Document of

The World Bank

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Report No.: 109424-IN

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US$210 MILLION

TO THE

REPUBLIC OF INDIA

FOR A

WEST BENGAL SUPPORT TO INSTITUTIONAL STRENGTHENING OF

GRAM PANCHAYAT PROGRAM – PHASE II

FEBRUARY 23, 2017

Social, Urban, Rural and Resilience (SURR) Global Practice

Governance (GGODR) Global Practice

South Asia Region

ABBREVIATIONS AND ACRONYMS

AFA	Annual Financial Statement	IDA	International Development Association
APA	Annual Performance Assessment	IEC	Information, Education and Communication
BMC	Basic Mandatory Conditions	IFMS	Integrated Financial Management Systems
BRAIPARD	B.R. Ambedkar Institute of Panchayats and Rural Development	IFSA	Integrated Fiduciary Systems Assessment
		IGFTS	Inter-Governmental Fund Transfer System
C&AG	Comptroller and Auditor Generals	ISGPP	Institutional Strengthening of Gram Panchayats Project
CAS	Country Assistance Strategy		
CB	Capacity Building	KRA	Key Results Area
CFC	Central Finance Commission	LWE	Left Wing Extremism
DCU	District Coordination Units	M&E	Monitoring and Evaluation
DLI	Disbursement Linked Indicator	MIS	Management Information System
DM	District Magistrate	NIT	Notice Inviting Tenders
DPRDO	District Panchayat and Rural Development Officer	NREGA	National Rural Employment Guarantee Act
		OPCS	Operations Policy and Country Services
DTC	District Training Centre	OPRC	Operational Procurement Review Committee
EIRR	Economic Internal rate of Return	PAAOs	Panchayat Accounts & Audit Officer
ELA	Examiner of Local Accounts	PAD	Project Appraisal Document
EMC	Expanded Mandatory Conditions	PAP	Program Action Plan
ENPV	Economic Net Present Value	PBG	Performance Based Grant
ESMF	Environmental and Social Management Framework	PD	Personal Deposit
		PDO	Project Development Objectives
ESSA	Environmental and Social Systems Assessment	PEFA	Public Expenditure and Financial Accountability
GIS	Geospatial Information System	PFMA	Public Finance Management Act
GoWB	Government of West Bengal	PforR	Program-for-Results
GoI	Government of India	PIU	Project Implementation Unit
GP	Gram Panchayat	PM	Performance Measures
GPMS	Gram Panchayat Management System	POM	Program Operations
GRM	Grievance Redressal Mechanism	PPA	Program Preparatory Advance
GRO	Grievance Redressal Officer	PRDD	Panchayat and Rural Development Department
GRS	Grievance Redressal Service		
IAY	Indira Awaas Yojana	PRI	Panchayati Raj Institutions
IBRD	International Bank of Reconstruction and Development	PS	Panchayat Samiti
		PSC	Program Steering Committee
ICDS	Integrated Child Development Scheme	RTI	Right to Information

ICT	Information and Communication Technologies	SCU	State Coordination Unit
		SFC	State Finance Commission
SGSY	Swarnajayanti Gram Swarozgar Yojana	VGDF	Vulnerability Group Development Figure
		WBMS	Web Based Monitoring System
STARPARD	Society for Training & Research on Panchayats and Rural Development	WBSRDA	West Bengal State Rural Development Agency
STD	Standard Tender Documents	ZP	Zilla Parishad
VGDI	Vulnerability Group Development Index		

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INDIA

WEST BENGAL SUPPORT TO INSTITUTIONAL STRENGTHENING OF GRAM PANCHAYAT PROGRAM II

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PROGRAM APPRAISAL DOCUMENT

South Asia
GSURR/ GGODR

Report No.: 109424-IN

Basic Information			
Date:	February 8, 2017	Sectors:	Sub-national government administration (100%)
Country Director:	Junaid Kamal Ahmad	Themes:	
Practice Managers:	Catalina Marulanda / Alexandre Arrobio		
Global Practice Vice President:	Laura Tuck /Jan Walliser		
Program ID:	P159427		
Team Leader(s):	Uri Raich, Rajni Khanna		

Program Implementation Period: Five years Eight months   Start Date:1-May-2017   End Date: 31-December-2022

Expected Financing Effectiveness Date:1 May 2017

Expected Financing Closing Date: 31 December 2022

Program Financing Data		
[X] Loan	[ ] Grant	[ ] Other

[ ]	Credit		

For Loans/Credits/Others (US$M):

Total Program Cost :	594	Total Bank Financing :	210
Total Cofinancing :		Financing Gap :	

Financing Source	Amount
BORROWER/RECIPIENT	384
IBRD/IDA	210
Total	594

Borrower: Government of India

Responsible Agency: Panchayats and Rural Development Department (PRDD), Government of West Bengal

Contact:	Mr. Saurabh Kumar Das	Title:	Additional Chief Secretary, PRDD
Telephone No.:	91 33 2334-0021	Email	secy-prd@nic.in

Expected Disbursements (in USD Million)

Fiscal Year	2017	2018	2019	2020	2021	2022
Annual	4.50	47.82	47.63	48.63	48.62	12.80
Cumulative	4.50	52.32	99.95	148.58	197.20	210.00

Program Development Objective(s)

The Program aims to strengthen the institutional and financial capacities of Gram Panchayats (GPs) across West Bengal.	

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Compliance	
Policy	
Does the program depart from the CAS in content or in other significant respects?	Yes [ ] No [X]

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Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ] No [X]
Have these been approved by Bank management?	Yes [...] No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ] No [X]

Overall Risk Rating: Substantial

Legal Covenants: None

Name	Recurrent	Due Date	Frequency

Description of Covenant

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Team Composition			
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Non-Bank Staff			

Name	Title	City
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Jesper Steffensen	Fiscal Decentralization Consultant	
Michael Winter	Capacity Building Consultant	
Pooja Churamani	Governance Consultant	

I. STRATEGIC CONTEXT

A.   Country Context

1.   Local governments in India play a fundamental role in the delivery of public services. The 73rd Constitutional Amendment of 1993 and the ensuing laws enacted by the states created the Panchayat Raj Institutions (PRIs) with devolved powers and functions to enable the rural local bodies to deliver services more effectively. Despite the prominence of PRIs, decentralization in India remains constrained by the high dependence on inter-governmental transfers, the unpredictability of funds, and the weak organizational and administrative capacities of local governments. In 2015, the fourteenth Central Finance Commission (CFC, a constitutional body set up every five years to define the inter-governmental fiscal relations), recommended to further the devolution process through an unprecedented increase in tax devolution to States from 32 to 42 percent of the sharable central tax for the next five years (amounting to US$46 billion), which is the largest increase in the history of Indian fiscal federalism. The success of the fourteenth CFC recommendations depends largely on the role of the States in assisting local bodies to strengthen their systems to manage resources and deliver services.

2.   For the last few decades, West Bengal (GoWB) has been on the forefront of the decentralization process in India. West Bengal was the first State in India to hold democratic elections at the local level starting in 1978 and to devolve to the local governments all the functions listed on the Eleventh Schedule of the Constitution (public administration, service delivery, economic development and social justice). Aggregate funding flows to the PRIs have increased significantly (47 percent between 2010 and 2015) at the time that mandatory annual financial audits and M&E systems have been put in place to ensure better controls and accountability. The consolidation of the PRI system in West Bengal was supported by the World Bank-financed Institutional Strengthening of Gram Panchayats Project (ISGPP-I) that focused on strengthening the 1,000 (out of 3,342) relatively better performing Local Governments through the provision of more resources, capacities and incentives to improve service delivery and governance overall.

B.   Sectoral and Institutional Context

3.   In West Bengal there has been a substantial increase in the aggregate funding flows to the PRIs. During the 2011-16 period the total funding increased by 128 percent, with the highest increase going to the upper tiers of PRIs (Zilla Parishad (ZP) - district, Panchayat Samiti (PS) – block) and the lowest tier (Gram Panchayat (GP) - village) experiencing a 28 percent increase. This increase has been majorly driven by a high allocation of discretionary/untied funds to GPs that increased by 73 percent as compared to a 20 percent increase in tied funds. This increase in the proportion of untied funds is consistent with the fourteenth CFC and the fourth State Finance Commission (SFC) recommendations to meet a long standing demand for greater flexibility in the design of government programs to better reflect local preferences and increase efficiency in spending.

4.   Going forward, it is estimated that untied funds allocated to the GPs will more than double between 2015 and 2020 owing to significant increases in fourteenth CFC funds, fourth SFC funds, and the World Bank's assistance under the proposed ISGPP-II. Until 2015-16, IDA funding under ISGPP was the only performance based grant (PBG) going to GPs. However, the fourteenth CFC recommended an important paradigm shift from the past: that 10 percent of CFC funds be allocated to GPs on the basis of performance. The GoWB adopted this principle and made a decision that 100 percent of SFC funds would also be allocated on the basis of performance. As a result, there is an unprecedented increase of 114 percent in the total discretionary funds to GPs from INR2,553 Crores in 2016-17 to INR5,462 Crores in 2020-21. The total PBG for the GPs will also increase significantly by 145 percent from INR431 Crores in FY 2016/17 to INR1,055 Crores in 2020-21.

5.   The roles and functions of GPs include the provision of basic services. In West Bengal PBGs are leveraged for the provision of small scale investments in all areas under their jurisdiction, excluding those included in a negative list that makes explicit reference to all the activities that cannot be financed by the PBGs (see annex 5 of the Environmental and Social Systems Assessment, ESSA). In ISGPP-I out of 92,000 investments/activities carried out by the GPs using ISGPP grants, 54 percent were on transport, 23 percent on water and sanitation, and 20 percent on public buildings. These investments shown a positive rate of return in ISGPP-I, including reductions in transport costs, flood damage, water borne diseases, time cost of fetching water, and increases in job creation. Similar activities are envisioned under ISGPP-II for all 3,342 GPs.

6.   In order to enable GPs to make full use of the significant increase in untied funding and enhanced autonomy given to them, it is necessary to strengthen public administration, financial management, planning and accountability systems at the GP level. International experience on strengthening decentralization in local governments, suggests that an increase in resource allocation must be accompanied by proper planning, implementation and control systems as well as adequate and skilled manpower at the local and state levels. In addition, it is also widely accepted that decentralization requires strengthening downward accountability from local government to the beneficiaries. Such support would facilitate greater functional and fiscal devolution ultimately leading to improved local service delivery. In West Bengal, this approach has already been piloted in ISGPP-I that provided a combination of discretionary funds to 1,000 GPs on the basis of performance coupled with capacity building activities in areas like participatory planning, budgeting, implementation, monitoring, public expenditure management, accounting, financial reporting and auditing, public procurement, human resources management, and environmental/social safeguards screening. Based on the learnings and success of ISGPP-I, ISGPP-II has adopted a programmatic approach covering all 3,342 GPs in West Bengal.

7.   In India, the World Bank has extensive expertise and comparative advantages in the area of decentralization and the development of local government systems. ISGPP-I represented one of three Bank operations on rural local governments in India - the others being in Karnataka, Bihar and Kerala, all of which focus on strengthening the PRI system as a key institutional locus of service delivery and governance. Lessons learned from these operations, notably those of ISGPP-I, include: (i) the effectiveness of PBGs to improve local government performance: (ii) the importance of mentoring as a key element of capacity building, to enhance project achievements; (iii) the spill-over effects of good performing GPs into non-participating GPs; (iv) political will and borrower ownership as a precondition to project success; (v) strong leadership and stable project teams result in effective project implementation, (vi) the separation of the executing and evaluating agencies ensures the objectivity and integrity of the performance assessments and verification; and (vii) the importance of good communication and documentation for improving transparency and citizen participation.

C.   Relationship to the CAS/CPF and Rationale for Use of Instrument

8.   This program is central to the inclusion pillar of the India Country Partnership Framework (2013-17) (Report No. 76176-IN). Empowering and improving the capacity of the GPs that directly interact with the citizens at the grass root level helps the inclusive growth agenda at the country level. It also aims to improve access to services to the excluded population, and enhance governance in the entire State as intermediate contributions to the longer term goals of reducing poverty and boosting shared prosperity. Global evidence suggests that decentralized governance and institutional arrangements can contribute to improved service delivery and lead to positive development outcomes.

9.   The rationale for Bank engagement in the strengthening of GPs in West Bengal was laid out by the first phase of the project, which envisioned that the "systems introduced by the project will be expanded

to all GPs and will become an integral part of the PRI fiscal framework in the State" (ISGPP-I, PAD, p. 27). ISGPP-I built a strong foundation for systems reform through a combined approach of PBGs and capacity building support. ISGPP-II aims to build upon this project that has demonstrated positive results. The proposed program aims to support all the GPs in the state to better plan and utilize all their discretionary resources which is key in the current context of a three-fold increase in untied grants from both the Central and State governments. The program will not only help all GPs to better utilize the increased funds, but also provide an enabling environment for levelling the playing field amongst strong and weak GPs by establishing a differentiated system of PBGs to incrementally reward good performance. By the end of the proposed program, a unified state-wide PBG allocation system would be in place to provide discretionary funds from various sources to all GPs in the state.

10. A Program-for-Results (PforR) operation is an ideal financing instrument for this program as it will focus on systems development and capacity building on the basis of measureable results, by using and strengthening existing State and GP government systems, already tested under ISGPP-I. The use of PforR will facilitate a seamless transition from the implementation of capacity building and system development activities for a limited number of GPs to a state-wide coverage in full alignment with the Government's program. Moreover, the PforR will follow an area-based approach covering the new and weaker GPs, as part of the support to a wider government program, which covers all GPs with a harmonised grant allocation and capacity building support system. The choice of instrument also responds to the government's intentions, as recommended by the fourth SFC, to adopt and roll-out the PBG allocation model of ISGPP-I throughout the State.

II.   PROGRAM DESCRIPTION

A.   Government program

11. The Government program is anchored in the recommendations of the fourth SFC (2017-2022) that notes that while West Bengal has made good progress on local government and decentralization issues, there are still a number of legal and fiscal issues to be addressed. These include: (i) weak own source revenue generation and management; (ii) weak inter-governmental fiscal transfer framework owing to unpredictable fund transfers; (iii) lack of proper expenditure management systems; (iv) weak accounting and budgeting procedures; and (v) weak internal and external audit systems.

12. The fourth SFC recognized the significant positive contributions of ISGPP-I to the achievement of the State's Decentralization Roadmap of 2009, including: improvements in local government functioning through PBG allocations systems, along with focused institutional development capacity building and implementation support. The fourth SFC recommended that the state government establish an Institutional Strengthening Program for all the 3,342 GPs (ISGPP-II), including the institutionalization of a state wide PBG system accompanied by comprehensive capacity building support.

13. In accordance with SFC's recommendations, the state government has launched ISGPP-II with an estimated budget of USD 593.6 million covering all 3,342 GPs from FY 2016/17 to 2021/22. The government program aims to accelerate the pace of rural decentralization to attain better quality of public services and local self-governance by augmenting the financial resources of PRIs, and providing them support to plan, implement and manage services in a decentralized and participatory manner. The Government program focusses on four Key Result Areas (KRAs): (i) Establishing a state wide unified PBG allocation system for all discretionary funds available for GPs; (ii) Improving local government financial management systems in GPs; (iii) Improving local governance and Human Resource (HR) capacities for increased transparency and accountability in local government functioning; and (iv) Improving the decentralized and participatory planning and budgeting mechanisms at the local level.

B. **Program Development Objective/s (PDO) and key results**

14. The Program Development Objective (PDO) of ISGPP-II is to strengthen the institutional and financial capacities of Gram Panchayats (GPs) across West Bengal.

15. The PDO level indicators for the proposed program are: (i) Percentage of GPs that meet Basic Mandatory Conditions (BMCs) and Expanded Mandatory Conditions (EMCs) annually; and (ii) Average percentage of total PBGs utilized by the GPs annually. The above mentioned PDO indicators will measure the overall improvement in local government functioning from an institutional and financial perspective through the Annual Performance Assessment (APA). The APA covers key institutional, financial and service delivery issues of GPs in a comprehensive manner, including: own source revenue generation; timely external audits; preparation and implementation of decentralized plans for service delivery; financial capacity to utilize discretionary funds; and improvements in financial management systems. In addition, the performance measures included in the APA focus on measuring and incentivizing performance in planning and budgeting; project execution and service delivery; financial management and transparency; and accountability. The PDO thus focusses on the strengthening of the GPs as a self-standing tier of government. At a higher level, the Program also aims to strengthen the local government systems to enable them to provide improved access to devolved public services through efficient and robust systems for decentralized and participatory planning as well as design, implement and manage the infrastructure projects for long term sustainable service delivery.

16. A key feature of the institutional dimension that the PDO aspires to accomplish is the development and strengthening of systems and procedures to enhance accountability. The proposed Program includes a series of measures to enhance the voice of people both as citizens and consumers—of public services, such as: (i) the development and roll out of a Grievance Redressal Mechanism (GRM) that offers several avenues to provide feedback; (ii) the continuation of a comprehensive Information, Education and Communication (IEC) campaign seeking to improve local self-governance and service delivery as well as program communication; (iii) the enhancement of Vulnerability Group Development Index (VGDI) for enabling inclusive development; and (iv) very prominently, an APA tool with two out of its four modules (Planning and Budgeting; and Participation, Transparency, and Accountability) directly rewarding GPs performance on the basis of access to "voice" mechanisms.

C. **PforR Program Scope**

17. The proposed PforR operation ('the Program') is identical to the government program. The Program will support the achievement of the four KRAs through the ten core activities outlined in Table 1 below; see Annex 1 for a detailed description of these activities.

