



## 1. Project Data

### Project ID

P105990

### Project Name

IN: West Bengal PRI

### Country

India

### Practice Area(Lead)

Social, Urban, Rural and Resilience Global Practice

### L/C/TF Number(s)

IDA-47580

### Closing Date (Original)

31-Dec-2015

### Total Project Cost (USD)

230,400,000.00

### Bank Approval Date

08-Jun-2010

### Closing Date (Actual)

30-Jun-2016

### IBRD/IDA (USD)

### Grants (USD)

Original Commitment

200,000,000.00

0.00

Revised Commitment

200,000,000.00

0.00

Actual

198,704,998.85

0.00

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## 2. Project Objectives and Components

### a. Objectives

The Project Development Objective (PDO) as articulated in the Project Appraisal Document (PAD, p. 4) was to:

***"develop institutionally strengthened Gram Panchayats (GPs)."***

The Project Development Objective (PDO) as articulated in the Financing Agreement (FA, p. 4) was to:

***"develop institutionally strengthened Gram Panchayats in the Recipient's State of West Bengal."***

This Review assesses the outcome of the project against the statement of objectives as stated in the



Financing Agreement.

**b. Were the project objectives/key associated outcome targets revised during implementation?**  
No

**c. Will a split evaluation be undertaken?**  
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**d. Components**

The project included four Components:

**1. Grants to Gram Panchayats (appraisal cost: US\$197.40 million, actual cost: US\$263.60 million).** It included two sub-components:

**1.1. Block Grants.** This subcomponent would support an annual, performance-based block grant to the 1000 GPs participating in the project for expenditure on local public goods and services. Grant allocations would be calculated on a per capita formula, with a minimum allocation amount applied to account for investment lumpiness and incentive effects. GPs would receive an average of the equivalent of US\$1.8 per capita, rising from \$0.50 to \$2.50 by project completion. The total annual allocation to a GP would average US\$32,500 over the life of the project and range between US\$10,000 and US\$75,000 a year depending on its population size. Grant funding provided by the project would be integrated with other untied GP revenues at the local level.

**1.2. State Funded Untied Grants.** The project would be partly financed by the Government of West Bengal (GoWB) to the extent of 15% of the total project cost. The total counterpart financing of equivalent to US\$35.0 million would be in the form of annual State Finance Commission (SFC) untied grant releases to Gram Panchayats by the Government of West Bengal in one or more installments each year. These funds would be budgeted by GoWB and allocated and disbursed to GPs using existing GoWB arrangements.

**2. Capacity building for GPs (appraisal cost: US\$21.20 million, actual cost: US\$10.73 million).** This component would provide support to strengthen the institutional capacity of GPs to deliver basic services. Support would be focused to meet the objectives and performance indicators associated with this project. This would be done within the broader framework for capacity building in the state including the strengthening of audit activities. Specific activities would be organized in six subcomponents:

**2.1. Systems development support**, that would assist the state government to streamline, enhance or introduce state-wide procedures related to planning, the GPMS, accounting practices, grievance procedures, social auditing, revenue mobilization and web-based project design for GP level investment projects.

**2.2. Mentoring support** that would provide groups of 17 GPs with regular assistance from a team of three mobile project specialists in the areas of (a) financial management and procurement; (b) planning, governance and liaison; and (c) project execution.

**2.3. Formal training** that would provide for orientation on the project itself as well as four specialized, residential courses on (a) GP management and reporting systems and the Gram Panchayat Management



System; (b) Procurement; (c) Planning and the ESMF and (d) the roles and duties of local representatives.

**2.4. Demand-led support** that would pilot voucher-based approaches to capacity support.

**2.5. Exposure visits** that would allow approximately 40 people per year to undertake week long exposure visits to other states in India to review best practices.

