.40	263.60	133.5
Component 2: Capacity Building to GPs	21.20	10.73	50.6
Component 3: State Oversight and Monitoring of PRIs	6.90	1.76	25.5
Component 4: Program Management and Implementation	9.50	7.78	81.9
Total Baseline Cost	235.00	283.86 ¹²	120.8
Physical Contingencies	-	-	-
Price Contingencies	-	-	-
Total Project Costs	235.00	283.86	120.8
Front-end fee PPF	-	-	-
Front-end fee IBRD	-	-	-
Total Financing Required	235.00	283.86	120.8

* Note: At MTR, the costs of components were revised as follows: Component 1 to US\$ 203.04 million; Component 2 to US\$ 14.66 million; Component 3 to US\$2.99 million; and Component 4 to US\$13.41 million.

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal (%)
Borrower		35.00	86.53	247.2
International Development Association (IDA)		200.00	197.33	98.7 ¹³

¹¹ All numbers in this column were obtained from actual accumulated disbursement table provided by the borrower. The amount in USD was converted from INR amount received in the project's designated account using the actual exchange rate at the time of each transaction.

¹² There is a small discrepancy in add-up due to rounding of numbers.

¹³ As the IDA loan agreed in the project legal documents was in SDR, not USD, the actual disbursement rate shall be calculated as the ratio of total actual disbursement to the total loan amount in SDR. As explained in Paragraph 20, the project has fully disbursed (SDR 131.8 million) with a US\$ 1.37 million (equivalent to SDR 0.7347 million or 0.56% of total credit) residual balance to be returned. Therefore, the actual disbursement ratio is 99.44%.

Annex 2. Outputs by Component

Component 1: Grants to Gram Panchayats (US\$197.4 million – IDA, GoWB)

Outputs:

- *Block grants from IDA:* 999 GPs were provided block grants at least once; 360 GPs qualified for block grants in all six grant cycles. The actual accumulated disbursement amount of IDA credit under Component 1 stood at INR 1,036.51 crore, or US\$177.07 million equivalent at the time of evaluation.
- *State funded untied grants:* Total disbursements of SFC were INR 494.93 Crore, or US\$ 86.53 million at the time evaluation, i.e., nearly 2.5 times of the original SFC amount at appraisal.

Investments and schemes delivered: The average investment per activity from all untied grants (excluding block grants) has increased from INR14, 000 (US\$ 251) in 2011-12 to INR190, 000 (US\$ 3, 404) in 2015-16, while the average expenditure per activity from ISGPP block grants increased from INR.44,000 (US\$ 788) in 2011-12 to INR 375, 000 (US\$ 6,719) in 2015-16, i.e., increases of 400% and 850% respectively during last three years. A detailed analysis of the types and returns on the investments is included in Annex 3.

Outcomes/Results: A total of 19.6 million GP residents were recorded as direct project beneficiaries of ISGPP investments, of whom 53.18% were female.

Component 2: Capacity building for GPs (US\$21.2 million - IDA)

Outputs

- *System building/support:* The GPMS was operational and maintained an 'excellent' status in 998 GPs. The Grievance Redress Management System was officially launched in June 2016 and is up and running.
- *Mentoring:* A total of 113,630 mentoring days were provided to GP employees and elected representatives through 62 mentoring teams.
- *Formal training:* STARPARD conducted residential training programs for all GPs (orientation of elected representatives, GP functionaries and refresher training) at the District Training Centres (DTCs) and Extension Training Centres (ETCs). The web enabled Training and Capacity building MIS application developed for STARPARD (the first of its kind in India) incorporates a dynamic report generation facility allowing the viewer to generate reports to enable detailed analysis; it is now open for public access.
- *Exposure visits:* Exposure visits were conducted for 523 GPs with 15,690 participants (comprising employees and elected representatives of GPs) as peer to peer learning. These were mostly intra-district exposure visits, with a few inter district visits.

Outcomes/Results. GIS-based planning systems were established and helped to increase the efficiency of GP in Planning and GPMS helped to enhance governance and

transparency. Of the 1,000 project GPs, 700 have started issue certificates (Birth, Death, Trade, etc.) using the GPMS. Formal training, need-based mentoring, and other system development support (e.g. exposure visits of GPs, issue based studies, demand led trainings) and capacity building activities increased the planning and budgeting performance of GPs. The number of GPs that met APA score thresholds and qualified to receive block grants doubled from the first year of the project (2010/11) to the last year of the project (2015/16). In all, 999 of the 1,000 project GPs met the qualification criteria and received the block grant at least once.

Component 3: State oversight and monitoring of PRIs (US\$6.9 million - IDA)

Outputs

- *Annual performance assessments (APAs) and quality assurance audits (QAAs):* All 1,000 project GPs were assessed annually by a consultant firm and the scores were archived. These APAs were conducted recruited for the purpose. The project developed a dynamic APA software which was used in all the APAs. APAs were audited by the ELA and externally through QAAs by an independent agency; QAAs were conducted for all APAs, except for the last APA which was conducted by the mentors through cross-district assessments. The reports of the QAAs were submitted regularly to the Bank.
- *Internal monitoring, information and reporting systems:* The project successfully tested and rolled out GIS integrated web based planning and monitoring system for the 1,000 Project GPs.
- *Evaluation studies:* Baseline studies were conducted at the beginning of project. Mid-line reviews were conducted on safeguards and procurement compliance. The Mid-Term Review and Final Program Evaluation studies were both conducted by independent consultancies and were delivered on time.
- *External audit support:* All 1,000 GPs have achieved 'clean' external audit reports in 2015, compared to 741 and 995 respectively in FY 11 and 12.

Outcomes/Results. The results monitoring and evaluation system is sound and is functional. The performance-based grant transfer system (with APAs and QAAs) will be mainstreamed to all GPs under ISGPP-II.

Component 4: Program Management and Implementation (US\$9.5 million- IDA)

Outputs

- *Project IEC:* TV spots were aired for ten months; booklets, coffee table books, best practices books and leaflets were disseminated and are available at GP offices. Procurement of an agency for folk based roadshows is underway. A study to evaluate communication strategy and its impact and citizens' feedback on the same was conducted in the last year of the Project and the multiple channels of IEC were effectively implemented.
- *Project management support:* A well-functioning project management team in place; however, recruitment of public infrastructure coordinators remains an issue.

The Project cell was well-staffed and functioned well until the end of the project. District coordinators were in place until project closure.

- *Project reporting:* All semi-annual, annual, mid-term and final evaluation reports and studies were conducted on time. The reports were furnished to the Bank. They were disclosed to the public and are available through the project website.

Outcomes/Results. Overall, the project was managed effectively and efficiently.

Annex 3. Economic and Financial Analysis

1. Economic benefits of ISGPP comprised: (i) benefits from investments in GPs funded by ISGPP block grants; and (ii) benefits from increased financial capacity and governance efficiency of GPs.

Economic Analysis of Investments Funded by ISGPP block grants

2. Over the course of the project, around 92,000 investments/activities were carried out by the project GPs. These activities can be grouped under three major sectors: transport (about 54 percent); water and sanitation (23 percent); and public buildings (around 20 percent). Table 5 below provides a summary of these investments by type.

