PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF
SDR 55.7 MILLION
(US$ 84 MILLION EQUIVALENT)

TO THE

REPUBLIC OF INDIA

FOR THE

BIHAR PANCHAYAT STRENGTHENING PROJECT

August 27, 2012
CURRENCY EQUIVALENTS
(Exchange Rate Effective July 31, 2012)

Currency Unit Indian Rupees
Rs.1 = US$0.02
US$1 = Rs.55.62

FISCAL YEAR
April 1 – March 31

ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADRI</td>
<td>Asia Development Research Institute</td>
</tr>
<tr>
<td>BCD</td>
<td>Building Construction Department</td>
</tr>
<tr>
<td>BGSYS</td>
<td>Bihar Gram Swaraj Yojana Society</td>
</tr>
<tr>
<td>BIPARD</td>
<td>Bihar Institute of Public Administration and Rural Development</td>
</tr>
<tr>
<td>BPM</td>
<td>Block Project Manager</td>
</tr>
<tr>
<td>BPSP</td>
<td>Bihar Panchayat Strengthening Project</td>
</tr>
<tr>
<td>BRGF</td>
<td>Backward Region Grant Fund</td>
</tr>
<tr>
<td>CAG</td>
<td>Controller and Auditor General, India</td>
</tr>
<tr>
<td>DoPR</td>
<td>Department of Panchayati Raj</td>
</tr>
<tr>
<td>DPC</td>
<td>District Planning Committee</td>
</tr>
<tr>
<td>DPM</td>
<td>District Project Manager</td>
</tr>
<tr>
<td>DPMC</td>
<td>District Planning and Monitoring Cell</td>
</tr>
<tr>
<td>BPMU</td>
<td>District Planning Management Unit</td>
</tr>
<tr>
<td>EG</td>
<td>Environmental Guidelines</td>
</tr>
<tr>
<td>EMF</td>
<td>Environmental Management Framework</td>
</tr>
<tr>
<td>ER</td>
<td>Elected Representative</td>
</tr>
<tr>
<td>FC12</td>
<td>Twelfth Finance Commission</td>
</tr>
<tr>
<td>FC13</td>
<td>Thirteenth Finance Commission</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoB</td>
<td>Government of Bihar</td>
</tr>
<tr>
<td>GoI</td>
<td>Government of India</td>
</tr>
<tr>
<td>GP</td>
<td>Gram Panchayat</td>
</tr>
<tr>
<td>GPFT</td>
<td>Gram Panchayat Facilitating Team</td>
</tr>
<tr>
<td>GS</td>
<td>Gram Samities</td>
</tr>
<tr>
<td>IAY</td>
<td>Indira Awas Yojna</td>
</tr>
<tr>
<td>ICB</td>
<td>International Competitive Bidding</td>
</tr>
<tr>
<td>ICDS</td>
<td>Integrated Child Development Scheme</td>
</tr>
<tr>
<td>ICT</td>
<td>Information &amp; Communication Technology</td>
</tr>
<tr>
<td>ADRI</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IEG</td>
<td>Independent Evaluation Group</td>
</tr>
<tr>
<td>IUFR</td>
<td>Interim Unaudited Financial Report</td>
</tr>
<tr>
<td>LFE</td>
<td>Local Fund Examiner</td>
</tr>
<tr>
<td>M&amp;I</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MoPR</td>
<td>Ministry of Panchayati Raj</td>
</tr>
<tr>
<td>NRDWP</td>
<td>National Rural Drinking Water Program</td>
</tr>
<tr>
<td>NRHM</td>
<td>National Rural Health Mission</td>
</tr>
<tr>
<td>NRM</td>
<td>Natural Resource Management</td>
</tr>
<tr>
<td>PAF</td>
<td>Panchayat Accounts Facilitations</td>
</tr>
<tr>
<td>PFMU</td>
<td>Panchayat Finance and Performance Monitoring Unit</td>
</tr>
<tr>
<td>PHED</td>
<td>Public Health and Engineering Department</td>
</tr>
<tr>
<td>PHRD</td>
<td>Japan Policy and Human Resources Development Trust Fund</td>
</tr>
<tr>
<td>PIP</td>
<td>Project Implementation Plan</td>
</tr>
<tr>
<td>PRI</td>
<td>Panchayat Raj Institutions</td>
</tr>
<tr>
<td>PS</td>
<td>Panchayat Samitis</td>
</tr>
<tr>
<td>PWD</td>
<td>Public Works Department</td>
</tr>
<tr>
<td>RD</td>
<td>Rural Department</td>
</tr>
<tr>
<td>RPF</td>
<td>Resettlement Policy Framework</td>
</tr>
<tr>
<td>SC / ST</td>
<td>Scheduled Castes / Scheduled Tribes</td>
</tr>
<tr>
<td>SBD</td>
<td>Standard Bidding Document</td>
</tr>
<tr>
<td>SPM</td>
<td>State Project Manager</td>
</tr>
<tr>
<td>SPMU</td>
<td>State Project Management Unit</td>
</tr>
<tr>
<td>SSA</td>
<td>Sarva Shikha Abhiyan</td>
</tr>
<tr>
<td>TSC</td>
<td>Total Sanitation Campaign</td>
</tr>
<tr>
<td>ZP</td>
<td>Zilla Parishads</td>
</tr>
</tbody>
</table>

Regional Vice President: Isabel M Guerrero, SARVP
Country Director: Roberto Zagha / Onno Ruhl, SACIN
Sector Director: Ernesto May, SASPM
Sector Manager: Anthony Verheijen, SASGP
Task Team Leader: Mohan Nagarajan, SASGP
# Table of Contents

I. Strategic Context................................................................................................................. 1  
   A. Background on Bihar’s Development Challenges .................................................. 1  
   B. The current state of the Panchayat Raj Institution (PRI) system in Bihar ........ 1  
   C. High Level Objectives to which the Project Contributes .................................. 4  

II. Project Development Objective(s)...................................................................................... 6  
   A. PDO .................................................................................................................. 6  

III. Project Description.............................................................................................................. 6  
   A. Project Components ......................................................................................... 6  
   B. Project Financing............................................................................................... 8  
   C. Lessons Learned and Reflected in the Project Design .................................... 9  

IV. Implementation ................................................................................................................. 10  
   A. Institutional and Implementation Arrangements ........................................... 10  
   B. Results Monitoring and Evaluation ............................................................... 10  
   C. Sustainability ................................................................................................... 11  

V. Key Risks and Mitigation Measures ................................................................................. 11  

VI. Appraisal Summary .......................................................................................................... 12  
   A. Economic and Financial Analysis ................................................................. 12  
   B. Technical ......................................................................................................... 12  
   C. Financial Management .................................................................................. 14  
   D. Procurement .................................................................................................... 15  
   E. Social .............................................................................................................. 15  
   F. Environment .................................................................................................. 15  

Annex 1: Results Framework and Monitoring.............................................................................. 17  
Annex 2: Detailed Project Description ......................................................................................... 23  
Annex 3: Implementation Arrangements.................................................................................... 30  
Annex 4: Operational Risk Assessment Framework (ORAF)...................................................... 51  
Annex 5. Implementation Support Plan ........................................................................................ 55  
Annex 7. Team Composition ................................................................................................. 58  
MAP IBRD No. 38365.............................................................................................................. 59
**PAD DATA SHEET**

**INDIA**

*Bihar Panchayat Strengthening Project*

**PROJECT APPRAISAL DOCUMENT**

*South Asia Region*

*Governance and Public Sector Unit (SASGP)*

<table>
<thead>
<tr>
<th>Date: August 27, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Director: Roberto Zagha</td>
</tr>
<tr>
<td>Sector Director: Ernesto May</td>
</tr>
<tr>
<td>Sector Manager: Anthony Verheijen</td>
</tr>
<tr>
<td>Team Leader(s): MohanNagarajan</td>
</tr>
<tr>
<td>Project ID: P102627</td>
</tr>
<tr>
<td>Lending Instrument: Specific Investment Loan (SIL)</td>
</tr>
</tbody>
</table>
| **Sector(s):** Sub-national government administration (90%); Health and other social services (5%); General water, sanitation and flood protection sector (5%)
| **Theme(s):** Decentralization (25%); Rural services and infrastructure (20%); Rural policies and institutions (24%); Public expenditure, financial management and procurement (13%); Participation and civic engagement (13%); Nutrition and Food Security (5%)
| **EA Category:** B-Partial assessment |

### Project Financing Data:

<table>
<thead>
<tr>
<th>Source</th>
<th>Total Amount (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Project Cost:</strong></td>
<td>120</td>
</tr>
<tr>
<td><strong>Cofinancing:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Borrower:</strong></td>
<td>36</td>
</tr>
<tr>
<td><strong>Total Bank Financing:</strong></td>
<td>84</td>
</tr>
<tr>
<td><strong>IBRD</strong></td>
<td></td>
</tr>
<tr>
<td><strong>IDA</strong></td>
<td></td>
</tr>
<tr>
<td><strong>New US$84M</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Recommitted</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Borrower:** Government of India, New Delhi, India

**Responsible Agency:** Bihar Gram Swaraj Yojana Society, Government of Bihar

**Contact Person:** Mr. Lokesh Kumar Singh, Project Director, Bihar Gram Swaraj Yojana Society

**Telephone No.:** +91-612-2215175 **Fax No.:** +91-612-2200991

**Email:** pd.bpssp.bih@gmail.com & secy-panchayat-bih@nic.in

### Estimated Disbursements (Bank FY/US$ m)

<table>
<thead>
<tr>
<th></th>
<th>FY 13</th>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
<th>FY 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>4</td>
<td>23</td>
<td>34</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Cumulative</td>
<td>4</td>
<td>27</td>
<td>61</td>
<td>77</td>
<td>84</td>
</tr>
</tbody>
</table>
**Project Implementation Period:** December, 1 2012 - December 31, 2017. **Expected effectiveness date:** December 31, 2012  
**Expected closing date:** December 31, 2017

<table>
<thead>
<tr>
<th>Does the project depart from the CAS in content or other significant respects?</th>
<th>○ Yes  x No</th>
</tr>
</thead>
<tbody>
<tr>
<td>If yes, please explain:</td>
<td></td>
</tr>
</tbody>
</table>

| Does the project require any exceptions from Bank policies? | ○ Yes  x No |
| Have these been approved/endorsed (as appropriate by Bank management)? | ○ Yes  ○ No |
| Is approval for any policy exception sought from the Board? | ○ Yes  x No |
| If yes, please explain: | |

| Does the project meet the Regional criteria for readiness for implementation? | x Yes  ○ No |
| If no, please explain: | |

**Project Development objective:** To support the state government in promoting inclusive, responsive and accountable Panchayat Raj Institutions in six districts.

**Project description**

**Component 1** Will construct and make functional Panchayat Sarkar Bhawans (Gram Panchayat Offices).

**Component 2** Will promote inclusive, responsive and accountable Panchayat Raj Institutions in six districts.

**Component 3** Will strengthen the State Government capacity to manage a gradual decentralization and empowerment process.

**Component 4** Will provide performance grants to gram panchayats that meet governance and performance standards.

**Component 5** Will support project management and coordination.

**Safeguard policies triggered?**

| Environmental Assessment (OP/BP 4.01) | Yes |
| Natural Habitats (OP/BP 4.04) | No |
| Forests (OP/BP 4.36) | No |
| Pest Management (OP 4.09) | No |
| Physical Cultural Resources (OP/BP 4.11) | No |
| Indigenous Peoples (OP/BP 4.10) | No |
| Involuntary Resettlement (OP/BP 4.12) | Yes |
| Safety of Dams (OP/BP 4.37) | No |
| Projects on International Waterways (OP/BP 7.50) | No |
| Projects in Disputed Areas (OP/BP 7.60) | No |

**Conditions and Legal Covenants:**

<table>
<thead>
<tr>
<th>Financing Agreement Reference</th>
<th>Description of Condition/Covenant</th>
<th>Date Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointment of District Project Managers for the six project districts.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within 2 months after Effectiveness Date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within 3 months after Effectiveness Date</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
I. Strategic Context

A. Background on Bihar’s Development Challenges

1. Bihar is one of the most populated and least developed states in India. Per capita income is about one-third of the national average. Out of its 103-million population, about 90 percent live in rural areas. Agriculture and allied activities employ about 80 percent of Bihar’s labor force but contributes to only about 20 percent of the state Gross Domestic Product (GDP). According to 2009-10 National Sample Survey and Planning Commission Poverty Line, poverty incidence is 56 percent among the rural population, comparable to the highest in the developing world. Literacy rates are 73 percent among men and 53 percent among women. In 2006, 42 percent of children under the age of three were stunted, 58 percent were underweight, and 28 percent were wasted. Forty-five percent of the women aged 15-49 suffer from lower than normal body mass index, two-thirds of the women in this age group and 87 percent of children under the age of three suffer from anemia. Basic access to sanitation is very poor. Only 24 percent of rural households have toilets. Quality of drinking water is a big problem, as a result of poor sanitation and fluoride, arsenic, nitrate and iron.

2. There are deep rooted inequalities in Bihar. Land distribution is very unequal, with a large proportion of landless or marginal farmers. Among the rural population, 17.5 percent belong to Scheduled Castes and Scheduled Tribes (SC/ST), who typically live in deeper poverty. Poverty incidence is 64 percent among the SC population and 56 percent among the ST population. Median land ownership for an SC/ST household is 0.03 ha. Sixty percent of SC/ST households are engaged in agricultural labor. Seventy percent of the heads of SC/ST households are illiterate. SCs/STs have limited economic opportunities.

3. The present government launched a comprehensive reform process upon taking office in 2005 during its first term. Its first priority was to build a functioning state. As a consequence, there has been dramatic turnaround in law and order. A wide range of administrative reforms have led to citizen centric governance, better public financial management and improvement in development indicators. Development has taken center stage in political discourse. Public spending for development programs has increased dramatically and as a consequence utilization of centrally sponsored schemes has improved.

B. The current state of the Panchayat Raj Institution (PRI) system in Bihar

4. Bihar was one of the Indian states where PRIs were introduced in the early years after independence. Seven elections for Gram Panchayats (GP) were held between 1952 and 1978. The elections for Gram Panchayats in 1978 were followed by the elections for Panchayat Samities and Zilla Parishads in 1979 and 1980 respectively. But thereafter, no elections were held. The 73rd Amendment of the Constitution in 1993 made formation of a three-tier system of PRIs a mandatory practice. A judicial order in 1997 finally stopped the repeated extensions of the terms of the elected bodies. Following another judicial intervention the state government finally held PRI elections in 2001, creating a three-tier structure (see Figure 1).

5. The PRIs emerging from the 2001 elections had only a legal existence with neither functions nor funds. The 73rd Amendment of the Constitution, and more specifically Schedule 11, mandates the states to decentralize specific

---

1 “Perspectives on Poverty in India: Stylized Facts from Survey Data”, World Bank 2010

2 Wasted refers to children too thin for their height meaning acute malnutrition. Stunting refers to children too short for their age, an indicator of chronic malnutrition.

3 Ten percent of rural households are landless, 53 percent own less than 0.4 ha, 20 percent own 0.4–1 ha, 10 percent own 1–2 ha, 4 percent own 2–4 ha, and 2 percent own more than 4 ha.
functions of government. The Constitution gives the states the responsibilities for constituting and assigning revenue powers of local authorities for the purpose of local self-government or village administration.

Figure 1: Local Bodies in Bihar

6. Not only is the present state government committed to strengthening PRIs, it also institutionalized the strategy of political inclusion through provision for positive discrimination for women, SC/ST and extremely backward castes. Because of these provisions, the elections in 2006 and 2011 ensured a much larger role for marginalized sections of the population in local governance. Currently, 55 percent of the elected panchayat members are women, 14 percent are SC, and 0.66 percent are ST. The demographic profile of GP ward members mirrors those they represent – many of them are socially disadvantaged. The reservation policy created an unprecedented opportunity for poor people’s voice to be heard.

7. In contrast with their predecessors, the PRIs emerging from the 2006 elections were provided concrete mandates as per the Bihar Panchayat Raj Act (2006). They have been entrusted with increasing amount of public resource in recent years. Most prominently, annual grants from the 12th Finance Commission (FC12), the 13th Finance Commission (FC13) and program funds from the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and the Backward Region Grant Fund (BRGF) provide discretionary resources to cater for a wide variety of local administrative and development needs. Allocation of these three sources to an average GP in FY2008-9 was about Rs. 3 lakh from FC12, Rs. 9 lakh from MGNREGS, and Rs. 4 lakh from BRGF. The PRIs role in rural housing, drinking water, sanitation, education, woman and child development, health and family welfare and social welfare programs also gives them opportunities to contribute to local development.

8. The current assignment of functions and sub-functions of the 3 tiers of PRIs as described in the Government of Bihar’s activity mapping present challenges to institutional development of PRIs. First, in many cases the activity mapping does not provide for financing of these activities or the assignment of the functionaries necessary to carry-out these activities. By and large, these functionaries remain employees of the state. The activity mapping provides the Panchayats with supervisory authority over the work of the state functionaries and their requests for leave. Second, the activity mapping does not define the respective responsibility for each of the 29 functions where there are concurrent assignments among the four tiers of government: Government of Bihar (GoB), and the 3 tiers of PRIs. Third, it does not provide for coordinating mechanisms or authority in the case of overlapping responsibilities within or among functions. Finally, the GPs and Panchayat Samitis (PSs) are often only assigned direct or indirect supervisory or recommending responsibilities. For example, GPs and PSs can recommend beneficiaries under the Indira Awas Yojna (IAY), the Old-age Pension Scheme and the Total Sanitation Campaign (TSC), or monitoring teachers under the Sarva Shiksha Abhiyan (SSA) but there is no mechanism for the GPs or PSs to appeal decisions taken by higher levels of government, limiting their authority. Similarly, the line departments’ investment programs

---

4 The responsibilities of the PRIs can be broadly classified as functions relating to agriculture and allied activities (functions 1-7, and 12), rural development (8, 9, and 22), education (17-21), healthcare (23), infrastructure (13-15 and 29), and social welfare (10, 11, 16, and 24-28).

5 See sub-section 5, List II (State List) of the Seventh Schedule (article 246 of the Constitution).

6 Details are provided in “Annex 3: Activity Mapping” of the Panchayat Finance Study commissioned by this project. This was done by compiling all relevant Government Orders.
are required to respond to local priorities articulated by gram sabhas, but coordination is weak reducing the chances that local priorities are respected by the line departments. The result is that accountability for public infrastructure and services is unclear.

9. The elected GP members face many challenges in executing their responsibilities. First of all, low education level and limited awareness of their responsibilities, rules and resources make them unprepared for their jobs. Second, they have very limited human resources at their disposal to navigate and manage a complex set of government schemes. A very small staff at the GP level manages rapidly growing responsibilities. Typically, the GP staff consists of a GP secretary (Sachiv), who more often than not covers more than one GP and a Rozgar Sevak on contract employed by the Rural Development Department who focuses on the MGNREGS implementation. Third, they lack basic office infrastructure. In any district, between 20-50 percent of GPs do not have an office. The others typically have a dilapidated 2-room structure, which may or may not be used for office business. Citizens do not have predictable access to offices. Records-keeping needs significant improvement.