Table 1: Key result areas and Program activities

Key Result Areas	Specific activities	Cross-cutting activities
(i) Establishing a state wide unified performance based grant allocation system for all discretionary funds available for GPs	*Activity 1:* Performance Based Grants to GPs *Activity 7:* Timely completion of APA every year Activity 8: Program management, coordination and monitoring	*Activity 2:* Focused mentoring support for strengthening GP functioning *Activity 3:* Formal learning and trainings for the GPs
(ii) Improving local government financial management systems in GPs	*Activity 6:* Development and implementation of internal audit system for GPs	

	Activity 9: Timely completion of external audits of all GPs annually	_Activity 4:_ Institutional systems development and roll-out for improving local governance
(iii) Improving local governance and Human Resource (HR) capacities for increased transparency and accountability in local government functioning	_Activity 5:_ Support for adequate core staff in the GPs	
(iv) Improving the decentralized and participatory planning and budgeting mechanisms at the local level	_Activity 10:_ Citizen engagement, project communications and IEC	

18. **Activity 1**: Performance Based Grants to GPs. This activity will be based on comprehensive APAs for all 3,342 GPs conducted through an independent agency. The Bank notes the state government's preference to allocate the DLI based funds disbursed from the Bank for PBG to the GPs which were not covered under ISGPP-I. Accordingly the Program will contribute Disbursement Linked Indicator (DLI)-based funding for PBG to an equivalent of two thirds of the total number of GPs (which were not covered under ISGPP-I), while GoWB and GoI will provide the supplementary funding from SFC and CFC funds to the remaining number of GPs. Table 2 below presents the funding framework for the PBGs including the three sources of funds.

Table 2: Funding framework for PBG

Funding Source	All GPs	Two thirds of GPs	One third of GPs
Performance Based Grants	**523.4**	**371.5**	**151.9**
IBRD (DLI-based funding)	139.3	139.3	0
Total Government funding	384.1	232.2	151.9
CFC (10 % PG)	253.0	140.2	112.8
SFC (100%)	131.1	92.0	39.1

19. The Program will support the roll-out of APA for all 3,342 GPs in order to establish an integrated and harmonized PBG system for all GPs. A three-element performance grant system is envisaged to recognize the contextual differences in GPs, including demographic factors as well as prior level of support. The first element will be assessed against a set of three BMCs; the second element will be assessed against a set of EMCs; and the third element will be assessed against a set of performance measures (benchmarks). Table 3 below summarizes the proposed APA and PBG allocation framework; and Annex 1 provides more details.

20. The first element of the performance assessment is targeted at the 2,344 GPs (2,232 in the first year) which will be assessed against a set of three BMCs: i) preparation of decentralized plans; ii) timely completion of external audits with no adverse or disclaimed opinion; and iii) own source revenue mobilization. The BMCs are aligned with the conditions of the fourteenth CFC for the performance grants. The allocation for the qualified GPs, based on the BMC, is higher in the first year since the new incoming GPs would be undergoing the APAs for the first time, and without any prior capacity building and support. This will to familiarize them with the APA process and provide them incentives to improve their performance. This approach recognizes that the 2,342 GPs, who have not received any institutional strengthening support under ISGPP-I are not at par with the 1000 ISGPP-I GPs.

21. The second and third elements together will enable all 3,342 GPs to access the full PBG allocation. In the second element, all 3,342 GPs will be assessed against a common set of EMCs focusing on (i) expenditure management for achievement of the annual service delivery targets set out in the annual

decentralized GP plan; and (ii) implementation of a Gram Panchayat Management System (GPMS). Compliance with these EMCs (including the BMCs) is a pre-condition to access a higher level of PBG, as explained in table 3 below.

22. The third element scores GPs against a set of performance measures (benchmarks), which would focus on advanced indicators in four thematic areas (i) local service delivery and project execution, (ii) transparency and accountability, (iii) decentralized and participatory planning and budgeting and (iv)improved public financial management systems. The PBG would be allocated to the GPs proportionate to their performance scores (weighted with the basic formula). The horizontal allocation of grants will be a combination of the formula as applied by SFC, based on GP population, geographical area, and the weighted performance scores determined in the performance assessments. This calibrated allocation of PBG would encourage GPs to seek higher scores in the performance assessment, and therefore a higher allocation of PBG.

Table 3: APA and PBG Allocation Framework

Elements	2,342 GPs (Covered under ISGPP–II)	1,000 GPs (Covered by ISGPP–I)
Element 1: Assessment against Basic Mandatory Conditions (BMC)	All qualified GPs eligible to receive a minimum pre-fixed fraction of PBG if BMCs are complied with	Not applicable
Element 2: Assessment against Expanded Mandatory Conditions (EMC)	All qualified GPs eligible for the PBG as per their performance scores	
Element 3: Assessment against Performance Measures	All EMC qualified GPs receive PBG on assessment against performance measures PBG allocation for all GPs based on a weighted formula comprising GP's population and GP's geographical area and performance scores	

23. **Activity 2**: Focused mentoring support for strengthening GP functioning. The activity will provide mentoring support to GPs through a robust system ensuring that: (i) the support is maintained at a level that is as cost-effective as possible; (ii) the support is subject to annual quality assessments to ensure that mentoring services are appropriate; and (iii) mainstreaming GP mentoring services into the local government system as far as possible. Mentoring teams will be closely involved in the preparation and implementation of decentralized plans as well as identification and monitoring of capacity building activities. They will also provide demand-driven capacity building for core GP functions.

24. **Activity 3**: Formal learning and trainings for the officials and representatives from the PRIs, delivered through a District-level planning process. A demand driven and focused approach to formal learning and training for GPs will be adopted on the basis of GPs' specific and individual needs, oriented towards providing GPs with the skills and knowledge they need in order to access PBGs and to deliver more and higher quality public goods and services. This will require a flexible approach to the provisioning of training and learning events – with less emphasis on the delivery of a standard training package to all GPs.

25. **Activity 4**: Institutional systems development and roll-out for improving local governance. This activity will provide support for development and state wide roll out of institutional systems for improved local governance, transparency and accountability, which were piloted successfully under ISGPP-I including (i) Gram Panchayat Management System (GPMS), (ii) Geospatial Information System (GIS) and Management Information System (MIS), and (iii) Grievance Redressal Mechanism (GRM).

26. **Activity 5**: Support for adequate core staff in the GPs. This activity will support the recruitment of three key staff positions in the GPs - Executive Assistant (Executive head of the GP), Secretary and Civil Engineer (Nirman Shayak).

27. **Activity 6**: Development and implementation of internal audit system for GPs. This activity will provide support for developing and implementing a robust state wide internal audit mechanism for all the GPs through a risk based approach.

28. **Activity 7**: Timely completion of APA every year. This activity will support PRDD in conducting the APA for 3,342 GPs in a timely manner every year by engaging an independent third party professional agency. The APA includes two sets of mandatory conditions which relate to institutional, financial and service delivery aspects of local government functioning as well as a set of objective assessment criteria under four thematic areas relating to (i) service delivery and project execution, (ii) transparency and accountability, (iii) decentralized and participatory planning and budgeting and (iv)improved public financial management systems. The complete APA tool is presented in Annex 1.

29. **Activity 8**: Program management, coordination and monitoring. This activity will provide support to PRDD for: (i) deploying required resources at the state and district level for program management and coordination activities to ensure timely and smooth program implementation and; and (ii) undertaking the key monitoring and verification activities such as contracting of DLI verification agents, baseline and end line assessments as well as periodic physical and financial progress reports. At the state level, a State Coordination Unit (SCU) will be responsible for program implementation and coordination while at the district level, this will be done by District Coordination Units (DCUs) both of which will be supported under this activity.

30. **Activity 9**: Timely completion of external audits of all GPs annually. This activity will provide institutional strengthening support to the office of Examiner of Local Accounts (ELA) including adequate staffing and/or infrastructure/IT support which will enable ELA to complete the external audit of all GPs in a satisfactory and timely manner.

31. **Activity 10**: Citizen engagement, project communications and IEC. This activity will generate awareness among the population about the objectives, mission, vision, and benefits of the program. The project communication interventions will focus on GP personnel along with relevant block, district and state level stakeholders. The IEC strategy includes key activities such as print and electronic media, electronic and digital media, local folk-culture events, internal government channels and satellite communication.

Table 4: Program Financing

Source	Amount ($ Million)	% of Total
Government	384.20	64.71
IBRD/IDA	209.47[1]	35.29
Other Development Partners	0	0
Total Program Financing	593.67	100

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[1] As per the borrower's decision 0.25% front-end fee (equivalent to USD 525,000) would be paid out of loan proceeds and hence the total IBRD lending for program implementation is USD 209.475 million

D. Disbursement Linked Indicators and Verification Protocols

32. The Program has seven disbursement-linked indicators (DLIs) built around key outcomes of the Program and are well aligned with the PDO and the KRAs, focusing on strengthening the institutional and financial capacities of the GPs, for improved service delivery in the GPs. Tables 5 below presents a summary of the DLIs with their associated financial allocations while table 6 provides a detail description of the DLIs.

Table 5: Summary of DLIs

DLI	Total Financing Allocated to DLI (US$ millions)	As Percentage of Total Financing Amount (%)
DLI 1: No. of phase II Gram Panchayats (GPs[2]) that have qualified Basic Mandatory Conditions (BMCs) in Annual Performance Assessment	43.53	20.78
DLI 2: Number of phase II Gram Panchayats that have qualified Expanded Mandatory Conditions (EMCs) and got access to performance rewards in Annual Performance Assessment	95.77	45.72
DLI 3: Percentage of activities implemented as per PRDD's annual learning and training plan	11.47	5.47
DLI 4: Average number of annual mentoring input days per Gram Panchayat with performance assessment	26.00	12.41

DLI 5: Core institutional systems implemented by PRDD across all GPs
   a. Gram Panchayat Management System (GPMS), Web-Based Monitoring System (WBMS) & GIS
   b. Grievance Redressal Management System (GRMS)
	9.70	4.62

DLI 6: Annual Performance Assessments (APA) conducted by PRDD	16.00	7.63
DLI 7: Targeted number of vacant core Gram Panchayat positions filled ➢ Executive Assistant ➢ GP Secretary ➢ Nirman Sahayak	2.50	1.19
Total Disbursements for DLIs	**204.97**	**97.85**
Project Preparation Advance	**4.50**	**2.15**
Total financing allocated	**209.47**	**100**

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[2] Phase II GPs refers to the GPs which are being included in ISGPP-II but were not covered in ISGPP-I.

Table 6: DLI Description

DLI	Description
DLI 1: No. of phase II Gram Panchayats (GPs[3]) that have qualified Basic Mandatory Conditions (BMCs) in Annual Performance Assessment	To achieve the annual target for this DLI, the GPs will have to qualify the three BMCs: • Increase in own source revenue (Y-o-Y) • Timely preparation of decentralized GP plan • Timely completion of external audits with no adverse or disclaimed opinion
DLI 2: Number of phase II Gram Panchayats that have qualified Expanded Mandatory Conditions (EMCs) and got access to performance rewards in Annual Performance Assessment	To achieve the annual target for this DLI, the GPs will have to qualify the additional three EMCs in addition to three BMCs mentioned above: • At least 60% of the total untied funds (received till Q3) utilized for achievement of the annual service delivery targets (as per the annual decentralized GP plan) • Maintain the GP accounts on the computerized accounting software (GPMS) In addition, the GPs will have to appear for performance scoring based on Objective Assessment Criteria under four thematic areas: • Decentralized planning and budgeting • Service delivery and project execution • Transparency and accountability • Improvement in public financial management systems
DLI 3: Percentage of activities implemented as per PRDD's annual learning and training plan	To achieve this DLI, PRDD will have to develop and implement a state wide district based annual plan for formal learning and training focusing on key thematic areas relating to institutional, financial and service delivery aspects of local governments.
DLI 4: Average number of annual mentoring input days per Gram Panchayat with performance assessment	To achieve this DLI, PRDD will have to develop and implement an annual mentor deployment plan for providing on the field, need based handholding support to GPs for improving their institutional systems and procedures for improved public service delivery.

DLI 5: Core institutional systems implemented by PRDD across all GPs
   a. Gram Panchayat Management System (GPMS), Web-Based Monitoring System (WBMS) & GIS
   b. Grievance Redressal Management System (GRMS)
	To achieve this DLI, PRDD will have to support GPs in implementing and operationalizing (a). the integrated web-based GPMS (including WBMS and GIS) for financial management as well as project implementation monitoring for improved service delivery, and (b) GRMS for addressing the citizen's complaints in a structured and time bound manner.

DLI 6: Annual Performance Assessments (APA) conducted by PRDD	To achieve this DLI, PRDD will have to conduct timely APAs for at least 95% of GPs annually and allocate discretionary grants as per the APA results.
DLI 7: Targeted number of vacant core Gram Panchayat positions filled ➢ Executive Assistant ➢ GP Secretary ➢ Nirman Sahayak	To achieve this DLI, PRDD will have to recruit new staff for the core positions in GPs that will strengthen the resource base of the GPs for delivering the devolved services as per the legal mandate.

33. As can be seen from Table 6, DLI 1 and 2 measures the outcomes in terms of strengthened GPs for improved service delivery by means of the APA while DLI 3 to 7 measure the outputs in terms of the institutional systems development, adequate staffing and enhanced capacities in the GPs for improved

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[3] Phase II GPs refers to the GPs which are being included in ISGPP-II but were not covered in ISGPP-I.

service delivery. The DLIs 1 and 2 are designed in a manner that incentivizes continued improvements in the GP functioning and service delivery outcomes at the local level, over the Program period by placing more weightage on the performance based component as shown in the table 7 below on PBG allocation percentages. In the DLI 1, the allocation will be done based on the number of GPs that qualify the BMCs but the percentage of PBG that they can access at this stage will reduce over the Program period. On the contrary in DLI 2, the allocation will be done partly based on EMC qualification and partly based on the performance score weightage (which is the scalable component of PBG), which will increase over the Program period. This will provide enough incentive for the GPs to continue improvements in their performance.

Table 7: PBG allocation framework

Category of GPs	Levels of APAs	Year 1	Year 2	Year 3	Year 4
Category 1 (1,000 GPs)	Upon qualifying BMCs	N/A	N/A	N/A	N/A
	Upon qualifying BMCs + EMCs, basic formula	50%	50%	50%	50%
	Based on Performance Scores	50%	50%	50%	50%
Category 2 (2,342 GPs)	Upon qualifying BMCs, basic formula	50%	25%	25%	25%
	Upon qualifying BMCs + EMCs, basic formula	25%	25%	25%	25%
	Based on Performance Scores	25%	50%	50%	50%

34. In terms of DLI verification, PRDD will hire an independent professional firm for the periodic verification of the achievements of DLI targets and to submit a report to the Inter-Departmental Program Steering Committee (PSC). The Bank will make the final decision on whether a DLI has been achieved. In addition, the Bank may undertake regular independent quality assurance checks of the APAs to ensure continued robustness of the system.

Figure 1: DLI Verification Cycle
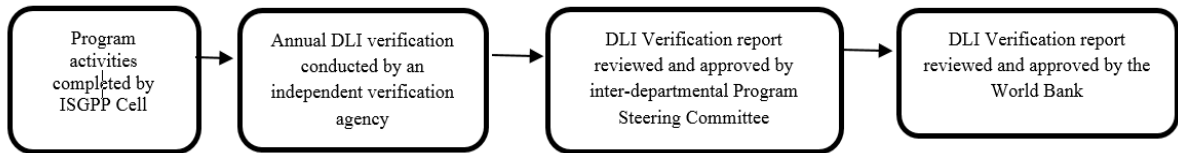
35. The table 8 below provides the details of the timelines for the verification of the DLIs

Table 8: DLI Verification Timelines

DLI	Program activities completed by	DLI verification by	Approval of PSC by	Approval of the Bank by
DLI 1 and 2	APA completed by August every year (December for first year)	September every year (January for the first year)	October every year (January for the first year)	October every year (January for the first year)
DLI 3 to 7	Activities completed by March every year	April every year	May every year	May every year

36. A Project Preparation Advance (PPA) was mobilized to finance all preparatory activities, including: Annual Performance Assessments and baseline for 2016; preparation of Program Operations Manual; hiring an independent verification agency for DLI verification; design and implement an IEC strategy; and financing of the operational expenditures of the ISGPP Cell and the District Coordination Units.

37. The DLIs 1, 2, 3, 4 and 6 have prior results to be achieved (after PCN review and before the date of loan agreement signing) which will be funded by the Program. The prior results are critical for timely operationalization of the Program and implementation of the activities such as disbursement of PBG, implementation of annual learning and training plan, implementation of mentor deployment plan and completion of APAs.

E. Capacity Building and Institutional Strengthening

38. Capacity building and institutional strengthening activities of the Program comprise mentoring and formal learning. The activities will focus on improving GP performance to access and maximize PBGs.

39. **Mentoring**. The mentoring system will be: (i) maintained at a level that is as cost-effective as possible; (ii) subject to annual quality assessments to ensure that mentoring services are appropriate; and (iii) facilitate mainstreaming GP mentoring services into the local government system. Mentoring teams will provide on-the-job support and demand-driven capacity building for core GP functions along the lines under ISGPP-I. Mentoring inputs will continue to be coordinated and supervised by DCUs but will be more closely involved in the identification and monitoring of capacity building activities. Mentoring teams will consist of 4 members. The core members are planning/governance and financial management specialists with infrastructure/engineering and IT support mentors offering flexible support on a needs base. A total of 454 mentors in distributed in 143 mentoring teams will be deployed.

40. **Formal Learning**. Formal learning and training will be demand driven based on the specific and individual needs of GPs for the skills and knowledge they need to access performance based grants and to deliver more and higher quality public goods and services. This will require a more flexible approach to the provision of training and learning events, with less emphasis on the delivery of a standard training package to all GPs. This will be achieved through a local level planning process, through which learning and training needs of GPs are identified, prioritized and then planned/budgeted for on an annual basis. District committees will lead this process and the district learning/training plans will be consolidated by the ISGPP cell, and discussed with STARPARD. Learning and training activities will be delivered by either public or private sector service providers, respectively through agreements or contracts. The activities are further detailed out in the technical assessment.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

41. The Program will be implemented using the existing government systems and the current inter-government architecture, including the main features of intergovernmental fiscal transfer system, as set up under ISGPP-I. Existing systems will be further strengthened to meet the objectives of the ISGPP-II program as necessary. To this effect a Program Operations Manual (POM) that makes all provisions for the implementation and monitoring has been prepared. The POM describes and provides detailed procedures on the overall program design, key expenditure areas and activity wise technical design and plan for execution and monitoring of the activities under ISGPP-II.