Table 5: Summary of Major Assets Built Using ISGPP Grants in the GPs¹⁴

Sector	Type of Assets Created	Output Quantity	Investment (INR million)	Investment (US Million)	Percentage
Transport	New Road (Concrete / Black Top, brick)	29074 Km	5,706.6	97.03	42.0
	Repairing of existing roads	15794 Km	1,633.4	27.77	12.0%
Water and Sanitation	Water Supply: Tube well, construction of arsenic free water sources, water treatment plant)	11312 Facilities	425.5	7.24	3.1
	New Piped Water Supply System	14252 Km	1,503.1	25.56	11.1
	Repairing of Existing Toilets	1616 Toilets	137.4	2.34	1.0
	Sanitation and Drainage (construction of public toilet, drain) – New work	6481 Sites	1,033.4	17.57	7.6
Public Buildings	New Building (ICDS ¹⁵ Centre, Market complex, and other Public utility infrastructure)	4313 Facilities	1,168.9	19.88	8.6
	Repairing of Buildings	3295 Buildings	381.6	6.49	2.8
	Other Community Assets (community toilet, bus stand, bathing ghat, burning ghat etc.)	8210 Facilities	1,219.98	20.74	9.0
Total		91961 Subprojects	13,594.6	231.16	100

¹⁴ The quantity and investment amount in Rupees were provided by the ISGPP cell, as of June 30, 2016. The amount in US million for each category was calculated using an average conversion rate of 55.81 (Rupees to USD) during the project cycle.

¹⁵ Integrated Child Development Services

3. Four sample investments with costs ranging between US\$1,164 and US\$3,047 were selected for quantitative economic analysis: (i) construction of a gravel road; (ii) Construction of a concrete road; (iii) providing a bore well based hand pump water supply; and (iv) construction of a drainage system. Table 6 below summarizes the results of the economic analysis on these projects, including the sensitivity analysis.

Table 6: Results of the Economic Analysis of Sample Subprojects

Sensitivity Scenario	Sample Project 1: Construction of Concrete Road		Sample Project 2: Construction of Gravel Road		Sample Project 3: Sinking a Tube well		Sample Project 4: Construction of Drain	
	ERR	NPV in USD	ERR	NPV in USD	ERR	NPV in USD	ERR	NPV in USD
Base Case	20.12%	2,355	22.67%	3,607	27.23%	1,733	23.02%	1,862
20% increase in Construction Cost	16.13%	1,850	18.76%	3,089	22.48%	1,535	18.92%	1,586
20% increase in O&M Cost	19.01%	1,973	21.57%	3,261	26.27%	1,653	22.23%	1,774
20% decrease in project benefit	13.84%	997	16.75%	2,022	20.55%	1,109	17.29%	1,125
Combined effect (Worst Case Scenario)	8.62%	109	12.44%	1,158	16.02%	832	13.36%	761

4. Estimated base case ERRs in the range of 20.12 percent to 27.23 percent are above the minimum social discount rate of 8 percent and indicate that the sample projects investments are economically viable. The results of the sensitivity analysis indicate these investments are at acceptable levels even in the worst case scenario.

Besides the quantifiable benefits considered for the cost benefit analysis, a number of qualitative benefits (e. g., land use change, environmental improvements, safety, public costs of treating water borne diseases, direct and indirect employment generation) were not factored into the cost-benefit analysis because of lack of reliable data or analytical tools.

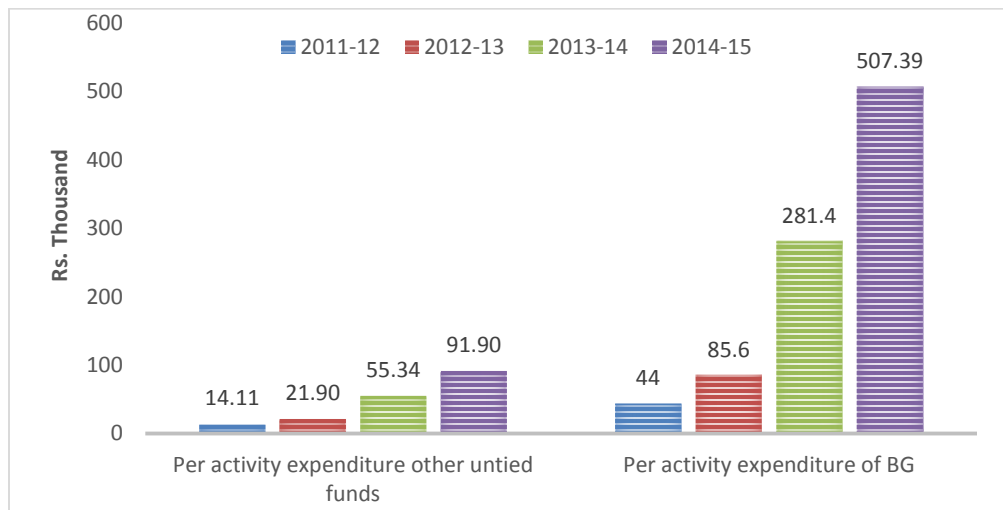
Increased financial capacity and governance efficiency

5. It is difficult to quantify the benefits of increased financial capacity and governance efficiency. However, as discussed below, ISGPP contributed to (i) improved scale economy in investments, (ii) faster grant transfer, (iii) improved utilization of untied funds, and (iv) increased generation of own source revenues (OSRs), especially when compared to non-ISGPP GPs.

6. *Improved Scale Economy.* The availability of untied block grants, along with continuous mentoring support from ISGPP, enabled GPs to consolidate funds from all untied sources to undertake larger scale investments for creating sustainable assets, e.g., village roads, ICDS centers, arsenic free drinking water tank and pipe water supply scheme, and drainage system. The average size of ISGPP-funded investments were consistently larger than investments funded by GPs without access to ISGPP block grants.

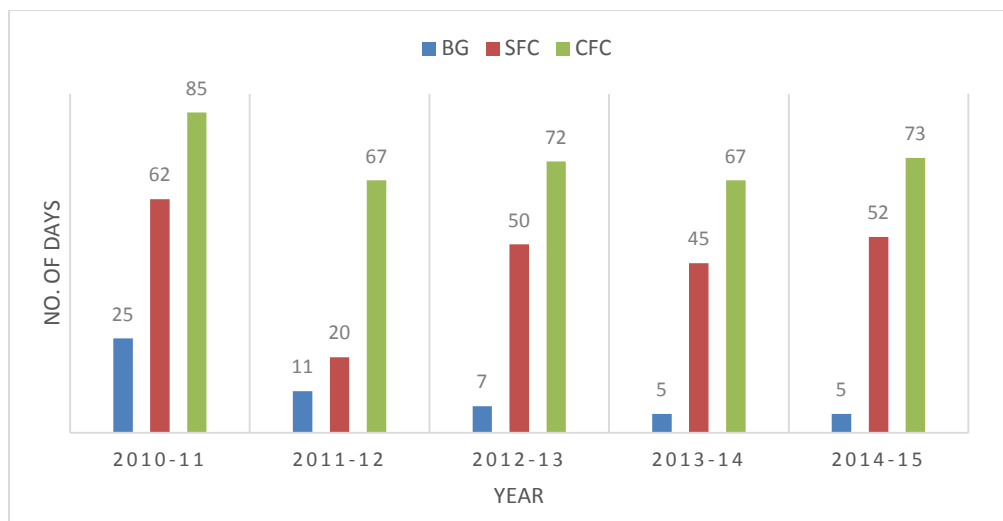
ISGPP has helped to improve the efficiency of public spending of the GPs by enhancing economies of scale.