10. In terms of the operation of panchayats, general body meetings do not take place regularly and minutes are generally not displayed publicly. Many of the formal decisions of the meetings are ignored during implementation. Statutory standing committees are generally not formed, and even when formed do not hold regular meetings. Information on rules, programs and government circulars is often not shared with villagers.

11. Ward members\(^8\) play limited roles in panchayat decision-making, though their participation in the General Body meetings is substantial. Both the ward members and the GP secretaries consider the directly elected Mukhiya as the dominant decision maker at the panchayat level. Compared to the ward members, Mukhiyas tend to be wealthier, more educated and better informed. In many panchayats, gram sabhas, the most important forum of village participatory governance, do not take place.

12. Deep rooted social inequality, especially along gender and caste lines, limits the degree of participation of all social groups in a panchayat. The legal framework in India and Bihar provides many opportunities for villagers to participate in local governance and demand accountability, for example, gram sabhas, social audit, and Right to Information. In reality, it will take a long time for hitherto suppressed social groups to gain confidence and skills to occupy meaningful seats in local governance.

**State government capacity to manage the PRI system**

13. In terms of monitoring and managing the performance of PRIs, the state government is starting from a low base. It is yet to develop a comprehensive view of all the sources of financing for panchayats or how they manage their expenditure. The Department of Panchayati Raj collects limited data on PRIs, mostly on the execution of schemes directly managed by the Department, e.g., the Backward Region Grant Fund. The communication and disbursement system for state transfers to PRI requires significant improvement. Enormous delays were observed during the review of the BRGF implementation in 2009. Even the GP plan for spending Rs 4-5 lakh a year goes through multiple levels of approval. The result is low predictability of funds on the part of PRIs which adversely affects implementation of plans. The other department that has most interactions with the PRIs is the Rural Development (RD) Department. It provides funds for implementation and collects information on execution of the MGNREGS and other smaller schemes executed by the PRIs and the Indira Awas Yojna (IAY) whose beneficiaries are selected by the PRIs. It also manages the Rozgar Sevak (MGNREGS worker) who is perhaps the most important staff at the panchayat level aside from the Panchayat Sachiv. The RD Department also finances capacity building for accounting and records keeping of MGNREGS. The work of the State Finance Commission is currently challenged by lack of systematic data.

---

\(^7\) Field survey by Asian Development Research Institute in 2009 (Political and Socio-Economic Background of Panchayati Raj Institutions in Bihar) confirmed that the perception of which government entity is responsible for each development problem varies across respondents. Some think state government is responsible and others think PRIs are responsible.

\(^8\) On average, each GP has 14 ward members.
The regulatory framework for local revenue mobilization is incomplete. The Bihar Panchayati Raj Institutions Act (2006) empowers PRIs to levy a few taxes (Holding Tax and a tax on professions, trade) and collect fees for a range of services (e.g., sanitation, water, street lighting). The PRIs are also enabled to collect maintenance charges from public facilities (e.g., parks, ponds, ferry services, pasture lands, slaughter houses, community assets etc.) and license fees from eateries, entertainment centers, leather manufacturing, etc. The Second State Finance Commission had also incentivized the collection of PRI own revenue by recommending the distribution of state tax revenue proportionate to total own revenue raised by PRIs. Even though the PRI Act (2006) provides legal backing, the Bihar Panchayat Finances Study commissioned by the World Bank and the PRI audit report of the Comptroller and Auditor General showed that the GPs do not collect any tax and non-tax revenue. Zilla Parishads (ZP) collect some revenue, mostly from leasing shops and licensing ferries. The State Government is yet to issue orders authorizing PRIs to collected taxes and rates and even set the schedule of maximum and minimum rates for various services and taxes.

The fiduciary environment in PRI is extremely weak and is characterized by (i) antiquated financial rules and procedures for financial management in PRIs -- the rules supporting the PRI Act (2006) have not been updated; (ii) no accounting cadre in PRIs despite proliferation of scheme-wise accounting and reporting obligations to different financiers and absence of a consolidated financial position of PRIs; and (iii) lack of staff capacity of the independent auditor of PRIs, the Local Fund Examiner (LFE), hence only 500 out of 8,410 PRIs are being audited annually with audit reports often showing poor fiduciary compliance. Though social audit has been mandated under MGNREGS, it is not widely used for either MGNREGS or broader accountability purposes.

GoB is interested in setting up a Panchayat Finance and Performance Unit and building up analytical and management skills related to panchayat finance and performance. The recent recommendation by the 13th Finance Commission may give a helpful push to strengthen financial accountability in PRIs. Out of the nine conditions that State Governments need to fulfill to access its Performance Grant, several are directly related to panchayat finance and audit: State Government must produce a supplement to the Budget showing details of transfers to local bodies, transfer FC grants to local bodies electronically within five days of receipt from the central government, set up an audit system for all local bodies under the technical guidance and supervision of the Controller and Auditor General, establish an independent Local Bodies Ombudsman to examine complaints of corruption and maladministration against elected officials and functionaries of local governments and recommend suitable action, enable local bodies to collect property tax from residential and commercial properties, and set qualification requirement for membership of the State Finance Commission.

C. High Level Objectives to which the Project Contributes

In 2006, the Government of Bihar (GoB) requested International Development Association (IDA) assistance to strengthen the Panchayati Raj Institutions as units of self governance capable of planning and implementing development schemes, promoting community life, generating employment opportunities and performing assigned judicial functions. The Government requested financing for GP office infrastructure and capacity building for PRIs. A Project Concept Note was approved by the Bank in February 2008 in response to the request.

The Government’s interest in strengthening GPs is part of its overall strategy of state building. The Chief Minister launched the campaign of “Apki Sakar Apke Dwar (Government at Your Doorstep)”, including providing offices (panchayat sarkar bhawans) to GPs, which currently operate in a highly informal manner. The intention is also to give GPs a sense of pride in their work. The Government presented a strong case to the 13th Finance Commission and received a special grant of Rs 1000 crores to finance panchayat sarkar bhawans over the next five years. This will finance about 1,500 GP offices, leaving a large financing gap. The Government requested that the World Bank finance panchayat sarkar bhawans in the six project districts.

Based on dialogue and consultation with stakeholders in Bihar, this document proposes support to a long-term vision of inclusive, responsive and accountable local governance encompassing the following aspects:

- a critical mass of grassroots political leaders who promote development, social justice and cohesion;
- PRIs have mature processes, practices and capacity to address own development priorities;
• Government of India (GoI) and Government of Bihar (GoB) allow PRIs more autonomy; and
• informed and engaged citizenry and activists who participate in governance, monitor service delivery and
demand government accountability.

20. The focus of this project is to produce tangible gains to sustain political commitment at all levels to this long-term
reform. To this end, the project focuses on supporting panchayat leadership to bring about visible changes in the
villages, including village sanitation, quality of drinking water, nutrition status of children, and better management
of natural resources. This will be done primarily through helping gram panchayats access and effectively use the
funding provided by a few large government schemes (e.g., the MGNREGS, TSC, National Rural Drinking Water
Program (NRDWP), ICDS and discretionary grants (e.g., the 13th Finance Commission grant and the Backward
Region Grant Fund).

21. As a first step towards the long-term institutional development vision, the project focuses on strengthening statutory
institutions established by the Constitution and the Bihar PRI Act (2006), namely the gram sabhas and Gram
Panchayat standing committees besides supporting the District Planning Committees and the State Finance
Commission when constituted. The operational focus will be:
• providing basic office infrastructure and human resource to manage various programs;
• democratizing decision-making processes within the panchayat by facilitating results-oriented work by
panchayats and their Standing Committees;
• facilitating cooperation by government officials;
• encouraging collective action among villagers; and
• strengthening the citizens’ capacity in monitoring panchayat operations and holding it accountable.

22. The project team had considered taking a similar approach to the Karnataka Panchayat Strengthening Project,
namely to provide supplemental block grant financing and focus on developing GP capacity in planning,
accounting, revenue mobilization and sub-project implementation. This approach was not adopted for two reasons.
First, the Karnataka project shows that political commitment to decentralization is often fragile, even in a relatively
more decentralized state. Second, rapidly increasing funding from Centrally Sponsored Schemes reduced urgency
for fiscal decentralization at the state level and encouraged dependency on the part of PRIs. A supplemental block
grant to PRIs financed by IDA, which may have been seen as “life line” five years ago, is no longer indispensable.
A block grant project is seen to create transaction costs disproportionate to its benefit. In Bihar, the IDA support to
create capacity of PRIs to use existing government resources and create development results is aligned with reality
and supported by the state government. This project therefore seeks to leverage its development impact through
helping PRIs use government resources better.

23. The project has an intensive learning agenda, to identify what works and what does not. The Government and the
World Bank agreed to focus on six districts: Patna, Nalanda and Bhojpur near the Capital City, and Saharsa, Supaul
and Madhepura in the Kosi region, covering about 1300 Gram Panchayats out of a total of approx 8410 Gram
Panchayats in the state. The more urbanized cluster near Patna and the more remote cluster in the Kosi area are
expected to present different challenges in the process of strengthening local governance. Successful
experimentation and learning in these six districts can be scaled up to other districts under other government
programs.

24. A successful five-year project would produce a set of training modules and delivery mechanisms that have led to
success in improving the quality of local governance and local development. This can then help the state
government scale up these efforts in more districts. The project would also provide empirical evidence of how the
state finance and management system can support panchayat development. The project will play an active role in
advocating changes in the system to enable the panchayats to grow into inclusive, responsive and accountable
institutions. We expect that, in five years’ time, the panchayats would have more clearly defined responsibilities,
more capacity to manage their responsibilities and are more accountable to their citizens for performance.
II. Project Development Objective(s)

A. PDO

25. The Project Development Objective of this project is “support Bihar’s capacity to promote and strengthen inclusive, responsive, and accountable Panchayat Raj Institutions in selected districts across the state.”

26. Project beneficiaries include: (i) rural residents in the target PRIs of the six districts, who are more effective in monitoring fulfillment of government obligations and can enjoy better and inclusive government services and undertake effective collective actions to solve local problems; (ii) elected officials and functionaries of Panchayat Raj Institutions (PRIs), who can become more capable of taking initiatives to solve the problems of their constituents, resolve local conflicts fairly, and are able to mobilize resources and support for the initiatives.

27. Key performance indicators include:

- Increased number of trained elected representatives (ERs) perform their mandated role effectively.
- The regular meetings of the GP focus on Planning & Budgeting of various programs.
- Increased percentage of active participants from socially disadvantaged groups (SC, ST and women) attend regular Gram Sabha meetings in project districts.
- The regular meetings of GP Standing Committees focus on implementation of their priority thematic programs.
- Increased percentage of GP project beneficiaries are from socially disadvantaged groups (SC, ST and women).
- Increased number of GPs submit annual financial statement within four months from the end of fiscal year for external audit.
- Increased percentage of people from all social groups perceive that the Gram Panchayat is increasingly “inclusive, responsive, and accountable” in helping to address their individual and community issues.

III. Project Description

A. Project Components

28. Component 1: Panchayat Sarkar Bhawan (US$ 50m): This component involves construction and making functional Panchayat Sarkar Bhawans in approximately 300 Gram Panchayats.

29. Component 2: Capacity building for Panchayati Raj Institutions (US$ 27.5m): This component builds panchayats’ core institutional competencies to empower them to achieve substantive development outcomes. The component also engages communities and citizens, through training, mobilization, and media, to participate in local governance and to hold panchayats accountable.

   i. Institutional Strengthening: This will involve building the core institutional capacity of panchayats, including basic administrative, planning and financial management capacity. It will also include mass media communications and community mobilization to increase people’s knowledge of their rights and responsibilities in relation to PRIs, to mobilize community participation in PRIs, and to assist communities in seeking redress in the event of grievances involving PRIs.

   ii. Nurture development-oriented panchayat leadership and local initiatives: The approach is to, on the one hand, raise awareness among local leaders and communities about important behavior changes and local actions that can improve health and livelihood; and on the other hand, to facilitate their access to government program resources to finance community priorities. The project will focus on developing GP’s capacity to plan and implement initiatives that improve results in the following areas: natural resource management, nutritional status of women and children, quality of drinking water, and village sanitation. This component
will be implemented with close partnership with the Public Health and Engineering (PHED), Rural Development and Social Welfare Departments.

30. **Component 3: Strengthen the State Government capacity to manage a gradual decentralization and empowerment process (US$ 2.5m)**

   i. **Establish regulatory framework for PRIs**: Develop and issue financial management rules and manuals, procurement and accounting manuals, and tax administration guidelines.

   ii. **Monitor panchayat finance and performance**: Establish and build the capacity of the Panchayat Finance and Performance Monitoring Unit in the BGSYS so that a Panchayat Finance and Performance database is operational to capture a comprehensive picture of panchayat revenue, expenditure and other performance information in the six project districts. The component will promote in house analytical capacity in the BGSYS. An annual review of Panchayat finances and performance will be produced and a research program built up over time.

   iii. **Panchayat capacity building curriculum**: Develop a quality assurance mechanism for an emerging curriculum for gram panchayats and pre-qualify a panel of providers to support field implementation, experimentation, evaluation, quality assurance, and operational adjustment.

   iv. **Expand annual audit coverage**: Strengthen the capacity of the Local Funds Examiner (external auditor of Panchayats) for increasing audit coverage of panchayats in the project districts.

31. **Component 4: Panchayat Performance Grant (US$ 20m)**

   The annual Best Panchayat Grant will reward exceptional panchayats that are inclusive, responsive and accountable. The recipients of the grant will be selected on a competitive basis. The competition criteria will include core institutional quality indicators related to how a panchayat runs its administration, how it interacts with its citizens, and how it manages resources and promotes local development. The competition will be based on objective information collected through the project information system with a validation process. Annually, the project will recognize the best gram panchayat in each district and block, and award them block grants, which are significantly higher than what they currently receive. The project will support this league of good panchayats to develop high-impact initiatives that the grants will finance. These grants will be provided after appraisal of the specific investments proposed by such panchayats and the project will monitor the end use of such grants. The Bank fiduciary and environment requirements will be adhered to by the panchayats in implementation of the grants. Detailed description of the competitive selection process and evaluation criteria are described in the Project Implementation Plan and Operational Manual.

32. **Component 5: Project Management and Coordination (US$ 15m)**

   GoB has established a Bihar Gram Swaraj Yojana Society (BGSYS) as the implementation agency for the project. The Society is expected to play four critical roles: (i) A catalyst role: public awareness campaign, policy advocacy, innovative capacity building for visible development results, proactive partnership with NGOs to stimulate demand for accountability and improve PRI responsiveness; (ii) A technical support role: to support partner line departments to establish capacity in managing the devolution process and building PRIs capacity in the relevant service delivery area; (iii) A coordination role: coordinate, monitor and report on the devolution and PRI strengthening process; and (iv) A fiduciary role: Project financing management, procurement and reporting. This component will finance staffing and operational cost of the society. The project will support the BGSYS in carrying out these four critical roles as well as the state of Bihar (including the Buildings Construction Department) in carrying out the activities under Component 1.

   **Phasing of field interventions**

33. The project envisages an ambitious change process. Initial activities under the project are chosen to generate visible change in villages, develop confidence among panchayat leaders and the communities and generate a momentum for tackling other challenges. At the panchayat level, the project will focus on all standing committees provided for under the Bihar Panchayat Raj Act 2006 and in particular two Standing Committees: the Water, Sanitation and
Health Committee, and the Production Committee. The project will make investments in facilitators who can help Gram Panchayats activate these committees and tackle local challenges. The facilitators will also stimulate meaningful participation by all social groups in the gram sabhas. Besides orientation training, the facilitators will support the standing committees in target panchayats to tackle the local development challenge. The facilitators will receive intensive immersion training. Monthly work program will be agreed and monitored by the Block Managers.

34. Community-led Total Sanitation Campaign will be introduced in four of six districts in a phased manner with serious drinking water quality problems. This intervention has a well developed methodology that has worked in many places in India and at scale (e.g., Maharashtra). Besides its obvious impact on public health and village environment, it also has a unique advantage of promoting collective action among all residents of the same vicinity regardless of their caste and economic status. Block Facilitators will be trained for promoting Total Sanitation Campaign. They will work with the panchayat leaders and generate commitment among villages. Accompanying the field interventions will be mass media intervention. The module on water source sustainability and quality improvement will be introduced in the same districts. Improving natural resource management will be introduced in four districts in phases, covering the agro-climatic zones of Bihar. This activity targets the Production Standing Committee in gram panchayat. The emphasis will be on spreading tested ideas and directing wage employment under MGNREGS to creating productive assets and sustainable livelihood of villagers. Similarly, improving nutrition would be piloted in four districts in a phased manner. Building the capacity of GPs to mobilize communities and promote positive behavior at the community level to improve nutrition and to, in close coordination with the ICDS functionaries, facilitate and ensure the delivery of quality nutrition services and training communities on nutrition practice and access to nutrition services. The computerized panchayat accounting system, PRIASOFT would be introduced in all project districts beginning with Patna and Nalanda, due to its relative advantage of better infrastructure and internet connectivity. It will cover all blocks & Panchayats in the six project districts in a phased manner.

B. Project Financing

Lending Instrument

35. The lending instrument will be a Specific Investment Loan financed through IDA resources. The instrument was selected in view of the need for implementation support to the reform process through a medium term engagement.

Project Cost and Financing

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Project cost</th>
<th>IDA (US$ million)</th>
<th>% Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Panchayat Sarkar Bhawans</td>
<td>50</td>
<td>35</td>
<td>70%</td>
</tr>
<tr>
<td>2. Creating inclusive, responsive and accountable Panchayat Raj Institutions</td>
<td>27.5</td>
<td>19.25</td>
<td>70%</td>
</tr>
<tr>
<td>2.1 PRI Institutional strengthening</td>
<td>21.7</td>
<td>15.25</td>
<td>70%</td>
</tr>
<tr>
<td>2.2 PRI capacity development</td>
<td>5.8</td>
<td>4.0</td>
<td>70%</td>
</tr>
<tr>
<td>3. Strengthen the State Government capacity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Establish regulatory framework on PRIs</td>
<td>0.1</td>
<td>0.07</td>
<td>70%</td>
</tr>
<tr>
<td>3.2 Monitor and analyse panchayat finance and performance</td>
<td>1.7</td>
<td>1.19</td>
<td>70%</td>
</tr>
<tr>
<td>3.3 Develop a curriculum for PRI capacity building and pre-qualify a panel of providers</td>
<td>0.2</td>
<td>0.14</td>
<td>70%</td>
</tr>
<tr>
<td>3.4 Expand annual audit coverage</td>
<td>0.5</td>
<td>0.35</td>
<td>70%</td>
</tr>
<tr>
<td>4. Panchayat Performance Grant</td>
<td>20</td>
<td>14</td>
<td>70%</td>
</tr>
<tr>
<td>5. Project management and coordination</td>
<td>15</td>
<td>10.5</td>
<td>70%</td>
</tr>
<tr>
<td>Total Baseline Costs</td>
<td>115</td>
<td>80.5</td>
<td>70%</td>
</tr>
<tr>
<td>Project Components</td>
<td>Project cost</td>
<td>IDA (US$ million)</td>
<td>Financing %</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>--------------</td>
<td>------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Price and Physical contingencies</td>
<td>5</td>
<td>3.5</td>
<td>70%</td>
</tr>
<tr>
<td>Total Project Costs</td>
<td>120</td>
<td>84</td>
<td>70%</td>
</tr>
<tr>
<td>Interest During Implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Front-End Fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Financing Required</strong></td>
<td>120</td>
<td>84</td>
<td>70%</td>
</tr>
</tbody>
</table>

C. Lessons Learned and Reflected in the Project Design

36. The project incorporated a number of lessons learned from practitioners’ experience and research.

37. The World Bank Independent Evaluation Group (IEG) carried out a study in 2008 titled “Decentralization in Client Countries: An Evaluation of World Bank Support, 1990–2007.” The design of this project heeds the three key recommendations by the IEG:

- Ensure that Bank support is underpinned by genuine client commitment to decentralized service delivery, given its importance to the success of Bank interventions.
- Encourage the adoption of a more results-based approach to decentralization by helping develop in-country and Bank capacity for monitoring and evaluation that focuses on local outcomes (such as enhanced accountability, greater citizen participation, and improved service delivery) rather than on just the process of decentralization.
- Ensure that Bank support at the country level is, among other things: (i) founded on a clear analytical framework, based on an integrative understanding of economic, political, and institutional factors at different levels of government and across sectors affected by decentralization; (ii) accompanied by support (from the Bank or others) to develop and maintain local government capacity, to the extent feasible; and (iii) strengthen institutional arrangements within the Bank to ensure that an integrative view underpins Bank interventions, particularly those based on sector-specific entry points.