42. The state government's Panchayat and Rural Development Department (PRDD) will have the primary responsibility for program implementation and will ensure that the program development objectives are met. PRDD will execute the program through the ISGPP Cell that was established within

the West Bengal State Rural Development Agency (a society registered under Societies Act by PRDD) under ISGPP-I. The ISGPP cell will assume direct, state- wide responsibility for day-to-day program management, implementation, coordination and monitoring at the state and the local level. The ISGPP Cell will have experienced specialists to cover all key areas of the program: grant management, capacity building, M&E, grievance redress, communications, finance and accounts, and project implementation team. This is described in detail in Annex 1 and the technical assessment.

43. The ISGPP Cell will coordinate the implementation of the program, through 19 DCUs. DCUs will comprise a District Coordinator, an Additional District Coordinator, one Account and Administrative Coordinator and one or more teams of mentors. At the local level, GPs will be ultimately responsible for planning, budgeting, implementing, and reporting on investment projects financed through the PBG received by them based on their performance as evaluated through APA system.

44. The audits for the Program will be conducted at two levels: at the first level, the Annual Financial Statements (AFS) for the Program will be audited by private Chartered Accountants firm selected, using agreed competitive procurement processes documented in the Procurement Manual. The AFS will cover the total program and include all sources and uses of funds, including SFC grants (100 percent) and CFC Performance based Grants (10 percent). At the second level, 3342 GPs annual financial statements will be audited by the Examiner of Local Account (ELA), under the Office of the Accountant General of West Bengal (an arm of the Office of Comptroller and Auditor General of India) – the quality and timeliness of the GP annual audit reports will be monitored and tracked under the APA and will determine the eligibility of the GPs to access Performance based Grants under the program. In order to comply with the legal covenants, GoWB will be required to submit audited AFS of the Program within nine months of the close of each financial year.

45. Strategic oversight and inter-departmental coordination support for ISGPP-II will be provided by an inter-departmental 'Program Steering Committee' (PSC) that has been established under the Chairmanship of the Minister-in-Charge of Panchayat and Rural Development Department. The PSC will meet at least once every six months to (i) review and guide project implementation; (ii) act as the appellate authority to resolve grievances which are not resolved by junior grievance redressal officers; (iii) ensure smooth inter-departmental coordination to aid implementation; (iv) provide strategic policy advise, and (v) endorse the verification of results (conducted by the Verification Agent).

B. Results Monitoring and Evaluation

46. The ISGPP cell will be responsible for program reporting, and will report on program implementation, including provision of reports to the PSC and the World Bank through standard semi-annual progress reports, semi-annual financial management reports, and an annual progress report. Standard reporting formats are being developed as detailed in the Program Operations (PO), see section IV for the Program Results Framework and M&E.

47. The DCU (and mentoring teams) will provide the ISGPP cell semi-annual reports on mentoring and GP infrastructure/service delivery outputs for all activities undertaken by performance based grants, as well as input to the annual program report. District Coordinators will ensure that all GPs provide them the necessary information to compile the semi-annual report on expenditures incurred and provide progress updates against physical outputs for all PBG's through the online GPMS and WBMS system already set up. Service providers (public or private) will submit progress reports to the DPRDO/AEO for formal training and learning activities.

C. Disbursement Arrangements

48. Disbursements from the Bank will be based on the achievement of annual DLI targets (listed in Annex 3) in two tranches every year:

- DLIs 1 and 2: The disbursements are scalable and will be made no later than February every year (with the exception of Year 1, when disbursements will be made after the program is effective).

- DLIs 3 to 7: Disbursements for DLI 3, 4 and 6 are scalable, while disbursements for DLIs 5 and 7 are not scalable. Disbursements for DLIs 3 to 7 will be made in June every year based on the achievement of the respective annual targets.

49. Disbursements will be made once the results are verified by the independent verification agency, approved by the Program Steering Committee, reviewed by the Bank's task team, and confirmed by the Bank's Country Director. All seven DLIs have prior results to be achieved before signing as described in Annex 3. Prior results for DLIs 1 and 2 are expected to be achieved by December 2016 and verified by January 2017, while the prior results for DLIs 3 to 7 are expected to be achieved by March 2017 and verified by April 2017.

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)

50. **Strategic Relevance**. The Program Development Objective is well aligned with GoI's and GoWB's objectives for the strengthening the PRI system, with a focus on the GP level. The recommendations of the fourth SFC support the roll-out of performance based grants to all GPs. In addition, support to capacity building, M&E and APA will incentivize improved performance and more efficient and effective utilization of the increasing level of discretionary sources allocated to GPs for local services and infrastructure.

51. The PforR operation will strategically support all the KRAs under the government ISGPP-II program to strengthen GPs through a performance based grant system and capacity building in core areas of planning, PFM, project execution, revenue mobilization and M&E. ISGPP-II is based on well-tested operations, including ISGPP-I and in other states of India, as well as other countries where PBGs have been introduced under PforR operations. ISGPP-II will refine the previous PBG model in a number of areas, such as strengthening of the incentive system, increasing the coverage of performance grants to encompass other sources of funding (SFC and CFC grants), improved CB modalities, and roll out to the entire State in a mainstreamed and coherent manner.

52. **Technical Soundness**. The technical design of the program, including the overall structure of the PBGs, APA, CB support, and the detailed technical parameters are based on lessons learned, testing and research. By design, all GPs will be enrolled into a state-wide PBGS, with special consideration given to the new and weaker (i.e., non-ISGPP-I) GPs. The proposed stepwise approach ensures a balance between incentives and allocations based on capacity, along with incremental improvements and enhanced levels of funds. The core design parameters (size of the grants, investment menu, and integration with the overall grant architecture and the flow of funds) are well aligned with government procedures, but will also promote improvements through the blending of PBG funding sources.

53. All the components of the program (PBGs, APA, CB) are mutually reinforcing. The APA system, including the methodology for assessments, quality assurance and verification, has been designed in a robust and credible way, after testing and refinement of its procedures and indicators. The CB activities are comprehensive and cover mutually strengthening elements, e.g., systems development (GIS, MIS, etc.), training, mentoring and backstopping support. The approach to CB is demand- and needs-based.

54. **Institutional Arrangements**. The proposed institutional arrangements are similar to those developed under ISGPP-I, with refinements to ensure stronger inter-department coordination through the Program Steering Committee and to ensure that APA results are better integrated into the District-level (and State-wide) planning, coordination and implementation of capacity building actions.

55. **Expenditure Framework**. All three Program expenditure areas (PBG, capacity building and institutional development support and program management, coordination & monitoring) will be provided for in the State and the GP budgets. PBGs to GPs will comprise 88 percent of overall program costs. IBRD funding will constitute 26 percent of the PBG and will target the new GPs[4]. For other expenditure areas, 100 percent of the funding will be sourced from the DLI triggered disbursements from IBRD. Table 9 below provides a summary of estimated Program expenditures

Table 9: Summary of the Estimated Program Expenditures

Item	Amount (US$ Million)
Expenditures for CB, program management (incl. APA, audit etc.)	70.275
Grants to GPs	523.4
TOTAL	593.675
Program funding sources	
IBRD	209.475
GoWB (including SFC, CFC grants)*	384.2
TOTAL	**593.675**

* Of this, USD 90 million is the committed co-funding for the Program, which is approximately equal to the planned SFC funding part of the PBG for the new GPs.

56. **Results Chain Analysis**. The seven DLIs in the Program are designed to support critical elements of, and challenges associated with, the reform of the GP system. The results chain including the KRAs, the activities and the DLIs is presented in the Annex 4 on summary of technical assessment. The APA is designed to focus on supporting the four critical KRAs of the Program. The Program includes further improvements to the APA system, systems development with respect to GPMS/WBMS and GRM, reporting and accountability, and will enhance integrated computerized systems. The existing capacity of PRRD to report on core issues of Program activities, utilization of grants, grievance, results, etc., will be further strengthened by improved staffing, technical assistance and systems support. The results framework is designed to monitor critical improvements from intermediate outputs to outcomes.

57. **Economic Evaluation**. Cost-benefit-analysis shows strong economic benefits associated with PBG-financed investments in infrastructure, e.g., concrete roads, tube wells and drains. Based on experience from ISGPP-I, the Program is also expected to lead to significant gains in terms of improved performance of GPs from planning to monitoring grants, as well as project execution capacity and better targeting of investments to local needs The Program is expected to have significant employment generation impacts at the GP level. It will also improve the overall efficiency in spending the increased funding allocated to GPs over the coming years.

B.   Fiduciary

58. An integrated fiduciary system assessment (IFSA) has determined that the overall fiduciary framework for the Program is adequate to support its effective management and achieve the desired results.

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[4] According to agreement made with the GoI, the IBRD funding will be targeting support of provision of PBG to the new 2,344 GPs, together with funding from SFC and CFC (10%), whereas the other GPs will be covered by the two other sources – SFC and CFC (10 %).

59. **Financial Management**. Key conclusions from the assessment are: (i) fiduciary arrangements at the state and ISGP Cell level are robust, well established and tested; (ii) good practices in fund flows that emerged from the implementation of ISGPP I will be strengthened under ISGPP II; (iii) the legal and institutional framework defining the fiduciary arrangements at the GP level is robust and, by and large, GPs have well-functioning financial management systems; and (iv) there are several challenges with respect to connectivity, capacity and systems. In about a third of the GPs, the computerized accounting and management system (GPMS) is not fully operational, linkages between GP budgets and five-year perspective plans are weak, there is inadequate monitoring and control of fixed assets, internal audits are not conducted as intended, and external audits are completed only within one year of the close of the financial year.

60. Key mitigation measures that have been built into the Program design include: (i) linking PBGs to GPs to enhance transparency and accountability; PBGs to be given only to GP's that do not have a 'disclaimed' or 'adverse' external audits report. This is a part of the BMC to qualify for a proportion of the PBGs; (ii) Road map for GPMS strengthening agreed as a DLI under the program, and includes implementation of online GPMS across all GPs, integration of MIS and GIS modules in GPMS, PDA based OSR collection system integrated with GPMS, issuing Trade License, Building Permission, and other services (including on-line tax payment as part of Ease of Doing Business module in GPMS and implementation of Asset Management system under GPMS); (iii) incorporation of the budget module under GPMS; and (iv) ELA Office to complete all GP audits by September of each year.

61. **Procurement**. Most procurements at GP level are expected to be highly decentralized and of low value, therefore skill development will focus in ensuring consistency, uniformity and monitoring of a large number of small value contracts (expected not to exceed US$10,000 per contract). The IFSA identified issues in regard to lack of integrated procurement planning; lack of competition and equal opportunity in contracting; weaknesses in the selection criteria of contractors and suppliers; restrictions on registration of vendors/suppliers; weaknesses in contract administration; inadequate standards for disclosure/transparency; lack of a procurement monitoring system and a robust complaint handling mechanism, absence of independent oversight over procurement processes. Staff availability and capacity at the decentralized level is limited. The ISGPP Cell, which handles all procurement related activities at the PIU level, is staffed by two competent procurement personnel. Procurement procedures proposed by the ISGPP Cell are acceptable to the Bank.

62. The following actions will be implemented and monitored during Program implementation: (i) ISGPP Cell to provide clear guidance on consistent and transparent methods of procurement and processes and ensure robust oversight mechanisms; (ii) annual financial audit to include a procurement review; (iii) adequate staffing at Block and District levels to be ensured; (iv) appropriate capacity building and strengthening strategy to be designed for consistent and expedited actions; (v) a robust grievance redress mechanism to be put in place (ongoing) and a social audit will be carried out; and (vi) a Procurement Manual for the ISGPP Cell to be developed—this has already been prepared as part of the POM.

63. The Program is not expected to require large contracts valued at or above Operational Procurement Review Committee (OPRC) thresholds (US$50 million for works, US$30 million for goods, US$20 million for non-consulting services, and US$15 million for consultant services).

64. **Governance and Accountability**. The existing vigilance and anti-corruption mechanisms at the program level include: the Anti-Corruption Bureau and its state-level constituent bodies that enforce the Prevention of Corruption Act, 1988; financial and performance audits by the Comptroller and Auditor General (C&AG) of India; the Right to Information Act, 2005; and various state and

departmental level vigilance and grievance redress systems. The main channel for receiving complaints at the GP level is mostly manual/written complaints or verbal voicing of grievances. As per the PRI Act, GP's are required to record complaints and the action taken but the system is weak and needs further strengthening.

65. In line with its commitment to improve grievance redress, transparency, accountability and F&C related issues, GoWB will launch a new online Grievance Redressal Mechanism (GRM) linked to a toll free helpline for ISGPP-II and other PRDD related schemes. Communities and individuals who believe that they are adversely affected by the Program may submit complaints to existing project-level grievance redress mechanisms or to the WB's Grievance Redress Service (GRS), see below.

66. **World Bank Anti-Corruption Guidelines**. Following the precedence set by previous PforR operations in India, implementation of the Program will be aligned with the Anti-Corruption Guidelines applicable to 'The World Bank Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results financing" dated February 1, 2012 and revised July 10, 2015. It will be complemented by the protocol agreed between GoI and the Bank on July 30, 2008 for the exchange of information and documents, and granting the Bank access to the Operation's sites and related persons.

C.   Environmental and Social Effects

67. The Program interventions are expected to result in substantial social and environmental benefits to local communities, especially to those from the poor and vulnerable sections. Adverse impacts on the environment and people that are sensitive, diverse, and unprecedented are not foreseen. However, planned efforts are essential to ensure that program interventions result in sustainable social and environmental benefits. Towards this, an ESSA was conducted in line with Bank policy on Program for Results financing to assess the degree to which the program systems align with the principles of: promotion of environmental and social sustainability; avoidance, minimization or mitigation of adverse impacts on natural habitats and physical cultural resources; protection of public and worker safety; management of land acquisition; consideration of issues related to indigenous peoples and vulnerable groups; and, avoidance of social conflict. The ESSA identified actions required for enhancing Program systems and mitigating environmental and social risks. It includes a negative list of investments (annex 5) that makes explicit reference to all the activities that cannot be financed by the PBGs, including irrigation activities in GPs of excluded blocks. Overall, the ESSA concluded that while Program systems are aligned with the core principles of the Bank's Program for Results instrument, there is considerable scope for strengthening them.

68. The ESSA found that a clear and definite regulatory and institutional mandate exists at the national, state and sub-state levels that ensures the capacity building of various agencies to address social and environmental issues. However, there are several constraints: (i) inadequate operational linkages among the PRI institutions; (ii) uncertain and erratic fund flows; (iii) need for facilitation assistance to ensure widening and deepening of investment choices; (iv) poor technical capacity and inadequate capacity support; (v) need for a new set of guidelines (for construction works and worker safety) in certain ecologically and politically sensitive areas; (vi) need to make explicit the rules governing securing lands through voluntary donations for civil works; and (vii) need to recognize diversity and heterogeneity among the districts/GPs and for differential outreach measures. Actions for addressing these gaps have been agreed and relate to: (i) up-dating of the existing Environmental and Social Management Framework (ESMF), specially, to enhance the negative list of activities; (ii) capacity support to ensure effective outreach and facilitation efforts; (iii) capacity building, especially on the technical front, to address environmental issues; (iv) refining approaches towards enhancing inclusion of poor and vulnerable households; (v) up-dating of the guidelines on cyclone/ disaster resistant construction technologies, worker safety etc.; (vi) ensuring "voluntariness" in land donations; and (vii) strengthening grievance redress mechanisms.

69. The state of West Bengal is committed to ensure engagement of citizens in the management of the program as it paves the way for (i) legitimacy in decision making; (ii) amplifying effectiveness of the institutional and implementation arrangements; (iii) designing of the appropriate local level interventions; (iv) enhancing inclusion, reducing conflicts, and establishing common platforms for sharing of knowledge and concerns; (v) local-level capacity building leading to responsible and responsive citizenry; (vi) better-quality outcomes; and (vii) downward accountability. In order of the program to contribute to better service delivery and sustainable impacts citizen engagement must be fostered, and the Program has inbuilt mechanisms for this including: (i) consultations with all the relevant stakeholders for initial need assessment and prioritization; (ii) assessing vulnerability index for enabling inclusion; (iii) sharing of all the draft plans with the stakeholders, engaging in formal as well as informal extensive discussions and deliberations, incorporating the feedback and finalize the plans; (iv) continuous monitoring and regular sharing of the results; (v) beneficiary assessments; and (vi) multilayers of grievance redressal arrangements including helplines and online applications as well as full adoption of the country's Right to Information Act. The M&E arrangement provides for indicators reflecting on citizen engagement.

70. **Gender**. The program does recognize the existence of gaps between males and females, though, in West Bengal, the difficulties/ deficiencies encountered by women have large commonalities with other poor and vulnerable sections such as SCs and STs. Hence gender aspects have been duly covered under the overall umbrella of 'inclusion' which ingrains the elements of participation as well as sharing of benefits. The program distinguishes inclusion in three spheres: (i) political; (ii) social; and (iii) economic. While political and social exclusions are not serious issues in West Bengal, economic exclusion does warrant attention. On the political front, while the Indian constitution provides for 33 percent reservation for women, the same stands at 50 percent in West Bengal in all the three tiers of PRI. Social inclusion is ensured not only through reservations meant for different social sub-groups but also the adoption of Vulnerability Group Development Framework (VGDF), a tool meant to prioritize Sansads for investments. The economic inclusion, however, demands planned efforts in the following spheres. One, enabling space and opportunities for women PRI members to express themselves; Two, recognize heterogeneity among women – poor households, female headed, women with disability, SCs, STs, religious minorities etc. -and ensure facilitation cum IEC intermediations for each of the groups to deliberate and express their requirements; Three, bestow a specific budgetary space for women oriented activities in the annual action plans; and Four, build capacity of all the stakeholders, in general, and women, in particular, towards accomplishing the above. All these have been ingrained in the program interventions. Development outcomes on the gender front will be monitored regularly and the implementation arrangements will be visited on an annual basis for drawing lessons and midcourse actions, as appropriate.