Figure 1: Comparison of Average Investment Size: With ISGPP Block Grants vs. Only Other Untied Funds



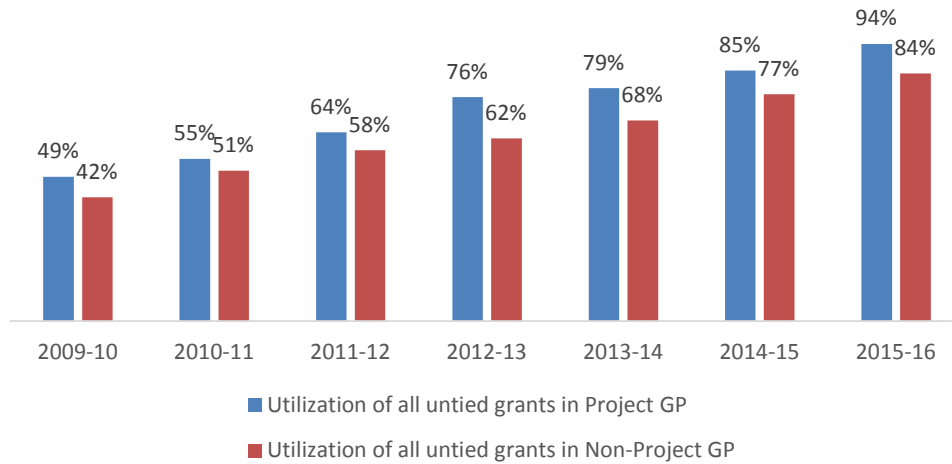
7. *Faster Grant Transfer.* The performance-based grant transfer model under ISGPP was much more prompt and timely in releasing grants compared to other inter-governmental grant transfers (e.g., SFC and CFC).

Figure 2: Duration of Grant Transfer for ISGPP BG, SFC and CFC



8. *Improved Utilization of Public Funds.* ISGPP block grants also promoted better utilization of other untied grants (SFC, CFC and OSR), thereby increasing the overall efficiency of available public resources. As can be seen from the figure below, the utilization rate of all untied grants in project GPs were consistently higher than in non-project GPs.

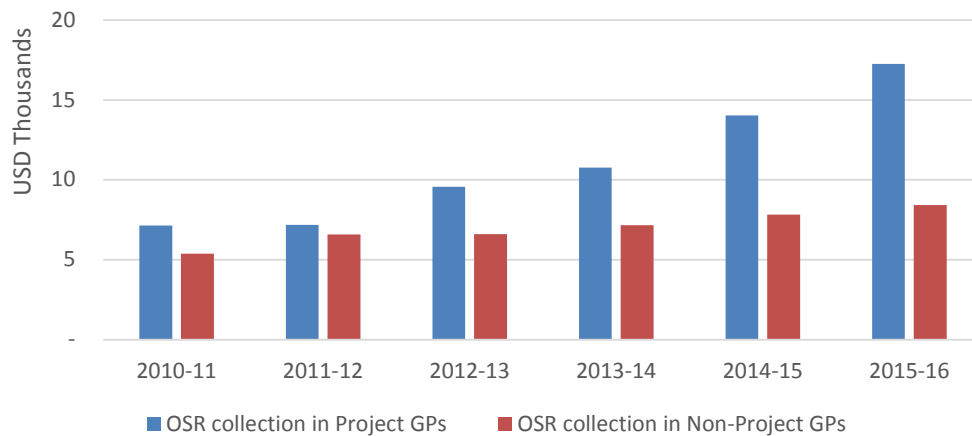
Figure 3: Comparison of Utilization Rate of Untied Grants in Project GPs and Non-Project GPs



9. Such a positive change is likely caused by ISGPP enhancing GPs’ capacity to utilize available resources. The trend in utilization of untied funds by both project and non-project GPs also improved with each financial year as shown in the figure.

10. *Increased generation of OSR.* Improved GP capacity also increased GPs’ ability to raise own source revenues. ISGPP advocated and supported augmenting OSR through tax collection camps, handheld machines (PDA) and the creation of income generating assets (such as market places) with untied grants. OSR of Project GPs has gone up substantially compared to Non-Project GPs, as is evident from the graph below.

Figure 4: Comparison of OSR Collections in Project and Non-Project GPs



Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Roland White	Lead Urban Specialist	GSURR	Task Team Leader (TTL)
Soma Ghosh Moulik	Lead Water & Sanitation Specialist	GWADR	Co-Task Team Leader (TTL)
Debabrata Chakraborty	Senior Procurement Specialist		Procurement
Susan Wong	Lead Social Development Specialist	GSUSD	M&E
Abdu Muwonge	Senior Urban Specialist	GSURR	Economist
Gaurav D. Joshi	Senior Environmental Specialist	GENDR	Environment
Kalyani Kandula	Local Consultant ST	GGODR	
Shivendra Kumar	Consultant	GFADR	
Lilian MacArthur	Program Assistant	GSURR	
Manvinder Mamak	Senior Financial Management Specialist	GGODR	Financial management
Rowena J. Martinez	Consultant	AFTU1 – HIS	Project Management
Ramachandran R. Mohan	Senior Social Development Specialist	SASDS – HIS	Social Development
Kishor Uprety	Senior Counsel	LEGES	Lawyer
Sujata Jayant Pradhan	Program Assistant	SASDO – HIS	
Nirmala Copra	Program Assistant		
Supervision/ICR			
Soma Ghosh Moulik	Lead Water & Sanitation Specialist	GWADR	Task Team Leader (TTL)
Zahed Khan	Senior Urban Specialist	GSURR	Co-TTL
S.V. Anil Das	Consultant	GWADR	Consultant
Ishtiaq Siddique	Senior Procurement Specialist		
Gaurav D. Joshi	Environmental Specialist	GENDR	
Manvinder Mamak	Senior Financial Management Specialist	GGODR	Financial management
Mridula Singh	Senior Social Development Specialist	GSURR	Social Development
Ramachandran R. Mohan	Senior Social Development	SASDS –	Social

	Specialist	HIS	Development
Ruma Tavorath	Environmental Specialist	GENDR	Environment
Nirmala Chopra	Program Assistant		
Qingyun Shen	Young Professional	GSU19	ICR author
Muthuthevar Boominathan	Consultant		Economic Analysis

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
	FY09	9.40
	FY10	65.39
	FY11	9.88
	Total:	84.67
Supervision/ICR		
	FY12	25.77
	FY13	20.81
	FY14	21.53
	FY15	14.76
	FY16	18.23
	Total	101.10

Annex 5. Beneficiary Survey Results

1. An assessment of Citizens' recall and feedback of communication tools and service delivery under ISGPP was carried out by a third-party consultant company in January 2016. Major objectives of this study are:

- 1) Citizen's recall of messages in project districts through Recall Survey – The objective will be to assess the recall factor amongst the citizens on the messages that have been disseminated through the various modes.
- 2) Citizen perception on Public Service Delivery – The objective will be to collate citizen feedback on the changes /improvements in public service delivery by the Gram Panchayats.
- 3) Assessment of Information Education Communication (IEC) components and modes availed by the ISGP Project – The objective will be to comprehensively assess the IEC strategy adopted by the Project and its efficacy.

Methodology

2. The study undertook a mixed methodology of quantitative and qualitative analysis and a set of primary data collection tools were developed to assess citizens' perception of project IEC activities and service delivery through: (a) gram panchayat as an institution; and (b) public infrastructure created with the objective of strengthening service delivery.