38. The project takes a results-based approach to decentralization by focusing on a few development outcomes that are amenable to local leadership and initiatives: sanitation, quality of drinking water, nutrition, and natural resource management. Collaboration across departments on the part of GoB as well as in the World Bank will be critical. It is the judgment of the project preparation team that visible development results are the litmus test for the decentralization reforms and the rallying point for grassroots leaders.

39. The decentralization literature has highlighted the risk of elite capture of decentralized power and resources. Given its deep-rooted social divisions, Bihar is also prone to this risk. The project therefore chooses to invest significant operational energy in raising awareness and building capacity of citizens and leaders from disadvantaged groups to meaningfully participate in local governance, and undertake collective action that benefit them as well as the broader community. There is no illusion that this will be easy and we will learn by doing.

40. Learning from sector reforms (e.g., rural water supply, sanitation, nutrition, natural resource management) also points to the important role of the PRIs, especially if sustainable improvement in infrastructure and services is the goal. Many sector programs can create short-term impact through effective management of sectoral interventions, even independent of local government. But progress may not be sustainable as infrastructure deteriorates and behavior change reverses for lack of routine maintenance and continuous community mobilization, which are better done by local government. Government departments are also more focused on initial investment and there is lack of focus on operations, maintenance and community mobilization.
41. For example, the lessons learned from rural water sector reforms since 1999 concern the need for a more integrated 'bottom' up planning approach with gram panchayats and communities taking the lead, programmatic support in the form of appropriate institutional and fiscal frameworks and regulation of water services, improved training and technical support, as well as exploration of public private partnerships. With these reforms in mind, the Government of India is also setting ambitious objectives in terms of achieving higher standards of service in rural areas, in particular increasing the number of households with access to piped water supplies through metered household connections. The new National Rural Water Drinking Program has made Village Water Security Planning the cornerstone of its new approach. This includes securing a reliable source in terms of quantity and quality and introducing rainwater harvesting and groundwater recharge measures, water safety planning and water quality testing to better manage water quality, and introduction of standard operating procedures to ensure good operation and maintenance, as well as provision for replacement and expansion. The new approach promotes convergence of different development programs, particularly at the district level for schemes such as MGNREGS, watershed development, National Rural Health Mission (NRHM), etc. Institutionally, the National Rural Drinking Water Program (NRDWP) guidelines provide guidance on state, district, block and GP level roles and responsibilities, as well as introducing the concept of results based financing to the extent that funds are allocated against village plans with provisions for monitoring implementation and performance (such as through District Water and Sanitation Missions and village social audits).

IV. Implementation

A. Institutional and Implementation Arrangements

42. The Bihar Gram Swaraj Yojana Society (BGSYS) – an autonomous institution registered as Society under the Society Registration Act, 1860 and facilitated by the Department of Panchayati Raj, GoB (DoPR) will host the project. To ensure awareness and support for the panchayat empowerment process, the Governing Body of the Society consists of multi-departmental participation and is headed by the Development Commissioner, the second most senior civil servant in the state government. The Executive Committee will be headed by the Development Commissioner, GoB with members from key line departments. The General Body will provide overall policy guidance, while the Executive Committee will be responsible for monitoring overall performance of the project. The day to day affairs of the project will be managed by the Project Director, deputed from Government. Annex 3 provides a detailed description of the proposed organizational structure and terms of reference (ToR) for the positions at the state, district and block levels.

43. This project depends upon strong partnership with line departments such as Public Health and Engineering (PHED, for the water and sanitation component), Rural Development (for the natural resource management component), and Social Welfare (for the nutrition component), and development partners such as the Water and Sanitation Program, UNICEF, DFID and Gates Foundation, which invest heavily in water, sanitation and public health areas. The Project will supplement the investment made under various schemes managed by these departments, especially ICDS, MGNREGS, NRDWP, and TSC by facilitating intensive social mobilization and strengthening the roles of elected panchayat members as champions for these issues. The Project has benefited from learning from the experience generated from UNICEF’s field programs, especially their community mobilization and local planning approach.

44. The specific roles of the partner departments include: (i) participate in the General Body and the Executive Committee of the BGSYS to ensure that state policies consistently promote inclusive, responsive and accountable PRIs; (ii) participate in the district-level coordination committees in the project districts to ensure coordination; (iii) actively manage their field staff to ensure they participate in GP committee meetings, apply their budget to GPs’ priorities, and provide relevant information and technical support to ensure quality investment and maintenance work.

B. Results Monitoring and Evaluation

45. The Project-level outcomes and other key performance indicators for Component-level results (progress and intermediate outcomes are described in Table A1.1 “Results Framework and Key Performance Indicators” in Annex 1). Table A1.1 of Annex 1 “Additional Progress and Intermediate Monitoring Indicators for Project components and
thematic areas” forms the basis for the project’s internal concurrent monitoring of: (i) physical and financial progress and (ii) intermediate outcomes. Project processes should also be tracked, to ensure that the project interventions are conducted according to agreed norms and procedures. They are elaborated in the Project Implementation Plan (Operations Manual).

46. All performance indicators, whether monitored by internal or external M&E agencies, should be cross-checked through participatory M&E and triangulated with social audit.

47. The evaluation program will generate knowledge to assist the GoB, BGSYS, and other stakeholders in designing interventions and activities that are effective in strengthening local governance and improving development outcomes in rural Bihar. To this end, the program will commission studies to: (i) estimate impacts of Bihar Panchayat Strengthening Project (BPSP) components in increasing met demand for key services and improving development outcomes; (ii) assess relative efficacy of different modalities for scheme implementation and monitoring; and (iii) assess relative efficacy of innovations in different modalities for implementation of BPSP components. The proposed studies are based mostly on randomized control trial or quasi-experimental methodologies which compare outcomes of interest between a ‘treatment group’ of beneficiaries and a ‘control group’ of non-beneficiaries similar in underlying characteristics. Further details of the studies to be commissioned by the evaluation team, including methodologies and required adjustments in the modality or delivery component or scheme implementation, are provided in Annex 2.

48. Present capacity is very limited and has to be built through: (i) recruitment; (ii) targeted coaching and mentoring for at least one year; (iii) clear ToRs; and (iv) supervision. Details on responsibilities and training needs are elaborated in Annex 3.

C. Sustainability

49. There are four sustainability issues. First, will the PRI capacity built by the project be sustained and continue to contribute to local development after the completion of the project? Given the high percentage of turnover in local elections, partly due to the rotating reservation policy, it is inevitable that many elected members will no longer be in their seats after the 2016 elections. While the knowledge and skills developed under this project hopefully will be used by them in other roles, the Project will also invest heavily in the civil servants and technical professionals working in the PRIs, thereby creating sustainable processes, practices and systems.

50. The second sustainability issue relates to the Bihar Gram Swaraj Yojana Society, modeled as an agency for change. Will the policy advocacy and capacity development skills dissipate after the completion of the project? The project aims to develop a core curriculum for capacity development and encourages adaptation and improvement by other agencies, in particular BIPARD and Bihar-based training institutions and NGOs.

51. The third sustainability issue relates to the community mobilization process. The project will need to explore the most effective ways of supporting community activists and strengthening their organizational capacity.

52. There is also a risk that the new Panchayat Sarkar Bhawans may still be too elaborate to maintain. Government of Bihar will ensure adequate maintenance expenditure is provided for.

V. Key Risks and Mitigation Measures

53. The six main risks that may impede project achievement include:
   • The project implementation agency, the Bihar Gram Swaraj Yojana Society, is new and needs to quickly develop management capacity and an organizational culture of high performance and integrity. (Risk rating: 4)
   • Without a minimum level of GP staffing, investment in Panchayat Sarkar Bhawan and capacity building would have limited impact. (Risk rating: 4)
   • The project needs to sustain and broaden stakeholder support. (Risk rating: 3)
• Line department staff managing centrally-sponsored schemes may not respond to local priorities due to: (i) indifference; (ii) norms and implementation arrangements within the scheme that are outside their own control. *(Risk rating: 4)*

• There is a risk of fraud and corruption associated with construction, procurement and contract management. *(Risk rating: 4)*

• Ensuring speed and quality of bhawan construction in six districts may be challenging. *(Risk rating: 4)*

VI. Appraisal Summary

A. Economic and Financial Analysis

Not applicable.

B. Technical

*Are the designs of the Panchayat Sarkar Bhawan and the proposed implementation arrangements likely to promote local governance improvement?*

54. The Quality Enhancement Review and the appraisal reviewed procurement options for the Panchayat Sarkar Bhawans. To ease management burden of the Society, the packages will be as large as feasible. There are, however, concerns about the ability of large-scale contractors to work with panchayats and the risk of a large number of projects being stalled. Other issues like availability of encumbrances free land, location and distances between various sites, whether the lots allow economies of scale, etc. also need to be assessed before packages are finalized for construction of Bhawans.

55. Adequate office space does not guarantee functioning GPs. Most GPs have very few staff members. To ensure that the newly constructed Panchayat Sarkar Bhawans are functional, the state government will ensure staffing of Panchayat Sachivs, Rozgar Sevaks and Panchayat Technical Assistants in the six project districts. In this connection recruitment rules for the Panchayat Sachiv’s (Secretary) post have been issued. The project also proposes an intensive social mobilization process that runs in parallel to the construction process. This process will focus on raising awareness of the responsibilities of GPs and the services that they deliver. It will stimulate community discussions on the standards of these services and grievance redress mechanisms. An implementation arrangement for the Bhawan component has been designed to minimize opportunities for corruption and control for quality. (See Annex 3 for details).

56. As the Panchayati Raj Department does not have its own capacity to manage the construction of the Panchayat Sarkar Bhawans, Government decided that the Building Construction Department (BCD) will be responsible for managing the construction of the Panchayat Sarkar Bhawan. The BCD is the apex government department with engineers and supporting staff for construction of Government buildings. The BCD has a Chief Engineer for North Bihar and another Chief Engineer for South Bihar. It also has separate a Chief Engineer for design, a chief architect and a Director for monitoring. Its field staff includes superintendent engineers at Patna and Saharsa to cover the two clusters of the project, engineers and staff at the district and blocks levels. Annex 3 describes the detailed arrangements whereby the BCD is responsible for procurement and contract management, and BGSYS is responsible for ensuring community participation, independent third party quality monitoring, and compliance to environmental and social safeguard policies of the project. This arrangement provides adequate checks and balance but also allows the BGSYS to focus on the institutional development and capacity building objectives of the project. The BCD has the skills to handle the construction process, though there is a risk that the construction in this project competes for their staff time and managerial attention with many other much larger construction projects. The Society and the Bank team need to continuously monitor the implementation and flag delays and seek senior management intervention. To mitigate the risk of corruption and fraud in construction activities, a fraud and corruption complaint and redressal mechanism will be established. Another reporting platform will be provided through the project website. Third-party monitoring of field operations will be instituted for the construction activities as well as the capacity building activities. The World Bank will regularly review procurement and contract management and require annual audit.
Is the proposed approach to PRI capacity building sound?

57. The appraisal focused on assessing existing panchayat capacity building programs in the state, especially the Backward Region Grant Fund, which provided a strong impetus in recent years. The First Independent Review of the Backward Region Grant Fund (BRGF) commissioned by the Ministry of Panchayati Raj, Government of India (MoPR) and conducted by the World Bank in 2009 found that the monitoring system for the capacity building program under the BRGF is very weak in all of the eight large states under review, including Bihar. The BRGF did stimulate major efforts in Bihar. A large number of district resource persons have been recruited, trained and deployed to provide basic training to ‘mukhyias’ (GP elected heads), deputy ‘mukhyias’ and GP members on the roles and responsibilities of panchayats and existing government programs they can tap into. As there is no tracking system, it is not possible to know whether and by how much, the training has impacted on the quality of local governance and development. This is a fundamental weakness in the current capacity building process. This project intends to establish a strong monitoring and evaluation system to provide evidence to support future policy dialogue with the state and central government regarding improvement in inter-government fiscal relations as well as successful approaches to effect incremental social change.

58. Transforming PRIs from their current status to inclusive, responsive, and accountable institutions is a long-term challenge. The existing capacity building programs under various departments are largely informational. The primary focus of the project during this first phase of engagement will be nurturing agency and leadership among a wider group of panchayat leaders. By promoting effective development interventions and challenging them to champion causes that they are most motivated by, the project seeks to expand leadership opportunities beyond the mukhiyas and helping other ward members, especially women and SC/ST members, build confidence and bring sustainable improvement in the wellbeing of villagers.

59. In terms of improving GP’s development effectiveness, the project will focus on a few development challenges that are highly relevant in Bihar: sanitation, safety of drinking water, child nutrition, and natural resource management. The background Panchayat Finance Study prepared a current activity mapping based on a compilation of government orders. It describes how the functions within each sector are supposed to be divided across three tiers of PRIs. The capacity building component will emphasize operation and maintenance (O&M) and initiatives to promote behavioral change necessary for better development outcome. These activities will complement the construction of Panchayat Sarkar Bhawans. By bringing the World Bank’s experience in these areas to bear, the project will facilitate partnership among government departments and potentially open up possibilities for meaningful devolution of functions, funds and functionaries in a few sectors.

60. The focus of the project at the grassroots level is to promote collaboration between citizens, gram panchayats and frontline workers of various line departments through results-based planning and implementation. Key indicators of villagers’ wellbeing will be reviewed publically in gram sabhas and other community forums and actions will be monitored by citizens. The project seeks to identify and nurture champions among elected members and public servants (e.g., ASHA workers, Anganwadi Center workers) and provide opportunities for networking and publicity.

61. The project heavily depends upon the line departments for investment and other support that responds to local priorities. This dependency implies significant risks. The appraisal focused on seeking the active engagement of officials in the departments of Public Health and Engineering, Rural Development, and Social Welfare at the state and district levels in promoting a panchayat-led development process in the areas of water and sanitation, nutrition and natural resource management. There is broad acceptance to this approach from the line departments, which recognize the importance of social mobilization and intensive capacity building at the panchayat level. They acknowledge that the project focus on these areas can generate demand for the services their staff is meant to provide and stimulate local actions to tackle these problems with their own resources and social capital.

62. In terms of concrete roles for line departments, the agreement with the GoB was that the Executive Committee of the BGSYS comprising multi-departmental leadership would monitor and reward the performance of joint results teams of Society staff and line department staff. The line departments could issue instructions to their field staff to
participate in Gram Panchayat Standing Committee meetings, apply their budget to GP priorities, and provide technical support to ensure quality investment and maintenance work.

63. The project aims to contribute to policy clarity through experimenting with capacity building approaches and building a track record of PRI performance. By improving the quality of local governance at the GP level and strengthening their capacity to mobilize resources and improving development results on the ground, the project can provide empirical evidence on what PRIs are capable of doing and advocate for policy reform that can further empower action and ensure accountability.

64. The key challenge of the project is to cultivate a network of change agents at the local level. These would include panchayat members, activists and facilitators. Their commitment and resourcefulness will ultimately determine the success of the project. To address deep-rooted social barriers, the facilitators need strong mobilization skills but also backing by the project. To this end, the project is instituting a rigorous recruitment process, intensive training, and peer support groups. Two to three facilitators will be posted in each block, serving as motivators for GPs and facilitators of change. The project also plans to recruit GP social mobilizers, who can facilitate meaningful participation of villagers in the gram sabhas and support the GPs to run development campaigns. The project will provide forums and develop communication platforms to enhance peer learning among block and district teams.

C. Financial Management

65. The fiduciary environment in PRI and the capacity of the DoPR to oversee financial management practices in PRIs is weak. A special-purpose vehicle, the BGSYS, has been established. It is responsible for implementation and financial management of Components 2-5, whereas the Building Construction Department (BCD) is responsible for Component 1. The Society will follow cash-based accounting and uses an off-the-shelf accounting system (TALLY) for project accounting and financial reporting. The system currently implemented in the state office will be expanded to the district offices of BGSYS, while the block units will operate on an imprest basis. A uniform chart of accounts has been developed to capture the project components and activities and the accounts of the various offices will be consolidated to generate quarterly and annual financial reports. The BCD will use mainstream government system of budgeting, funds flow, accounting for the civil works component and submit monthly financial reports to BGSYS. BGSYS will prepare consolidated Interim Unaudited Financial Report (IUFRs).

66. The finance function in the society will be headed by Director (Finance & Administration), who will be an officer from the Bihar Administrative Service/Finance or Accounts Cadre. A Chartered Accountant has already been appointed as a State Project Manager (Finance) and will support the Director. There will be other support finance staff at the state, district and block-level offices.

67. BGSYS has its own governing body and executive committee. The internal control framework of the BGSYS has been documented in the Financial Management Manual. For fiduciary assurance, the BGSYS will engage a firm of chartered accountants to conduct internal audit of the state, district and block units and units of BCD as per a ToR agreed with the Bank. External audit of BGSYS will be carried out by a firm of chartered accountants as per a ToR approved by the Bank, while the external audit of the civil works component, implemented by BCD, will be carried out by the State Accountant General (Civil Audit) as per the standard ToR agreed with Controller and Auditor General (CAG). Both external audit reports will be submitted within six months of the close of the financial year.