71. The ESSA has been disclosed to various stakeholders at a workshop organized in Kolkata on December 15, 2016 and subsequently uploaded on the websites of the GoWB and World Bank on December 22, 2016. The GoWB re-disclosed the ESSA on the Programs website on February 15, 2017.

72. The World Bank's Grievance Redress Service (GRS) ensures that complaints received are promptly reviewed in order to address pertinent concerns. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org. Complaints can also be submitted to the existing program grievance redress mechanism.

D. Risk Assessment

73. The SORT table below presents the risk rating for the program. The overall risk rating of the Program is 'Substantial'. Fiduciary and institutional capacity risks are rated 'substantial' as the 2,344 non-ISGPP-I GPs under the Program have weak institutional capacity and inadequate fiduciary systems. In view of this ISGPP-II will provide comprehensive support to all these (and indeed all) GPs for capacity building and institutional development to strengthen local government capacities and systems. Special actions to address weaknesses identified by the technical assessment, IFSA and ESSA have been built into Program design, including mandatory conditions and performance measures. Overall the Program is not expected to have any major negative impacts. Most of the works will be of small scale and subject to a negative list. No resettlement or involuntary land acquisition is anticipated, and negative environmental impacts, if any, will be minor. Thus, social and environment risks will be moderate.

E. Summary of Program Action Plan (PAP)

74. To address key Program risks, PRDD will undertake the actions listed below:

Table 10: PAP Summary Table

S. No.	Action	By Whom	Time line	Completion Measurement
1.	**Amendment of Panchayat Act 1973 and Rules** The Panchayat Act 1973 and West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007 to be amended to revise the devolution framework, financial management systems and procurement systems in GPs	PRDD	By Dec 2018	The draft of amended Panchayat Act 1973 and West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007 submitted to legislature for approval
2.	**Internal Audit in GPs** Establish internal audit processes, train PAAOs/ PDOs and jointly conduct internal audits under risk-based principles in GPs, as part of on-the-job training	ISGPP Cell	By August 2017	ISGPP Cell will engage professional firms/institutions to review internal audit processes, train PAAOs/ PDOs and jointly conduct internal audits under risk-based principles, as part of on-the-job training
3.	**Grievance Redressal Mechanism** New three element Grievance Redressal and Complaints handling Mechanism to be effectively implemented	PRDD	By April 2017	Grievance Redressal Management System fully operational
4.	**Negative list** Enhancing the negative list of activities.	ISGPP Cell	Before negotiations and then re-visited on annual basis	ESMF Updated incorporating the supplementary list of negative activities.
5.	**Land** Share with GP and other relevant stakeholders approach and methodology for securing lands for civil works.	ISGPP Cell/ PRDD	Before Negotiations	Revise the current ESMF including the agreed policies governing securing lands for civil construction. Create awareness about the same across all the stakeholders and ensure its compliance by GPs.

6.	**ESMF Capacity Building** ESMF capacity building for all the development entities - PRIs and Line Department through appropriate orientation programs.	ISGPP Cell/ PRDD	By Dec 2017	Issuance of a directive to all the PRIs for the adoption of revised ESMF.

<center>**Annex 1: Detailed Program Description**</center>

A. The government program: ISGPP-II

1.   The Constitution of India mandates state governments to establish an independent State Finance Commission (SFC) once every five years to review, analyze and make recommendations on issues relating to local government (rural and urban) decentralization, design of inter-governmental fiscal transfer framework, and enhancing the fiscal autonomy and sustainability of local governments. GoWB adopted the West Bengal Finance Commission Act of 2011 that constituted the fourth SFC in 2013. The fourth SFC noted that while the state has made good progress on local government and decentralization issues, a number of legal and fiscal issues remain to be addressed. These include dealing with a complicated legal framework governing the PRI system owing to the piecemeal approach adopted towards amendments in the legal instruments; unclear functional and expenditure assignments between the state and local governments, as well as within the three tiers of the PRIs: Zilla Parishads (ZPs), Panchayat Samitis (PS) and Gram Panchayats (GPs); and lack of adequate human resources, both funding and capacity.

2.   Fourth SFC has raised some important concerns on fiscal devolution and financial management aspects in rural local bodies, which include: (1) weak own source revenue generation and management systems - especially the lack of proper assessment/valuations, demand and collection of various revenue sources; (2) a weak inter-governmental fiscal transfer framework owing to unpredictable and sporadic fund transfers; (3) lack of proper expenditure management systems; (4) weak accounting and budgeting procedures; and (5) weak external audit system with delayed audits due to capacity constraints at the state's audit office (ELA) and lack of an internal audit system. Further the fourth SFC noted that the PRIs lack the interest and motivation to enhance their own source revenue because of their high dependence on inter-governmental fiscal transfers and because most of their focus is on the implementation of the central or state government funded schemes.[5]

3.   Based on the issues identified during its review, the fourth SFC provided a set of recommendations for strengthening local governance and decentralization in the rural local governments. These include: (1) Comprehensive legal review and revision of the West Bengal Panchayat Act 1973 with delineation of the responsibilities, duties and functions of the three tiers of PRIs for clear functional and expenditure assignments so as to enable each tier to function as a unit of self-government with a defined objective. Due to the importance of this revision, this has been included as part of the PAP; (2) Human resource requirements in the PRIs needs to be thoroughly reviewed and restructured in the context of existing and planned service delivery and administrative obligations – the PRIs should have adequate permanent staff for key functions like accountancy, civil engineering, procurement etc.; (3) The PRIs need to focus on enhancing own source revenue generation – in this regard, the procedures for valuation of taxes and rates as well billing and collection needs to be improved and the PRIs need to be guided to focus on non-tax revenue sources including any legal amendments required to the state's Panchayat Act 1973; (4) Practice of timely external audits and robust internal audit systems needs to be completely internalized including the placement of the audit report in the general body meeting of the PRIs and be deliberated upon; and (5) Capacity building interventions should be in conformity with the National Capacity Building Framework.

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[5] The Own Source Revenue increased by 60% over the period 2010-16, but remained abysmally low (~2-3%) as a percentage of total GP revenue. OSR is expected to increase significantly in absolute terms, but as a percentage of total revenue, the expected improvements are marginal as this will need some focused long term interventions for a visible improvement.

4.   The fourth SFC also recognizes the positive contributions of the World Bank-assisted ISGPP-I to the achievement of State's Decentralization Roadmap, 2009. The state government has formulated a roadmap for strengthening decentralization in the rural sector in 2009 which listed out the key action points that the government planned to undertake for strengthening the local government functioning through improved governance, accountability and management systems. The fourth SFC noted that the ISGPP-I has enabled significant improvements in financial management through annual performance based block grant systems and the implementation of decentralized participatory planning and implementation through capacity building activities, which have had a transformative effect in the 1,000 GPs, which were covered under the program. According to the SFC, the APAs have been instrumental in fostering discipline, and improving the quality of local governance through key institutional indicators like annual plan and budget preparation; fund utilization; compliance with prescribed procurement guidelines; accounting and reporting systems; and clean external audit reports. This has been accomplished by the effective capacity building and handholding support to GP functionaries and officials, which has ultimately reflected in the delivery of basic services. On this basis, SFC concluded that targeted support to GPs in the form of additional discretionary funds, supplemented by capacity building support, would be the best way to strengthen GPs as devolved service delivery and administrative units in the PRI system.

5.   The fourth SFC recommended the replication of the ISGPP-I model, with its strong combination of CB & performance based funding, in the remaining GPs for institutional strengthening of the PRI system. Considering the improvements in the local government functioning of the GPs covered under ISGPP-I vis-à-vis other GPs, the fourth SFC's has recommended the state government to establish a state wide Institutional Strengthening Program for all the 3,342 GPs, including the institutionalization of a state wide performance based grant system and comprehensive capacity building support. This proposed state-wide roll-out of the performance based grant system was already envisaged during the design of ISGPP-I contingent upon the successful implementation as a pilot in 1,000 GPs.

6.   The state government has adopted the recommendations of the fourth SFC, and has launched a comprehensive government program (ISGPP–II) from FY 2016/17 to 2021/22 to take the decentralization agenda forward in the state. The government program is clearly anchored on the fourth SFC recommendations. It aims to accelerate the pace of rural decentralization to attain better quality of public services and local self-governance by augmenting the financial resources of PRIs, and providing them support to plan, implement and manage services in a decentralized and participatory manner. The program will encompass support to roll-out of the performance based grants, combined with capacity building and coordination support.

7.   The government program (ISGPP-II) will focus on the following four Key Result Areas (KRAs).

8.   **KRA 1- Establishing a state wide unified performance based grant allocation system for all discretionary funds available for GPs:** As noted above, GPs in West Bengal are poised to receive unprecedented amounts of discretionary funds through CFC and SFC as well as the financial assistance from IBRD. ISGPP-I provides strong evidence that performance based grant allocation systems (with credible and robust APAs) result in remarkable improvements to the local government functioning. Hence, one of the key result areas of the government program is to scale up the APA piloted in 1,000 GPs under ISGPP-I as a state-wide unified performance based grant allocation system comprised of various sources of discretionary funds. This is also aligned with the recommendations of the fourteenth CFC which earmarks 10 percent of the total inter-governmental transfers from the central government for performance improvements in core PFM and revenue areas.

9.   **KRA 2- Improve local government financial management systems in GPs:** Local government finances have been an area of concern for over two decades. The fourteenth CFC and fourth SFC make a clear reference to the long pending need of making a dedicated and concerted effort to improve the local government finances and the financial management systems which is one of the key cornerstones of a well-functioning local government system and for the quality of public services in rural areas. Hence, the state government proposes to improve the local government finances at both policy and implementation levels through efficient expenditure and revenue management, improved financial management systems relating to planning and budgeting, accounting and financial reporting, internal and external audits.

10. **KRA 3- Improve local governance and HR capacities for increased transparency and accountability in local government functioning:** Fourth SFC noted that there are significant deficiencies in the existing human resource capital vis-à-vis the increasing administrative and service delivery responsibilities of the GPs. The deficiencies are both in terms of the staff adequacy as well as institutional capacity to undertake effective public administration, service delivery and social development responsibilities. Hence the government plans to provide comprehensive support to the GPs as a part of its fiscal decentralization agenda to ensure that the GPs are staffed adequately and possess the institutional capacity through proper management systems and administrative procedures.

11. **KRA 4- Improve the decentralized and participatory planning and budgeting mechanisms at the local level:** Well established decentralized planning and budgeting mechanisms with participatory and consultative approaches have been adopted as the modus operandi by the state government for effective decentralization and to enable GPs to respond actively to the local needs. However, limited understanding of the governance system and the responsibilities of the GPs enhancing people's participation in planning processes has been particularly difficult. The state government has taken up this as a priority task for strengthening the role of people in the annual planning and budgeting activities conducted in the GPs through Gram Sabha and Gram Sansad meetings.

12. The government program would support activities to achieve the above-mentioned four KRAs with a total estimated expenditure of USD 593.6 million and will cover 3,342 GPs of the state.

B. The Proposed Program for Results – ISGPP-II

13. The GoWB seeks to roll-out and refine the PBG modalities of ISGPP-I as the main vehicle for providing discretionary funds and incentivizing GPs for enhanced performance, combined with a comprehensive system of capacity building and mentoring of GP officials in undertaking decentralized and participatory planning, budgeting and addressing priority service delivery gaps in support of recommendations made by the fourth SFC. The GoWB plans to institutionalize access to all discretionary funds to GPs based on performance, including 100 percent funds from SFC, 10 percent performance grant from CFC, and PBG funding sourced from IBRD DLI disbursements.

14. The Program Development Objective (PDO) is to strengthen the institutional and financial capacities of Gram Panchayats (GPs) across West Bengal. The proposed PDO level indicators for the program are as follows: (1) Percentage of GPs that qualify the BMCs and EMCs annually and (2) Average percentage of total performance based grants utilized by the GPs annually.

15. The proposed PforR operation ('the Program') is identical to the government program. The Program will support the achievement of the four KRAs through the ten core activities outlined below; see Annex 1 for a detailed description of these activities. The table 1.1 below presents the KRAs and the Program activities contributing to the respective KRAs.

Table 1.1: Key result areas and Program activities

Key Result Areas	Specific activities	Cross-cutting activities
(i) Establishing a state wide unified performance based grant allocation system for all discretionary funds available for GPs	*Activity 1:* Performance Based Grants to GPs *Activity 7:* Timely completion of APA every year Activity 8: Program management, coordination and monitoring	*Activity 2:* Focused mentoring support for strengthening GP functioning *Activity 3:* Formal learning and trainings for the GPs *Activity 4:* Institutional systems development and roll-out for improving local governance
(ii) Improving local government financial management systems in GPs	*Activity 6:* Development and implementation of internal audit system for GPs *Activity 9:* Timely completion of external audits of all GPs annually	
(iii) Improving local governance and Human Resource (HR) capacities for increased transparency and accountability in local government functioning	*Activity 5:* Support for adequate core staff in the GPs	
(iv) Improving the decentralized and participatory planning and budgeting mechanisms at the local level	*Activity 10:* Citizen engagement, project communications and IEC	

16. ***Activity 1: Performance based Grants.*** This activity includes providing PBG for two-third of the total number of GPs subject to the outcomes of APAs conducted by the PRDD through an independent agent (company). The proposed activity seeks to roll out the PBG allocation from ISGPP-I as a state level unified system for all 3,342 GPs, covering multiple sources of discretionary funds. A three-element PBG system is envisaged to address the contextual differences in GPs, including demographic factors as well as the level of support they have received for institutional strengthening in the past years.

17. The Program will support government in undertaking comprehensive APAs for all 3,342 GPs. As per the state government's preference (as stated earlier), the Program will contribute Disbursement Linked Indicator (DLI)-based funding for PBG to an equivalent of two thirds of the total number of GPs (which were not covered under ISGPP-I), while GoWB and GoI will provide the supplementary funding from SFC and CFC funds to the remaining number of GPs. Through this approach, the Bank will ensure: (a) institutionalization of APAs and PBGs as the state government's unified platform for providing discretionary funds to all GPs; and (b) targeted support to GPs that were excluded from ISGPP-I. While IBRD disbursements will go to two-third number of GPs the PBG system that will be established will cover the entire spectrum of 3,342 GPs. The rationale behind this is to support the state government achieve the objective of establishing an integrated and harmonized PBG system for all GPs under the government program, whilst also acknowledging the contextual differences that currently exist between the 1,000 GPs supported under ISGPP-I and the incoming 2,342 GPs under ISGPP-II. By the end of ISGPP-II a unified, fully integrated and seamless PBG allocation system is expected to emerge for the entire GP system in the state of West Bengal.

18. The performance assessment framework of the Program will consist of a single APA process for all GPs and will assess the following three elements: BMCs for incoming GPs, EMCs for existing and new GPs, and performance measures, as detailed below:

19. The *first element* of the performance assessment is targeted at the 2,344 GPs (2,232 in the first year) which will be assessed against a set of three BMCs: i) decentralized planning; ii) auditing and iii) revenue mobilization. The BMCs are aligned with the conditions of the fourteenth CFC in their

recommendations for the performance grants. Qualified GPs will be able to access 50 percent of PBG in the first year and 25 percent of PBG from second year onwards. The allocation for the qualified GPs, based on the BMC, is higher in the first year since the new incoming GPs would be undergoing the APAs for the first time, and without having received any prior capacity building and support. The intention is to familiarize them with the APA process and to provide them an incentives to improve their performance to receive higher allocations of discretionary funds in subsequent years. This approach recognizes that the 2,344 GPs, who have not received any institutional strengthening support under ISGPP-I are not at par with the 1,000 ISGPP-I GPs.

20. The second and third elements together will enable all 3,342 GPs to access the full PBG allocation. In the *second element*, all 3,342 GPs will be assessed against a common set of EMCs focusing on the expenditure management performance budgeting, safeguards and fiduciary aspects through implementation of Gram Panchayat Management System (GPMS). Compliance with these EMCs (including the BMCs) is a pre-condition to access a higher level of PBG, as explained in table three below.

21. The *third element* scores GPs against a set of performance measures (benchmarks), which would focus on advanced and more qualitative level of indicators like on planning, PFM, local service delivery, environmental and social safeguards. The PBG would be allocated to the GPs proportionate to their performance scores (weighted with the basic formula). The horizontal allocation of grants will then be a combination of the formula as applied by SFC, based on GP population, geographical area, and the weighted performance scores determined in the performance assessments. This calibrated allocation of PBG would encourage GPs to seek higher scores in the performance assessment, and therefore a higher allocation of PBG. The matrix in Table 1.2 below depicts the proposed three-element performance assessment. The detailed APA tool comprising the BMCs, EMCs, and the Performance Benchmarks is described in Annex 10.

Table 1.2: Proposed APA and PBG Allocation Framework

Elements	2,342 GPs*[6] (Covered under ISGPP–II)	1,000 GPs (Covered by ISGPP–I)
Element 1: Assessment against Basic Mandatory Conditions (BMC)	All qualified GPs eligible to receive a minimum pre-fixed fraction of PBG if BMCs are complied with	Not applicable
Element 2: Assessment against Expanded Mandatory Conditions (EMC)	All qualified GPs eligible for the PBG as per their performance scores	
Element 3: Assessment against Performance Measures	All EMC qualified GPs receive PBG on assessment against performance measures PBG allocation for all GPs based on a weighted formula comprising GP's population and GP's geographical area and performance scores	

22. *Activity 2: Focused mentoring support* to GPs for strengthening GP functioning. The activity will provide mentoring support to the GPs ensuring that: (i) the support is maintained at a level that is as cost-effective as possible; (ii) the support is subject to annual quality assessments to ensure that mentoring services are appropriate; and (iii) mainstreaming GP mentoring services into the local government system as far as possible. Mentoring teams will provide all GPs in all Districts with on-the-job support and demand-driven capacity building for core GP functions (planning, procurement, financial management, project execution), like in ISGPP-I. Mentoring inputs from these teams will

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[6] Note in the first year, only 2,232 will be targeted as 112 does not yet have an elected body. Election is expected to take place in March 2017.

continue to be coordinated and supervised by DCUs. However, mentoring teams will be more closely involved in the identification and monitoring of capacity building activities, leveraging their inside knowledge of the GPs.