3. For quantitative analysis, a household survey with the following sampling design was conducted.

- 1) Sampling universe for this study included 4 ISGP and 1 Non-ISGP project districts in the state.
- 2) Sampling parameters included geographic representation and district specific self-evaluation average scores by GPs. The list of study districts were shared (in the proposal itself) with the SCU and agreed upon prior to start of the primary data collection exercise.
- 3) Within each selected district, 2 blocks (having ISGP GPs) were selected, one nearest to the district head quarter and the other farthest from it.
- 4) From the selected block, random were selection of 2 project GPs and non-project GPs were selected. From Non ISGP districts 5 randomly selected GPs from 2 blocks selected for primary field visit.
- 5) A total of thus 16 project and 9 non project GPs were identified in consultation with DCU/P&RDD offices during the primary data collection. Household (HH) level data was collected by distributing samples between two villages/ habitations, in each GP.
- 6) A total number of 16 Households in each GP (8 in each village) was sampled to collect data to support comprehensive assessment.

4. For qualitative responses, discussions were held with various stakeholders (as per table below) at different levels and included staff at SCU, DCU, GP members and functionaries. In addition to this, 50 focus group discussions (FGD) (2 in each GPs) were held that included 25 FGDs with women groups.

Key Findings

1. GP level feedback indicates that ISGPP project has had a significant impact in terms of increased awareness level among rural community and brought marked improvements in service delivery.
2. Recall of IEC campaign is high for focus themes (that were also aired on TV). There has been change in the behavior of people particularly in the area of tax collection and birth and death registration. More than TV spots, Tax Collection Week organized at the GP level has further contributed to increase in revenues.
3. Service delivery through Gram Panchayat Management System also observed a paradigm shift in the institutional behavior of the GPs as perceived by the citizens. Aided by the electronic arrangement, issuing various type of certificates have speeded up substantially. However, due to absence of mentoring support in the non-project universe, such scenario was not visible. The field level findings corroborates the secondary data provided on this aspect.
4. Service delivery through planned public infrastructure also have drawn greater attention and recall among the respondents from the project universe. Visibility of physical assets like permanent roads, improved water supply, and improved sewerage system has clearly impacted their perception. During FGD, it has been learnt that in project universe the process of planning itself has been more scientific and participatory to identify and prioritize the local needs. By and large, the citizens from the project universe had greater sense of ownerships as the assets created by the GPs has been their long demands. However, respondents from the non-project universe did not seem to have similar sense of ownership. Neither did they perceived significant change in terms of improvement in public service through sustainable assets created by the GPs. Non-availability of the performance grant with the non-project GPs, which formed the highest share in the quantum of untied grants has been one of the key factors in the non-project universe as perceived by the GP employees during the FGDs.

Annex 6. Stakeholder Workshop Report and Results

Not Applicable.

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

The Government of West Bengal, in concurrence with the Government of India, has implemented the Institutional Strengthening of Gram Panchayats (ISGP) Project for 1000 (out of 1684) Gram Panchayats in nine districts¹⁶ with credit support of USD 200 million through IDA of the World Bank and counterpart financing USD 35 million from the State Government. The project became legally effective from 03 September, 2010 and closed on 30 June 2016.

ISGP Project

The Project Development Objective (PDO) was to develop institutionally strengthened Gram Panchayats in West Bengal. PDO would be achieved if i) at least 80% of the Project Gram Panchayats (GPs) would have well-functioning fiduciary and planning systems, and ii) establish the performance-based grant transfer system would roll out to other Gram Panchayats (GPs). The key elements of ISGP Project design were –

- i) Introduce Performance-based untied fiscal transfer to Gram Panchayats (GPs) for improved service delivery and would be ready to roll out across all GP.
- ii) Enhancing the capacity of GPs to become strong as institutions and effectively manage and utilize enhanced resources for effective service delivery as per local needs.
- iii) Strengthening PRI performance monitoring system and citizen involvement to ensure transparency and accountability.

Gram Panchayats selection: The project was designed to implement in 1,000 better performing Gram Panchayats (nearly a third of the GPs in the state) spread across nine relatively advanced districts of West Bengal. Advanced districts were selected on the basis of the district-wise monthly performance report of the P&RDD and then top 59.39 per cent of GPs in each district were identified and ranked on the basis of scores obtained in annual GP ‘self-evaluation’ (2007-08) exercise facilitated annually by the P&RD Department to form the universe of 1,000 GPs. The project was limited to 1000 GPs of the state primarily for enabling effective Project implementation and minimising implementation risks, apart from attendant resource constraints. The ISGP Project consisted of 4 major components:

A. Component 1 - Grants to Gram Panchayats: Performance based Project grant provided to Gram Panchayats to implement mandated functions in line with local needs and incentivize institutional strengthening. This component consisted of two sub-components – a) Project grant, called Block Grants to Gram Panchayats and ii) State-funded Untied Grants.

¹⁶ Nine out of eighteen districts in West Bengal were – 1. Cooch Behar, 2. Dakshin Dinajpur, 3. Birbhum, 4. Burdwan, 5. Bankura, 6. Paschim Medinipur, 7. Purba Medinipur, 8. Howrah and 9. Nadia

B. Component 2 - Capacity Building for GPs: This was meant for strengthening the institutional capacity of GPs to deliver basic services. CB support was supposed to provide broadly through formal training, on spot handholding (mentoring¹⁷) support and system development (through Technical assistance from consulting agencies) support on issues like planning, Gram Panchayat Management System (GPMS), social audit, grievance redress mechanisms, revenue mobilization, computer aided project design etc.

C. Component 3 - State Oversight and Monitoring of PRIs: The key objective of this component was to strengthen P&RDD's existing systems for monitoring of performance of PRIs and the overall monitoring and evaluation of the ISGP project.

D. Component 4 - Programme Management and Implementation: This component supported overall management and implementation of the ISGP project. It included, ii) Project information, education and communication (IEC) activities through Project and Citizen communication, iii) Project reporting

Institutional arrangement for Implementation

The ISGP Project was designed to implement by the Panchayats & Rural Development Department (P&RDD), Government of West Bengal through ISGP Project Cell of West Bengal State Rural Development Agency (WBSRDA), an agency under P&RDD. There would be ISGP Project State Coordination Unit (SCU) for implementation, supervision and reporting of the ISGP Project and District Coordination Units (DCU) in the nine Project districts for providing handholding support to GPs through Mentoring teams. The Additional Executive Officer, Zilla Parishad (AEO-ZP) would be the nodal officer for ISGP project in the district and for this purpose, the AEO-ZP was given an ex-officio designation of Additional District Executive Officer of WBSRDA. Another agency under the P&RDD, STARPARD (Society for Training & Research on Panchayats & Rural Development) was responsible for implementing the formal training (of GPs) component of the project through the District Training Centres (DTC) and Extension Training Centres (ETC) located in different districts. The District Panchayats & Rural Development Officer who was supposed to look after training at districts was also given ex-officio designation of Deputy District Executive Officer (DDEO) of WBSRDA. A MoU was signed between WBSRDA and STARPARD for enabling support on the formal training.

¹⁷ Project deployed a team per 17 Gram Panchayats. A team was consisted of i) Participatory planning and governance coordinator, ii) Financial management and procurement coordinator and iii) a civil engineer.