**2.6. Strengthening of the GP internal audit function**, provided by Panchayat and Rural Development Department.

**3. State oversight and monitoring of Panchayat Raj Institutions (appraisal cost: US\$6.90 million, actual cost: US\$1.76 million).** This component would strengthen Panchayat and Rural Development Department's systems for monitoring of Panchayat Raj Institutions through the following four activities: (i) annual performance assessments (PAS) 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 that would assist the ELA to streamline and enhance its procedures related to timely certification auditing of GPs in the state, focusing on project GPs

**4. Program Management and Implementation (appraisal cost: US\$9.50 million, actual cost: US\$7.78 million).** This component would support implementation and management of the project. It included three sub-components:

**4.1. Project Information, Education and Communications (IEC).** IEC would focus on (a) broad communications about the project including its objectives and expected outcomes, and roles and responsibilities of the GPs; and (ii) focused IEC to the targeted GPs and their rural constituents on: eligibility criteria and allocation procedures for accessing the grant; and rules and procedures for operating the grant.

**4.2. Project Management Support.** The project would finance selected establishment, consultancy, goods and equipment, and operating costs of the project implementing and executing institutions.

**4.3. Project Reporting.** This sub-component would comprise the preparation of annual project audit reports, quarterly progress reports; consulting services for preparation and review of documents for the Mid-Term Review (MTR) and project completion reports and workshops for final evaluation of the project.

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

**Project Cost.** The total project cost was estimated at US\$235.00 million. Actual cost reported by the ICR (Annex 1) was US\$283.86 million. The difference was due to a higher contribution of counterpart funding by the borrower as explained below. The ICR (para 19) reported that the cost matrix of the project was revised at MTR and funds were reallocated between project components: about 5% of the total Credit (about US\$10 million) was reallocated from Components 2 and 3 to Components 1 and 4.

**Financing.** The project was to be financed through an IDA Credit worth US\$200.00 million equivalent; and the lending instrument chosen for Bank support was a Specific Investment Loan (SIL). The actual amount disbursed according to the ICR (Annex 1) was US\$197.33 million. The difference was due to fluctuations in the exchange rate of Special Drawing Rights (SDR) to United States Dollars (USD) over the project cycle. The ICR (para 20) noted that "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." Also, a balance of US\$ 1.37 million (equivalent to SDR 0.7347 million, or 0.56% of total credit) in the project designated account were not utilized and will be returned to the Bank.

**Borrower Contribution.** The Borrower was expected to contribute total counterpart financing of equivalent to US\$35.0 million in the form of annual State Finance Commission (SFC) untied grant releases to Gram Panchayats by the Government of West Bengal in one or more installments each year. The actual amount contributed according to the ICR (Annex 1) was US\$86.53 million (247.2% of the appraisal amount).

**Dates.** The project was expected to close on December 31, 2015, however, it closed six months later on June 30, 2016. The project was restructured once on December 17, 2015 through a Level 2 restructuring (Credit was fully disbursed). The restructuring was in order to extend the closing date by six months. According to the Restructuring Paper (p. 5) this extension was necessary to allow enough time for the GPs for utilizing of all untied grants that resulted from an increased inflow from the 14th Finance Commission in addition to the final round of block grants. The Midterm Review was expected to be conducted 30 months after effectiveness date (March, 3, 2013), however, it was carried out about six months later on September 9, 2013.

### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

West Bengal continues to be one of the most populous states in India that is characterized by its deep developments needs and challenges. The Panchayat Raj Institutions (PRI) system in the West Bengal state comprised a three-tier structure consisting of 3351 Gram Panchayat (GP), 333 Panchayat Samiti (block), and 18 Zilla Parishad (district) institutions. Over the past decade the state government moved incrementally to decentralize service delivery and governance responsibilities and resources to PRIs. The GoWB aimed to improve service delivery and governance through the GPs - which are legally empowered to deliver local infrastructure and services in sectors such as health, education, water, roads etc. as critical delivery and governance units within the overall PRI system. To achieve this, the government needs to address three priority challenges: funding needs and fiscal framework, capacity and incentives; and performance and results monitoring.