23. *Activity 3*: *Formal learning and trainings for the officials and representatives from the PRIs*, delivered through a District-level planning process. A demand- (or needs-) driven and focused approach to formal learning and training for GPs is adopted for this activity. Through this approach, formal learning events and training sessions will be provided to GPs on the basis of their specific and individual needs, oriented towards providing GPs with the skills and knowledge that they need in order to access PBGs and to deliver more and higher quality public goods and services. This will require a more flexible approach to the provisioning of training and learning events – with less emphasis on the delivery of a standard training package to all GPs, irrespective of their specific requirements or the particular challenges that they face.

24. The proposed approach to formal learning/training will leverage the in-depth knowledge of GPs that ISGPP's District-level teams (DCUs and mentors) have and ensure that individual GPs access the skills and knowledge they need in order to meet the development needs. This will be achieved through a local level planning process, through which learning and training needs of GPs are identified, prioritized and then planned/budgeted on an annual basis. DCUs and mentoring teams will lead this process, in collaboration with DPRDOs and STARPARD's District-level training coordinators. District learning/training plans will be consolidated by the ISGPP cell in WBSRDA, discussed with STARPARD and then implemented

25. *Activity 4: Institutional systems development and roll-out for improving local governance*. This activity will provide support for development and state wide roll out of institutional systems, which were piloted under ISGPP-I including (1) Gram Panchayat Management System (GPMS), (2) Geospatial Information System (GIS) and Management Information System (MIS), (3) Grievance Redressal Mechanism (GRM), and (4) Web based integrated monitoring system. A detailed technical description of these systems is provided in the Technical Assessments.

26. *Activity 5*: *Support for adequate core staff in the GPs*. This activity will support the recruitment of three key staff positions in the GPs - Executive Assistant (Executive head of the GP), Secretary and Civil Engineer (Nirman Shayak). This support will address a critical and fundamental gap of inadequate HR capacity in the GPs as identified in the report submitted by the fourth SFC. The support will be administered by the ISGPP cell and will be provided to the Districts who are responsible for the recruitment of staff for vacant, but sanctioned, positions in the GPs.

27. *Activity 6: Development and implementation of internal audit system for GPs*. This activity will provide support for developing and implementing a robust state wide internal audit mechanism for all the GPs through a risk based approach. The state government has developed a risk matrix for categorization of GPs based on their performance as reflected in the audit reports of last three fiscal years. The frequency of the internal audits in a year will depend on the risk assessment of the GPs. A common pool of internal auditors with existing PA&AOs and PDOs at district level has been identified, who will be responsible for conducting internal audit through a risk based approach. The common pool of auditors will conduct the audit in the weaker/riskier GPs at an interval of three months initially while other categories of GPs will be audited with at least 6 months interval. A professional audit firm will be hired for developing the internal audit framework/manual, develop training curriculum and provide training to the common pool of internal auditors as well as supervise and review the internal audit reports. This internal audit system will help GPs to improve financial performance and mitigate financial risk.

28. *Activity 7: Timely completion of APA for 3,342 GPs every year*. This activity will support PRDD in conducting the APA for 3,342 GPs in a timely manner every year by engaging an independent third party professional agency with relevant experience. The annual cycle of APA starts with the finalization of APA tool, procurement of the agency for conducting APAs followed by 100 percent survey of GPs for field assessment and finalization of the draft APA report by the agency. The draft APA report will be verified by a third party verification agency contracted by the government, based on a sample survey. The verification report along with the APA report will be submitted to the inter-departmental steering committee for approval. The Bank will receive a copy of the draft report as well as the final APA report for due diligence review, after which PRDD will announce the APA results along with PBG allocation for all the GPs. In order to provide adequate time to the GPs to complete their annual plans following the decentralized and participatory planning approach and implement the identified priority projects in time, it is critical that APAs are completed every year in a timely manner and the results are announced by end of October (first year in November). The program will provide technical and financial support to PRDD in completing this process every year and help the state government establish this as a state-wide unified PBG allocation system for multiple sources of discretionary funds including 10 percent performance grant by fourteenth CFC, 100 percent grant by SFC and the loan assistance from the Bank.

29. *Activity 8*: ***Program management, coordination and monitoring***. This activity will provide support to the PRDD for (1) deploying required resources at the state and district level for program management and coordination activities to ensure timely and smooth program implementation and; (2) undertaking the key monitoring and verification activities such as contracting of DLI verification agents, baseline and end line assessments as well as periodic physical and financial progress reports. The state government has a fully functional institutional arrangement with adequate resources deployed at the state and district level, which was responsible for the successful implementation of ISGPP-I, which will continue for ISGPP-II and will be supported under this activity. At the state level, a State Coordination Unit (SCU) is established in WBSRDA, which is adequately staffed with technical, management and administrative staff. SCU is proposed to undertake the complete responsibility of program implementation and coordination at the state level. At the district level, District Coordination Units (DCUs) are established, who have the mandate to coordinate program activities and monitor the mentoring teams deployed in their respective districts. This entire institutional arrangement will be supported under this activity. For the purpose of DLI verification on an annual basis, an independent professional firm (verification agent) will be engaged by the PRDD. Other routine monitoring and progress reports will be prepared by the SCUs and DCUs.

30. *Activity 9: Timely completion of external audits of all GPs annually*. This activity will provide institutional strengthening support to the office of Examiner of Local Accounts (ELA) including adequate staffing as well as infrastructure/IT support which will enable ELA to complete the external audit of all GPs in a satisfactory and timely manner. This is a critical requirement for enhancing the fiscal governance at the local level and measuring the financial performance of the GPs. As the fourth SFC noted, currently there is a significant delay in the completion of external audit of GPs and the process is not robust enough at the local level to improve the fiscal governance. Hence this intervention along with a BMC in the APA framework will provide adequate incentive as well as required support to the GPs in timely completion of external audits and demonstrate effective fiscal governance.

31. *Activity 10: Citizen engagement, project communications and IEC*. This activity will generate awareness among the population about the objectives, mission, vision, chief benefits and its support systems towards the improvement in local self-governance and service delivery. This includes utilizing traditional print media, electronic and digital media in a 360 degree campaign mode. The project communication interventions will be focused on the GP personnel along with relevant block, district

and state level stake holders as it targets a specified group and has a separate set of milestones to achieve. IEC strategy includes key activities such as print and electronic media, local folk-culture events, internal government channels and satellite communication.

Appendix: Description of Annual Performance Assessment (APA) Framework and Tool

32. The rationale for the APA is to enable the Panchayats to enhance their capacities in managing their own resources and utilize funds allotted to them in a fair, transparent manner with great accountability.

33. The ISGPP-II is envisaged to strengthen the Gram Panchayats in terms of getting access to additional performance based untied fund required to execute their service delivery functions more effectively and reduce capacity gaps in execution of their functional responsibilities along with improvement in their fiduciary and planning systems. The ISGP Project supports an annual; performance based Block Grant to the 1,000 project GPs for the expenditure on local public goods and services in Phase – I. in Phase – II it will cover all 3342 GPs all over West Bengal and the performance of the GPs will be linked to the release of three funds, namely, State Finance Commission Grant (SFC), Central Finance Commission Grant (CFC) and World Bank Fund. The GPs which entered in the project in phase II only, are required to meet three BMCs to become eligible for getting some percent of Performance Grant. Then the GPs are required to clear the other two Extended Mandatory Conditions (EMC) and thereafter they have to achieve a score based target. But for the 1,000 GPs of Phase – I the eligibility criteria includes both BMCs and EMCs and score based performance.

34. The APA is designed to fit well with the Government of West Bengal's planning and budgeting cycle, see below.

Table 1.3: Time frame for APA

Deliverables of APA	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)
Hiring of Consultant	August	By April (to be hired for the rest of the project period)			
Field assessment	September to October	May to July	May to July	May to July	May to July
APA Report	November	August	August	August	August
Verification and Quality Assurance	December	September	September	September	September
Approval by PSC	December	October	October	October	October
Grant Announcement	December	October	October	October	October
Grant disbursement (subsequent year)	May 2017	May 2018	May 2019	May 2020	NA

35. Verification of APA will be carried out by verification Agency once the APA is done each year, tentatively in the month of October each year before the announcement of grant allocation. The APA cycle and the results for the PBG grant allocations will follow a clearly outlined time-line, verification and QA by a neutral and contracted verification agent and decision-making by the ISGPP-II Steering Committee of the Program. Below is an overview of the major milestones in this process. The results from the APAs, conducted every year from August – September (first year 2016 in September-November due to up-start of the Program), will inform the GP planning and budgeting process for the coming year, and lead to grant allocations in May every year.[7] Hence the assessment completed in

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[7] Note: As mentioned below, the CDF grant source part may be disbursed some months later due to the grant cycle of this grant, but will be based on the calculations of the PBGS.

November 2016 will inform the grant allocation for FY 2017/18, and the assessment completed in October 2017, will inform the grant allocation for FY 2018/19.

36. The tool to be applied for the APA, will follow the defined BMCs, EMCs and PMs, as described below. This has been further detailed in an operational APA tool to be applied for the teams in the data collection with means of verification, detailed questions and tools for reporting. The data collection and analysis are conducted by contracted firm with an elaborated system of quality assurance, data handling and computerisation of the results. Results will be verified and additional QA will be ensured through a contracted verification agent. The verification agent will take sample checks of the APA results to ascertain neutrality and quality. In cases of inconsistency.

Summary of the BMCs, EMC and PMs

A: Basic Mandatory Conditions (BMCs) which MUST be fulfilled to qualify for grant

Sl. No.	BMC	Objective Assessment Criteria	Means of Verification
BMC 1	GPs are generating Own Source Revenue (OSR) in a steady manner	The Own Source Revenue of the Gram Panchayat including Tax and Non-Tax receipt in FY 2015 – 16 must increase from the previous FY 2014 – 15	Information for all quarters drawn from GPMS portal (only tax and non-tax portion) (www.wbprdgpms.in)
BMC 2	The GP does not have an adverse or disclaimed audit opinion	Gram Panchayats will have to submit Audited Accounts of External Audit done by ELA under CAG that relate to most recent Fiscal Year (but no audits older than the last fiscal year but one will be considered) and such Audit Report must not be "adverse or "disclaimed".	Review the Audit Opinion of the Audit Report for the GP for the last available fiscal year (but not older than the last fiscal year but one will be considered). "Adverse and Disclaimed means category 'D' in the ELA audit reports.
BMC 3	Upa-Samiti Plan based integrated GP Plan and Budget (Form 36) approved by 31st January	Upa-Samiti plan based GP plan document and budget in Form 36 approved by the GP by 31st January	Documents (Upa - Samiti Plan based GP Plan and Form 36) held by GP and the minutes (# including compliance with negative list as per ESMF guidelines) of the General Body meeting approving the plan and budget

B: Expanded Mandatory Conditions (EMCs) which MUST be fulfilled to qualify for a higher level grant

Sl. No.	EMC	Objective Assessment Criteria	Means of Verification
EMC 1	The Gram Panchayat shall have to achieve a minimum of 60% expenditure across all untied fund (received up to and including third quarter) within fourth	Actual receipt during 01.04.2015 to 31.12.2015 vs actual expenditure during 01.04.2015 to 31.03.2016 for SFC, CFC, ISGPP Grant and OSR	Expenditure information for all quarters drawn from GPMS portal (www.wbprdgpms.in)

	quarter of the Financial Year		
EMC 2	The Gram Panchayats shall maintain the computerized accounting system regularly as per norms of the State Govt.	• Form 26 is uploaded within 7th calendar day of the next month • The lag between any financial transaction and entry in GPMS must be as per existing norms • # Regular Semi-Annual Physical Activity report to be submitted	• The GPMS cell report stating uploading status of Form 26 by GPs • Print out of Cash Book from GPMS • # ME3 Reports submitted no longer than 1 month after the end of the said period.

C: Score based Performance Benchmarks

Theme 1: Planning and Budgeting

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
Compliance with development planning process and preparation of Annual Plan	1. The GP Finance & Planning Sub- Committee (Artha o Parikalpana Upa-samiti) meets at least four times a year to approve schemes/projects for implementation.	• Signed minutes of at least four meetings of the Finance Committee in the last financial year where schemes/projects were considered for implementation.	Maximum score: 4*
	2. The current Plan and Budget was approved by the General body of the GP in a specially convened meeting in the presence of at least half / 50% of the existing members on or before 31st January of the previous financial year.	• Attendance status taken from the minutes of the General Body resolution approving the Plan and budget show that the meeting took place on or before the 31st January.	Maximum score: 5 3 if the attendance is more than or equal to 50% but less than or equal to 75% OR 5 if the attendance is more than 75%
	3. Annual Plan prepared through bottom up approach	• Two Randomly selected activities from the GP Plan is mentioned in the concerned Gram Sansad meeting(s) and Upa Samiti meeting(s).	Maximum score: 4 4 if both activities mentioned OR 2 if one activity mentioned

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
	4. Total of receipt side should be equal to the total of payment side in the annual budget (Form 36)	• Check that whether total of receipt side is equal to the total of payment side in the annual budget (Form 36)	Maximum Score: 1
	5. Summation of all schemes/projects (planned activities) under untied fund matches with the total amount mentioned in the payment side of the Form 36 under the concerned fund	• Check that the payment side of SFC and CFC in Form 36 matches with the summation of all planned activities under the SFC and CFC fund in the plan document.	Maximum score: 4
Preparation of the Perspective Plan	6. A GP Perspective Plan has been prepared and approved by the General body	• A GP Perspective Plan has been prepared and approved by the General body by 31st March, 2014 and has dated signature of Pradhan	Maximum score: 5 2 if the Upa-Samiti wise Perspective Plan is available 2 if the Resolution copy of GB meeting is available 1 if the attendance is more than or equal to 60%
Screening of the planned activities on ESMF and VGDI protocol	7. Social and Environmental assessment of activities/schemes out of the untied funds has been done using the relevant procedures	• The appropriate Environmental and Social Review format has been prepared for any four randomly selected activities/schemes, preferably from different nature of work, in the GP Plan.	Maximum Score: 2*
	8. VGDFI has been updated or not	• # Filled up Annex 'ka', 'Kha' and 'Ga" of VGDF guideline (Order No. 1126(9)-I.S.G.P.P/21P-1(Pm)/2 dtd 23.8.12)	
		Total Score Available	25

*implies that the scoring for the respective criteria will be done on a pro-rata basis.

Theme 2: Project Execution and Service Delivery

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
Compliance with ESMF safeguards	1. Environmental and Social Review reports for completed activities /schemes are updated at the end each of the four Quarter of 2015-16	• Availability of reports of at least two quarterly review in relation to ESMF for activities / schemes implementation done at the end of 1st, 2nd, 3rd and 4th Quarter of 2015-16	Maximum Score:1
Appropriate steps taken before implementation of infrastructural projects	2. Required project proposal forms (plan, drawing and estimate) have been completed for any four randomly selected infrastructure related activities/scheme implemented out of untied funds as mentioned in the annual GP Plan	• Verify that the four randomly selected implemented infrastructure activities/ schemes have completed DPR (plan, drawing and vetted estimate)	Maximum score: 2* (1/2 score for each activity complied)
Transparent and appropriate methods of procurement are followed and properly documented	**3. Consider, out of untied funds:** (a) The procurement is based on comparing price quotations obtained from several suppliers (in case of goods) and several contractors (in case of works) with minimum of three. (b) Requests for quotation indicate descriptions and quantity of goods or specification of works as well as delivery period and place. (c) Comparative statement is signed by the at least one GP employee and two GP members including the Pradhan (d) Complete records including 3 photographs of all procurement documents are available in individual file	**Consider, out of untied funds**: • Review a random sample of 3 fully completed highest value procurement events and check that procurements are consistent with approved plan • Verify concerned registers (Immovable Property Register, Durable Stock Register and Register of Stationery Articles) • Check Complete Records [minutes of meeting approving the particular procurement, tender/quotation notice, comparative statement, work/supply order, measurement	Maximum score: 12 2* 2* 2* 3*

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
	(e) Updated scheme and programme register maintained at the GPs and available for inspection (f) NIT published in prescribed places and served within due time	sheet/book/stock entry, payment (voucher/cash book entry etc.) and 3 photographs] • Receipt copy of NIT with official seal and signature showing that NIT published/received in prescribed places/authority and within due time	1* 2*
80% expenditure (out of the total receipt of OSR, ISGPP Block Grant, SFC & CFC during 01.04.2014 to 31.12.2014) during 01.04.2014 to 28.02.2015	4. Actual expenditure during 01.04.2014 to 28.02.2015 for SFC, CFC, ISGP Block Grant and OSR represents: (a) More than 60% but less than 80% expenditure of the actual receipts during the same period (OR) (b) More than and equal to 80% but less than 90% higher percentage of expenditure of the actual receipts during the same period (OR) (c) More than and equal to 90%	• Expenditure information during 01.04.2014 to 28.02.2015 drawn from GPMS portal (www.wbprdgpms.in)	Maximum score: 3 1 OR 2 OR 3
Completion of planned schemes/activities	5. Gram Panchayats implement infrastructural schemes out of Untied fund which are available in the GP Plan document	• Scheme register/Project Register/Online monitoring System	Maximum score 2 2 if equal to or more than 80% of the infrastructural schemes are implemented **OR** 1 if more than 50% but less than 80% schemes are implemented
	6. GP has created major/ sustainable assets	• In minimum 50% of schemes implemented out of untied fund, the	Maximum Score: 2

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
		value is more than 1 Lakh	
Evidence of the utilization of GP OSR for enhancing service delivery and disclosing that information	7. GP utilizes its own fund (at least 50%) for development activities	• Verifiable documents like Scheme Register in Form 17, General Ledger, Sub-Ledger (GPMS generated) are available with the GP	Maximum score: 3 2 if more than 50% but less than 60% **OR** 3 if more than 60%
		Total Score Available	**25**

*implies that the scoring for the respective criteria will be done on a pro-rata basis.