68. The Panchayat Performance Grant will be provided to selected panchayats who will be chosen through annual competition that are transparent and widely publicized. The selection criteria are inclusive governance, outstanding improvement in development results, and improvement in financial management. These grants will be provided after BGSYS appraisal of the specific investments proposed by such panchayats. Expenditure will be recognized only on submission of periodic financial reports by the panchayats against the grant and assurance will be obtained by annual audit of grants by chartered accountants.
D. Procurement

69. A procurement assessment has been carried out and has concluded that Bihar Gram Swaraj Yojana Society (BGSYS) and the PRIs need to develop procurement systems and capacity to carry out procurement activities related to the proposed project. BGSYS is a new special purpose vehicle established for the implementation of the Bank supported project and is at present, through implementation of the PHRD Grant, familiarizing itself with Bank procurement procedures. Given the low capacity and overall risk environment in Government and PRI levels, procurement risk is assessed as High. Risk mitigation measures have been discussed with BGSYS and agreed. The procurement of civil works (Construction of Panchayat Sarkar Bhawan) will be carried out by the Building Construction Department. The procurement plan for the project has been received by the Bank and found to be acceptable. It will be updated at least annually to reflect project implementation needs. A brief summary of the procurement capacity assessment and project procurement arrangements are provided in Annex 3. More details are available in the project files.

E. Social

70. The Bihar Panchayat Strengthening Project (BPSP) triggers the Involuntary Resettlement (OP 4.12) of the World Bank's safeguard policies. The Panchayat Sarkar Bhawan component will construct offices (Bhawans) for approximately 300 gram panchayats in six districts, with land requirement of 0.3-0.5 acre each. Preliminary data from some districts suggest that in most GPs, the Bhawans will be built on suitable common government land (Gairmajurwa). In some GPs where such land is not available, community members may donate land. But there may be few cases where the Government needs to purchase land and cause involuntary resettlement. Displacement is unlikely to be significant, but could involve the following scenarios: (i) removal of encroachments and squatters leading to loss of livelihood and/or shelter; and (ii) land acquisition leading to loss of private land, house, trees, other immovable assets and livelihood.

71. Since the identification of GPs for the Bhawans will be done during the implementation stage of the project based on the selection criteria detailed in the project implementation manual, a Resettlement Policy Framework (RPF) has been prepared by Government of Bihar to guide the social impact assessment process and preparation of a resettlement plan for any GP where Bhawan construction will result in involuntary resettlement. The RPF developed under the project provides guidelines for screening of potential sites from social impact and equal access point of view. For the likely project affected people if any, an entitlement framework is also developed based on all applicable legal and policy frameworks of the country and World Bank OP 4.12 requirements. The RPF is prepared in consistence with all applicable laws and policies the Government of Bihar and the World Bank, including: (i) The Land Acquisition Act (LAA) 1894; (ii) National Rehabilitation and Resettlement Policy, 2007 (NRRP-2007); (iii) Bihar Land Acquisition Resettlement and Rehabilitation Policy-2007 (BLARRP-2007); and (iv) WB Operational Policy 4.12 on involuntary Resettlement. Specifically, the RPF outlines the policy, procedures and institutional arrangements for preparation and implementation of GP-specific resettlement plans. The RPF has been disclosed through the website of the Department of Panchayati Raj, Government of Bihar. A stakeholder workshop on the draft RPF was organized at Patna on February 3, 2011.

72. The Government has agreed to implement the institutional arrangement outlined in the RPF and allocate adequate staff and budget. To ensure compliance with the RPF, the project will conduct periodic monitoring. An independent assessment will be undertaken twice during the project duration to monitor compliance, assess cumulative impacts and identify ways to improve implementation.

73. The share of tribal population in the project districts is less than 1 percent and dispersed. Further, the issues of ST and other vulnerable groups are being addressed in the overall design of the project. The OP 4.10 on Indigenous Peoples is not being triggered under the project.

F. Environment

74. The BPSP triggers the Environmental Assessment (OP 4.01) of the World Bank's safeguard policies. An environmental assessment (EA) study was undertaken by the GoB for the proposed project. The study identified the
following key environmental issues: flood and drought prone areas, limited forest cover, shortage of fodder, poor agricultural productivity, poor quality of drinking water, and poor sanitation coverage. The impact of these issues gets exacerbated in the context of limited capacity of local government bodies. The project design includes a sub-component on capacity building for enabling Gram Panchayats to plan and implement initiatives in natural resource management, drinking water safety, and sanitation. The Environmental Management Framework (EMF) developed as an outcome of the EA study addresses the identified issues through a detailed strategy and procedures for environmental appraisal of Gram Panchayat Bhawans and for activities taken up with the Performance Grants by Gram Panchayats. While environmental appraisal for project-supported activities is mandatory, its application to other (non-project supported) activities of Gram Panchayats will be promoted as good practice. The EMF describes a capacity building plan to enable this. The assessment parameters for selection of GPs for performance Grants include implementation of natural resource and environmental management.

75. The necessary measures to ensure compliance with the Bank's safeguard policies and with the relevant laws and regulations of the Government have been included in a negative list of activities, and, in the environmental guidelines (EGs) developed as part of the EMF. In addition to periodic internal monitoring, independent external audits will be undertaken twice during the project duration to check compliance, assess cumulative impacts and identify ways of strengthening implementation of the EMF. The roles and responsibilities for ensuring the implementation of the EMF have been detailed at the state, district, block and GP levels. Public consultation was part of the development of the EMF – field consultations were held in 33 Gram Panchayats in six districts. The draft EMF was put through a consultative process that involved a state-level stakeholder workshop and targeted consultations with relevant line departments. It was also disclosed through the website of the Department of Panchayati Raj, Government of Bihar. The final EMF has been disclosed on the Government website and on the Bank Infoshop.
Annex 1: Results Framework and Monitoring  
Table A1.1: Results Framework and Monitoring

INDIA: BIHAR PANCHAYAT STRENGTHENING PROJECT

Project Development Objective (PDO): to support Bihar’s capacity to promote and strengthen inclusive\(^9\), responsive\(^{10}\) and accountable\(^{11}\) Panchayat Raj Institutions (PRIs) in selected districts.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators(\ast)</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values(\ast\ast)</th>
<th>Frequency</th>
<th>Data Source/ Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator one:</strong> Increased number of trained elected representatives (ERs) perform their mandated role effectively.</td>
<td>% of ERs</td>
<td>To be determined at baseline</td>
<td>Low</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Indicator Two:</strong> The regular meetings of the GP focus on Planning &amp; Budgeting of various programs.</td>
<td>% GPs</td>
<td>To be determined at baseline</td>
<td>Low</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Increasing</td>
<td>GP meeting at least 6 times a year</td>
</tr>
<tr>
<td><strong>Indicator Three:</strong> Members from socially disadvantaged groups (SC, ST and women) actively participate at regular Gram Sabha meetings</td>
<td>% of active participants from targeted groups</td>
<td>To be determined at baseline</td>
<td>Low</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Increasing</td>
<td>Increasing</td>
<td>At least 4 times a year</td>
</tr>
</tbody>
</table>

---

\(^{9}\) “Inclusive” means participation by all social groups in Gram Sabhas; Gram Sabha decision-making is increasingly made by Standing Committees formed for key areas of work, and not just by Mukhiyas.

\(^{10}\) “Responsive” means that the Panchayats are able to perform more of their prescribed (29) functions, become more effective in representing the interest of the local population, and successfully provide the interface between their communities and other agencies to improve resource flows, development results and overall service delivery in their jurisdictions.

\(^{11}\) “Accountable” means that the Panchayats take responsibility for and are able to deliver their prescribed functions, follow-through on their action plans, provide functioning and transparent local government, practice good fiduciary management and are responsive to local issues, needs and demands, within the limitations of resources available to them.
| Indicator Four: | Increased percentage of GP project beneficiaries are from socially disadvantaged groups (SC, ST and women). | % | To be determined at baseline | Low | Increasing | Increasing | Increasing | Increasing | Continuous recording of groups receiving benefits | 1. GP Record of benefit recipients and 2. External M&E Consultants |
| Indicator Five: | GP Standing Committees meet regularly to discharge their statutory functions. | Increasing regularity of SC meetings and focus on convergence and implementation issues | Standing committees generally not functioning | Low | Increasing | Increasing | Increasing | Increasing | As per framed rules. | Record of SC meetings BPMU with Facilitators. |
| Indicator Six: | Increased number of project GPs submit annual financial statement within four months from the end of fiscal year for external audit. | No. of GPs | 0 | Low | Increasing | Increasing | Increasing | Increasing | Once a year | Record of GP & receipt by External Auditor. M&E Unit, with External Auditors |
| Indicator Seven: | Increased percentage of people from all social groups perceive that the Gram Panchayat is increasingly “inclusive, responsive, and | % of positive response from representative sample | To be determined at baseline | As at Baseline | Increasing | Increasing | Increasing | Increasing | In the 3rd & 5th years. | Perception survey from representative sample population M&E Unit, with External M&E team |

“Inclusive, Responsive and Accountable” is defined in the footnote to this table.
**PDO Level Results**

<table>
<thead>
<tr>
<th>Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable**</td>
<td>Core</td>
<td>of all social groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intermediate Results (Component One): Panchayat Capacity Building**

1. At least 75% of Project-financed GP bhawans are fully functional, with at least 60% of the premises used for intended purposes:
   - % of Bhawans functional; and % of space used as intended
   - Activity not yet started
   - Activity not started

2. At least 70% of the Project Elected Representatives (ER) trained and at least 40% of them perform their mandated role effectively:
   - % of ERs
   - To be determined at baseline

3. At least 80% of project GPs regularly disclose budget and expenditure information to the public in a simple and accessible manner:
<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/ Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>YR 1</td>
<td>YR 2</td>
<td>YR3</td>
<td>YR 4</td>
<td>YR 5</td>
</tr>
<tr>
<td>4. At least 70% of project GPs regularly log citizen grievances and report to every Gram Sabha their progress in resolving them.</td>
<td>% of Project GPs</td>
<td>0</td>
<td>0</td>
<td>15%</td>
<td>30%</td>
<td>50%</td>
<td>70%</td>
<td>Continuous use log of grievance; At every Gram Sabha meeting</td>
</tr>
<tr>
<td>5. At least 80% of project GPs report to every Gram Sabha their progress in implementing development schemes.</td>
<td>% of Project GPs</td>
<td>0</td>
<td>0</td>
<td>20%</td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
<td>At every Gram Sabha meeting</td>
</tr>
</tbody>
</table>

**Intermediate Result (Component Two): State Capacity Building**

<table>
<thead>
<tr>
<th>Intermediate Result indicator One: PRI financial management manuals, accounting manual, procurement manual are issued by year 2.</th>
<th>Manuals and Guidelines are issued</th>
<th>Not yet due</th>
<th>Not yet due</th>
<th>Manuals issued</th>
<th>-</th>
<th>-</th>
<th>-</th>
<th>Once, as each issued</th>
<th>M&amp;E team with respective subject matter Specialists &amp; consultants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate Result indicator Two: By Year Three, all planned training modules have been field tested and finalized.</td>
<td>Training Modules finalized</td>
<td>Not yet due</td>
<td>Not yet due</td>
<td>In progress</td>
<td>All finalized</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Quarterly</td>
</tr>
<tr>
<td>Intermediate Result indicator Three: By Year Five, a Panchayat Finance and Performance database is fully operational and</td>
<td>Database operational</td>
<td>Not yet due</td>
<td>Not yet due</td>
<td>In progress</td>
<td>In progress</td>
<td>Fully operational</td>
<td>Quarterly</td>
<td>Check progress of their formulation and quality of final issuance</td>
<td>M&amp;E team with respective subject matter Specialists &amp; consultants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The Database covers: 1. Finance, including revenue and expenditure; and 2. Performance, including both development and</td>
</tr>
<tr>
<td>PDO Level Results Indicators*</td>
<td>Core</td>
<td>Unit of Measure</td>
<td>Baseline</td>
<td>Cumulative Target Values**</td>
<td>Frequency</td>
<td>Data Source/ Methodology</td>
<td>Responsibility for Data Collection</td>
<td>Description (indicator definition etc.)</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------</td>
<td>----------------</td>
<td>----------</td>
<td>---------------------------</td>
<td>-----------</td>
<td>--------------------------</td>
<td>-------------------------------------</td>
<td>------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>captures panchayat finance and performance in Project districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>issuance</td>
<td></td>
<td>governance aspects.</td>
<td></td>
</tr>
<tr>
<td><strong>Intermediate Result indicator Four:</strong> The State of Panchayat Report documenting the status of decentralization in Bihar and performance of panchayats is produced and widely disseminated annually from year 2.</td>
<td>Reports produced and disseminated</td>
<td>Not yet due</td>
<td>Not yet due</td>
<td>Done</td>
<td>Done</td>
<td>Done</td>
<td>Half yearly</td>
<td>Check progress of their formulation and quality of final issuance</td>
<td>M&amp;E team with respective subject matter Specialists &amp; consultants</td>
</tr>
<tr>
<td><strong>Intermediate Result indicator Five:</strong> At least 10% increase in GP audit coverage by LFE in project district every year.</td>
<td>% increase</td>
<td>6% of all GPs in the state audited by LFE each year.</td>
<td>10 % increase over previous year</td>
<td>10 % increase over previous year</td>
<td>10 % increase over previous year</td>
<td>10 % increase over previous year</td>
<td>Annually</td>
<td>Check audit coverage</td>
<td>M&amp;E team, with auditors</td>
</tr>
</tbody>
</table>

**Intermediate Result (Component Three): Panchayat Performance Grants**

**Intermediate Result indicator One:** Panchayat Performance Grants follow a transparent process and performance criteria defined in the Project Implementation Plan (PIP). | Process and Criteria as agreed | Not applicable | - | As scheduled | As scheduled | As scheduled | As scheduled | Annually | As agreed and set out in the PIP. | M&E Team |

**Intermediate Result (Component Four): Project Management and Coordination**

**Intermediate Result indicator One:** Project management at | Process as agreed | Not applicable | - | As required | As required | As required | Six monthly | As per Annual Implementation | M&E Team, |
<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>YR 1</td>
<td>YR 2</td>
<td>YR3</td>
<td>YR 4</td>
<td>YR5</td>
</tr>
<tr>
<td>all levels satisfactorily implement all agreed project activities as per Annual Implementation Plans.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intermediate Result indicator Two:</strong> Project management at state and district levels regularly produces Action Taken Reports on issues raised through M&amp;E reports, statutory audits and complaints received.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of posts filled</td>
<td>Process as agreed</td>
<td>Not applicable</td>
<td>-</td>
<td>As required</td>
<td>As required</td>
<td>As required</td>
<td>Quarterly</td>
<td>As agreed and set out in the PIP.</td>
</tr>
<tr>
<td>By Year 3, at least 90% of sanctioned posts in the BGSYS are filled with appropriate skills.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of posts filled</td>
<td>Process as agreed</td>
<td>Not applicable</td>
<td>20%</td>
<td>50%</td>
<td>90%</td>
<td>100%</td>
<td>100%</td>
<td>Six monthly</td>
</tr>
<tr>
<td>The Executive Committee of the BGSYS satisfactorily resolves all issues raised by project management that relate to inter-departmental coordination.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of posts filled</td>
<td>Process as agreed</td>
<td>Not applicable</td>
<td>-</td>
<td>As required</td>
<td>As required</td>
<td>As required</td>
<td>Quarterly</td>
<td>As agreed and set out in the PIP.</td>
</tr>
</tbody>
</table>

*Please indicate whether the indicator is a Core Sector Indicator (see [http://coreindicators](http://coreindicators) for more details)*

**Target values should be entered for the years data will be available, not necessarily annually. Use cumulative target values only if relevant.
Annex 2: Detailed Project Description

**Component 1: Gram Panchayat Sarkar Bhawan (US$ 50 m)**

This component involves construction and making functional of Gram Panchayat Sarkar Bhawans of upto 300 Gram Panchayats.

**Activities that the project will finance:**
- Construction of upto 300 bhawans on the basis of approved design of GoB, at an average unit cost of around Rs 82 lakh. Out of about 1300 Gram Panchayats in the project districts, about 25 percent of them will be eligible for a bhawan. The BGSYS will develop eligibility criteria for GPs. The first condition would be availability of encumbrance-free government land with clear titles and selected on the basis of DoPR, GoB’s criteria.
- Social mobilization through Gram Sabhas (this will be additional agenda items for GPs eligible for bhawans)
- Third-party monitoring of construction.

**Component 2: Capacity building for Panchayat Raj Institutions (US$ 27.5 m)**

This component builds panchayats’ core institutional competencies and empowers them to achieve substantive development outcomes. The component also engages communities and citizens, through training, mobilization, and media to participate in local governance and enable the PRIs to strengthen service delivery.

These efforts will depend on a frontline of staff and volunteers who will coordinate capacity building activities and provide continuous support to the GPs over time. The BGSYS will recruit and train block level facilitators, each supporting a maximum of 5 GPs. The BGSYS will also offer an honorarium to at least one Community Resource Person (CRP) and one technical resource person per three GP in the concerned districts. The frontline cadre will be supported by Specialists at the district and state levels, and by line department staff and contracted technical support agencies.

### 2.1 Institutional Strengthening (US$ 21.7m)

**a) Core Institutional Capacity**
Facilitators will provide training and ongoing support to ensure that elected panchayat representatives and panchayat staff are aware of and fulfill their basic responsibilities. This includes the functioning of standing committees, vigilance committees, and gram sabhas. Facilitators will also support panchayats to engage in results-based planning to develop an integrated development plan.

**b) Community Engagement**
Facilitators and Community Resource Person will train and support community-based organizations and citizens to participate in local governance and to hold gram panchayats and other state institutions accountable. Support will include scheme literacy, social audits, gram sabha participation, right to information, and mechanisms for grievance redress.

**c) Communications and Mass Media**
The project will develop communications materials aimed at public education on panchayati raj. These will include a fictional radio serial, public service messages for radio and television, educational posters, short films, and community theater performances. Subject material will be tailored to the project capacity building efforts; there will be particular emphasis on the substantive areas of water, sanitation, nutrition,
and natural resource management. Media content will use local language and idiom, and will draw on the lived experience of people in project districts. This media content, as well as high-quality existing content, will be disseminated using radio, community radio, poster display, local film screenings, and community theater productions.

d) Building GP Financial Management Capacity

Activities that the project will finance

- Updation and adoption of revised financial rules to align with new PRI Act of 2006.
- Development of an accounting manual using the framework of simplified reporting formats and account code structure provided by the C&AG.
- Development of training modules for GP sachivs/accountants and modules on Financial Rules for PRI elected representative and functionaries and printing & distribution of the same.
- State Project Manager (SPM) Public Finance & Research in the State & District Coordinators at district level including Panchayat Accounts Facilitators (PAFs) positioned at Block level to provide technical support, training to GP Sachivs/GP Accountants to maintain books of accounts are per new formats and prepare financial reports.
- Training of GP elected members, Sachivs/Accountants on the accounting and financial rules and manuals.
- Technical assistance, training and monitoring of the implementation of PLANPLUS (a decentralized planning system of the MoPR) and PRIASOFT (a computerized PRI Accounting System developed by NIC under the MoPR/CAG leadership) starting with pilot districts (Patna and Nalanda) and extendable to other Project districts.