At project appraisal, the objective was highly relevant to the Government priorities. It was also in line with the 73rd Constitutional Amendment of India, relating to decentralization and the empowerment of rural local government. The objective was also aligned with the third pillar of the Bank's Country Assistance Strategy (CAS) for India for 2009-2012 which called for increasing the effectiveness of public service delivery, among other things.



At project completion, the objective continues to be highly relevant to the Government priorities. The objective continues to be aligned with the Government's vision for development outlined in India's 12th Five-Year Plan (2013-2017) which called for faster, sustainable, and more inclusive growth, among other things. Also, the objective is in line with current Country Partnership Strategy (CPS) for India for 2013-2017, which called for three main engagement areas: Integration, Transformation, and Inclusion. The CPS (p. 26) noted that "institutional development plays a key role in the case of spatial transformation, whereas strengthened accountability is critical for social inclusion;" and emphasized that the Bank would scale up support in performance-based public management, e-governance, as well as public and financial management. While the stated objective was in line with country priorities, it could have been more relevantly written had it included a reference to improved service delivery - the outcome that was expected from institutionally strengthened Gram Panchayats (e.g. develop institutionally strengthened Gram Panchayats (GPs) for more effective, fair, or representative service delivery; or for more effective performance based public management; or for more socially inclusive or accountable service delivery.)

## **Rating**

High

### **b. Relevance of Design**

Substantial.

The Results Framework was clear and included logical links between inputs, outputs and expected outcomes. To achieve the stated objective, design included four components: Component 1 featured the provision of block grants to eligible GPs. This approach was expected to act as a financial incentive for other GPs to improve their performance to meet the standards to be eligible; Component 2 complemented Component 1 through the provision of capacity building support to enable GPs to become eligible for the project-supported grants; and Components 3 would strengthen Panchayat and Rural Development Department's systems for monitoring of Panchayat Raj Institutions through improving both monitoring and evaluation activities and financial management. Finally, Component 4 would support the overall successful implementation of the project. Design included relevant activities that complemented and reinforced each other to achieve the desired project outcomes. Design also made use of the existing intergovernmental transfer system and took into consideration the existing budget cycle; these actions were expected to ease the grant release procedure and to ensure consolidation of fiscal resources available to GPs.

However, it is worth noting that a large share of the funds that were intended to provide capacity building and support for state oversight and monitoring of the Panchayat Raj system were reduced and reallocated to the block grants. It would be important over time to take stock of what is needed to sustain the oversight and monitoring functions of the State, especially as the project is scaled statewide.

Targeting and selection of GPs. The overall criterion for the selection of GPs (Districts) was that the project should target higher performing GPs in order to mitigate implementation risk. This was important given the broader perspective of the State of West Bengal that the project was expected to provide a solid foundation for the roll-out of the performance grant system to additional GPs at the end of the project's life. Nine districts were selected on the basis of the better overall performance of their GPs, as measured in a State survey concluded in September 2009. This approach reduced the risk that very low capacity GPs might enter the program and disrupt project implementation. Five of the selected districts have previously received support



from at least two government programs (the DFID-funded SRD program and the central government's Backward Regions Grant Fund), while a further two districts have more recently joined the Strengthening Rural Decentralization program. The final two districts have not received prior support but were ranked as the top performing districts in the state. The selection of individual GPs within each of these nine districts was determined by Panchayat and Rural Development Department through a one-off process that for environmental reasons, excluded any GP that incorporates any protected area (national park); ranks each of the remaining GPs on the basis of their institutional performance using measures which include the scores obtained in terms of their self-assessments as conducted for the 2008/09 financial year (PAD, p. 36).