Theme 3: Accounting, Financial Reporting and Audit

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
The GP has maintained effective financial controls	1. The GP has a clean statutory audit opinion.	(i) The GP has received "A" in the Audit Inspection Report for the last financial/last available year (not more than two years) (OR) (ii) The GP has received "B" in the Audit Inspection Report for the last financial/last available year (not more than two years) (OR) (iii) The GP has received "C" in the Audit Inspection Report for the last financial/last available year (not more than two years)	Maximum score 3 3 (OR) 2 (OR) 1
	2. The GP custodian can keep maximum of R2000/- as cash-in-hand to meet unforeseen urgent expenditure as per approval of Artho-O-Parikalpana Upa-samiti not more than 3 working days	• Cash book • Minutes of the Artho-O-Parikalpana Upa-samiti meeting	Maximum Score:2

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
Books of account are up to date and reconciliations are performed regularly	3. Books of accounts are updated until last transaction day	• Verify that all the transactions have been correctly recorded (duly signed with date) in the primary books of entry until last transaction date which is the last transaction day before the date of visit by the APA assessors (cash book, general ledger and transactions have been done using the appropriate instruments).	Maximum Score:2
	4. The cash balance has been reconciled with bank statements for the last month within 7 working days of the next month	• Bank Reconciliation Statement of the last month available in the cash book	Maximum score:2
	5. The GP has been declared as' Paperless'	• A formal letter/order issued from Block / District authority declaring the GP as paperless	Maximum Score:2
Monthly & Semi-annual Reports are Prepared and Discussed in the General Meeting	6. All monthly and semi-annual financial reports progress reports are prepared in a complete and timely manner	• Verify that 10 monthly financial reports have been prepared in addition to the semi-annual and annual financial statement • Reports must be in appropriate format (Form 26 and 27) and captured in the GMPS within 15 days of the month-end.	Maximum score:6 2 if 10 Form 26 reports have been prepared OR 4 if 12 Form 26 reports have been prepared 2
Annual Financial Statements are prepared and submitted on time	7. Annual financial statement (Form 27) prepared and submitted to the General Body and ready to be produced before the CAG on or before 30th April	• Verify that the statement is available at GP and resolution of the GB Meeting	Maximum score:4 2 if the attendance is less than or equal to 60 %

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
			OR 4 if the attendance is more than 60 %
The GP has agreed on the actions to be taken to address the issues raised in its annual audits	8. The GP has agreed on the actions to be taken to address the issues raised in its annual audits by ELA of the CAG	• Obtain minutes of the Finance and Planning Sub-committee (Artha-o-Parikalpana Upa-samiti) Meeting and verify that they show that actions have been taken to address audit paragraphs and observations. • Verify that appropriate actions have taken place as recorded in the minutes (e.g. funds have been recovered or entries have been corrected as recorded in the minutes).	Maximum scores:4 2 2
		Total Score Available	25

*implies that the scoring for the respective criteria will be done on a pro-rata basis.

Theme 4: Participation, Transparency and Accountability

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
Gram Sansad and Gram Sabha meetings held	1. Gram Sansad meetings with women participation, were held twice in the year under assessment, within required timeframes	• Gram Sansad meeting minutes with attendance is available for randomly selected two Gram Sansad, having attained quorum in first meeting • Ascertain that at least 40% of participants were women by reviewing the minutes of the relevant meetings (adjourned meeting can be considered) of the	Maximum score:5 3* 2*

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
		two Gram Sansads considered	
	2. Social audit has taken place for schemes/activities	• Social audit documents for NREGS and any other untied fund	Maximum score:2
	3. Gram Sabha Meeting • Was held in the year under assessment • ESMF report was discussed in the meeting • Ensured the participation of women	• Gram Sabha meeting resolutions with attendance is available, fully written and signed with dated signature of the President • Review the minutes of the first (not adjourned) meeting to ascertain that the issue related to ESMF was discussed • Review the minutes of the meeting to ascertain that at least 25% of the participants were women provided the same meeting was attended by 100 members	Maximum score 6 2 2 2 1 if woman attendance is more than 25% but less than or equal to 40% **OR** 2 if woman attendance is more than 40%
The GP makes key information available and is accessible to the public through various means	4. The GP is freely accessible to the public at all times	• Verify that the GP has a notice board in a public place which is freely accessible to the citizen at all times, and not obscured from view by other posters or notifications. • Communication is made by Pradhan/ Up-Pradhan and / or employees through	Maximum score: 3 2 1

Performance Criteria	Objective Assessment Criteria	Means of Verification	Score if Met
		official e-mail ID within last 3 months	
	5. Extent of compliance by the GP in posting information on its public notice board, based on the selected 10 issues (serial no. 2, 3, 4, 5, 6, 7, 9, 10, 11 and 12) required in GO 298 (dated 29 January 2009)	• Verify that the information booklet is available at rural local library / Tathya Mitra Kendra (Common Service Centre) and also available at the GP Office.	Maximum score:5*
	6. # Planned activities for untied funds for the assessment year are completely entered in ME – 3	• # ME-3 entry made no later than 15th May, every year.	
GP has a grievance redress mechanism	7. GP maintaining a grievance redress mechanism • # All GP's maintaining a functional online grievance redressal mechanism linked to the 2016 online Grievance Redressal Mechanism by end of the second year of the ISGPP 2 Project. • # Grievance redressal and monitoring committee constituted and functional)	• An updated complaints register available with details of the grievances and the action taken and duly signed by the Pradhan with at least 5 entries in each of the last 6 months. • # Grievance redressal system functioning and printed in the booklets distributed at Gram Sabha meetings; and helpline number and GR mechanism to be clearly displayed on a wall outside each GP. • # Grievance redressal and monitoring committee to meet at least once every quarter and summary of minutes to be recorded in writing.)	Maximum score:4
		Total Score Available	**25**

*implies that the scoring for the respective criteria will be done on a pro-rata basis.

37. Mandatory Condition (part of both BMC 3 and EMC 2) and Objective Assessment Criteria 1.8, 4.6 and 4.7, which are marked with '#' marks in the above document, pertaining to ESMF, VGDI, Web Based Monitoring (ME 3) Entry and Grievance Redressal Management System respectively are not

applicable for APA 2016 as all the Gram Panchayats in the state, except for the 1,000 GPs under ISGPP-I, have not received support on these issues. However, these issues will be incorporated in APA 2017 onwards with appropriate scores and weightage. The tool will be up-dated prior to the second APA starting in 2017.

Annex 2: Results Framework Matrix

PDO: Strengthen the institutional and financial capacities of Gram Panchayats (GPs) across the State													
PDO Level Indicators*	**DLI**	**Core**	**UoM**	**Baseline**	**YR 1 FY17**	**YR 2 FY18**	**YR 3 FY19**	**YR 4 FY20**	**YR 5 FY21**	**Frequ--ency**	**Data Source & Methodology**	**Responsibility**	**Description**
PDO Indicator 1: Total number of GPs that qualify BMCs and EMCs annually in APAs	☒	☐	%	40%	40 %	45 %	60%	70%	80%	Annual	Annual Performance Assessments for 3342 GPs	ISGPP Cell	Focuses on the improvements in the local government functioning at the GP level
PDO Indicator 2: Average Percentage of performance based untied grants utilized by the GPs	☒	☐	%	To be obtained through APAs in Year 1 of the Program as the first disbursement of PBG comprising three sources will happen in Year 1	N.A.	+5%	+5%	+5%	+5%	Annual	Annual Performance Assessment for 3342 GPs	PRDD-ISGPP Cell	Focuses on improvements in the overall financial performance of GPs

INTERMEDIATE RESULTS													
Intermediate Result Indicators	**DLI**	**Core**	**UoM**	**Baseline**	**YR 1 FY17**	**YR 2 FY18**	**YR 3 FY19**	**YR 4 FY20**	**YR 5 FY21**	**Frequ-ency**	**Data Source & Methodology**	**Responsibility**	**Description**
KRA 1: Establishing a state wide unified performance based grant allocation system for all discretionary funds available for GPs													
IR Indicator 1.1: Annual performance assessment of at least 95% GPs conducted	☒	☐	N/A	N/A	Completed by Dec'17	Completed by Sep'17	Completed by Sep'18	Completed by Sep'19	Completed by Sep'20	Annual	Annual Performance Assessment of 3342 GPs	ISGPP Cell	Timely completion of APAs
IR Indicator 1.2: Performance based grant allocation (as per APA results) completed annually	☒	☐	N/A	N/A	Completed by Jan'17	Completed by Oct'17	Completed by Oct'18	Completed by Oct'19	Completed by Oct'20	Annual	Annual PBG allocation announcements	ISGPP Cell	Timely announcement of PBG allocation in sync with GP's annual planning process
KRA 2: Improved local government finances and financial management systems in GPs													

INTERMEDIATE RESULTS													
Intermediate Result Indicators	DLI	Core	UoM	Baseline	YR 1 FY17	YR 2 FY18	YR 3 FY19	YR 4 FY20	YR 5 FY21	Frequ-ency	Data Source & Methodology	Respons ibility	Description
IR Indicator 2.1: Improved PFM systems (accounting, financial reporting and audit) in the GPs	☒	☐	No.	53%	53%	58%	63%	68%	73%	Annual	Annual Performance Assessment of 3342 GPs	ISGPP Cell and GP	Measuring the overall financial performance of the GP
IR Indicator 2.2: Increase in GP's own source revenue	☒	☐	No.	INR117 Crores	INR117 Crores	+10%	+10%	+10%	+10%	Annual	Annual Performance Assessment of 3342 GPs	ISGPP Cell and GP	Measuring the improvement in local government finances on a YoY basis.
KRA 3: Improved local governance and HR capacities for increased transparency and accountability in local government functioning													
IR Indicator 3.1: Improved participation, transparency and accountability in the GPs	☒	☐	No.	53%	53%	58%	63%	68%	73%	Annual	Annual Performance Assessment of 3342 GPs	PRDD – ISGPP Cell and GP	Measuring the local governance improvements in GPs
IR Indicator 3.2: Number of vacancies (in 3 key GP staff positions) filled annually in the GPs	☒	☐	No.	1991 (EA- 801; GP Secy – 779; Nirman Sahayak – 411)	Plan and budget prepared	60%	70%	80%	90%	Annual	Database maintained by PRDD	PRDD and ISGPP Cell	Measuring the adequacy of staff in the GPs
KRA 4: Improve the decentralized & participatory planning and budgeting mechanisms at the local level													
IR Indicator 4.1 : Improved project execution and service delivery capacity at GP level	☒	☐	No.	65%	65%	70%	75%	80%	85%	Annual	Annual Performance Assessment of 3342 GPs	PRDD – ISGPP Cell and GP	Measuring the project execution capacity of the GPs

INTERMEDIATE RESULTS													
Intermediate Result Indicators	DLI	Core	UoM	Baseline	YR 1 FY17	YR 2 FY18	YR 3 FY19	YR 4 FY20	YR 5 FY21	Frequ-ency	Data Source & Methodology	Respons ibility	Description
IR Indicator 4.2: Improved planning & budgeting capacity at the GP level	☒	☐	No.	55%	55%	60%	65%	70%	75%	Annual	Annual Performance Assessment of 3342 GPs	PRDD – ISGPP Cell and GP	Measuring the planning and budgeting performance of the GPs
IR Indicator 4.3: Total number of beneficiaries, disaggregated by gender (male and female)	☐	☒	No. %	0	Populat ion of GP that qualifie d BMC/ EMC	+10%	+10%	+10%	+10%	Annual	Population of the number of GPs that can access PBG based on qualifying BMCs/EMCs as per the APA	PRDD-ISGPP Cell	Core indicator for service delivery
IR Indicator 4.4a: Total number of ST GPs[8] qualifying for EMC	☐	☐	No %	5%	5%	10%	15%	20%	25%	Annual	Annual Performance Assessment of 3342 GPs	PRDD-ISGPP Cell	Core Indicator for service delivery
IR Indicator 4.4b: Total number of SC GPs[9] qualifying for EMC	☐	☐	No %	20%	20%	25%	30%	35%	40%	Annual	Annual Performance Assessment of 3342 GPs	PRDD-ISGPP Cell	Core Indicator for service delivery

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[8] **ST GP**: A Gram Panchayat with 40% or more ST population;

[9] **SC GP**: A Gram Panchayat with 40% or more SC population

Description of Results indicators

PDO Level Indicators*	Description
PDO Indicator 1: Total number of GPs that qualify BMCs and EMCs annually in APAs	This indicator will measure the improvements in the local government functioning at the GP level as reflected in the number of GPs that qualify(i) the BMCs relating to timely completion of external audits with no adverse opinion, increase in own source revenue on a year-on-year basis and timely preparation of decentralized annual GP plan and (ii) the EMCs relating to level of expenditures by the GPs for infrastructure development and service delivery improvements as well as financing reporting on state wide computerized accounting system.
PDO Indicator 2: Average Percentage of performance based untied grants utilized by the GPs	This indicator will measure the improvements in the overall financial capacity of the GPs in terms of planning, budgeting and financing priority investments for public service delivery improvements at the local level through performance based untied/discretionary funds that will be provided to the GPs through the unified PBG system based on APA.

Intermediate Result Indicators	Description
IR Indicator 1.1: Annual performance assessment of at least 95% GPs conducted	This indicator will measure the timely completion of APAs for a minimum percentage of GPs to ensure that the state wide unified performance assessment is being implemented annually in a timely manner and the GPs are being assessed in an objective manner following a rigorous methodology prescribed by the state government.
IR Indicator 1.2: Performance based grant allocation (as per APA results) completed annually	This indicator measures the timely announcement of PBG allocation in sync with GP's annual planning process to ensure that the performance based grant allocation system is being implemented by the state government for all the GPs in an objective and timely manner and provides reliable information o the GPs about the resources that will be made available to them throughout the year for financing investment requirements at the local level.
IR Indicator 2.1: Improved PFM systems (accounting, financial reporting and audit) in the GPs	This indicator will measure the overall financial performance of the GP based on the information and data collected and assessed as a part of the APA being conducted. This would include the GPs performance on financing planning, budgeting, accounting, reporting, fund utilization as well as external audits.
IR Indicator 2.2: Increase in GP's own source revenue	This indicator will measuring the improvement in local government finances on a YoY basis by measuring the increases in own source revenue for the GPs at an aggregate level on an annual basis.
IR Indicator 3.1: Improved participation, transparency and accountability in the GPs	This indicator will measure the local governance improvements in GPs as reflected in the APA being conducted. This would include the GPs performance in terms of systems for citizen grievance redressal and community engagement as well as internal procedures and disclosures policies.
IR Indicator 3.2: Number of vacancies (in 3 key GP staff positions) filled annually in the GPs	This indicator will measure the adequacy of skilled staff in the GPs, which is a key issue to be addressed for sustainable strengthening of local government institutions. This indicator directly relates the program activity which will be supporting the recruitment of staff at the GP level for core positions.
IR Indicator 4.1: Improved project execution and service delivery capacity at GP level	This indicator will measure the service delivery improvements and improvements in the project execution capacity of the GPs in terms of transparent, open and competitive procurement, robust technical design and planning, rigorous implementation monitoring and timely completion of projects.
IR Indicator 4.2: Improved planning and budgeting capacity at the GP level	This indicator will measure the decentralized and participatory planning and budgeting performance of the GPs in terms of following the prescribed procedures to engage with the community and develop a comprehensive need based decentralized annual GP plan for capital investments that would improve the public services in the GPs.
IR Indicator 4.3: Total number of beneficiaries, disaggregated by gender (male and female)	This indictor measures the increases in the total number of people that will benefit from the sub-projects financed by the Performance Based Grants. By building performance incentives, GPs are expected to excel to gain more PBGs (through higher APA scores) and this will be turned into a higher level of investments and beneficiaries. The

Intermediate Result Indicators	Description
	results of this indicator will be disaggregated by gender to track the impacts of the projects on the female population.
IR Indicator 4.4a: Total number of ST GPs qualifying for EMC	This indicator measures the total number of Scheduled Tribes GPs (defined as those GPs with 40% or more scheduled tribe populations) that each year will qualify the Expanded Mandatory Conditions, by (i) achieving a minimum of 60% expenditure across all untied fund (received up to and including third quarter) within fourth quarter of the Financial Year; and (ii) maintaining the computerized accounting system regularly as per norms of the State Government. This indicator will help to keep track of the impact of the program in the scheduled tribe populations
IR Indicator 4.4b: Total number of SC GPs qualifying for EMC	This indicator measures the total number of Scheduled Cast GPs (defined as those GPs with 40% or more scheduled cast populations) that each year will qualify the Expanded Mandatory Conditions, by (i) achieving a minimum of 60% expenditure across all untied fund (received up to and including third quarter) within fourth quarter of the Financial Year; and (ii) maintaining the computerized accounting system regularly as per norms of the State Government. This indicator will help to keep track of the impact of the program in the scheduled cast populations.