Implementation Strategy

The project will contract SPM Public Finance & Research and District level PFM Coordinators and create a dedicated pool of Panchayat Account Facilitators (PAFs). Bihar Institue of Public Administration and Rural Development (BIPARD) and NIC will be engaged to provide necessary training to these PAFs. The PAFs will, in turn, provide technical support to the GPs and GP sachivs/accountants. The role of PAFs would include:

a. In the initial phase, help in updating books of accounts of the GPs for first six months and prepare consolidated & scheme wise financial statements (sources and uses of funds) of the GPs.

b. Training and providing hand-holding support to the GP sachivs/accountants in maintenance of books of accounts and preparation of financial reports and statements (to be done in phased manner and gradually expected to be in place by March 2016 in about 1300 GPs of six project Districts) on a regular basis for a period of at least 2 years after initiating the process i.e. GPs taken up under the first phase will be supported in all aspects till March 31, 2015 and so on for GPs taken up in 2nd and 3rd phase.

c. Assist in the roll out of PLANPLUS and PRIASOFT by way of ensuring data entry (either in batch mode or off-line) and upload into central system on periodic basis.

The roll out of the computerized planning and accounting software PLANPLUS and PRIASOFT respectively will be implemented in a phased manner with initial focus on Patna and Nalanda Districts. The PAF will also provide accounting support to the GPs to update PLANPLUS and PRIASOFT. This would be by way of PAF working out of block level hubs to periodically update the plan-budgets (all sources) and accounts in PLANPLUS and PRIASOFT and generate periodic financial reports. The preferred approach (hub based or mobile teams) would be determined by the issues relating to logistics.
(i.e. internet connectivity, power and physical infrastructure). Further technical and manpower support may also be given to GPs to update PLANPLUS & PRIASOFT, as required. Initially both manual books of accounts and computerized records will be maintained and once the system and processes are stabilized, a GP-wise protocol of stopping manual books will be established.

2.2 **Nurture development-oriented PRI leadership and local initiatives (US$ 5.8m)**

This component will finance a few key training modules that support development-oriented GP leaders to undertake effective initiatives and improve development indicators in the areas of water, sanitation, nutrition and natural resource management. Details of each module are described in the Project Implementation Plan. The capacity of GPs will be tracked through the regular monitoring and annual competition for the Performance Grant (see Component 4).

A. **Module 1: GP-led Total Sanitation Campaign**

- State level workshop for advocating community led approaches.
- Preparation of training modules & materials
- Development of a strategy for Behavior Change Communication (BCC).
- Hiring resources (outsourced firms) to support capacity building and handholding.
- District level workshop for advocating community led approaches.
- Exposure visit of stakeholders – districts and state.
- Capacity building of Facilitators on BCC.
- Rolling out a communication strategy using mass media and Inter Personal Communication (IPC) Community-led Total Sanitation (CLTS) approaches.
- Block level trainings for GP members.
- Roll out of community level activities in the villages for behavior change – creating demand among the people, facilitate construction of toilets by the households, end open defecation.
- Incentivizing well performing GPs with performance grants.
- Establishing a monitoring system at GP level which tracks coverage of toilets, usage and sustainability – linked to the project MIS and the MIS of the TSC under PHED.

B. **Module 2: Safe drinking water**

- State, district and block orientation, training and dissemination workshops.
- Preparation of training modules for village water safety planning, e.g., for water budgeting, water source plans, water safety plans and water quality testing, operating plans and service improvement plans.
- Baseline studies for water quality and public health.
- Training for district water quality testing laboratory staff.
- Technical studies, e.g., review of water treatment technologies, preparation of water quality testing protocols.
- Exposure visits within India.
- Establishing a monitoring system at the GP level which tracks the quality of drinking water – linked to the project MIS and the MIS of the PHED.

C. **Module 3: Improving nutrition**

*Capacity Building*

- Technical Support services for:
i. Developing training curricula, modules, content, and tools for GPs and community representatives to create awareness about nutrition and promote behavior change.

ii. Developing Master Training Teams.

iii. Providing ongoing training support and monitoring training quality at all levels.

- Sensitization meetings for senior officials of different departments.
- Training of Block Facilitators.
- Training of all three tiers of PRIs including village Health-Nutrition-Sanitation-Water committees.
- Establishment and strengthening of village Health-Nutrition-Sanitation-Water Committees.
- Periodic review meetings/joint trainings with line department functionaries at GP, block, district level.
- Exposure visits.

**GP and village level events for social mobilization to create awareness and promote behavior change**

- Village level campaign and events.
- GP level nutrition events, competition.
- Recognition for good performing ward members.
- Monthly review meetings.

**Information, Education and Communication**

- Mass Media, Information & Communication Technology (ICT) (nutrition and health content).
- Radio programs (nutrition and health content).
- GPs – wall paintings, community display boards etc.

**Learning, documentation and policy-advocacy**

- Establishing a monitoring system to track nutrition status at the GP level – linked to the project MIS and the MIS for the ICDS.
- Rigorous impact evaluation of nutrition-related activities. Documentation – series of papers on successes, lessons learnt.
- Dissemination meetings.

**Implementation, Coordination**

- Staff: SPM - Nutrition, District Nutrition Coordinator, Joint Water-Sanitation-Nutrition Coordinator at block level.
- District Resource team services.
- Incentives for Village level facilitators - self-help groups, LRPs.
- Operational costs – travel.

**D. Module 4: Improving natural resource management**

This module aims to build the capacity of the GP functionaries to undertake quality (participatory identification, need-based, technically sound and beneficial) NRM activities.

- Consultant firm/s to provide technical support to the program in the pilot and scaling up phases.
- Baseline study on quality of NRM works under MGNREGS.
- Preparation of a manual and training module on NRM through the MGNREGS for GP and MGNREGS functionaries.
- Pilot testing of the training, planning and implementation in all GPs in two districts – one in each agro-climatic zone (North-east Alluvial Plain and South Bihar Alluvial Plain).
- Training of Mukhiyas, Production Standing Committee members, Technical Resource Persons, District Resource Persons on NRM.
- Training of Panchayat Rozgar Sevaks and Panchayat Technical Assistants on NRM.
- Exposure visits (in-country) to GP functionaries.
- Implementation support to GPs through Technical Resource Persons.
- Support and facilitation of participatory, area-based planning for NRM works under MGNREGS in the GPs.
- Facilitation of participatory monitoring of NRM works in the GPs.
- Evaluation studies to capture the impact of the intervention.

Component 3: Strengthen the State Government capacity to manage a gradual decentralization and empowerment process (US$ 2.5 m)

3.1 Establish regulatory framework for PRIs: financial management rules, procurement and accounting manuals, tax administration guidelines
- Consulting firms to prepare guidelines and manuals.
- Consultation workshops.
- Printing and distribution.

3.2 Monitor Panchayat Finance and Performance
- Initial set-up cost of the Panchayat Finance and Performance Monitoring Unit (PFPMU) within government.
- Training of PFPMU staff.
- Data collection and management.
- Routine analysis.
- Annual report on the state of panchayats.
- Build research capacity and prepare an annual review of panchayat finances
- Workshops.

3.3 Develop a capacity building curriculum for PRIs
- A quality assurance system for reviewing design and field implementation of core training modules.
- Training of Trainers for BIPARD and private sector providers to use the approved modules in other parts of Bihar.
- Tracking and publicizing performance of capacity building providers based on PRI feedback and expert review.
- Annual update of the list of empanelled service providers.

3.4 Expand annual audit coverage: Strengthen the capacity of the Local Funds Examiner (external auditor of Panchayats) to gradually increase GP audit coverage in the project districts.

The mandate for audit of GPs rests with the Local Fund Examiner (LFE), which operates under the administrative control of the Accountant General (AG). Given the low level of funds flow and devolution of GPs historically, the audit of GP’s was not given priority. This coupled with lack of adequate staff in LFE has resulted in annual audit coverage of approximately 500 GPs. In other words a GP would get audited once in 16 years. The LFE has however in the last few months taken measures to increase the audit coverage, including: (a) putting in place an audit calendar and better planning of existing resources; and (b) recruitment of regular and contractual staff to at least double the annual coverage.
Given the large number of GPs, it will be difficult for LFE to ensure 100 percent annual coverage of all the GPs. However, the LFE confirmed that they will be in a position to improve coverage of GPs in the project districts and would welcome financial support from the project to improve manpower. The LFE rejected the proposal of using chartered accountant firms under the guidance of the AG as regulations will not allow LFE to issue audit reports based on the work of firms. Therefore, LFE will hire more contract staff and directly manage their work.

Activities that the project will finance

- Contract staff for LFE to achieve gradual expansion of audit coverage.
- Training for LFE staff; and provision of technical assistance including audit software and laptops for field level auditors.

Component 4: Panchayat Performance Grants (US$ 20m)

The annual Best Panchayat Grant will reward exceptional panchayats that are inclusive, responsive and accountable. The recipients of the grant will be selected on a competitive basis. The competition criteria will include core institutional quality indicators related to how a panchayat runs its administration, how it interacts with its citizens, and how it manages resources and promotes local development. The competition will be based on objective information collected through the project information system with a validation and appeals process. Annually, the project will recognize the best gram panchayat in each district and block and award them block grants, which are significantly higher than what they currently receive. The project will support this league of good panchayats to develop high-impact initiatives that the grants will finance. Fiduciary and environment standards will be applied to the utilization of the grants. Details on the competitive process and criteria are described in the Project Implementation Plan (PIP)

Activities that the project will finance

- Annual block panel review of GP nominations and supporting documentation.
- Annual district panel review of block nominations.
- TV program for competition among short listed GPs (e.g. Kerala Green Express 2010 style).
- Documentation of awardees.
- Annual district-level and state-level workshops on Results and Learning.
- Actual utilization of grants by eligible GPs.

Component 5: Project management and coordination (US$ 15m)

Standards of project management and coordination include:

- Project management closely monitors all project components to ensure that all project activities are producing the expected outputs and outcomes.
- Key positions in the BGSYS are filled in a timely manner with appropriate skills; vacancy rate in the state unit at any given time is no more than 10 percent six months after the project is launched; vacancy rate in the district units is no more than 20 percent at any given time one year after the project is launched.
- All management activities comply with the business standards set out in the PIP / Manuals.
- Project management has satisfactorily addressed findings from its M&E activities and statutory audit as well as complaints received by the Complaints Handling Unit according to the agreed business standards of timeliness and response specified in the PIP / Manuals. The project
regularly and effectively coordinates with the relevant technical Government agencies at all stages of planning and implementation.

- Project management ensures that issues raised at State-level General Body and Executive Committee meetings are resolved on a timely basis.
- At least 90 percent of grievances reported to District Project Management Units are logged, satisfactorily addressed. The lessons learnt are used in subsequent review of operating procedures.
- Panels of qualified specialists routinely train staff and other functionaries and effectively spot-check the work done, as well as oversee and support overall Project implementation.
- Social audit teams comprising respected community leaders from all social groups effectively provide community feedback on the efficacy of reform measures being tested.

**Activities that the project will finance:**
- Salaries of staff deputed to or contracted by BGSYS.
- Design and implementation of project MIS (including financial, physical, results monitoring).
- Recruitment, training and performance appraisal.
- Research grants for evaluating impact of experiments.
- Complaints handling units.
- Bi-annual Panchayat Forums at district level.
- Annual Panchayat Forums at state level.
Annex 3: Implementation Arrangements

I. Project Administration Mechanisms

Successful implementation depends upon qualified and experienced staff committed to the Project Development Objectives. GoB has established a Bihar Gram Swaraj Yojana Society (BGSYS) under the Department of Panchayati Raj (DoPR).

The Society is expected to play four critical roles:

- A catalyst role: public awareness campaign, policy advocacy, innovative capacity building for visible development results, proactive partnership with NGOs to stimulate demand for accountability and improve PRI responsiveness;
- A technical support role: to support partner line departments to establish capacity in managing the devolution process and building PRIs capacity in the relevant service delivery area;
- A coordination role: coordinate, monitor and report on the devolution and PRI strengthening process; and
- A fiduciary role vis-a-vis IDA: Project financing management, procurement and reporting.

As a legally autonomous institution under the oversight of the DoPR, the Society will benefit from the financial management and human resource management flexibilities that the DoPR does not have. It expects to achieve strong coordination with other departments of the GoB by including senior officials of these departments in the General Body and the Executive Committee.

The General Body of the BGSYS is the policy-making body for the Society and is chaired by the Development Commissioner with the Principal Secretary, DoPR as the Vice-Chairperson. The other members of the General Body are the Principal Secretaries of Departments of Finance, Planning, Rural Development, Human Resources, Social Welfare, Health, Rural Works and PHED, and the Director General, BIPARD. The Project Director, BGSYS is the convener of the General Body.

The Executive Committee of the BGSYS will provide direct oversight of operational activities and will be headed by the Development Commissioner, GoB. Other members include senior officials from Finance, Rural Development, Human Resources, Social Welfare, Health, Rural Works, PHED, and BIPARD. The roles of the Executive Committee include:

- Monitoring project implementation & achievement of performance indicators.
- Coordination with different government departments and agencies.
- Approving annual plans, budget and other financial matters brought to it.
- Redefining and reformulating project strategies based on emergent experiences from project implementation.

The Project Director cum Chief Executive Officer of the Society is accountable for the performance of this project. He will be an experienced Indian Administrative Service Officer as specified in the Memorandum of Association of the BGSYS.

---

12 Development Commissioner- also called Additional Chief Secretary.
The implementation arrangement for the Panchayat Sarkar Bhawan Component

The Government has made the Building Construction Department (BCD) responsible for the construction of the Panchayat Sarkar Bhawans. The BCD will be responsible for preparation of the Bill of Quantity and giving Technical Sanction to detailed estimates of Panchayat Sarkar Bhawan design provided by BGSYS. The Bill of Quantity and Technical sanction will be based on sound technical parameters considering variation in soil properties, possibility of flood and earthquakes zone in various regions and sites. The BCD will also manage the procurement process and select construction contractors. The Design Wing of the BCD will adapt the Bhawan design to each site.

This agency has separate engineers in each circle with Executive Engineers at the district level and Juniors Engineers at the block level. There is one superintendent engineer at Patna who will look after the management of construction of Panchayat Sarkar Bhawans in Patna, Bhojpur and Nalanda districts, and another superintendent engineer at Saharsa will do the same for Saharsa, Supaul and Madhepura districts. The BCD will organize its field teams to ensure high-quality construction, monitor contractor performance and make payments.

The BGSYS will be responsible for organizing Panchayat Vigilance Committee to monitor construction, organizing social audit and contract independent third party audit. The overall implementation arrangement for the Bhawan component is shown in Figure A3.1.

Figure A3.1: Panchayat Sarkar Bhawan Implementation Arrangement

The rest of the project will be implemented by the BGSYS as per the details below. Figure A3.2 shows the organization structure of the Society.

State Level
To optimize the span of control of the Project Director, the state office will have three units, each to be headed by a Director: a Project Administration & Finance Unit, an Operation and Communications Unit, and a Knowledge Management Unit. The Director of Operation & Communications will be in charge of field operations, including communications and capacity building. The Director of Knowledge Management will be in charge of piloting new initiatives and managing the evaluation and learning agenda. The Director of Project Finance & Administration will be in charge of recruitment and intensive orientation of new staff, budget and accounts management, procurement management, project...
performance monitoring, complaints handling, and risk management. Qualified and experienced professionals will be recruited to the state office.

The key functions of the SPMU would include the following. Details will be elaborated in the Operations Manual:

- Lead the implementation of the BPSP.
- Recruit, orient and train the project staff.
- Guide and provide support to the District Resource Teams (DRTs) and Block Resource Teams (BRTs) level project teams to work in accordance with the spirit and principles of the BPSP.
- Ensure quality implementation of the Panchayat Sarkar Bhawan Component by the Building Construction Department and project compliance to the Environmental Management Framework and the Resettlement Policy Framework.
- Establish and encourage knowledge management within and outside the project.
- Establish and institutionalize processes that facilitate easy disbursement of funds.
- Monitor progress being made by the project as elaborated in the Results Framework.
- Establish and promote working in partnership with NGOs and other civil society organizations including media, academia and research institutions.
- Ensure timely reporting on progress and issues to the GoB and the World Bank.
- Coordination with GoB, GoI and the World Bank for smooth functioning of the project.
- Grievance redress and information disclosure.

The project will be implemented in six districts, which are clubbed into two clusters because of their close proximities: the Patna Cluster comprising Patna, Nalanda and Bhojpur districts, and the Kosi Cluster comprising Supaul, Saharsa and Madhepura districts.

Detailed Terms of Reference (ToRs) of each position in the state office is specified in the Project Human Resource Manual. See Table A3.1.

### Table A3.1: Roles and functions of the state office of the BGSYS

<table>
<thead>
<tr>
<th>Key Positions in the State office</th>
<th>Major roles and functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development Commissioner</td>
<td>Coordination between various state level departments, also overall oversight and guidance. Chairperson of the Executive Committee &amp; General Body of BGSYS.</td>
</tr>
<tr>
<td>Principal Secretary, Department of Panchayati Raj</td>
<td>Regular monitoring and Guidance. Vice - Chairperson of the Executive Committee, BGSYS and Deputy Chairperson of the General Body, BGSYS.</td>
</tr>
<tr>
<td>Project Director cum CEO, BPSP</td>
<td>Administrative head of the project; day-to-day oversight and leadership; link between the project and the DoPR and other government departments; leadership roles and functions vis-à-vis finance, administration, human resources as described in detail in the HR Manual of the project and the Society. Project Director cum CEO will report to the Development Commissioner, GoB.</td>
</tr>
<tr>
<td>Director, Project Finance &amp; Administration</td>
<td>Overall routine administration and management of finance, HR IT and administrative issues. Report to the Project Director cum CEO.</td>
</tr>
<tr>
<td>Director, Operations and Communications</td>
<td>Overall management of Bhawan construction and monitoring, capacity building and communications activities in the field and management of the project activities and networking with other government and non-government agencies. Report to the Project Director cum CEO.</td>
</tr>
<tr>
<td>Director, Knowledge Management</td>
<td>Overall management of project activities promoting innovative practices and learning. Report to the Project Director cum CEO.</td>
</tr>
<tr>
<td>State Project Managers</td>
<td>Lead project activities in their area of expertise, coordinate and initiate monitoring tools and processes, provide feedback and report to the</td>
</tr>
</tbody>
</table>
| • Project Management              | }
<table>
<thead>
<tr>
<th>Key Positions in the State office</th>
<th>Major roles and functions</th>
</tr>
</thead>
</table>
| • Institutional d& Social Development  
• Decentralization and Policy  
• Public Finance & Research  
• Communication & IEC  
• Monitoring and Evaluation  
• Environment & Natural Resource Management¹³  
• Nutrition  
• Water and Sanitation | management. Coordinate and collaborate with other subject specialists to deliver expected outputs. Report to the Director, Operations and Communications, or the Director, Knowledge Management, as the case may be. |

<table>
<thead>
<tr>
<th>State Project Manager (Civil/Architectural Engineer)</th>
<th>Overall responsible for Panchayat Sarkar Bhawan component, coordination with BCD, third party quality audit agency, managing field monitoring and community mobilization work of district teams, ensuring compliance to safeguard policies.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM-Monitoring and Evaluation Specialist</td>
<td>Lead M&amp;E activities at the state level, including: (i) organizing Progress, Process and Results Monitoring according to agreed procedures and formats developed at State level, (ii) proposing adjustments to monitoring indicators based on feedback from the field, (iii) implementing agreed participatory M&amp;E with local stakeholders, (iv) supervising the work of social and third party audit, and (v) liaising with line agencies to triangulate M&amp;E observations. Work closely with SPM-IT to ensure that all data is captured in timely manner, analyzed for lessons learnt and disseminated to all parties as needed, to support regular management information, review and decision-making. Report to Director, Knowledge Management.</td>
</tr>
<tr>
<td>SPM-IT</td>
<td>Lead the timely and systematic capture into the database, at the state level, of all M&amp;E information, including routine concurrent monitoring and periodic evaluation of Project progress, process and results. The data includes inputs from all project activities and sectoral, financial, procurement, social and environmental programs, as well as disputes and complaints received. With the SPM-M&amp;E, develop routines to synthesize reports, analyze data, detect trends and flag outliers, for follow-up investigation. Produce and disseminate regular reports in time for decision-making meetings and regular project supervision at all levels. Report to the Director, F&amp;A.</td>
</tr>
<tr>
<td>SPM-Finance</td>
<td>In charge of routine finance matters and maintenance of accounting systems and responsibility for audit. Report to the Director, F&amp;A.</td>
</tr>
<tr>
<td>Accountants and internal audit</td>
<td>Provide support, develop and manage all files and registers on Accounts of the BPSP and the BGSYS and report to the SPM-Finance.</td>
</tr>
<tr>
<td>Office Support Staff</td>
<td>Provide support and undertake activities to ensure smooth and quality functioning of the office and its premise or specific task assigned by the Director, Project Finance &amp; Administration.</td>
</tr>
</tbody>
</table>

¹³ Responsibility includes both the NRM capacity building module as well as the implementation of the Environmental Management Framework of the Project.
**District Level**

A District Project Management Unit (DPMU) will be established in each project district. The DPMUs will be headed by District Project Managers (DPMs) hired from the market. The District Project Managers (DPMs) will be assisted by a Social Development Coordinator, NRM/Environment Coordinator, Nutrition Coordinator and Water and Sanitation Coordinator besides support staff of one accountant and an office assistant. The key functions of the DPMU would be as follows:

- Prepare annual district plan approved by the Director, Operations and Communications.
- Guide and support Block Resource Teams (BRTs) to work in accordance with the spirit and principles of the BPSP.
- Coordination with elected members and functionaries of all three tiers of PRIs.
- Guide and support the District Planning and Monitoring Units (DPMUs) set up by the project in the District Planning Committees (DPCs). The DPMUs will have a Monitoring and Evaluation Coordinator working under the oversight and leadership of the DPM.
- Monitor the work being done in the field.
- Maintenance and management of records and MIS.
- Ensure timely reporting of district level project activities to the SPMU and the District Magistrates (head of the DPCs).
- Maintenance of districts accounts in TALLY, submit monthly financial report to the state and maintain proper financial records and ensure appropriate internal control procedures.
- Grievance redress and pro-active disclosure of information at district, block and GP levels.