There were some minor design shortcomings including: the lack of a clear monitoring system for training activities that linked to project outcomes, lack of a mechanism to strengthen vertical linkages among the Panchayats: Zilla Parishad, Panchayat Samitis and GPs to avoid overlapping of activities; capacity building support to GPs did not reach further down from the GP level to make meaningful intervention for the vulnerable groups; inter-tier linkage on Environment Management Framework 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 Panchayat Samitis and Zilla Parishad level.

**Rating**  
Substantial

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

PDO: to develop institutionally strengthened Gram Panchayats in the Recipient's State of West Bengal.  
Rated: High.

#### Rationale

#### Outputs

- By project completion 999 GPs received grants and monitored the service delivery activities supported through the grants.
- 91,961 investments/activities totaling US\$231.16 million were carried out by the project-funded GPs. These activities were under three major sectors: transport (about 54% of total investment amount, including 29,074 new roads and 15,794 km repair of existing roads); water and sanitation (23% including: 11,312 facilities for water supply, 14,252 km of new piping for water supply system, 1,616 existing toilets repaired, 6,481 new sanitation sites); and public buildings (about 20% including: 4,313 facilities, 3,295 building were repaired and 8,210 community assets were financed).
- 3,309 GPs (target: 2000) were trained over life of project in areas mentioned under Component 2 (target exceeded by 65%). Of these, 2310 only received training and not block grants.





- Two GP operating system areas (planning and Gram Panchayat Management System) were improved as measured through annual performance assessments (target achieved).
- The performance of 100% of the targeted GPs was assessed each year (target achieved).
- By project completion 5 thematic studies (target:3) were completed: MTR, Review on capacity building, final impact evaluation report, Review on Service Delivery, Citizen Recall and Feedback Study.
- By project completion 99.9% (target 80%) of the targeted GPs had detailed reports on investments.
- By project completion the Project coordination cells at the state and district levels were functioning to provide support and oversight to GPs (target achieved).
- Information regarding project was distributed widely to 3,347 Gps (target: 1,000) participating GPs (Target was exceeded by 235%).

### Outcome

The evidence provided in the ICR points to the success of the project in helping to develop institutionally strengthened Gram Panchayats (GPs) in the State of West Bengal. This was achieved through:

**(a) improving the GPs capacity for fiduciary and planning systems.** The project used the Annual performance assessments (APAs) to determine the eligibility of GPs to receive block grants; and also as a tool to measure the functioning of their fiduciary and planning systems. APA findings were further validated through Quality Assurance Audits (QAAs) by an independent consulting firm on a randomly selected sample of 10% of APAs. APAs were conducted by an independent consultancy firm to ensure validity, objectivity and quality. Evidence provided by the ICR (para 37) showed that 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, 483 GPs) to the last year of the project (2015/16, 987 GPs). Also, in 2015, 982 of the 1,000 GPs (98.2%) scored more than 90 (out of 100) on the APA compared to the target of a minimum of 80% of 1000 GPs. The quality of GPs' fiduciary and planning systems was measured through the Project's Annual Performance Assessment system (APA), along with separate independent evaluations. GPs were assessed according to criteria in the areas of: planning and budgeting; project execution and service delivery; accounting, financial reporting and audit; and participation, transparency and accountability (ICR, p. 2, footnote 3).

**(b) APA scores, based on performance rating criteria introduced and demonstrated by the project were institutionalized by the State of West Bengal by the project end.** This system was achieved by providing support in four areas: establishment of transparent performance rating criteria for defining grant eligibility; establishment of a reasonable allocation formula of the grants; establishment of institutional arrangements for timely release of grants; and establishment of an accountable monitoring and evaluation system for tracking the utilization of grants. APA scores, based on performance rating criteria, were used to determine eligibility of GPs for grants and had been institutionalized in the state. The project also used a grant allocation formula based on a simple per-capita (as per census population) formulation for grant allocation where each eligible GP received a base amount of US\$21,502 to implement activities as per the approved plan. Timely Grant release was achieved through relying on electronic transfers where grants were transferred from the project to GP accounts within three days. Monitoring and evaluation of Grants was achieved through the APAs and QAAs which were both institutionalized within the state. In addition, the application of a GIS-based planning and monitoring system was extended to all GPs in the state which facilitates following and locating different activities (ICR, p. 12).