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Disbursement-Linked Indicator Matrix

Narratives	Total Allocated Financing (Million USD)	As Percentage of Total Financing amount	DLI Baseline	Indicative Timeline for DLI Achievement				
				Year 1[10] FY17	Year 2 FY18	Year 3 FY19	Year 4 FY20	Year 5 FY21
DLI 1: Number of phase II Gram Panchayats (GPs[11]) that have qualified Basic Mandatory Conditions (BMCs) in Annual Performance Assessment			0	1,119 GPs	1,400 GPs	1,634 GPs	1,867 GPs	NA
Allocated amount	43,530,000	20.78%		17,410,000	8,710,000	8,710,000	8,700,000	NA
DLI 2: Number of phase II Gram Panchayats that have qualified Expanded Mandatory Conditions (EMCs) and got access to performance rewards in Annual Performance Assessment			0	888 GPs	1,167 GPs	1,400 GPs	1,634 GPs	NA
Allocated amount	95,770,000	45.72%		17,410,000	26,120,000	26,120,000	26,120,000	NA
DLI 3: Percentage of activities implemented as per PRDD's annual learning and training plan			No plan for annual learning & training	Annual learning and training plan developed as per POM	70% of the activities implemented	75% of the activities implemented	80% of the activities implemented	85% of the activities implemented
Allocated amount	11,475,000	5.47%		2,400,000	2,400,000	2,400,000	2,400,000	1,875,000

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[10] FY17 corresponds to the Bank's financial year (July 1, 2016 – June 30, 2017)

[11] Phase II GPs refers to the GPs which are being included in ISGPP-II but were not covered in ISGPP-I.

Narratives	Total Allocated Financing (Million USD)	As Percentage of Total Financing amount	DLI Baseline	Indicative Timeline for DLI Achievement				
				Year 1[10] FY17	Year 2 FY18	Year 3 FY19	Year 4 FY20	Year 5 FY21
DLI 4: Average number of annual mentoring input days per Gram Panchayat with performance assessment			0	Annual mentor deployment plan for FY17 developed as per POM.	19 days of on-site mentoring input <u>and</u> performance of 60% mentors assessed	19 days of on-site mentoring input <u>and</u> performance of 60% mentors assessed	19 days of on-site mentoring input <u>and</u> performance of 60% mentors assessed	19 days of on-site mentoring input <u>and</u> performance of 60% mentors assessed
Allocated amount	26,000,000	12.41%		5,200,000	5,200,000	5,200,000	5,200,000	5,200,000
DLI 5: Core institutional systems implemented by PRDD across all GPs (a) Gram Panchayat Management System (GPMS), Web-Based Monitoring System (WBMS) & GIS			GPMS core module under implementation	GPMS core module implemented and used by 2,506 GPs (category A/B[12])	PDA–based Own Source Revenue system implemented and used by 1,671 GPs	Web-based integrated system developed and used by 2,506 GPs	Ease of doing business module implemented and used by 2,506 GPs	Asset management module developed and used by 2,506 GPs
Allocated amount	7,000,000	3.34%		1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
(b) Grievance Redressal Management System (GRMS)			Roadmap for GRMS developed	Online GRMS implemented	60% grievances redressed	65% grievances redressed	70% grievances redressed	75% grievances redressed
Allocated amount	2,700,000	1.28%		300,000	600,000	600,000	600,000	600,000
DLI 6: Annual Performance Assessments (APA) conducted by PRDD			APA under progress	APA completed for 95% of GPs and results included in annual PBG announcement for West-Bengal FY17/18	APA completed for 95% of GPs and results included in annual PBG announcement for West Bengal FY18/19	APA completed for 95% of GPs and results included in annual PBG announcement for West Bengal FY19/20	APA completed for 95% of GPs and results included in annual PBG announcement for West Bengal FY20/21	APA completed for 95% of GPs and results included in annual PBG announcement for West Bengal FY21/22

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[12] Category A and B refer to categories of GPs in the GPMS status monitoring system which do not have backlogs of more than 30 days for uploading the financial information relating to expenditures and receipts on the system.

Narratives	Total Allocated Financing (Million USD)	As Percentage of Total Financing amount	DLI Baseline	Indicative Timeline for DLI Achievement				
				Year 1[10] FY17	Year 2 FY18	Year 3 FY19	Year 4 FY20	Year 5 FY21
Allocated amount	16,000,000	7.63%		3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
DLI 7: Targeted number of vacant core Gram Panchayat positions filled ➢ Executive Assistant ➢ GP Secretary ➢ Nirman Sahayak			0	HR recruitment plan and budget finalized		1195 vacancies filled	1493 vacancies filled	
Allocated amount	**2,500,000**	1.19%		500,000		1,000,000	1,000,000	
Total DLI based financing	**204,975,000**	**97.85%**		**47,820,000**	**47,630,000**	**48,630,000**	**48,620,000**	**12,275,000**
Program Preparation Advance	4,500,000	2.15%						
Total financing allocated:	**209,475,000**	100%						

DLI Verification Protocol Table

No.	DLI	Definition/ Description of Achievement	Scalability	Data Source	Verification Entity	Procedure
1	No. of phase II GPs[13] that have qualified Basic Mandatory Conditions (BMCs) in Annual Performance Assessment	This indicator will be satisfied when the following results have been met: 1. The GPs have qualified all the three BMCs in the APA as follows: a. Increase in own source revenue (Y-o-Y) b. Timely preparation of decentralized GP plan c. Timely completion of external audits with no adverse or disclaimed opinion 2. PBG allocations are done based on the APA results as per agreed PBG allocation formula and included in the annual PBG announcements. 3. When the funds for the previous year have been disbursed to the GPs as PBGs as per Program entitlements, unless such disbursements are withheld due to violation of law/rules of the Program by one or more GPs (from year 2 and onwards)	Yes	APA report, which is based on field-visits to all GPs reviewing the compliance with the BMCs and verification by the IVA, based on sampled check of the APA results. Annual PBG announcements to GPs. Allocations to GPs for previous FY. *Refer to the explanatory notes for detailed information and data sources for each BMC to be verified.*	Independent APA contracted team performs the assessment. Independent Verification Agent /firm verifies and provides quality assurance of the APA results. ISGPP-II Program Steering Committee (PSC) finally review and approves the results.	Every year: • ISGPP-II cell under the PRDD hires an independent firm to conduct the APA as per the procedure prescribed in POM. • The APA firm submits the draft and final report to the independent verification agent for quality assurance and DLI verification. • The verification agent will review the APA report to verify that the correct procedure was followed, and that the allocations are budgeted accordingly. The APA team may be asked to review and rectify results. • The final APA report and DLI verification report along with PBG allocations is submitted by ISGPP Cell to the PSC for approval. The PSC will review the APA report, PBG allocations and the DLI verification report to verify that they have conformed to Program entitlement. • *Note: The WB will receive a copy of the draft and final reports from the APA and results from the verification exercise and reserves the right to review the results and the quality of the assessments.*

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[13] Phase II GPs refers to the GPs which are being included in ISGPP-II but were not covered in ISGPP-I.

No.	DLI	Definition/ Description of Achievement	Scalability	Data Source	Verification Entity	Procedure
						• *See explanatory notes for details on the verification mechanism.*
2	Number of phase II GPs that have qualified Expanded Mandatory Conditions (EMCs) and got access to performance rewards in Annual Performance Assessment	This indicator will be satisfied when: 1. The GPs have qualified all the three BMCs and the two EMCs in the APA as follows: a. At least 60% of the total untied funds (received till Q3) utilized for achievement of the annual service delivery targets (as per the annual decentralized GP plan) b. Maintain the GP accounts on the computerized accounting software (GPMS) 2. PBG allocations are done based on the APA results as per agreed PBG allocation formula and included in the annual PBG announcements. 3. When the funds for the previous tranche have been disbursed to the GPs as PBGs per Program entitlements, unless such disbursements are withheld due to violation of law/rules of the Program by one or more GPs (from year 2)	Yes	APA report which is based on field-visits to all GPs reviewing the compliance with the BMCs and verification by the IVA based on sample checks of the APA results. Annual PBG announcements to GPs. Allocations to GPs for previous FY. *Refer to the explanatory notes for detailed information and data sources for each EMC to be verified.*	Independent APA contracted team performs the assessment. Independent Verification Agent verifies and make quality assurance. ISGPP-II Program Steering Committee (PSC) approves the results.	Every year: • ISGPP-II cell under the PRDD hires an independent firm to conduct the APA as per the procedure prescribed in POM. • The APA firm submits the draft and final report to the independent verification agent for quality assurance and DLI verification. • The verification agent will review the APA report to verify that the correct procedure was followed, and that the allocations are budgeted accordingly. The APA team may be asked to review and rectify results. • The final APA report and DLI verification report along with PBG allocations is submitted by ISGPP Cell to the PSC for approval. The PSC will review the APA report, PBG allocations and the DLI verification report to verify that they have conformed to Program entitlement. • *Note: The WB will receive a copy of the draft and final reports from the APA and results from the verification exercise and reserves the right to review the results and the quality of the assessments.* • *See explanatory notes for details on the verification mechanism.*

No.	DLI	Definition/ Description of Achievement	Scalability	Data Source	Verification Entity	Procedure
3	Percentage of activities implemented as per PRDD's annual learning and training plan	Year 1: PRDD prepares and submits an annual consolidated District-based learning and training plan for FY 2017/18 as per formats prescribed in the POM. Years 2-5: PRDD: • Prepares and submits an annual consolidated District-based learning and training plan for the next FY as per formats prescribed in the POM. • Prepares and submits an annual consolidated District-based implementation report for learning and training activities for the previous FY indicating the percentage of total planned activities completed during the year. • Prepares and submits an annual summary of participant evaluations (in prescribed POM formats) for learning events and training sessions undertaken in previous FY.	Yes	Review of: Annual consolidated District-based learning and training plan. Annual consolidated District-based learning and training implementation report. Annual summary of participant evaluations of learning events and training sessions. *Refer to the explanatory notes for detailed information and data sources for verification*	Independent Verification Agent PSC	PRDD submits all required documentation to the verification agent via the ISGPP Cell. The verification agent checks that all documents are consistent with POM formats and guidelines. The verification agent submits its report to the PSC for final endorsement. *See explanatory notes for details of the verification mechanism.*
4	Average number of annual mentoring input days per GP	Year 1: PRDD prepares and submits an annual mentor deployment plan	Yes	Annual mentor deployment plan. Annual mentor deployment report	Independent Verification Agent PSC	PRDD submits all required documentation to the verification agent via the ISGPP Cell. The verification agent checks that all documents are

No.	DLI	Definition/ Description of Achievement	Scalability	Data Source	Verification Entity	Procedure
	with performance assessment.	for FY 2017/18 plan as per the formats prescribed in POM. Years 2-5: • PRDD prepares and submits an annual mentor deployment plan for the next FY, as per the formats prescribed in POM • PRDD prepares and submits an annual mentor deployment report for previous FY, including: o A summary breakdown of mentor on-site visits to GPs during the previous FY o A summary of mentor performance assessments for the previous FY developed as per standards from the POM.		with mentor's performance assessment summary. ISGPP MIS reports: - Semi-annual mentoring format - GP wise information on mentoring support *Refer to the explanatory notes for detailed information and data sources for verification*		consistent with POM formats and guidelines. The verification agent submits its report to the PSC for final endorsement. *See explanatory notes for details of the verification mechanism.*
5	Core institutional systems implemented by PRDD across all GPs (A and B)	Year 1- 5 • All system development and roll out milestones are achieved as per the defined targets in the DLI Matrix and narrative on the verification procedures.	No	Annual implementation report and MIS reports on use of systems by GPs, which encompass clear description of the achievement level of the roll-out of defined systems. Field testing in selected GPs of the actual functionality of the defined	Independent Verification Agent PSC	PRDD submits annual implementation report on the system development to the verification agent. The verification agent verifies that the targets have been achieved. The verification agent submits the verification to the PSC for final endorsement. *See explanatory notes for details of the verification mechanism.*

No.	DLI	Definition/ Description of Achievement	Scalability	Data Source	Verification Entity	Procedure
				systems GPMS, GRM etc.		
6	Annual Performance Assessments (APA) conducted by PRDD	The APA is completed in time for minimum 95% of the GPs every year and the results are included in the annual PBG announcements.	Yes	Documentation showing that • APA has been completed on time. • Quality assurance of APA results and DLI verification is completed by IVA. • APA results are included in the annual PBG announcements.	Independent Verification Agent PSC	The ISGPP-II cell will submit the final APA report and proposed grant allocations, along with DLI verification to the PSC. The PSC will verify that the APA procedure was correctly followed, have been verified by the verification agent and that the final budget announcements match the allocations contained in the final report on the APA. Variations are tested and reviewed to reconcile. *The Bank retains the right to join the APA in the field as part of its implementation support, and to review the quality of the APA process.* *See explanatory notes for details of the verification mechanism.*

No.	DLI	Definition/ Description of Achievement	Scalability	Data Source	Verification Entity	Procedure
7	Targeted number of vacant core GP positions filled	Year 1: The DLI is achieved when a detailed HR recruitment plan and budget to reduce the % of vacant positions over the Program period is finalized by the government. Year 2 and 4: Verification that vacant core positions (EA and secretaries in the GPs) are reduced as per the target measures compared with the baseline level.	No	Year one: HR recruitment plan for filling in of vacant positions and budget with costing of this available. Future years: Documentation of positions filled and vacancies. Check of reports and sample check at field level of the validity of the plans and documentation.	Independent Verification Agent. PSC	Year 1: The ISGPP-II cell submit the HR recruitment plan and budget to filling up of positions to the verification agent for verification. The verification agent reviews the report and verifies the DLI achievement. Year 2 and Year 4: The ISGPP-II submits documentation of filled positions and overview of vacant positions to the verification agency. The verification agent reviews the reports and make sample spot checks of data in minimum 10 GPs. After verification results are sent to PSC for final review. *See explanatory notes for details of the verification mechanism.*

Bank Disbursement Table

#	DLI	Bank financing allocated to the DLI (US$M)	Of which financing available for		Deadline for DLI achievement	Minimum DLI Value to be achieved to trigger disbursements of Bank	Maximum DLI value(s) expected to be achieved for Bank disbursements purposes	Determination of financing amount to be disbursed against achieved and verified DLI values
			Prior results	Advances				
1	No. of phase II GPs[14] that have qualified Basic Mandatory Conditions (BMCs) in Annual Performance Assessment	43.53	17.41	0	APA to be completed by August. The APA QA and DLI verification to be completed by September every year (except for the first year). PBG announcements (based on APA) to be made by October every year. (except for the first year) All the funds for the previous year should be released as PBG by October every year (except for the first year). (See explanatory notes section below for differences in Year 1 and Year 2 onwards)	468 GPs (partly scalable)	2,222 GPs in the first year and 2,342 in the following.	DLI disbursement amount = USD equivalent of the sum of allocations to qualifying GPs as per formula below: DLI disbursement amount from the IBRD to GoWB = (Annual DLI allocation/the targeted number of qualified GPs)* actual number GPs that have actually met BMCs. Annual allocation for qualifying GPi = (Pool of funds for the DLI*Share of formula (based on area and population of GPi)) / total share of all GPs.
2	Number of phase II GPs that have qualified Expanded	95.77	17.41	0	APA to be completed by August.	468 GPs	2,222 GPs in the first year	

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[14] Phase II GPs refers to the GPs which are being included in ISGPP-II but were not covered in ISGPP-I.

	Mandatory Conditions (EMCs) and got access to performance rewards in Annual Performance Assessment				The APA QA and DLI verification to be completed by September every year (except for the first year). PBG announcements (based on APA) to be made by October every year. (except for the first year) All the funds for the previous year should be released as PBG by October every year (except for the first year). (See explanatory notes section below for differences in Year 1 and Year 2 onwards)	(partly scalable)	and 2,342 in the following years.	DLI disbursement amount from the IBRD to GoWB = (Annual DLI allocation/the targeted number of qualified GPs)* actual number GPs that have actually met BMCs. Year 1: Annual allocation for qualifying GP i: • 50 % of Pool of funds for the DLI X (Share of formula based on area and population for GPi) /total share of all GPs; • 50 % of the pool of funds for the DLI X (share of formula based on area, population & performance of GPi / total share of all GPs based on areas, population and performance weights (1). Year 2-4: Annual allocation for qualifying GP i: • 33.34 % of the pool of funds for the DLI X multiplied by (share of formula based on area and population of GPi) / total share of all GPs) and • 66.66 % of the pool of funds for the DLI X share of formula based on area, population and performance/ total share of GPs on areas & population and performance weights).
3	Percentage of activities implemented as per PRDD's annual learning and training plan	11.47	2.40	0	The annual targets to be achieved by March 31 every year and verified by April 30 every year.	40% of the activities implemented (partly scalable)	100% of the activities implemented	Year 1: If annual consolidated district based learning and training plan developed then disbursement of USD 2.4 million. Years 2-5:

							• If annual consolidated district based learning and training plan for next FY developed as per formats prescribed in POM, and • Annual implementation report for previous FY indicating the implementation rate and participant evaluation rate prepared as per formats prescribed in POM DLI disbursement amount: • (95% of annual DLI allocation/ target implementation rate)* actual implementation rate plus • 5% of DLI disbursement if evaluations of learning events and training sessions in previous Fiscal Year have been done (on-off)
4	Average number of annual mentoring input days per GP with performance assessment	26.00	5.20	1.91	The annual targets to be achieved by March 31 every year and verified by April 30 every year.	5 input days of mentoring support per GP annually	19 input days of mentoring support per GP annually	Year 1: If annual mentor deployment plan is developed as per POM, then disbursement of USD 5.2 million. Year 2-5: • If annual mentor deployment plan for next FY developed as per formats prescribed in POM, and • Annual mentor deployment report for previous FY indicating the average number of mentoring input days per GP and the percentage of mentors, whose performance is assessed annually.