**The implementation arrangement for building institutional and development capacity of PRIs**

The PRI capacity building component will be managed by the BGSYS. The component 2.1 will be implemented by a team of block-level facilitators, with each covering about 5 GPs. Each facilitator will be required to make minimum 3-4 visits to the assigned GPs in a month. There will be a team of Community Resource Persons and Gram Panchayat Facilitation Team. The component 2.2 will be organized along result areas. Each result area will be led by a state-level Team Leader and corresponding district-level team leaders. Each team will usually consist of skills including the technical area of expertise, communication and community mobilization.

For the Sanitation module, a cascade approach to capacity building would be undertaken where the Facilitators will be trained in facilitating GP-led Total Sanitation Campaigns. They will train GP members to lead Total Sanitation Campaigns in their communities. The state office or DPMU may engage consulting firms to provide additional capacity building and mentoring of Block level facilitators and GPs. It is expected that the project will roll out the sanitation module in all GPs over the project duration in four Project districts.

For the Water Source Sustainability and Safety module, the implementation will be based on existing institutions such as the PHED, State and District Water and Sanitation Missions and GP standing committees supported by a state-level support organization. The support organization will train district and block implementation agencies for district-wide implementation. These agencies will in turn train the Water, Sanitation, Health and Nutrition Standing Committees of GPs to plan and implement initiatives to improve water source sustainability and safety. Participating GPs would be supported on an ongoing basis, so that cumulatively the project would aim to support about 811 GPs.

For the Natural Resource Management module, the implementation will be managed by the project team, while the technical support will be provided by Support Organization. The Support Organization will provide formal training as well as on-site technical support through District and Cluster Technical
Support teams to the Block NRM/Environment Resource Persons and to TRPs stationed in the GPs. The TRPs will provide on-going hand-holding support to GPs on NRM, and will be managed by the Block NRM/Environment facilitators. The NRM module will be rolled out to all the GPs in the project over the project duration.

The Nutrition module will be implemented in a similar manner as the Water module – the approach will be to engage a support organization (SO) to design the training program, develop curricula, modules, content and material for the different levels of trainings and orientation/sensitization programs. A cascading training model will be followed with the SO training and creating a Master Training team in each of the districts. The Master training team will sensitize/orient relevant officials and Zila Parishad members and train the Block Facilitators, who will in turn conduct all Samiti members training, GP level trainings.

The Accounting module will comprise of three components: (i) Financial rules, for PRI elected representatives and functionaries; (ii) GP Accounting modules; and (iii) PRIASOFT for GP accounting. While component (i) can be rolled out by BIPARD, components (ii) and (iii) will focus on the Project districts and will be supported by a team of Panchayat Finance Coordinators contracted by the project. The PRIASOFT module will initially be piloted in Patna and Nalanda Districts essentially due to relatively better connectivity and better qualified workforce and gradually may be extended to all project districts. The Panchayat Finance Coordinators will be supported by the State Project Manager (Public Finance) in the Society and BIPARD in carrying this component forward.

The SPM- Water & Sanitation, Environment and NRM, and Nutrition are responsible for planning and ensuring quality of training, advocacy and sensitization activities, supervising and providing technical and operational support to district coordinators, periodic review of progress, taking corrective actions, and in coordination with the Monitoring and Evaluation unit ensure rigorous testing and documentation of innovations. They are also responsible for collaborating and coordinating with departments of Social Welfare, Health, PHED, RD and Panchayat Raj to strengthen the involvement of Panchayats in ICDS, NRHM, TSC, MGNREGS. S/he will also liaision and coordinate closely with other development partners working in the state such as UNICEF, DFID and NGOs.

The District Coordinators in Water & Sanitation, Environment and NRM, and Nutrition will have the overall responsibility for the effective implementation in the district of all activities related to their respective result areas. Under the supervision of the State Manager, and in close coordination with the other members of the District Project Management team, s/he will plan, implement, support and monitor the activities in the district, ensuring collaboration and coordination with district officials of relevant government department and counterparts from other development partners. Key responsibilities inter alia include, but are not limited to: developing district action plans and support their effective implementation; ensure training of Block Facilitators and GPs; provide ongoing technical and operational support to Block Facilitators and GPs in activity implementation; advocacy and commitment building for the respective result areas; supervision, monitoring and periodic review of nutrition-related project activities in the district; and supporting and supervising field testing of innovative activities. Table A3.2 elaborates on roles and functions of District Office.
Table A3.2: Roles and Functions of the District office of the Bihar Gram Swaraj Yojana Society

<table>
<thead>
<tr>
<th>Key Positions in DPMUs</th>
<th>Major roles and functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Project Manager (DPM)</td>
<td>Overall implementation, management, monitoring and reporting on all project activities; Coordination with concerned government departments and key stakeholders; management of the MIS. Report to the Director, Operations.</td>
</tr>
<tr>
<td>Subject/Theme Coordinator</td>
<td>Lead and coordinate thematic/subject project activities, coordinate and initiate monitoring tools and processes, provide feedback and report to the management through the DPM to the State Subject Specialist. Coordinate and collaborate with concerned government departments and other key stakeholders. Report to the DPM.</td>
</tr>
<tr>
<td>Environment &amp; Natural Resource Management</td>
<td>Lead and coordinate social mobilization and stakeholder engagement and coordinate and initiate monitoring tools and processes, provide feedback and report to the management through the DPM to the SPM - Institutional &amp; Social Development and the Director, Operations and Communications. Coordinate and collaborate with concerned subject specialists of the project, government departments and other key stakeholders. Report to the DPM.</td>
</tr>
<tr>
<td>Nutrition</td>
<td></td>
</tr>
<tr>
<td>Water and Sanitation</td>
<td></td>
</tr>
<tr>
<td>Panchayat Finance</td>
<td></td>
</tr>
<tr>
<td>Social Development</td>
<td></td>
</tr>
<tr>
<td>M&amp;E Coordinator</td>
<td>Lead M&amp;E activities at the district level, including: (i) organizing Progress, Process and Results Monitoring according to agreed procedures and formats developed at State level, (ii) proposing adjustments to monitoring indicators based on feedback from the field, (iii) implementing agreed participatory M&amp;E with local stakeholders, (iv) supervising the work of social and third party audit, and (v) liaising with line agencies to triangulate M&amp;E observations. Work closely with SPM - IT to ensure that all data is captured in timely manner, analyzed for lessons learnt and disseminated to all parties as needed, to support regular management information, review and decision-making. Report to the DPM &amp; SPM - M&amp;E.</td>
</tr>
<tr>
<td>Accountant</td>
<td>Provide support, develop and manage all files and registers on accounts of the BPSP at district level; responsible for maintenance of TALLY accounting system; submission of periodic financial reports to state and timely audit and report to the DPM and the SPM - Finance.</td>
</tr>
<tr>
<td>Office Support Staff</td>
<td>Provide support and undertake activities to ensure smooth and quality functioning of the office and its premise or specific task assigned by the DPM and the Director, F&amp;A. Report to the DPM.</td>
</tr>
</tbody>
</table>

**Block and GP Level**

The project will establish a Block Project Management Unit in intervention blocks as the project gradually expands coverage. The unit will be headed by a Block Project Manager (BPM) and a resource team comprising of block facilitators focusing on institutional and social development and serve as resource persons in water and sanitation, nutrition, environment and natural resource management.

The main responsibilities of Block facilitators would be:
- Overall in charge of Capacity building activities related with Social and Institutional mobilization, Nutrition in about five GPs assigned under the block. S/he will be responsible to facilitate and support the Community Resource Persons at GP level and to provide handholding support to them.

---

14 Responsibility includes both the NRM capacity building module as well as the implementation of the Environmental Management Framework of the Project.
• Regularly facilitate Panchayats for planning, implementing and monitoring institutional & social mobilization and strengthening activities.
• Coordinate with concerned line department for implementing the plan prepared by GPs.
• Facilitation for community mobilization and IEC initiatives to achieve desired results as per guidelines of Project.
• Ensure timely completion of the documentation of the community mobilization processes and assist in ensuring appropriate and timely follow up action to address the issues identified and expected results in the process.
• Collecting and updating the MIS related information for the project.
• Monitoring of performance of Panchayats and project activities.
• Responsible to share the concept of Gram Panchayat Facilitating Team (GPFT) in the concerned GP and facilitate the community for screening and finalizing the GPFT. S/He has to orient the GPFT about their roles & responsibilities. Block Facilitators would be responsible for facilitation, training & nurturing of GPFT members.
• Assisting communities and panchayats in seeking redress for specific grievances.
• Train and mobilize communities, community organizations, and Panchayats to use effectively the existing mechanisms for grievance redress and provide necessary support in terms of formats to be used for registering grievances and tracking action taken at GP level.
• Block Facilitators will work closely with the CRPs and GPFT members to ensure that the grievance of the community members are properly recorded and shall extend maximum possible support to the CRPs & GPFT members in seeking redress for the registered grievances.

Responsibilities of Community Resource Persons (CRPs)

CRPs would be engaged by project and used as an effective tool for nurturing and strengthening of panchayats & mobilization at community level. Their main responsibilities would be:
• Mobilization of GPFT.
• Hand Holding Support to GPFT.
• Community Mobilization.
• Assist Block facilitators in GP level training programs.
• Facilitation of GP on the activities related with institutional & social mobilization and strengthening activities.
• Assist Block Facilitators in proper execution of activities related with institutional strengthening & social development activities.

Gram Panchayat Facilitating Team

The GPFT will be constituted from the members of such groups that have their origin from within GPs or groups that are working with proven credibility in the interest of the communities in GPs. This team will be an extension of the GP functionaries with inclusion of ex-elected representatives of GPs, opposition leaders at GP level and volunteers – acting as core facilitators for community mobilization and engagement. The team with proper training will act as a bridge to the larger community. The process of selection of the GPFT members will involve sensitization by Block facilitator and CRPs during the first two or three visits to a GP. In the next step, expression of interest by those who have attended the sensitization sessions, proven credibility, opinion making ability, representation of all wards, castes and communities will be considered by CRPs & Block Facilitators for recommending inclusion in the team. Another option can be that the selected members shall be acknowledged by their respective groups as their legitimate representatives in GPFTs and this has to be ensured by the Block Facilitator. The members of the groups, from which the GPFTs members will be selected, shall have the right to recommend change in their representative in the GPFT at any given time by collective recommendation,
in writing or verbal, to the Block Facilitator. In order to ensure that GPFTs aren’t captured by elites within the group it will be ensured that the Block Facilitators with the support of CRPs will recruit maximum possible participation from the groups or active individuals of the under-privileged sections of the community representing every ward & hamlet of deprived sections in the GPs. The social composition of GPs being diverse, the exact mechanism/process will evolve only through actual implementation of the concept in the field.

**Human Resource Strategy**

The successful implementation and achievement of the objectives of the proposed project needs competent, dedicated and motivated human resources. For this purpose, a comprehensive HR Manual has been developed to implement the HR strategy for the project. The HR Manual defines the following policy and processes: (i) recruitment process, (ii) compensation package, including remuneration and performance incentives and rewards, (iii) staff contract policy, (iv) staff training policy, (v) performance appraisal system, (vi) disciplinary control system; and (vii) grievance redress mechanism.

To coordinate and execute the HR policy for the BPSP, there will be a dedicated SPM – Administration & HR under the Director, Project Finance & Administration in the State Office. A Human Resource Development Core Committee (HRDCC) headed by the Project Director cum CEO will ensure effective implementation of the HR Policy and Manual. The Vice Chair will be the Director, Project Finance & Administration. The convener will be the SPM-Administration & HR. The committee will also include a few staff representatives of the state and district offices. The Project may contract a HR Management Agency to provide short-term technical assistance and facilitate organizing road shows (as and when required) to premier national institutions, to recruit young professionals.

Staff of the Society is the most important asset of the Project. A systematic staff learning and capacity development program will be implemented (see Table A3.3). The project will ensure a comprehensive induction process for all new recruits and explore with national institutions residential training course for all recruits as far as possible. The induction will emphasize team work, leadership and inculcate collective ownership of the project vision. The project will encourage staff to learn through exposure and study visits and immersions in other similar projects within and/or outside the state. On-the-job learning will be promoted through cross-learning within the organization through scheduled staff meetings at all levels, informal and formal discussions among staff, seminars by invited experts, writing case studies of best practices, documenting learning and disseminating them in different project forums, and a structured system for information dissemination. In this regard, the following table provides an outline of the capacity building plan for development of human resources under BPSP.
<table>
<thead>
<tr>
<th>Programs</th>
<th>Participants</th>
<th>Key Contents</th>
<th>Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation/Induction Programs</td>
<td>New staff – at all levels</td>
<td>Project principles, objectives; Operations Manual, Participatory methodologies; leadership; team work; ethics.</td>
<td>National Institutions(^{15}) Induction Course; PIP and other project documents/manuals; Village immersion.</td>
</tr>
<tr>
<td>Awareness Program</td>
<td>Facilitators; community volunteers.</td>
<td>Project principles, objectives, project processes.</td>
<td>Workshops, field visits.</td>
</tr>
<tr>
<td>Thematic/performance Training Programs</td>
<td>Specialists.</td>
<td>Social mobilization, institution building, procurement, accounts, monitoring, accountability processes – social audit.</td>
<td>Specific modules, village immersion, exposure and study visits.</td>
</tr>
<tr>
<td>Skill building programs</td>
<td>All staff with specific requirements.</td>
<td>Accounting, M&amp;E, MIS, planning, community monitoring, conflict resolution, operation maintenance, leadership, managerial skills.</td>
<td>Specific modules, on job training, field training, exposure and study visits.</td>
</tr>
</tbody>
</table>

\(^{15}\) Such as Institute of Rural Management Anand, Tata Institute of Social Sciences, Xavier Labour Research Institute.
Figure A3.2: Proposed Structure of the Bihar Gram Swaraj Yojana Society

- Development Commissioner, GoB
- Project Director cum CEO

- Director, Project Finance & Administration (HR, Finance, Procurement, Information System)
  - SPM – Admin & HR
  - SPM-Finance
  - SPM-Civil / Architectural Engineer
  - SPM-IT
  - Complaints handling Unit

- Director, Operation & Communications
  - Capacity Building Unit: Institutional and Social Development State Project Manager, State Project Managers (Environment and NRM, WSS, Nutrition)
  - SPM-Project Management
  - IEC Unit

- Director, Knowledge Management
  - M & E
  - Policy
  - Performance Analysis and Research

- Building Construction Department

- District Manager
  - Finance & Administration, Complaints Handling Unit
  - GP Capacity Building and Coordination Unit
  - M&E

- Block Manager
  - Capacity Building
  - M&E

- District Executive Engineer

- Block Junior Engineer

40
II. Financial Management, Disbursements and Procurement

A. Financial Management

A special-purpose vehicle, the Bihar Gram Swaraj Yojana Society (BGSYS), has been established with direct responsibility for implementation of the project. Its Memorandum of Association defines the roles and responsibilities of the Governing Body, the Executive Committee and the staff. The financial management manual defines the detailed processes related to project financial management. All components other than the construction of Panchayat Bhawans will be managed by BGSYS directly and the BCD will be responsible the Bhawan component.

Budget & funds Flow: The funds for the project will be budgeted under two budget lines: (a) one for the Bhawan Construction which will be used by the BCD and (b) for all other components in the state budget of Panchayati Raj Department. BGSYS will draw funds from the state budget on a quarterly basis based on its approved Annual Work Plan while BCD will operate through mainstream government budget allocation, funds flow through the Letter of Credit system. All fund transfers from BGSYS to district & block units and grants to PRIs will be through regular banking channels.

Accounting and financial reporting: The Society will use an off-the-shelf accounting system (TALLY) for project accounting and financial reporting. The system will be implemented in the state and district units of BGSYS while the block offices will operate on an imprest basis. A uniform chart of accounts has been developed to capture the project components and activities & the accounts of the various offices will be consolidated to generate quarterly and annual financial reports. For the civil works component, the BCD will make payments to the contractors after checks are endorsed for payment by treasury (i.e after confirmation of fund availability under approved Letter of Credit). BCD will send monthly financial reports to BGSYS based on the monthly accounts submitted by the respective executive engineers to Accountant General (Accounts & Entitlement). Based on this a consolidated IUFR will be prepared by BGSYS and submitted to the Bank on a quarterly basis.