**c. However, monitoring and reporting was lacking for the GPs that received training but not investments.** Some 2310 GPs received training but not block grants. It would be important to know how the



training has prepared the GPs to effectively enter into the new rolled out system. The state of West Bengal has requested a second phase to scale up the performance-based grant transfer system to all GPs in the state. In addition to the above mentioned achievements, the project met or exceeded most of its output and intermediate outcome targets. Therefore, the efficacy of the project in achieving its objective is rated high.

**Rating**  
High

## 5. Efficiency

### Economic and Financial Efficiency

#### *ex ante*

The PAD did not include an ex ante economic/financial analysis and did not provide an overall rate of return for the project. This was due to the nature of the project where actual public investments were expected to result from a local planning process. As such it was not possible to determine the possible rates of return associated with the likely investment choices from such a process. That said, the PAD (para 50) noted that other projects in India "indicate that the likely range of investments that would be made by GPs could potentially yield an economic rate of return of 20% or higher."

#### *ex post*

- The ex post economic and financial analysis in the ICR considered two types of returns for the project: (i) returns on the investments funded the project's block grants; and (ii) returns on the increased financial capacity and governance efficiency of GPs.
- Cost-benefit analysis of investments in GPs funded by the project's block grants. The cost-benefit analysis of a sample of completed GP investments indicated that the economic Rate of Return (ERRs) of the sample investments ranged between 20.12% to 27% -well above the discount rate at 8%, and have positive NPVs. The ICR (p. 31) included a sensitivity analysis that indicated that these investments remain at acceptable levels even in the worst case scenario. 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.
- The project also contributed to improved scale economy in investments, improved predictability of funds and faster grant transfer with timely release, improved utilization of untied funds, and increased generation of own source revenues, especially when comparing project supported GPs to non-project GPs. However, quantifying the benefits of increased financial capacity and governance efficiency was difficult.
- The ICR included a good ex post analysis that provided a convincing argument about the efficiency of project investments; despite the lack of quantification of the benefits of increased financial capacity and governance.





### Administrative and Institutional efficiency

The loan was fully disbursed at the original project closing date of December 2015. However, the closing date was extended by six months to enable project GPs to utilize the block grants and close contracts.

Efficiency is rated substantial.

### Efficiency Rating

Substantial

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

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

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

## 6. Outcome

Relevance of objectives and relevance of design were both rated substantial. Efficacy was rated high because the project not only succeeded in developing institutionally strengthened Gram Panchayats (GPs) in State of West Bengal, but also exceeded a number of its output/intermediate outcome targets. Efficiency was rated substantial despite the lack of quantification of the benefits of increased financial capacity and governance. Based on the aforementioned ratings for efficacy, efficiency and relevance, outcome is rated highly satisfactory.

### a. Outcome Rating

Highly Satisfactory

## 7. Rationale for Risk to Development Outcome Rating

Risk to development outcome is rated modest. The project succeeded in improving the capacity and performance of GPs. Computerized systems were in place and the performance-based grant transfer system, using APAs as eligibility criteria, was established and well-understood by the GPs. Infrastructure investments funded by the project were completed, however, some of these (roads and drainage) might need financial support from the GPs to cover O&M costs; while other infrastructure investments (markets, water and sanitation facilities) can potentially generate revenues to recover their operation and maintenance (O&M) costs. Finally,



a second phase of the project is under preparation which would provide short/medium term stability for the GPs yet there remain long-term concerns regarding the financial and fiscal capacity of GPs.