Key Achievements

Component 1:

Timely announcement and disbursement of grant: ISGP Project has successfully announced the entitlement of Project grant for qualifying Gram Panchayats in advance to sync with planning process each year and disbursed the performance-based block grants in each of the project years in single installment except in FY 2011-12 where it was in two instalments (as planned). A summary of announcements and disbursements, qualifying GPs and grants disbursed is provided in Table.

TABLE: ANNOUNCEMENT AND DISBURSEMENT OF PERFORMANCE-BASED BLOCK GRANTS							
No.	Activity	Financial Year					
		2010-11	2011-12 *	2012-13 #	2013-14	2014-15	2015-16
1	Announcement of Qualification	Sep 2010	Sep 2011	Sep 2011	Oct 2012	Oct 2013	Oct 2014
2	Disbursement of Grant	Feb 2011	Nov 2011; Dec 2011	May 2012	Aug 2013	May 2014	May 2015
3	Number of Qualifying GPs	483	483; 841	794	792	960	986
4	Grant Amount Disbursed (Million INR)	440.89	483.74; 605.69	1,477.07	2,028.53	2940.99	2030.04; 376.00
5	Average/GP (Million INR)	0.44	1.08	1.48	2.03	2.94	2.37
6	Per Capita (INR)	21	51	69	94	137	111

Notes: The number of GPs and grant amount for each installment is shown separately; # In the 2nd grant cycle, the grant entitlement for GPs in Dakshin Dinajpur district were provided as two installments for easing cash flows.

GP Performed consistently: The performance based grant transfer system backed by on site handholding (mentoring) and monitoring have facilitated to sustain performance consistently and progressively as evident from the following data.

1. 751 GPs have qualified for block grant in 5 out of 6 grant cycles (6 tranches);
2. 830 GPs have qualified for the block grant in 4 out of 6 grant cycles (5 tranches)
3. 360 GPs have qualified for block grant in all the 6 grant cycles (7 tranches);
4. 1 GP (Chanduria II, Nadia) has never qualified for block grants¹⁸;

¹⁸ Political instability was the prime factor leading to poor performance of this GP. The election of political parties passed through disagreements on the results thereby leading to non-cooperation in approval of any development work

Project Grant enhanced discretionary fund: Project grant has enhanced the availability of untied grants to a GP by 225% by end of project. Per capita untied grants have gone up from INR 125 in 2010-11 to INR 407 in 2014-15.

Speedy fund transfer to GPs: The transfer of block grant from the state to the district (DPRDO) and then to the GPs via electronic transfer mode took an average of 25 days in the first grant cycle and improved to 7 days by the third grant cycle (FY 2012-13) and thereafter 2 days through necessary facilitation and support by the ISGP Project.

Block grant was predictable and announcement synced with planning cycle: The announcement of assessment decisions was communicated to GPs in advance of annual planning process in all the years. Thus the ISGP grant disbursement was predictable for the GPs and was made timely, with respect to the planning cycle. Also, the ISGP grant was disbursed in a single tranche for the whole year enabling planning and expenditure with certainty. However, the continuing delays in release of annual instalments of the Finance commission grants made these, from the GP perspective, unpredictable and untimely (with sometimes an instalment coming in towards the end of the financial year).

Increase in utilisation of untied¹⁹ grants: With the disbursement of the first ISGPP grant in February 2011, there has been a secular trend of increase in all un-tied grants with the GP in the subsequent years. Untied grants utilisation trends have improved over the years in both the Project GPs and the Non-Project GPs. Analysis of data indicated that there was no much significant difference between the Project GPs and the Non-Project GPs in utilisation of untied grants in percentage term. However, it is to be noted that the Project GPs have achieved higher fund utilisation with 71% more quantum of untied funds compared to non-project GPs.

Fund fragmentation reduced: The sustained mentoring support and availability of large quantum of untied grants has incentivized for creating assets which were larger in scale and sustainable in nature. This was in contrast to the pre-project phase when GPs were used to divide the entire amount equally amongst the Sansads which resulted in smaller and less sustainable projects. Analysis of data from the Web Based Monitoring system revealed that total number of activities undertaken by GPs have fallen from 26732 in 2011-12 to 22832 in 2014-15 while per activity investment has steadily increased.

between the elected members of different political parties In addition, this GP is located in the remotest area and was inaccessible during rainy seasons due to flooding from the nearby rivers for around 4/5 months in a year. These two factors had resulted in the poor performance of the GP leading to non-compliance of minimum mandatory conditions during the project period, despite best effort of mentors. However, this GP did qualify finally in the last APA conducted by the project, on account of the revised progressive approach and collective efforts of the local political economy.

¹⁹ State Finance Commission (SFC) grant, Central Finance Commission (CFC) grant, the project block grant (BG) and Own Source revenue (OSR) of GP constituted untied grants.

Sustainable asset created: The application of untied grants has been mostly for public infrastructure to improve village roads, new buildings (e.g. ICDS centres, market complex), drinking water sources and supply, and drainage; in that order. The Project grant was used for items of work that were seen as fulfilling GP needs which were not fulfilled by other funds.

Project influenced SFC disbursement criteria: Before 2011/12, disbursement of SFC grant to a qualifying GP was linked with the performance of the district as a whole. ISGP Project has succeeded to achieve sanction from Finance Dept., Govt. of West Bengal, regarding release of SFC grant based on individual performance of GP. Consequent upon this policy approval, SFC grant to project GPs was remained steady since 2011/12 to till closure of the Project.

Key issues for future

- That untied grants were highly required and effective for strengthening GP functioning including providing improved service delivery was established during the project implementation. This has necessitated revisiting the untied fiscal need vis-à-vis citizens' demand for service in GP areas.
- Institutional arrangement ensuring the predictability and timeliness of the SFC, CFC and other grants continue to remain a concern. Improved predictability, timeliness and adequacy of grant as can influence GP Planning process, improved service delivery and absorption capacity need to be ensured.

Component 2:

Project has successfully provided support for overall system development in the sphere of Planning, Accounting, Computerized accounting (GPMS) and revenue mobilization. In case of system development support for Social Audit, Grievance Redress Mechanism and Computer-aided project design some initiatives have been taken. Familiarisation with and use of GPMS by the GPs has increased significantly and service delivery (issuance of birth and death certificate, trade registration etc.) to citizen services through GPMS have been rolled out as modules of the GPMS. Of the 1,000 project GPs, 700 GPs have started issue certificates (Birth, Death, Trade, etc.) using the GPMS. The study for designing an appropriate Social Audit and Grievance Redress Mechanism has been initiated and a software application for registering grievances online is ready to roll out.

Data suggests that the adoption of GPMS and use has progressed in both project and non-project districts to a comparable extent by the end the Project. ISGP Project monitoring data indicates that 100 percent of ISGPP GPs uploaded monthly income expenditure data (Form 26) in all the months. Based on the suggestions/requests of ISGP Project, up-gradations within the GPMS software has been carried out, and more changes has been incorporated in the revised version of GPMS. Support to PRDD's MIS (GPMS) was also extended by the ISGP Project and support to Computerization Cell (responsible for GMPS) was provided for training, manuals, and on-line trouble-shooting help-desks. A

GPMS helpline has been installed and is operational as addressing day to day problems being faced by GPs.