Staffing: The finance function in BGSYS will be headed by Director (F&A) on deputation from the state administrative service/finance or accounts service. He will be supported by a State Project Manager (Finance), a qualified Chartered Accountant. They will have overall responsibility for financial management (fiduciary aspects) and will be supported by 3-4 finance and accounts support staff at the state level. Each district will have a district finance manager and an accountant.

Internal Control & internal audit: BGSYS has its own governing body and executive committee. The internal control framework of the BGSYS has been elaborated in the administrative manual and the financial management manual. BCD will follow the internal control procedures as per the Public Works Department code and manuals. BGSYS will engage a firm of chartered accountants to conduct quarterly internal audit of the state, district and block units of BGSYS and the divisions of BCD on a sample basis with the objective of providing the project management with timely fiduciary assurance. The ToR will be agreed with the Bank.

Panchayat Performance Grants will be provided to selected panchayats through annual competitions that are transparent and widely publicized. The selection criteria will focus on inclusive governance, outstanding improvement in development results, and improvement in financial management. The minimum financial management standards for qualifying GPs will be enhanced gradually. These grants be provided after appraisal of the specific investments proposed by such panchayats by BGSYS. Expenditure will be recognized only on submission of periodic financial reports by the panchayats against the grant and assurance will be obtained by annual audit of grants by firm(s) of chartered accountants.
**External Audit:** BGSYS will engage a firm of chartered accountants, acceptable to the World Bank to audit and certify the annual financial statements of the project and the society (in case funds from other sources are also received by the society). The ToRs for the audit are documented in the FM manual. The audit of the civil works component (BCD) will be carried by state AG (Civil) as per the standard ToRs agreed with CAG. The audits would be conducted on an annual basis and the audit reports would be submitted to the Bank within six months of the close of each financial year. The following audit reports will be monitored in Audit Reporting and Compliance System.

<table>
<thead>
<tr>
<th>Implementing Agency</th>
<th>Audit Report</th>
<th>Auditors</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGSYS</td>
<td>Audit Report on the Project Financial Statement of the Project (other than Panchayat Bhawan Component)</td>
<td>Firm of Chartered Accountants</td>
<td>30th September each year</td>
</tr>
<tr>
<td>BCD</td>
<td>Project Audit Report for Panchayat Bhawan Component</td>
<td>Comptroller &amp; Auditor General of India</td>
<td></td>
</tr>
<tr>
<td>DEA/GoI</td>
<td>Designated Account</td>
<td>Comptroller &amp; Auditor General of India</td>
<td></td>
</tr>
</tbody>
</table>

The audited project financial statements will be made publically available by the project in line with the disclosure policy of the Bank.

**B. Disbursements**

**Disbursements and Designated Account:** Applicable disbursement methods are Advance and Reimbursement. A Designated Account (DA) will be maintained for the project and the Bank funds may be advanced into the DA. The ceiling for the advance will be US$10,000,000. The initial advance amount into the Designated Account and subsequent increases up to the established ceiling, will be based on the needs of the project and will be made at the request of project authorities through GoI. The advances and subsequent increases would be deposited into the segregated Designated Account maintained in US$ at Reserve Bank of India, Mumbai, by Controller of Aid Accounts and Audit, GoI. Withdrawals from the designated account will be on the basis of withdrawal applications to the extent of reported expenditure in IUFRs by BGSYS. As per standard Centre- State mechanism of Additional Central Assistance, GoI will transfer the funds from the Bank to GoB on a back to back basis. Advances into the designated account would be processed by Controller of Aid Accounts and Audit, GoI.

**Retroactive Financing:** Project expenditures incurred one year prior to anticipated date of signing of legal agreements up to a maximum of US$ 3 million, will be eligible for retroactive financing.

**C. Procurement**

Procurement for the proposed Project would be carried out in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated January 2011, and “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated January 2011; and the provisions stipulated in the Legal Agreement.

**Procurement Plan and Procurement Arrangements.** Procurement Plan for the first 18 months of the project, prepared by BGSYS, has been reviewed by the Bank and accepted. This plan will be updated at least once every year to reflect the latest circumstances.

The Procurement activities will be carried out by the BGSYS. The procurement of civil works will be carried out by the BCD.
**Procurement capacity assessment of BCD.** Based on the discussion and information provided, some of the deviations in comparison with Bank’s Procurement Guidelines noticed in the procurement procedure followed by the agency are: (i) two envelope system for procurement estimated to cost over INR 4 Million (approx US$ 80,000), (ii) percentage contracts instead of item rate contracts, (iii) rejection of bids which are lower than 15 percent of the estimate.

(i) The standard bidding document for works being used for works estimated to cost more than INR 20 million was reviewed and noted that the document is similar to the NCB document agreed with GOI for NCB, with modifications to few provisions such as: (i) the post qualification criteria; (ii) formula for bid capacity assessment; (iii) ‘Maximum Liquidated Damages’ is 5 percent instead of 10 percent; (iv) the bid document has provision to supply material by the employer instead of having a single responsibility contract with the contractor, and (v) lack of provision for advance payment.

(ii) As per the present procurement system, all procurement estimated to cost more than INR 2.5 million, have to mandatorily use the e-tendering system. GoB was informed that using the e-tendering system under Bank funded project would entail an assessment of the procurement system in use and approval of the same by the Bank team. It was agreed that all procurement will follow the Procurement manual and the Bank guidelines.

The BCD has been carrying out building works procurements and is the government agency for all building works. The BCD will be responsible for carrying out works procurement under the project as an implementing agency. Bank guidelines will be followed by the BCD for all procurement under the Bank funded project.

Procurement of works and Goods: For International Competitive Bidding (ICB) contracts for goods and works, World Bank Standard Bidding Documents will be used. For National Competitive Bidding (NCB) contracts, special conditions as mentioned in the Procurement Plan will be applicable and Sample Bidding Documents (SBD) agreed between the Task Force of GoI and World Bank and as amended will be used. If community procurement of works for Bhawan construction is adopted as detailed in the method “Local Bidding”, the Project will develop simplified bidding documents suitable for the local context and agree on its use with the World Bank in advance.

**Selection of Consultants.** For selection of institutional and individual Consultants for providing services, the project will use Quality and Cost Based Selection (QCBS), Quality Based Selection (QBS), Selection based on Consultants’ Qualification, Fixed Budget Selection, Least Cost Selection, Single Source Selection, and Selection of Individual Consultants as appropriate, subject to approval by the Bank. For service contracts, World Bank Standard Bidding Documents will be used.

**Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost less than US$ 800,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.
Procurement method thresholds for the project are as follows

Table A3.4: Procurement Thresholds

<table>
<thead>
<tr>
<th>Procurement Method Thresholds Proposed (US$ million)</th>
<th>ICB</th>
<th>NCB</th>
<th>Shopping</th>
<th>CDD Local Bidding#</th>
<th>QCBS</th>
<th>CQS</th>
<th>Least Cost Fixed Budget</th>
<th>QBS &amp; SSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>≥0.3</td>
<td>&lt;0.3</td>
<td>&lt;0.05</td>
<td>NA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td>≥5</td>
<td>&lt;5</td>
<td>&lt;0.05</td>
<td>&lt;0.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting Services</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>default</td>
<td>&lt;0.2</td>
<td>&lt;0.1</td>
<td>TBD</td>
</tr>
</tbody>
</table>

* If a transaction comprises several packages, lots or slices, the aggregate, estimated value of contracts determines the applicable threshold amount.
Direct contracting for goods: As per the justifications.

# Applicable only as an option for community based procurement of construction works for Panchayat Bhawans as per provisions in World Bank “Guidance Note For Management Of Procurement Responsibilities In Community-Driven Development Projects (CDD)” dated December 2009. In Local Bidding, open tendering procedures should be limited to local advertising using local newspaper and posting notices at strategic places and uses simplified bidding documents. Essentially this is like NCB except it is not mandatory to advertise in a newspaper of national circulation and bidding documents are simpler. Target suppliers and contractors are often those within the vicinity of the beneficiary community.

Prior-Review Thresholds: The following are the thresholds:

**Works**: First Three contracts irrespective of values and all contracts estimated to cost more than US$ 5 million.
**Goods**: First Two contracts irrespective of values and all contracts estimated to cost more than US$ 0.5 million.
**Direct Contracts**: All Direct contracts shall be subject to prior review.

**Consultancy Services**: First two contracts irrespective of value and all contracts for hiring of firms equivalent to US$ 200,000 and all contracts for hiring of individuals estimated to cost more than US$ 50,000.

**Single Source selections**: All single source selections shall be subject to prior review.

Risks and Mitigation Measures

Procurement risk for the project is assessed as “High”. A state-wide regulatory system limited to Financial Management Rules without detailing of methods, conditions, systems and service levels for procurement; lack of dedicated procurement staff or appropriate training and capacity building for other technical and administration staff on procurement requirements; varied and inconsistent levels of procurement administration, openness, clear and transparent evaluation, selection and award process; poor or limited participation in competition by bidding community; non-availability of procurement data and a dispute resolution mechanism makes the procurement management a High-risk proposition at department level.

In case of PRIs, limited devolution, over concentration of powers to the elected head and departmental officials, lack of community participation in procurement implementation or monitoring are added dimensions to the above risks.

The following measures were agreed to mitigate the risks:
• A procurement manual has been developed with community procurement guidelines and formats to guide procurement and threshold based methods for goods, works and services. The manual will detail the proposed systems, delegated authorities along with capacity development needs and SBDs, various protocols and formats to be used. The Manual will be reviewed to ensure that Bank’s concerns for transparency, fairness, economy and efficiency are met.
• A SPM-Procurement will be hired at state level. Prior and post review arrangements will be put in place with enhanced monitoring arrangements including establishment of a Procurement MIS. A Complaints and Dispute Resolution Mechanism will be developed and put in place.
• A key strategy for ensuring effective procurement at the Panchayat level will be to enhance horizontal fiduciary assurance through community participation in procurement implementation and monitoring. At each GP, a construction monitoring committee will be established to monitor the contractor lead Bhawan construction for cost and time over run and quality of material used. Display of contracting process, progress of work and payments made will be shown in public notices and a system of certification by community will be ensured for contract completion. The Capacity Building component of the project takes care of empowerment of poor and marginalized people and establishing good governance systems in the project.

III. Environmental and Social Safeguards

Environmental Safeguard

As a part of project preparation, an environmental assessment study was undertaken by the Government of Bihar with the objective of identifying environmental issues associated with the proposed project activities and to design appropriate management measures for enhancing the positive impacts and mitigating negative impacts. This assessment study included collection and collation of secondary data, analysis of policy and legal framework, consultations and field study in 33 Gram Panchayats (GPs) in six districts. The assessment suggests that the project will not have any significant adverse and/or irreversible environmental impact. The project activities are expected to enhance the capacity of the Gram Panchayats for better environmental management. Hence, the project has been classified as belonging to environmental screening category B.

Since neither the exact locations nor the types of the projects to be funded could be identified prior to appraisal, an Environmental Management Framework (EMF) has been developed as an output of the environmental assessment study. The objective of the EMF is to:
• Promote integration of environmental aspects into GP planning.
• Mitigate the possible negative impacts of the GP activities on environment.
• Ensure the compliance of GP activities with the legal and regulatory environmental safeguards.

The EMF consists of procedures and tools that assist in the environmental appraisal of Panchayat Sarkar Bhawans and of activities taken up by GPs with Performance Grants. Environmental appraisal of these project-supported activities will be mandatory. Its application to other (non-project supported) activities of GPs will be promoted as good practice through capacity building efforts and through inclusion in the assessment parameters for selection of GPs for Performance Grants. The GP functionaries (Mukhiya and relevant Standing Committees) with the help of project functionaries (Block Environment and Natural Resource facilitators or District Environment and Natural Resource Coordinators) will check the compliance with legal and regulatory requirements, identify the required level of assessment, assess the possible impact of the proposed activities on the environment and will select appropriate mitigation measures utilizing the given environmental guidelines. The identified mitigation measures are included into the activity plan (along with additional costs if any). The filled-in environmental appraisal forms will
be included in the contract documents for the work execution (wherever applicable), ensuring that the contractors are legally bound to implement the mitigation measures.

The EMF includes a capacity building strategy that involves provision of training to all project staff, facilitators and to the GP functionaries on environmental safeguards. The capacity building program will promote the use of environmental appraisal as a good practice for all GP plans irrespective of the source of funding. The roles and responsibilities for ensuring the implementation of the EMF have been detailed at the state, district, block and GP levels. The financial requirement for the implementation of the EMF has been worked out and will be included in the project budget.

The draft EMF was put through a consultative process that involved a state-level stakeholder workshop on November 15, 2010 (participants included representatives of GPs, line departments, NGOs, etc.) and targeted consultations with relevant line departments. It was also disclosed through the website of the Department of Panchayati Raj, Government of Bihar. The executive summary of the EMF was translated into Hindi and disseminated. The final updated version of the EMF has been disclosed on the Government's website and on the Bank Infoshop.

A detailed monitoring plan has been included in the EMF. It includes monitoring of compliance with environmental safeguards aspects in all the GP Bhawans, in activities supported by the Performance Grants as well as in a sample of other GP activities by the SPM- Environment and NRM and by the District level Environment and NRM Coordinators. In addition, an external environmental audit is planned twice during the project. The performance of GPs on natural resource management has also been included in the assessment parameters for selection for the Panchayat Performance Grants.

The annual progress reports of the project from GoB to the World Bank will include a section on environmental safeguards which will summarize the status and progress of the project in implementing the EMF.

**Social Safeguard**

A Resettlement Policy Framework (RPF) has been prepared for the project to guide the social impact assessment for each Panchayat Bhawan construction and preparation of GP specific Resettlement Plans (RPs). The following agencies will play a major role in managing all land related activities: Gram Panchayats, Support Agencies (mostly NGOs), Government Line Departments (chiefly, Revenue and Land Reforms) and the BGSYS.

Project Director cum CEO, BPSP shall be responsible for ensuring preparation and implementation of Social Impact Assessment and Resettlement and Rehabilitation Plan for each of the sub projects as per the agreed Resettlement Framework. A SPM-Institutional & Social Development of the Society will serve as the state-level coordinator for implementation of the RPF. The District Social Development Coordinator in each district office will be responsible for implementing the RPF in the district. The Block Project Manager is responsible for RPF implementation in the block.

**Disclosure and Grievance Redress**

The project will comply with the Right to Information Act, 2005 and disseminate and disclose all relevant information through publications, wall posters and paintings, and a project website. Where the resettlement plan is under implementation, the facilitator assigned to the GP will make sure that progress will be disclosed at the site of the Panchayat Bhawan. Each GP will report to the Gram Sabha of the progress throughout the Bhawan construction process. The Facilitators assigned to each GP will be responsible for raising community awareness of the RPF and that grievances from the aggrieved
individual or organization are collected and recorded in the project records. The District Social Development Coordinators, through the Block Project Managers, will ensure that the grievances are addressed by the project. The SPM-Institutional & Social Development responsible for the RPF will monitor district implementation and highlight issues for management attention.

Monitoring and Evaluation

In addition to regular monitoring by project staff, an independent assessment will be undertaken twice during the project duration to monitor compliance, assess cumulative impacts and identify ways to improve implementation.

Capacity Building Arrangements

Training will be provided to the staff responsible for RPF implementation as well as the relevant GPs.

IV. Project Monitoring & Evaluation

The different M&E participants and products to be generated are summarized in Table A3.5.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Project Management</th>
<th>Project Internal M&amp;E</th>
<th>Facilitators, NGOs, Consultants</th>
<th>External Teams for M&amp;E</th>
</tr>
</thead>
</table>
| Monitoring & concurrent assessment | 1. The Director (Knowledge Management) is responsible for monitoring the program under supervision of Project Director cum CEO (part of job description as a deliverable).  
2. Manages contracts & external consultants as needed, for:  
a. MIS,  
b. Evaluation;  
c. Thematic Studies (e.g. case studies, convergence studies, etc);  
d. Internal & External Audit (including social audit);  
e. Capacity Bldg;  
f. Quality Control & Assessment (QA&QC). | 1. Design and implement integrated M&E/MIS system, assisted by External consultants;  
2. Coordinate and provide support to the units to prepare and finalize respective monitoring plans.  
3. Quarterly: Units to prepare quarterly progress report and submit to Internal M&E Unit.  
4. Quarterly Progress report (QPR) produced by Internal M&E Unit.  
5. QPR circulated to brief management, staff, facilitators & other stakeholders on highlights; posted on the website. | At Project start-up:  
Collect baseline information for key project indicators.  
Quarterly Reporting: Undertake primary data collection for Monitoring: progress, process, intermediate outcomes.  
Monthly: Ensure timely data cleaning and entry into MIS. | (a) MIS Team: Design, train staff and construct & troubleshoot the implementation of the MIS system, in close consultation with Project staff, all stakeholders and providers & users of M&E/MIS information & products.  
(b) Audit Teams (including Social Audit): Undertake audit of project records and report compliance, accomplishments and issues for Management attention.  
(c) Thematic Studies Team: Complete various Thematic Studies and submit reports & detailed recommendations to Project Management. |
| Evaluation (Outcome &        | 1. Review Mid-term report, consult all | 1. Agree with External Consultants on scope and            | Undertake baseline and          | (d) Evaluation Team:  
1. Conduct Evaluation |
<p>| | | | | |
|                        |                                         |                                                          |                                 |  |</p>
<table>
<thead>
<tr>
<th>Purpose</th>
<th>Project Management</th>
<th>Project Internal M&amp;E</th>
<th>Facilitators, NGOs, Consultants</th>
<th>External Teams for M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact Surveys)</td>
<td>stakeholders &amp; take mid-term corrections &amp; management decisions as needed.</td>
<td>detail of Evaluation Survey &amp; methodology;</td>
<td>mid-term surveys and studies.</td>
<td>baseline survey at start-up of selected batches of Project areas and control groups;</td>
</tr>
<tr>
<td></td>
<td>2. Review end-term evaluation report and finalize the Project’s Implementation Completion and Results Report (ICR).</td>
<td>2. Supervise the implementation of Evaluation studies;</td>
<td></td>
<td>2. Conduct panel mid-term studies to assess progress on Project Outcomes (targeted changes in behavior or benefits achieved in the Project period) and Impacts (wider results directly attributed to the Project);</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Utilize the findings for drafting the end-term Project Implementation Completion Report.</td>
<td></td>
<td>3. Conduct end-term study to assess Project Outcomes and Impacts at the end of the Project implementation period.</td>
</tr>
</tbody>
</table>

| Management action       | Continuous: Take evidence-based management decisions; record mid-course adjustments, corrections and other actions in the “Actions Taken” report. |                                                                                     |                                                  |                                                      |

| Learning (M&E reports - who is to receive which reports) & Thematic Studies (TSs). | 1. Quarterly: Review and discuss the findings and implications of the consolidated M&E/MIS reports with Internal and External M&E teams. | 1. Units review implementation issues and design the scope of Thematic Studies (TSs) to be undertaken; | Support and facilitate External consultants who are undertaking the TSs. |
|                         | 2. Commission Thematic Studies and take Management decisions and actions related to the findings. | 2. Contract External consultants to undertake TSs, including: |                                                      |
|                         |                                                                                     | (a) Case Studies on best practices/failures and lessons learnt about different Project activities; |                                                      |
|                         |                                                                                     | (b) Scoping studies on technical feasibility or viability of proposed and ongoing programs; |                                                      |
|                         |                                                                                     | (c) enterprise models and profitability/sustainability profiles; |                                                      |
|                         |                                                                                     | (d) successful convergence with Government depts., line agencies and other stakeholders. |                                                      |
The following is a proposed plan for creating knowledge products.