Institutional risk. The West Bengal State Rural Development Agency, specifically, the State Coordination Unit (SCU), played a strong oversight role, including day-to-day management of project execution state-wide. Under the project, it was well-staffed. Likewise, the District Coordination Units (DCUs) provided mentoring and handholding support to the GPs in each of the nine project districts. 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. While there will be a second phase of the project, ultimately the institutional sustainability depends on a strong and well financed rural development agency that maintains and oversees these standards.

#### **a. Risk to Development Outcome Rating**

Modest

## **8. Assessment of Bank Performance**

### **a. Quality-at-Entry**

The Government of West Bengal requested World Bank support to improve the capacity and service delivery by GPs through the proposed project. The project benefitted from a thorough appraisal process that considered economic, institutional, fiduciary, technical, social and environmental issues. Design benefitted from relevant background research during project preparation on existing conditions, particularly with regard to fiscal capacities and service delivery challenges of the GPs. Design also reflected relevant lessons from other Bank-funded operations in different countries including: Uganda, Tanzania, Cambodia, Indonesia, Bangladesh and India. Most notable lessons included: using block grants as financial incentives for GPs to take on capacity building activities, limiting coverage of the project so as not to overwhelm implementation particularly if target local governments were weak; and the introduction of an annual external audit of the APAs to ensure the objectivity and reliability of APA scores to be used as the criteria of qualifying GPs for grant funding. Project design considered critical risks and included relevant mitigation actions. Weak systems and the low capacity of GPs to perform various tasks required by the project were considered substantial risks at appraisal. Therefore, design focused on less than a third of GPs (1,000) in half the Districts (9) in the state; and introduced a performance-based financing approach for GPs. These measures ensured that implementation was not overwhelmed; and that GPs were incentivized to improve their performance and increase their capacity in order to be eligible for receiving project grants. M&E was sound, but there were some minor weaknesses with design (see section 10 for more detail).



## **Quality-at-Entry Rating**

Satisfactory

### **b. Quality of supervision**

The Bank team conducted timely missions (eleven in total) to monitor project implementation and there were frequent informal interactions from the Bank office in New Delhi. The project implementation benefitted from a proactive Bank task team who closely followed up on implementation and maintained communication with the Borrower to ensure that any implementation issues were promptly addressed. The project also benefitted from the support of the Country Director who visited the project and met with senior Government of West Bengal officials to discuss prospects for mainstreaming project achievements to all GPs in the state. The Bank team contributed to the implementation and later the simplification of the Environmental and Social Management Framework. The Bank team also provided support to Panchayat and Rural Development Department to develop the Procurement Manual through the project, which was later mainstreamed in 2014 to all GPs in the state as a standard practice. The Bank team capitalized on the success of the project and the strong ownership by the Government of West Bengal to prepare a second phase of the project. According to the ICR (para 68) the second phase was scheduled to be appraised and presented to the Board in early 2017. However, supervision could have worked to address a notable weakness in the Results Framework which lacked a clear monitoring system for training activities that linked to project outcomes. It also appears that a GRM was not put in place until project end.

## **Quality of Supervision Rating**

Satisfactory

## **Overall Bank Performance Rating**

Satisfactory

## **9. Assessment of Borrower Performance**

### **a. Government Performance**

The Government of West Bengal was supportive of the project. It supported developing and implementing the Vulnerable Groups Development Index, strengthening women's participation, mainstreaming the Gram Panchayat Management System, introducing online monitoring and reporting by GPs and geotagging of assets. The project also benefitted from good exposure and attention from the highest-level of government officials within the state, which ensured effective implementation particularly for the APAs and QAAs. The State Department of Finance took proactive measures and provided additional funding to address the fluctuation in currency exchange rates; and the Examiner of Local Accounts conducted the annual external audit of the project GPs on time. The Panchayat and Rural Development Department communicated and disseminated the project mandates to the Districts, which ensured the cooperation and facilitation of the Districts and Blocks, to which the project GPs belong. Finally, the Government of West Bengal capitalized on the success of the project and proposed and obtained the support of the Government of India for the follow-on project.