Mentoring Support:

Planning and Governance: The project monitoring data indicates that mentoring teams annually provide about 16 person days of support to each of the project GPs. Participatory Planning and Governance Coordinators (PPGC) provided mentoring support to the project GPs related to the preparation of Upa-Samiti based Gram Panchayat Integrated Plan with preparation of budget in Form 36, preparation of revised plan and budget (in Form 38), ESMF and VGDF, proactive disclosure related to various schemes and beneficiaries, issuance of Birth & Death Certificates etc. through GPMS. This support has helped GPs in perceiving issues to be addressed during Planning and implementation periods thereby enabling GPs to enhance institutional capacity with regard to Planning and Governance issues.

Financial Management and Procurement : Financial Management and Procurement Coordinators provided mentoring support to the project GPs related to the preparation of budget in Form 36 for GP plan, preparation of revised budget (in Form 38), installation and maintenance of GPMS and provided support on other issues related to overall financial management and procurement at GP level. FMPC's support has helped GPs in perceiving issues to be addressed during Planning and implementation periods thereby enabling GPs to enhance institutional capacity with regard to financial management and procurement issues. The Public Infrastructure (civil engineer) Coordinators provided mentoring support related to preparation of plan for individual scheme activities.

The Environment and Social Management Framework (ESMF) was developed at the start of the project (FY 2010-11) in order to address the environmental and social issues that may arise as a result of the infrastructure development and service delivery that will be initiated with the help of these enhanced grant flows to the GPs. The P&RDD issued a GO on ESMF making it mandatory for all GPs across the state, well before the start of the project. The ESMF tool was a template-based one for flagging possible negative impacts of planned work, in the environmental and social domains. Analysis of data revealed that environmental screening (and mitigation plan) have been prepared by 100 percent GPs at the end of the project.

A guideline on Vulnerability Group Development Index and Framework has been issued for project Gram Panchayats. A separate guideline²⁰ on inclusion of VGDF index into Integrated Plan has also been issued. This has been done with solitary intention of highlighting the backwardness of vulnerable groups, hamlets or localities whichever be the case, and initiation of developmental activities tailor-made in priority sectors as emanating from VGDF Index for such Gram Sansad(s). About 95% of the ISGPP GPs are reported to have initiated the VGDI process.

²⁰ No.189(9)-ISGPP/23P-1(P.M.)/2 dated 22.02.2013

A compilation of Acts, Rules, GOs, guidelines related to ESMF has been prepared and distributed to all Gram Panchayats throughout the state. A handbook on the ISGP Project and its different component has been prepared and distributed to all selected Gram Panchayats and concerned block and district level functionaries as a ready reckoner. A manual on Rural Infrastructure Development activities as a ready reckoner for Gram Panchayat functionaries.

The state level team for capacity building has been regularly enhancing the capacities of the mentoring team members and DCU members through orientation trainings and workshops, and through management development programs in other national institutions.

Formal Training: STARPARD has conducted residential training programs at the District Training Centres (DTCs) and Extension Training Centres (ETCs), mostly for orientation of elected representatives, GP functionaries and followed up with refresher trainings.

Demand-led Support: The ISGP project has developed and issued a format to assess the training needs of Gram Panchayat functionaries. Compilation of this is happening at the Project management unit at the state level. 202 GP employees from 92 GPs have received computer training as part of the demand led training during the project life. Apart from this, 18 GPs with 300 GP elected representatives also have received skill based training.

Domestic Exposure Visits: Exposure visits for Gram Panchayat functionaries were started in the last quarter of FY 2011-12. A guideline²¹ was issued by the ISGPP mentioning the norms and modalities of exposure visit. Exposure visits have been conducted for 523 GPs with 15690 participants comprising of employees and elected representatives from GPS as an exercise for peer to peer learning exchange during the project life. These have been mostly intra-district exposure visits but few inter district visits also.

Strengthening Internal Audit Functioning: Standard inspection report format for internal audit of Gram Panchayats was developed by the ISGP Project in consultation with the Directorate and district level officials. An Executive Order²² was issued enclosing the revised format for the Inspection Report (IR) and with directions by the P&RDD for use by the concerned audit officers for Internal Audit of the Gram Panchayats w.e.f. 01.04.2013, all over the state.

The vacancy position amongst PAAO/PDO continues to be a matter of concern. It is reported that close to 50% of the positions are still vacant across the state. ISGP Project conducted a study through an external agency to strengthen internal audit. Apart from a series of policy measures, the study strongly recommended to introduce risk based audit

²¹ Memo No.161-ISGPP/21-1(PM)/2 dated 02.02.2012

²² No.74(4)/ISGPP/23C-1/(CB)/5 dated 18.01.2013

as a feasible alternative to conduct internal audit and deal with the constraint of staff shortage.

Evidence points to improved compliance of GP Planning and management processes (sansad meetings, upa-samiti meetings, upa-samiti plans being dovetailed into integrated plans, response to audit opinions) by the ISGPP GPs. There has been a marked improvement from the baseline situation, in the holding of gram sansad meetings, gram sabha meetings, preparation of upa-samiti plan and budgets and in the submission of Form 26 and Form 27. This improved performance points to the probable effectiveness of the mentoring support primarily, supported by the formal trainings and oversight provided by the project.

Key issues for future

Despite the fact that the project has been able to achieve adequately, there has been certain areas where it faced issues which could not be addressed in the manner it was planned. The issues have been narrated below:

- (a) Demand led training: The idea was to give vouchers to the GPs so that they could identify a local training institutions based on the need and get themselves trained. The result of the TNA which was done in 2012, indicated two areas (i.e. basic computer skills and soft skill development for the GP functionaries). The future course of action around demand led training should therefore accommodate liaison with line departments and mobilization of the formal training facility to cater the special needs for capacity building of GPs.
- (b) Plan Plus: Plan Plus is one of the application in the Panchayat Enterprise Suite (PES) launched by MoPR for all the states meant for planning and capturing planned activities every year. As per the project design, the application was meant to be used state-wide by the Gram Panchayat for (a) preparation of the plan and (b) monitoring of plan implementation progress. Plan Plus could not be implemented in the project life because (a) the application protocol was not relevant in the context of West Bengal Panchayats system as there was very little consultation with the state prior to preparation of Plan Plus and (b) there was hardly any support system available at the state level to create a trainers pool and train the GPs in cascaded mode. As per Plan Plus, GP's plan was supposed to be approved by the District Planning Committee (DPC) but this is not the rule in West Bengal and the GPs themselves are constitutionally empowered to approve their own plan. The project however introduced a comprehensive online MIS for capturing all planned activities at the beginning of the fiscal year and subsequent implementation thereof.
- (c) Vertical Linkages among the Panchayats: Zilla Parishad, Panchayat Samitis and GPs are mandated to prepare plan and implement respectively. Such Plans of three tiers should have vertical linkages to avoid overlapping of activities.
- (d) Vulnerable Group Development Framework: Due to design limitations, the capacity building support to GPs could not go further down from the GP level to make meaningful intervention for the vulnerable groups. The challenge in future

- therefore would be to undertake specific measures for the vulnerable populations apart from allocation of more resources and more infrastructures using VGDI.
- (e) Environment Management Framework: Environmental sustainability continues to be a global challenge. Inter tier linkage on EMF in planning as well as project execution was lacking as the mandate for execution and compliance for this protocol was only at GP level, not at PS and ZP level.
 - (f) E-Procurement: Despite best effort from the project, implementation of e-procurement continues to be a challenge even in the project universe. The Finance Department of the Government of West Bengal has made it mandatory for all Panchayat institutions to implement e-procurement systems for all procurements worth INR 5.00 lakhs (INR 0.5 million) or more. The IT infrastructure across all GPs as regards net connectivity has not been strong enough to introduce e-procurement which has been further constrained by lack of capacity building support from the concerned line department. Therefore the issue of e-procurement required external support for implementation. The project, having recognized the limitation, would be taking this issue as a priority in future for state-wide roll out of e-procurement.
 - (g) Web Enabled GPMS: The new and improved version of the GPMS is yet to go online again because of the internet connectivity issues. The project could not succeed to attain this milestone though the new version of GPMS has been able to minimize the software bugs from the previous versions to increase data integration, usability and efficiency. The project is now left with the challenge to make the GPMS fully online to establish a near-to-real time accounting and reporting system for the GPs across the state.