**Table A3.6: Project M&E plan**

<table>
<thead>
<tr>
<th>M&amp;E and MIS Products</th>
<th>Frequency</th>
<th>When</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concurrent Monitoring</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baseline on key progress indicators.</td>
<td>Once</td>
<td>At start-up of each batch of PRIs.</td>
<td>Internal and External M&amp;E Units</td>
</tr>
<tr>
<td>Reports on Progress, Process and Intermediate outcomes reports (which includes inputs from participatory M&amp;E).</td>
<td>Quarterly</td>
<td>Within 20 days of close of quarter.</td>
<td>Project’s internal M&amp;E/MIS Unit.</td>
</tr>
<tr>
<td>Consolidated Quarterly Progress Report, which includes above reports plus financial, procurement, social, and environmental progress reports, etc</td>
<td>Quarterly</td>
<td>Within 45 days of close of quarter.</td>
<td>Project’s internal M&amp;E/Monitoring &amp; Learning Unit (MLE).</td>
</tr>
<tr>
<td>Back to Office Reports from field visits.</td>
<td>Monthly</td>
<td>Within 7 days of visit.</td>
<td></td>
</tr>
<tr>
<td><strong>Evaluation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baseline Survey and Report of project outcomes for successive batches of target project beneficiaries.</td>
<td>Once for Baseline sample survey respondents for each batch of PRIs.</td>
<td>Within six months of start-up of each batch of PRIs.</td>
<td></td>
</tr>
<tr>
<td>Mid-term evaluation report.</td>
<td>Second round for each selected batch of survey respondents.</td>
<td>At mid-term</td>
<td></td>
</tr>
<tr>
<td>End-term evaluation report.</td>
<td>Third round for each selected batch of survey respondents.</td>
<td>At end-term</td>
<td></td>
</tr>
<tr>
<td><strong>Thematic Studies</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thematic studies and case studies as needed.</td>
<td>As required</td>
<td>As required</td>
<td>External consultants, supervised by Project’s internal M&amp;E Unit/ MLE.</td>
</tr>
<tr>
<td><strong>MIS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Routine reports disseminated; Customized reports; Repository of data and information.</td>
<td>Continuous</td>
<td>MIS Unit.</td>
<td></td>
</tr>
</tbody>
</table>

Source of data for the project’s outcome and results indicators include:

**Periodic data**
- **Final Project Outcomes data**: comes from Evaluation Studies done by the External Consultants, starting with Baseline survey, then Mid-term survey and End-term survey, of both Project and Control groups;
- **Thematic Studies**: for more in-depth investigations to shed light into areas of concern (e.g. of behavior or response), findings and implications to be analyzed, and used as input into decisions and policy.

**Concurrent data**
- **Progress (physical outputs and financial allocation & expenditure) data**: is collected monthly by all implementing agencies at District and State level – as they spend the budget, so shall they account for what was spent on – activities and outputs;
- **Intermediate Outcomes data**: is collected monthly by all implementing agencies at Group, Block and District levels. Data is also generated by participatory M&E and cross-checked by social auditors.
- **Process Monitoring data**: comes from the District and State levels which are responsible for ensuring that the steps in all key processes (e.g. formulating a participatory Plan, etc.) are followed by each implementing unit. These units attest that the steps are followed (e.g. each time a Plan is made). That they are indeed followed should be spot checked by External Consultants and/or social auditors or third party verification agencies (in the case of costlier, infrastructure works, etc).

**Current capacity to collect data and plans to strengthen it**

Present capacity is very limited and has to be built through: (i) recruitment; (ii) very targeted coaching and mentoring for at least one year; (iii) clear ToRs; and (iv) supervision.

**Additional costs required to support M&E**
- Salaries of staff, Facilitators.
- Contractors (External consultants for Evaluation, MIS development, Training, Support.
- Equipment (Computers at District and State level, cell phones to all field staff; Projector, GPS camera and Video camera – 1 per District, could be checked out by Blocks in rotation.)
- TA/DA (8 days per month for State level; 15 days per month for District and Block level).
- Supplies for monthly field level meetings (refreshments, stationery), and office supplies (including phone calls).
- Exchange and Exposure visits to see self-monitoring by neighboring well-organized GP groups (as per plan).

**Use of data to assess the project’s effectiveness during implementation**
- Continuous information collection, review by project staff and SOs and self-correction;
- Participatory tracking and self-assessment by local beneficiaries in open meetings;
- Periodic data collection, review, dissemination and decision-making at supervisory levels.

**V. Role of Partners**

This project nurtures and depends upon strong partnership with line departments such as PHED (for the water and sanitation component), Rural Development (for the natural resource management component), and Social Welfare Department (for the nutrition component), and development partners such as UNICEF and DFID, which invest heavily in water, sanitation and public health areas. The Project will supplement the investment made under various schemes managed by these departments, esp. ICDS, MGNREGS, Rural Water, and TSC by facilitating intensive social mobilization and nurturing the roles of elected panchayat members as champions for these issues.
Annex 4: Operational Risk Assessment Framework (ORAF)

Project Development Objective(s)

To support the state government of Bihar in promoting inclusive\textsuperscript{16}, responsive\textsuperscript{17} and accountable\textsuperscript{18} Gram Panchayats in six districts.

PDO Level Results

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Rating</th>
<th>Risk Description</th>
<th>Proposed Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Stakeholder Risks</td>
<td>4</td>
<td>Line department staff managing centrally-sponsored schemes may not respond to local priorities due to: (1) indifference; (2) norms and implementation arrangements within the scheme that are outside their own control.</td>
<td>The Executive Committee of the BGSYS would monitor and reward the performance of joint teams consisting of Society staff and line department staff. The line departments would issue instructions to their field staff to participate in Gram Panchayat Standing Committee meetings, apply their budget to GPs’ priorities, and provide technical support to ensure quality investment and maintenance work.</td>
</tr>
<tr>
<td>Implementing Agency Risks</td>
<td>4</td>
<td>The Society is new and will take time to fully develop capacity required for this ambitious program. Unattractive compensation will make it difficult to attract and retain qualified staff.</td>
<td>To strengthen the staff capacity of the Society, the project is putting in place a Human Resource Management policy.</td>
</tr>
</tbody>
</table>

\textsuperscript{16} “Inclusive” means participation by all social groups in Gram Sabhas; Gram Sabha decision-making is increasingly made by Standing Committees formed for key areas of work, and not just by Mukhiyas.

\textsuperscript{17} “Responsive” means that the Panchayats are able to perform more of their prescribed (29) functions, become more effective in representing the interest of the local population, and successfully provide the interface between their communities and other agencies to improve resource flows, development results and overall service delivery in their jurisdictions.

\textsuperscript{18} “Accountable” means that the Panchayats take responsibility for and are able to deliver their prescribed functions, follow-through on their action plans, provide functioning and transparent local government, practice good fiduciary management and are responsive to local issues, needs and demands, within the limitations of resources available to them.
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Rating</th>
<th>Risk Description</th>
<th>Proposed Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Risks</td>
<td></td>
<td>difficult to attract scarce skills such as procurement, financial management, public finance, and program evaluation. The progress of recruitment during the preparation stage is very slow. The Society requires support from the highest authority of state government and full collaboration from key line departments (e.g., Panchayati Raj, Finance, Rural Development PHED, Social Welfare, and IT). The Society legal document also specifies that an IAS officer will be posted as a project director. Without filling vacancies for key posts at the GP level, the capacity building investment will have limited impact. For a project this size, there needs to be a clear structure of delegated authority assigned to managers of different tiers. Project is unlikely to succeed unless staff are empowered and provided with capacity building support. While the newly established Society will implement comprehensive anti-corruption measures as agreed in the PIP, there is a risk that the capacity will take time to develop and field operations may be influenced by local dynamics that is not adequately managed by the Society.</td>
<td>There is a dated Covenant on critical staff recruitment at the beginning of the project. To broaden support to the panchayat strengthening process, the Society has a General Body chaired by the Development Commissioner with multi-departmental representation. District level &amp; block level Coordination committees will be formed under the chairmanship of District Magistrates and Block Development Officers (BDO) respectively. The project takes a results-based approach to decentralization by focusing on certain development outcomes that are amenable to local leadership and initiatives: sanitation, quality of drinking water, nutrition, and natural resource management. Success in these areas will generate goodwill among line departments. To ensure a minimum level of GP staffing, as a first step GoB is planning to fill all vacancies at GP level. Project implementation support will include building capacity of the new state and district managers to handle growing responsibilities and also team-building activities to build trust, communication and coordination capacity within the Society. A fraud and corruption complaint and redressal mechanism will be established. Another reporting platform will be provided through the project website. Third-party monitoring of field operations will be instituted for the construction activities as well as the capacity building activities. The World Bank will regularly review procurement and contract management and require annual audit. A “Zero Tolerance for Corruption” policy will be adopted in the human resource management policy of the Society.</td>
</tr>
<tr>
<td>Risk Category</td>
<td>Risk Rating</td>
<td>Risk Description</td>
<td>Proposed Mitigation Measures</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Design</td>
<td>4</td>
<td>Significant risks associated with inter-departmental collaboration in a project of this nature. Significant operational responsibilities to ensure quality and speedy delivery of the Bhawan component will likely distract management attention from equally challenging tasks of facilitating institutional development at the grassroots level.</td>
<td>Measures to facilitate inter-departmental collaboration are discussed under 1.1 above. The Government of Bihar has tasked the Building Construction Department to be in charge of the Bhawan component. This will allow the Society to focus on the institutional development components of the project. The BCD has the skills to handle the construction process, though there is a risk that the construction in this project competes for their staff time and managerial attention with many other much larger construction projects. The Society and the Bank team need to continuously monitor the implementation and flag delays and seek senior management intervention.</td>
</tr>
<tr>
<td>• Social and Environmental</td>
<td>1</td>
<td>Minimal risks related to environmental and resettlement safeguard policies.</td>
<td>The Environmental Management Framework will be implemented under the project. In addition to environmental appraisal of all project-supported activities, the project is also investing in building capacity of GPs on managing natural resources and the environment. This is a core module of the GP capacity building curriculum.</td>
</tr>
<tr>
<td>• Program and Donor</td>
<td>1</td>
<td>The project design has benefitted from experiences of various donor agencies working in the state and will continue to work closely with them (UNICEF, UNDP, DFID, the Water and Sanitation Program, and the Gates Foundation.)</td>
<td>Further donor coordination will focus on sharing data and implementation experience, and joint dialogue with the state government.</td>
</tr>
<tr>
<td>• Delivery Quality</td>
<td>4</td>
<td>The first concern is related to the speed and quality of the Bhawan construction in six districts. The construction industry is relatively weak and corruption may also be a challenge.</td>
<td>The project will organize regular consultation with the construction industry to evolve a process for quality and speedy delivery of Bhawans. The procurement process will combine technical expertise and local participation to ensure that only competent and responsible contractors are selected. The supervision process will combine local beneficiary monitoring, third-party monitoring commissioned by the Society, and random spot check by project management. A</td>
</tr>
<tr>
<td>Risk Category</td>
<td>Risk Rating</td>
<td>Risk Description</td>
<td>Proposed Mitigation Measures</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------</td>
<td>------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>large-scale capacity building interventions at scale.</td>
<td>fraud and corruption complaint and redressal mechanism and a website reporting platform will be established for corruption reporting. On capacity building, the project takes a learning-by-doing approach and will invest in a strong monitoring and learning program. Each module will be piloted in 1-2 districts initially. If the initial progress is promising, it will be expanded to more districts. Each district team will manage a small number of modules so the district team, the field facilitators and the GPs are not overwhelmed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall Risk at Preparation</th>
<th>Overall Risk Rating</th>
<th>Overall Risk at Implementation</th>
<th>Risk Rating During Implementation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>The risk of this project is high. The management decision to go forward with this project takes into account of the potential development impact of successful implementation of this project and the importance of this engagement on a long-term development partnership with Bihar, one of the most populated and least developed states in India.</td>
</tr>
</tbody>
</table>
Annex 5. Implementation Support Plan

The World Bank stands ready to provide intensive implementation support, both in the area of general project management and in the area of capacity building. The Bank team consists of specialists in all areas, which are mapped to the GoB project managers at the state level. Implementation support visits to Patna and districts will be conducted on a regular basis, at least three times a year for each specialist. Given that the entire Bank implementation support team is based in Delhi, ad hoc visits can be made to provide targeted support to address emerging issues. At least twice a year, the Implementation Status Report will be produced to provide management with progress updates, tracking risk development and efficacy of mitigation measures.

The Bank team members will regularly visit the gram panchayats in the six project districts. Coverage will be determined in accordance with the implementation rollout plan. As data become available, high-risk areas will be visited with higher frequency. The three districts in the Kosi area will receive more implementation support, given the development and institutional capacity challenges there.

The Bank team will also facilitate visits to other Indian states that have a longer history of panchayat empowerment. The three states where we have ongoing panchayat strengthening projects, Kerala, Karnataka and West Bengal, have indicated willingness to host visiting teams from Bihar and may be able to arrange immersion training for new recruits of the Society.

The following issues related to the overall panchayat system are being addressed by the project. The project components constitute actions that will be monitored by the regular project M&E process.

- Assignment of functional roles, responsibilities and expenditure assignments to the PRIs is presently not adequately clear and needs to be further clarified in Bihar. The result is diluted accountability.
- Panchayats have little fiscal and human resource autonomy and are consequently constrained to exercise leadership.
- Elite capture at the local level is a significant risk. Participatory governance processes (such as Gram Sabhas, social audit) requires strengthening.
- A majority of elected members of GPs are women and SC/ST as a result of the reservation policy. Many of them need to overcome deep-rooted social inequality.

The GAAP below deals with the key risks that will derail project success.

<table>
<thead>
<tr>
<th>Key risks</th>
<th>Actions</th>
<th>By whom</th>
<th>By when</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The project implementation agency, the BGSYS, is new and needs to quickly develop management capacity and an organizational culture of high performance and integrity. (Risk rating: 4)</td>
<td>1.1 The General Body of the Society to adopt a Human Resource Management Policy that explicitly deals with the challenge of attracting and retaining talents. 1.2 A “Zero Tolerance for Corruption” policy will be adopted in the HR policy. 1.3 The Society implements a strong orientation program (incl. rural immersion and ethics training) for all new staff. 1.4 Leadership training for Society staff and regular Results and Learning workshops as part of the human resource management process.</td>
<td>General Body General Body Project Director</td>
<td>Completed By Effectiveness By Effectiveness and thereafter upon entry of new staff.</td>
</tr>
<tr>
<td>2. Without a minimum level of GP staffing, investment in Panchayat Sarkar Bhawan and capacity building would have limited impact. (Risk rating: 3)</td>
<td>2.1 To ensure a minimum level of GP staffing, the state government will make all possible efforts to: (i) include full staffing of Panchayat Sachivs, Rozgar sevak and panchayat technical assistants in the six project districts. 2.2 Regular monitoring of the Results Indicator of the functionality of the Panchayat Sarkar Bhawans.</td>
<td>Government of Bihar Society</td>
<td>Ongoing Ongoing</td>
</tr>
<tr>
<td>3. The project needs to sustain and broaden stakeholder support. (Risk rating: 3)</td>
<td>3.1 Special meetings of the General Body of the Society will be held at least twice a year to review project performance and address policy issues facing the project.</td>
<td>Development Commissioner</td>
<td>Twice a year</td>
</tr>
<tr>
<td>Key risks</td>
<td>Actions</td>
<td>By whom</td>
<td>By when</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------</td>
<td>----------------------------------</td>
</tr>
</tbody>
</table>
| (1=low-likelihood low-impact risk; 2=high-L low-I; 3=low-L high-I; 4: high-L, high-I) | 3.2 Form the district coordination committee chaired by the District Magistrates.  
3.3 Form the block coordination committee chaired by the Block Development Officer. | Project Director  
District Project Manager | By effectiveness in all 6 districts. By effectiveness at least in first phase blocks. |
| 4. Line department staff managing centrally-sponsored schemes may not respond to local priorities due to: 1) indifference; 2) norms and implementation arrangements within the scheme that are outside their own control. (Risk rating: 4) | 4.1 The line departments would issue instructions to their field staff to coordinate with Gram Panchayat Standing Committees, in discharge of their mandated duties and provide technical support to ensure quality investment and maintenance work.  
4.2 The Executive Committee of the Bihar Gram Swaraj Yojana Society would monitor and recognize the performance of joint teams consisting of BGSYS staff and line department staff. | Principal Secretaries, RD, PHED and Social Welfare  
Executive Committee of BGSYS | By effectiveness  
Ongoing. Executive Committee will meet at least once each quarter. |
| 5. There is a risk of fraud and corruption associated with procurement and contract management. (Risk rating: 4) | 5.1 A fraud and corruption complaint and redressal mechanism will be established. Another reporting platform will be provided through the project website.  
5.2 Third-party monitoring of field operations will be instituted for the construction activities as well as the capacity building activities.  
5.3 Annual audit will be conducted by competent auditors according to a ToR agreed with the World Bank.  
5.4 The World Bank will regularly review procurement and contract management. | Project Director  
Project Director  
Project Director  
World Bank | By effectiveness  
ToR agreed by effectiveness  
RFP by effectiveness  
Annual |
| 6. Ensuring speed and quality of Bhawan construction in six districts may be challenging. The construction industry is relatively weak and corrupt practices may pose a challenge. (Risk rating: 4) | 6.1 The project will organize consultation with the construction industry to evolve a process for quality and speedy delivery of Bhawans.  
6.2 The supervision process will combine local beneficiary monitoring, and third-party monitoring agency commissioned by the Society, and random spot check by project management. | BCD  
BGSYS | As needed  
PIP to specify arrangements by contract award for Panchayat Sarkar Bhawan |
Annex 7. Team Composition

Durga Prasad Duvvuri (Consultant, Project Management)
Mohan Gopalakrishnan (Senior FM Specialist, SARFM)
C. Ajith Kumar (Water and Sanitation Specialist, TWISA)
Vidya Kamath (Program Assistant, SASGP)
Kalyani Kandula (Consultant, Environment)
Ashi Kohli Kathuria (Senior Nutrition Specialist, SASHN)
Arun Kolsur (Procurement Specialist, SARPS)
Kalesh Kumar (Senior Procurement Specialist, SARPS)
Priti Kumar (Senior Environment Specialist, SASDI)
Sangeeta Kumari (Social Development Specialist, SASDS)
Vivek Maru (Senior Counsel, LEGJR)
Mohan Nagarajan (Team Leader, Senior Economist, SASGP)
Nicholas Pilgrim (Water & Sanitation Consultant)
Mariappa Kullappa (Water & Sanitation Specialist)
Vikram Raghavan (Senior Counsel, LEGES)
Deepak Singh (Senior Engineer)
Nalini Srinivasan (Consultant ICT)
Ai Chin Wee (M&E Consultant)
Yongmei Zhou (Senior Institutional Development Specialist, SASGP)