## **Government Performance Rating**

Highly Satisfactory

### **b. Implementing Agency Performance**

The Panchayat and Rural Development Department had the overall responsibility for project implementation, it executed the project through the West Bengal State Rural Development Agency. The latter created a State Coordination Unit (SCU), to undertake day-to-day management of project execution state-wide. 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 while the District Coordination Units (DCUs) provided mentoring and handholding support to the GPs in each of the nine project districts. 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. Mentoring support provided by the project transformed the way project GPs functioned in West Bengal and was instrumental in assisting project GPs to be effective institutions. The SCU also developed an effective communication strategy to help the GPs better understand project features and rules and encourage citizen engagement. The staff of the SCU actively participated in the preparation of the second phase of the project and the identification of the Disbursement-linked indicators. The project also developed an effective three-tiered concurrent reporting system; and launched a web-based monitoring system in February 2013 that was accessible to the public. The introduction of the online system contributed to greater transparency and increased efficiency in M&E activities, however it is gain noted that a GRM was not put in place until 2016.

## **Implementing Agency Performance Rating**

Highly Satisfactory

## **Overall Borrower Performance Rating**

Highly Satisfactory

## **10. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The results frame work was clear and most indicators were measurable. The PDO was to be assessed through two outcome indicators. The first outcome indicator would assess whether a minimum of 80% of 1,000 GPs had well-functioning fiduciary and planning systems as measured through the annual performance assessments; and the second outcome indicator would assess whether a performance-based system was well established to roll out to other GPs. These indicators were relevant and directly linked to the PDO. The results framework included also seven intermediate outcome indicators corresponding to the four components of the project. Project design incorporated technical assistance to review the Panchayat and Rural Development Department information systems to ensure that sufficient capacity and resources were available for the collection of valid and accurate project data. The project also supported improving the government's internal performance monitoring systems as well as financial and progress reporting through activities under Component 3. However, design lacked a clear monitoring system for training activities that linked to



project outcomes.

## **b. M&E Implementation**

The project relied on a three-tier reporting system. First, the Panchayat and Rural Development Department and the SCU provided the standard semi-annual progress reports, quarterly financial management reports, and annual project progress reports, which fed into the Implementation Status Reports every six months. 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 SCU. 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 supported public disclosure to enhance accountability and transparency. It introduced a concurrent planning and monitoring system through Geographic Information System with use of cost-effective smart phones.

## **c. M&E Utilization**

According to the ICR (para 23) "information collected for M&E purposes was used in both project implementation and evaluation studies (the Mid-Term Review - MTR - and the final Impact Evaluation study)." For example: eligibility of GPs for block Grants relied on APA scores; findings of MTR contributed to identifying actions needed to strengthen GP operations; and findings of the Impact Evaluation study were used for project evaluation and the preparation of second phase of the project. Eleven Implementation Status Reports were archived during the lifespan of the project all of which relied on data collected through the project's M&E system. Overall, the M&E system delivered reliable data that helped the project management and the Bank conduct timely project reviews, identify key issues, and make informed management decisions.

## **M&E Quality Rating**

Substantial

## **11. Other Issues**

### **a. Safeguards**

The project 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). The ESMF listed mitigation measures/procedures to respond to the safeguards policies triggered. 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. The ICR did not include an explicit statement of compliance for each of the triggered safeguard policies, but rather a general statement: "In sum, Bank safeguard policies were complied with" (ICR para 27). However, some weaknesses were observed by the ICR as noted below.

**Environmental Assessment (OP/BP 4.01).** All proposed investments were checked against the negative list and an Environmental Review Form was to be completed to identify potential environmental impacts. The capacity building and communication strategy of the project supported 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). However, inter tier linkage on Environment Management Framework 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 Panchayat Samitis and Zilla Parishad level (ICR, p. 47).