Component 3:

This component was aimed at strengthening Government of West Bengal's systems for monitoring of GPs. The sub-components included: (a) annual performance assessments and quality assurance audit; (b) improvement of internal monitoring and reporting systems.

(a) Performance Assessment and Quality Assurance: Project has successfully completed the process of selection of eligible GPs through annual assessment procedures six times over the project life. These performance assessments were subsequently gone through a quality assurance process on a randomly selected sample of at least 10% of the GPs assessed in annual performance assessment (APA).

Performance Assessment: The process of selection of eligible GPs graduated from an assessment of 4 MMCs in FY 2010-11, FY 2011-12 and FY 2012-13 to score-based Annual Performance Assessment (APA) containing both compliance of MMCs and a set of Performance criteria - by an independent agency. Each participating GP was assessed by the independent multi-disciplinary team in accordance with the indicators and criteria set forth in the Assessment Manual, and a detailed assessment report produced. A

software was also developed to track the performances of GPs over time against the APA indicators.

Quality Assurance Audits: Quality Assurance Audits (QAAs) of the Annual Performance Assessment process was carried out in-house in FY 2012-13 and then outsourced to an external agency from FY 2013-14 onwards. Based on the findings of QAA of 2012-13, remedial steps were taken for the APA FY 2012-13 and 2013-14. The findings of the final annual assessment in each GP were reviewed and confirmed by the P&RDD.

(b) Web based Monitoring system: The project started its GP level performance monitoring system with MS excel and MS Word supported reporting templates at the end of 2010. However, the project considered the options of having a web based monitoring system for the PRIs in general and GPs in specific initially for the project. The Project, after having discussion with the World Bank, has successfully tested and rolled out GIS integrated web based Planning and monitoring system for 1000 Project GPs. The web enabled monitoring system for the Project GPs provided information on (i) Performance of institutional parameters (Planning, budgeting, standing committee meetings, environmental and social safeguards, basic services planning for vulnerable groups etc.), (ii) physical and financial progress of infrastructural activities taken up with untied funds, procurement procedures followed etc., (iii) Information related to Gram Sansad and Gram Sabha meetings and (iv) Mentoring support being provided from the project. The MIS software inbuilt for online reporting automatically ensured data validation at the time of entry and collation of data entered. Project GPs underwent several rounds of intensive training and handholding support to get themselves equipped to use the system in an effective manner to manage administrative functioning. Entry of the work progress by GPs and mentors was done on regular basis not exceeding a period of maximum 07 days.

The GIS protocol was integrated with the database of existing web based MIS to produce a monitoring system in the Panchayati Raj Institutions (PRIs), which enabled the project to track the progress of the various intervention of the Project on regular basis and various reports were developed, submitted and published by the project with detailed description. Semi Annual and Annual Report were regularly prepared, submitted, published and uploaded in the website with component wise detailed information. The reports submitted by the GPs in the web based monitoring system is accessible to PRIs and PRDD for viewing reports in various facets of monitoring. The system is robust enough to respond to any reporting requirements to reinforce decision support for the policy makers. The web-enabled GIS software is accessible to the citizens that promotes inclusive governance and increase transparency and accountability in Gram Panchayat functioning and service delivery. The web-enabled GIS validates the progress with regard to preparation of asset depository, planning, institutional functioning, and people centric governance with the help of GPS technology. Thus this G to C tool would pave the way for a social audit process in service delivery.

Key issues for future

- The web based monitoring system introduced by the Project needs to be expanded to all GPs in the state and be an integral part of the PRIs monitoring framework. It has to be integrated with PRDD's existing MIS suite (GPMS) to build a single window monitoring system state-wide in the medium to long term.
- Multiplicity of reporting formats for different schemes/programs still existed. There is the need for orientation of block/ district officials for accessing web based monitoring system for generation of necessary reports on untied grants and other institutional parameters.
- GIS application needs to be rolled out to all the GPs of the state along with the Web based Monitoring System.

Component 4:

This component has supported the management and implementation of the Project. Overall implementation responsibility for the Project was with the P&RDD. Under the overall control of P&RDD, the ISGPP Cell within WBSRDA was the responsible for Project coordination, implementation, monitoring and evaluation and Project reporting. Project has also supported other agency, STARPARD in implementation of formal training to Gram Panchayats functionaries for the entire State. Project management was composed of three main sub components and related activities.

Project Management Support: State Coordination Unit (SCU) and District Coordination Unit (DCU) were established to provide support to GPs and PRDD. Altogether 296 posts were created under the ISGP Project – 27 at the SCU, 209 at the DCUs and 60 within STARPARD and all personnel were put in place. All Project staff had gone through various relevant training programmes at State and national level. Project management has successfully established project operation unit at state and district level within very short time and retained the trained manpower throughout the project life which has resulted realising PDO more than target designed.

Reporting arrangement: the monthly meetings of DCU staff regarding activities and preparation of individual/team work plans were followed by Project Manager for escalation (as needed) and follow-up. Project Manager and SCU officials visited districts for periodic review of accounts management, mentoring support and project operations issues. Mentor performance (PPGC, FMPC and PIC) was monitored using Project M&E systems that provided metric for on-site mentoring days spent. In addition to this, Project prepared and shared Semi Annual and Annual Reports to Bank and other stakeholders.

Project web site: The project has a dedicated website where all information and reports pertaining to the project are available for public view in a seamless manner.

	Receipt (INR crore)	Expenditure at the end of Project (31st October 2016) (INR crore)				
		Comp1: Block grant to GPs	Comp2: Capacity building	Comp3: Oversight & Monitoring	Comp4: Project Management	Total (INR crore)

IDA Credit	1110.02	1036.51	64.92	10.98	48.48	1160.88
State Govt's grant	47.60					
Total	1157.62					1160.88*

Procurement: All procurement activities for the project including those for counterpart agencies like STARPARD, Computerisation cell of P&RDD, were carried out by the ISGPP SCU in compliance with World Bank procurement guidelines and had followed the schedule as agreed during the respective missions. As per need, procurement Plans were revised six times in consultation with Bank.

Financial Management: The Project has achieved 100% disbursement from the Bank three months prior to the closure of the Project and successfully expended entire amount of credit as detailed below. The achievement of 100% disbursement from the Bank has enabled committed and uninterrupted financing of the Project operations.

**INR 3.26 crore more spent out of interest fund*

This is worth mentioning that the Government of West Bengal has provided the above referred grant (INR 47.60 crore) to recoup the loss causing from the procedure of advance settlement /forex fluctuation during liquidation of advances with CAAA. The fluctuation in currency values and the rules followed by the DEA in effecting settlement of advances to the project have caused the ISGPP to incur losses at the time of settlement. However, the falling value of the rupee against the dollar has brought more INR compared to estimated amount during contract signing. Original IDA credit amount was USD 200 equivalent to INR 920 crore but Project has received INR 1157.62 crore (equivalent to USD 199.07).

Project Financial and Administrative Manual: The Financial and Administrative Manual for the project has been prepared, with subsequent revisions to the administrative section. The accounting functions at the state and district coordination units operated on TALLY software and enabled seamless integration between the units.

Information Education and Communication: This has two sub components – i) Project Communication aimed to provide basic information on the Project objectives and outcomes, and to build awareness on the overall role and responsibilities of the GPs and ii) Citizens' Communication aimed at raising awareness about rights and duties as citizens. The overall communication campaign used the multiple channels for delivery and awareness generation among the citizens and GPs about the objectives, mission, vision, chief benefits and its support systems towards the improvement of in local self-governance and service delivery. The Communication platforms were folk art performances in Project GPs through road shows; printed IEC materials for public distribution and for DCU use; TV commercial spots and Radio/Audio commercial spots through channels identified for high rural penetration; Case study documentary.

Project assessment Reports: Project has conducted thirteen assessments/studies by independent firms. Findings and recommendations of those assessments have formed a repository of knowledge regarding system improvement of GPs and strengthening of the local governance system. The key specific impact of the assessments/studies were:

- A web based GRM Application is ready to roll out which would enable all citizens to register their grievances related to the services received by the citizens by either calling a toll free number, directly through the designated website or by submitting a complaint letter
- Impact evaluation report revealed that all ISGPP GPs have complied with the GP procurement rules. GP Procurement practices (prescribed procedures and documentation) are being uniformly followed.
- The support for developing and adopting online training result monitoring system (through Training MIS software application) has facilitated maintaining database related to trainees and training profile for all GPs, which in turn eased STARPARD designing training plan effectively. The application has been rolled out state-wide by issuing specific Government Order.
- Project GPs complied ESMF protocol

Support for external audit: Continued deliberations and capacity building (orientation training on availability of financial data from GPMS portal) support to ELA has resulted completion of last year external audit within five months post a financial year. Project has also developed and shared audit ‘Inspection Report’ (IR) format for ELA.

Project achieved Government’s sanction for performance-based grants transfer: Project management has succeeded to convince 4th State Finance Commission (SFC) about the effectiveness of performance-based grants and the need for roll out to other GPs, following which 4th SFC recommended to the Government for adopting this system. The Government of West Bengal in PRDD has ultimately issued Government Order for disbursement of performance grant under Fourteen Finance Commission, and other untied grants.

At the Project Design stage, governance and accountability measures within Project design were carefully developed to align with the institutional arrangements. Further, the risks identified were addressed as integral elements of project design in order to most effectively mitigate them. These were consolidated in the Project’s Governance and Anti-Corruption Action Plan (GAAP). The risks, mitigation measures and monitorable indicators identified in the GAAP at the Project design stage were reviewed at midterm and found to be in order and remained in order till end of the Project.

Review of the Project Development Objective Results Framework

The achievements against the project development objectives are:

Target	Achievement
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800 Project GPs have well-functioning fiduciary and planning systems (as measured through- i) clean external audit ii) GPMS in “excellent” condition)	At the end of Project 98.5% of GPs have qualified in the APA (with 998 GPs having clean external audit and 993 GPs’ GPMS operation in excellent conditions) indicating reasonable level of fiduciary and planning systems.
A performance-based grant transfer system is well established to roll out to other GPs	Performance-based Block Grant supported by Capacity Building and Monitoring leads to improved institutional performance has been tested over three years and worked well as evident from APA result, which subsequently has been scaled up across the state in all 3342 GPs in 2016 as a state policy.

This would not be irrelevant to mention that during Project cycles GP performances have been influenced by unpredictable and untimely receipt of untied grants and other scheme resources with significant influx of funds (e.g. MGNREGS). In spite of that at the end of Project, 98.5% of project GPs have fund utilisation above benchmark (60% of untied funds expended in April-December), comply with processes as envisaged in Government of West Bengal rules regarding accounting, reporting and procurement, and also obtained a clean external audit opinion and GPs have also instituted environmental screening in project planning and execution and report compliance with basic elements of participative planning. In addition to these achievements Project has initiated the following additional activities.

Project’s additional Initiatives/ Innovations:

1. Web based Monitoring System
2. Vulnerable Group Development Index
3. GIS integrated Web based Planning and Monitoring system
4. Procurement Manual for GPs
5. Social Audit Manual for untied Schemes
6. Inspection Report format for GP’s internal audit
7. Grievance Redress Management System developed and ready to roll out
8. Revised and simplified ESMF formats for the GPs

Key issues for future

- Impact evaluation report pointed out that the present mode of communication has limited reach to the marginalized groups at the GPs. Therefore, community based mobilization programmes (through skits and street plays and folk songs) need to be designed planned and implemented.
- *Interface arrangements with District and block administration:* The arrangement of providing oversight at the district through the AEO and the DPRDO was reportedly successful in providing the necessary oversight on implementation with respect to the timeline of activities and completion. It was however felt need that supplementary interface arrangements including build-up of linkages between

the DCU personnel and the Block administration was necessary for mainstream exposure of ISGPP activities at district level.

Borrower's Comments on ICRR

(Received December 8, 2016)

The Draft ICRR of ISGP Project by the World Bank is precisely and brilliantly articulated and the diverse realm of activities and innovations brought about by the Project authority over a period of five and half years have been captured to the fullest. The method and the process adopted for evaluating the Project performance has been clearly spelt out as was predominantly based on documented evidences, available database and interaction with core stakeholders. The ICRR has assessed the Project performance solely based on objectively verifiable data leaving little room for any dispute. The ICRR thus is a document prepared based on the facts and figures which are available in public domain (viz, relevant data and factual evidences are available in the Project website, P&RDD MIS for financial transaction, Project online MIS system etc.) for re/viewing. Some live evidences are also featuring in the social media sites. In a short span of time, the ISGP Project did what was possible for strengthening the institutional capacity of rural local body (GPs) and improved service delivery and curved out ways ahead.

The ICRR has justifiably done the Project rating and the contributions of the state government, Panchayats & Rural Development dept. and the Project authority have been appropriately highlighted as has been the best practices of the Project given due importance. What was expected and impacted during the course of the Project tenure has well and truly reflected in ratings assigned and the contributions of the fantastic World Bank's Task team during the Project sojourn, who made the real qualitative difference in the Project becoming a **different** one from any other Project has also been rightly pointed out and craftily highlighted. The critical objective and transparent method of assessment has succeeded in bringing out the expected ratings. The Project and the department completely agree with the ratings and congratulate the Bank for a wonderfully and comprehensibly drafted ICRR.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Not Applicable

Annex 9. List of Supporting Documents

- Government of West Bengal, P&RDD, 2015. Audit of Gram Panchayats Procurement Process in Utilization of Block Grant by Project GPs
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- ICRA Management Consulting Services Ltd. 2016. Impact Evaluation of ISGP Project Final Report. Available at: http://wbisgpp.gov.in/ISGPPHtmlPages/isgpp_document_report.aspx
- Project Appraisal Document of ISGPP. May 6, 2010.
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- World Bank. 2016. Gender Responsive Budgeting Report of ISGPP. Last updated September 2016
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