A Grievance Redress Management System (GRMS) was launched in June 2016, the same month the project closed. No information about the use of this system is reported in the ICR.

**Indigenous Peoples (OP/BP 4.10).** "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" (ICR para 24).

**Physical Cultural Resources (OP/BP 4.11).** "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" (ICR para 25).

**Forests (OP/BP 4.36).** "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" (ICR, para 25).

## b. Fiduciary Compliance

**Financial Management.** Over the course of the project, the SCU was responsible for the overall accounting and reporting of project expenditures. Financial management arrangement for the project benefitted from a financial management (FM) assessment that was conducted during project preparation. The Project developed a comprehensive Financial and Administrative Manual. According to the ICR (para 29) compliance with Bank FM requirements was rated satisfactory; and FM provided timely and reliable information required to manage and monitor the implementation of the project. However, there were moderate shortcomings in financial management. The ICR did not report on the status of external financial audits for the project.

**Procurement.** The procurement guidelines/rules of the project built on the existing Gram Panchayat Account, Audit and Budget Rules 2007 of GoWB, due to the presence of a strong regulatory framework in West Bengal. 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. The ICR (para 28) reported that a Procurement Audit conducted in early 2015 revealed that the procurement practices by the project supported GPs had satisfactory fiduciary control in respect of the small scale development activities





funded by the project, however, performance varied by district and by GP. According to the ICR (para 28) "compliance with Bank procurement policies is considered satisfactory." Finally, the ICR (p.47) noted that the "implementation of e-procurement continues to be a challenge even in the project universe."

### c. Unintended impacts (Positive or Negative)

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### d. Other

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## 12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Satisfactory	Highly Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Highly Satisfactory	Highly Satisfactory	---
Quality of ICR		Substantial	---

### Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 13. Lessons

The ICR included seven lessons. The following are emphasized with some adaptation of language:

- **Political will and Borrower ownership are key to the success of local governance improvement programs.** There was a strong demand and commitment from the Government of West Bengal (GoWB) to implement the project. The project's objective 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 affect either the



PDO or project implementation.

- **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 the project. 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.
- **Effective communication and good documentation are critical tools for improving 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.
- **Financial incentives such as performance-based block grants combined with capacity building activities are an effective and efficient approach in improving the performance of local governments.** The project experience demonstrated that that performance-based grants complemented with capacity building activities enabled GPs to improve their performance on institutional aspects, especially on timely preparation of annual plans and budgets, execution of sub-projects, citizen engagement, accounting, and monitoring and reporting. However information is lacking on whether training in the absence of block grants achieves some effect, since this was not monitored in the project.

#### 14. Assessment Recommended?

Yes

Please explain

Innovative mechanisms were introduced in this project to incentive behavioral change; there is no information on the effect of training in the absence of block grants, even though double the number of Gram Panchayats received training than those that received block grants; innovative tools for citizen engagement were used; and the GRM was only launched at project close so that the PPAR may pick up a great deal of citizen feedback. Also, and importantly, this was a demonstration project which will be rolled out and which could benefit from additional lessons.

#### 15. Comments on Quality of ICR

The ICR is well written. It provided thorough yet concise coverage of project activities. Discussion of outcomes was logical and relied on the achievements of the project. The ICR also provided well structured sections on Bank and Borrower performance; and included relevant lessons that reflected the project's experience. However, the ICR provided limited coverage on shortcomings despite a number of these reflected in the borrower's ICR.



The ICR could have improved on the following points:

- Report on project restructuring;
- Explain why the GRM was only introduced at project close
- Explain whether cost restructuring had any material impact on soft skills (or whether initial projections were too high).
- Explicitly report on the compliance of each triggered safeguard policy;
- Reflect all abbreviations used in the text under the list of abbreviations and acronyms; and
- Report on the status of external financial audits.

**a. Quality of ICR Rating**  
Substantial