								DLI disbursement amount = (annual DLI allocation/19)*actual number of average mentoring input days per GP annually
5	Core institutional systems implemented by PRDD across all GPs							
	a) GPMS/WBMS/GIS rolled out	7.0	0	0.13	The annual targets to be achieved by March 31 every year and verified by April 30 every year.	0	100 % of annual target	If annual targets achieved, USD 1.4 million to be disbursed every year.
	b) GRM rolled out	2.7	0	No	The annual targets to be achieved by March 31 every year and verified by April 30 every year.	0	100 % of annual target	Year 1: If annual target achieved, USD 0.3 million to be disbursed Year 2-5: If target achieved, then USD 0.6 million to be disbursed annually. Release only if target met (no adjustments/scalability).
6	Annual Performance Assessments (APA) conducted by PRDD	16.00	3.20	2.46	The annual targets to be achieved by March 31 every year and verified by April 30 every year.	0	100% of annual target	Year 1: If APA is conducted in 2016 and completed before end of January 2017, then USD 3.2 million to be disbursed Year 2-5: If APA is conducted annually and completed by October every year, then USD 3.2 to be disbursed every year. • If APA is delayed by up to 4 months, then annual disbursement to be reduced by 30%. • If APA is delayed longer, then no disbursement.
7	Targeted number of vacant core GP positions filled ➤ Executive Assistant ➤ GP Secretary ➤ Nirman Sahayak	2.5	0	0	The annual targets to be achieved by March 31 every year and verified by April 30 every year.	0	100% of annual target	Year 1: If the detailed plan and budget for HR recruitment is prepared then USD 500,000 to be disbursed. Year 2: At least 60 % of vacancies in the defined during baseline posts (1991

						posts) achieved, i.e. 1195 of vacant posts filled, then USD 1.0 million to be disbursed
						Year 4: At least 75 % of the vacancies defined during baseline filled (i.e. 75 % of 1911= 1493 of vacant positions filled), then USD 1.0 million to be disbursed

Explanatory notes for DLI verification mechanism and timelines

Timelines for DLI verification

DLI	Program activities completed by	DLI verification by	Approval of PSC by	Approval of the Bank by
DLI 1 and 2	APA completed by August every year (December for first year)	September every year (January for the first year)	October every year (January for the first year)	October every year (January for the first year)
DLI 3 to 7	Activities completed by March every year	April every year	May every year	May every year

APA: Annual performance assessment, PSC: Program Steering Committee, VA: Verification Agent.

DLI verification mechanism

DLI 1: No. of phase II GPs[15] that have qualified BMCs in APA

PRDD hires an independent firm to conduct the APA. The firm will follow the procedure provided in the POM. The APA results are verified by the independent verification agent.

- The final APA report, grant allocations along with DLI verification report is submitted to the PSC for approval.
- The verification agent verifies and subsequently the PSC will endorse that the correct procedure was followed, and that the allocations included in the grant announcements reflect the allocations included in the APA report. The PSC will also review the report of the ISGPP – II Cell of PB grant disbursements to verify that they have conformed to Program entitlement. World Bank will review the verification and shall receive copy of the APA draft and final reports. World Bank may conduct spot checks and quality assurance of the results of the APA.
- Post approval by PSC, the final reports will be shared with the Bank for final review and concurrence before the ISGPP Cell announces the PBG allocations for the GP.

BMC Description	Information/Data Source	Verification Mechanism
GPs are generating Own Source Revenue (OSR) in a steady manner	a. GPMS Portal- www.wbprdgpms.in b. Compiled Collection Report c. Form 26 – Monthly record d. Form 27 – Quarterly record	• Information collected from GPMS portal (only tax and non-tax portion) and compiled collection & expenditure report and incorporating the relevant details for generation of OSR in the respective table of the questionnaire • The above information would be obtained for both FY 2014-15 and FY 2015-16 • Review and verification of manual records at places where GPMS has not been implemented • The above information would be cross checked with the information provided in Form 26 and Form 27.
The GP does not have an adverse or disclaimed audit opinion	a. Audit Reports	• Verifying the data from the GP wise audit certification status received from the Examiner of Local Accounts (ELA), West Bengal

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[15] Phase II GPs refers to the GPs which are being included in ISGPP-II but were not covered in ISGPP-I.

BMC Description	Information/Data Source	Verification Mechanism
Upa-Samiti Plan based integrated GP Plan and Budget (Form 36) approved by 31st January	a. Upa - Samiti Plan, GP Plan and Budget (Form 36) b. Minutes of the meeting	• Check the documents (UPA-samiti plan, GP plan and Form 36) • Review the minutes of the meeting held • Review whether quorum is there or not • Review whether the plan and budget has been approved by 31st January • Review Whether all the 4 funds (CFC, SFC, OSR and ISGPP) has been covered in the plan and budget

DLI 2: Number of phase II GPs that have qualified Expanded Mandatory Conditions (EMCs) and got access to performance rewards in Annual Performance Assessment

- PRDD hires an independent firm to conduct the APA. The firm will follow the procedure provided in the POM. The APA results are verified by the independent verification agent.
- The final APA report, grant allocations along with DLI verification report is submitted to the PSC for approval.
- The verification agent verifies and subsequently the PSC will endorse that the correct procedure was followed, and that the allocations included in the grant announcements reflect the allocations included in the APA report. The PSC will also review the report of the ISGPP – II Cell of PB grant disbursements to verify that they have conformed to Program entitlement. World Bank will review the verification and shall receive copy of the APA draft and final reports. World Bank may conduct spot checks and quality assurance of the results of the APA.
- Post approval by PSC, the final reports will be shared with the Bank for final review and concurrence before the ISGPP Cell announces the PBG allocations for the GP.

Description	Information/Data Source	Verification Mechanism
The Gram Panchayat shall have to achieve a minimum of 60% expenditure across all untied fund (received up to and including third quarter) within fourth quarter of the Financial Year	a. Expenditure information from GPMS Portal www.wbprdgpms.in b. Form 26 and Form 27 c. Form 24, compiled collection report	• Information collected from GPMS portal for the expenditure particulars (SFC,CFC, ISGPP Grant and OSR) and compiled collection & expenditure report and incorporating the relevant details for receipt and expenditure in the respective table of the questionnaire • For calculation of expenditure across all untied funds, we will obtain the expenditure incurred in 12 months (April 1st 2015 to March 31st 2016) and receipts acquired in 9 months (April 1st 2015 to March 31st 2016) including the opening balance of April 1st 2015. • Verify manual records at places where GPMS has not been implemented • The above information would be cross checked with the information provided in Form 26 and Form 27. • Compute the percentage based on the above information.
The Gram Panchayats shall maintain the computerized accounting system regularly as per	a. Form 26 b. GPMS portal	• Obtain the uploading status report of Form 26 in GPMS portal and check whether the same has been

Description	Information/Data Source	Verification Mechanism
norms of the state government		• uploaded within 7th calendar day of the next month. This would be checked for the last completed month. • Check that the last entry made in GPMS is not more than 7 days ago from the date of field visit, however, we would not check the completeness of the entries.

S. No.	Description	Information/Data Source	Verification Mechanism
Theme 1			
1C1	The GP Finance & Planning Sub- Committee (Artha o Parikalpana Upa-samiti) meets at least four times a year to approve schemes/projects for implementation.	a. Minutes of the respective meetings	• Check the various minutes of the meeting to ensure that the requirements are fulfilled. • Check the number of meetings held to approve schemes/projects for implementation • Check the date of Finance & Planning Sub-committee meeting
1C2	The current Plan and Budget was approved by the General body of the GP in a specially convened meeting in the presence of at least half / 50% of the existing members on or before 31st January of the previous financial year.	a. Record of members b. Minutes of the respective meeting	• Check record of members for determining the total members of the gram panchayat and to verify the minutes of the respective meetings to determine the actual attendance. • Check date of the meeting to ensure that the same has taken place before 31 January. • Check whether the meetings were specially convened
1C3	Annual Plan prepared through bottom up approach	a. GP Plan b. Gram Sansad meeting Minutes c. Upa samiti meeting minutes	• Verify the details filled up by the APA in the questionnaire and also verify the related minutes of the meetings for the randomly selected activities mentioned by the APA. • Check reference source in plan document
1C4	Total of receipt side should be equal to the total of payment side in the annual budget (Form 36)	a. Form 36 (Annual Budget)	• Check that whether total of receipt side is equal to the total of payment side in the annual budget (Form 36)
1C5	Summation of all schemes/projects (planned activities) under untied fund matches with the total amount mentioned in the payment side of the Form 36 under the concerned fund	a. Form 36 (Annual Budget) b. Plan document	• Check that the payment side of SFC and CFC in Form 36 matches with the summation of all planned activities under the SFC and CFC fund in the plan document.
1C6	A GP Perspective Plan has been prepared and approved by the General body	a. GP Perspective Plan for current year b. Minutes of the respective meeting	• Review that the perspective plan is prepared by the GP covering the work plan for FY 2016-17 (ensuring signature of Pradhan should be mentioned) • The minutes of the meeting would be reviewed to ensure compliance.

S. No.	Description	Information/Data Source	Verification Mechanism
			• Ensuring minimum number of members constituting the general body of GP as on the date of meeting for approval of the plan
1C7	Social and Environmental assessment of activities / schemes out of the untied funds has been done using the relevant procedures	a. Environmental and Social report b. GP plan c. Meeting of the respective minutes	• Verify the details filled up by the APA in the questionnaire and also verify the related minutes of the meetings, the environment and social report of the GP and the GP plan.
Theme 2			
2C1	Environmental and Social Review reports for completed activities/schemes are updated at the end of each of the four Quarters of 2015 – 16	a. Quarterly ESMF reports	• Review the reports of at least 2 quarterly report in relation to ESMF for activities/schemes implementation (end of 1st, 2nd, 3rd and 4th Quarter of 2015-16)
2C2	Required project proposal forms (plan, drawing and estimate) have been completed for any four randomly selected infrastructure related activities/scheme implemented out of untied funds as mentioned in the annual GP Plan	a. Plan, Drawing and Estimate documents	• Verify the details filled up by the APA in the questionnaire and also verify the related DPR reports (plan, drawing and estimate) and the GP plan.
2C3	Consider, out of untied funds: (a) The procurement is based on comparing price quotations obtained from several suppliers (in case of goods) and several contractors (in case of works) with minimum of three. (b) Requests for quotation indicate descriptions and quantity of goods or specification of works as well as delivery period and place. (c) Comparative statement is signed by the at least one GP employee and two GP members including the Pradhan (d) Complete records including 3 photographs of all procurement documents are available in individual file (e) Updated scheme and programme register maintained at the GPs and available for inspection	a. Complete Procurement Documents from initiation of procurement to closure of activity.	• Verify the details filled up by the APA in the questionnaire and also verify the related procurement documents.

S. No.	Description	Information/Data Source	Verification Mechanism
	(f) NIT published in prescribed places and served within due time		
2C4	Actual expenditure during 01.04.2015 to 31.03.2016 for SFC, CFC, ISGP Block Grant and OSR represents: (a) More than 60% but less than 80% expenditure of the actual receipts during first three quarters (OR) (b) More than and equal to 80% but less than 90% higher percentage of expenditure of the actual receipts during first three quarter (OR) (c) More than and equal to 90%	a. Expenditure information from GPMS Portal www.wbprdgpms.in b. Form 26 and Form 27 c. Form 24, compiled collection report	• Computation and scoring would be done based on the information captured in EMC 1
2C5	Gram Panchayats implement infrastructural schemes out of Untied fund which are available in the GP Plan document	a. Scheme register b. Project Register c. Online monitoring System, ISGP site	• Review the scheme register, project register and online monitoring system • Check the total number of infrastructural works under untied funds taken for consideration in the GP Annual Plan and Supplementary Plan in the FY 2015-16 and also checking the total number of infrastructural works from untied funds implemented from the GP annual plan and supplementary plan within the FY 2015-16
2C6	GP has created major / sustainable assets	a. Scheme register b. Project Register/ Plan register	• Review the scheme register, project register and online monitoring system • Check the number of Infrastructural works under Untied Funds done / started but not finished within the FY 2015-16 from GP annual plan and supplementary plan. • Check the total number of Infrastructural works implemented / started within the FY 2015-16 valued over 1 lakh under Untied Funds. • Check the percentage of Infrastructural works implemented / started valued over 1 lakh against total implemented / started works under Untied Funds within the FY 2015-16 • Verify that minimum 50% of schemes implemented out of untied fund, the value is more than 1 Lakh
2C7	GP utilizes its own fund (at least 50%) for development activities	a. Expenditure information from	• Verify documents such a scheme register • Review the general ledger and sub ledger available from GP

S. No.	Description	Information/Data Source	Verification Mechanism
		GPMS Portal www.wbprdgpms.in b. Form 26 and Form 27 c. Form 24, compiled collection report d. Scheme register, ledger and sub-ledger	• Record the data • Cross check the data from other mentioned documents. • Check the total amount of OSR spent during FY 2015-16 and total amount spent for development (infrastructure or other services) under own fund in FY 2015-16. • Check the percentage of development expenditure from total OSR amount spent from own fund for improvement of service delivery in FY 2015-16
Theme 3			
3C1	The GP has a clean statutory audit opinion.	a. Audit inspection report	• Examine the audit certification status of ELA under CAG that relate to last fiscal year.
3C2	The GP custodian can keep maximum of INR2000/- as cash-in-hand to meet unforeseen urgent expenditure as per approval of Artho-O-Parikalpana Upa-samiti not more than 3 working days	b. Cash book	• Review the cash book of respective GP and checking the amount of money held as cash-in-hand to meet unforeseen expenditure as on February 24th 2016
3C3	Books of accounts are updated till last transaction day	a. GPMS software	• Verify whether the GP maintain GPMS • Check the cash book (form 1), General Ledger (form 21), Cheque/draft receipt register (form 2) and Cheque book register (form 3) • Ensure that the books of accounts the monetary transactions of the day previous to the date of visit.
3C4	The cash balance has been reconciled with bank statements for the last month	a. Bank Reconciliation Statement of the last month available in the cash book	• Reviewing the Bank Reconciliation statement of last month available in the cash book • Check whether the same was done within 7 days
3C5	The GP has been declared as' Paperless'	a. A formal letter/order issued from Block / District authority declaring the GP as paperless	• Review certificate of ISGP for being certified as paperless GP.
3C6	All monthly and semi-annual financial reports progress reports are prepared in a complete and timely manner	a. Semi-annual and annual financial statement b. Form 26 c. Form 27: Annual Financial Statement	• Verify that 10 monthly financial reports have been prepared in addition to the semi-annual and annual financial statement • Review that the reports must be in appropriate format (Form 26 and 27) and captured in the GMPS GPMS within 15 days of the month-end

S. No.	Description	Information/Data Source	Verification Mechanism
			• Check number of monthly financial reports for FY 15-16 in GPMS generated form 26
3C7	Annual financial statement (Form 27) prepared and submitted to the General Body and ready to be produced before the CAG on or before 30th April	a. Form 27: Annual Financial Statement b. Minutes of the respective meeting	• Verify that the statement is available at GP and resolution of the GB Meeting • Review the Form 27 • Check the date of GB meeting • Ensure if the quorum is maintained by checking the number of members in the GP as on the date of the General Body meeting for approval of the form 27
3C8	The GP has agreed on the actions to be taken to address the issues raised in its annual audits by ELA of the CAG	a. (Artha-o-Parikalpana Upa-samiti) Meeting minutes b. Audit report by ELA of the CAG	• Obtain and review minutes of the Finance and Planning Sub-committee (Artha-o-Parikalpana Upa-samiti) Meeting • Verify that they show that actions have been taken to address audit paragraphs and observations. • Verify if the audit reply has been prepared by the GP pradhan
Theme 4			
4C1	Gram Sansad meetings with women participation, were held twice, within required timeframes	a. Gram Sansad Meeting minutes	• Review Gram Sansad meeting minutes for the meetings filled up by APA and checking whether the details are correct • Ascertain that at least 40% of participants were women by reviewing the minutes of the relevant meetings (adjourned meeting can be considered) of the two Gram Sansads considered
4C2	Social audit has taken place for schemes / activities	a. Social audit documents for NREGS	• Review the Social audit documents for NREGS and any other untied fund
4C3	Gram Sabha Meeting • Was held in the year under assessment • ESMF report was discussed in the meeting • Ensured the participation of women	b. Gram Sabha Meeting minutes	• Ensure that Gram Sabha meeting resolutions with attendance is available, fully written and signed with dated signature of the President • Review the minutes of the first (not adjourned) meeting to ascertain that the issue related to ESMF was discussed • Review the minutes of the meeting to ascertain that at least 25% of the participants were women provided the same meeting was attended by 100 members
4C4	The GP is freely accessible to the public at all times	a. Information booklet - rural local library / Tathya Mitra Kendra (Common Service Centre) and also available at the GP Office. b. ME 3 Records	• Verify that the GP has a notice board in a public place which is freely accessible to the citizen at all times, and not obscured from view by other posters or notifications. • Verify that Communication is made by Pradhan/ Up-Pradhan and / or employees

S. No.	Description	Information/Data Source	Verification Mechanism
			through official e-mail ID within last 3 months • Verify that the information booklet is available at rural local library / Tathya Mitra Kendra (Common Service Centre) and also available at the GP Office.
4C5	Extent of compliance by the GP in posting information on its public notice board, based on the selected 10 issues (serial no. 2, 3, 4, 5, 6, 7, 9, 10, 11 and 12) required in GO 298 (dated 29 January 2009)	a. Information booklet - rural local library / Tathya Mitra Kendra (Common Service Centre) and also available at the GP Office. b. ME 3 Records	• Verify that the GP has a notice board in a public place which is freely accessible to the citizen at all times, and not obscured from view by other posters or notifications. • Verify that Communication is made by Pradhan/ Up-Pradhan and / or employees through official e-mail ID within last 3 months • Verify that the information booklet is available at rural local library / Tathya Mitra Kendra (Common Service Centre) and also available at the GP Office.
4C6	GP maintaining a grievance redress mechanism	a. Grievance Redressal System b. Complaint register	• Check the compliant register maintained by the GP • Check the minutes of the meeting of the grievance redressal and monitoring committee.

DLI 3: Percentage of activities implemented as per PRDD's annual learning and training plan

Year 1:
- Verification Agent verifies that annual training plan is complete and consistent with POM and calculates disbursement
- IVA produces an verification report with the results and calculations of the disbursements
- PSC endorses verification

Years 2-5:
- Verification Agent confirms that annual training plan, implementation report and participant evaluation reports are complete and consistent with POM
- Verification agent checks on sample basis the validity of the report based on field level, district level and state level reviews
- IVA produces an verification report with the results and calculations of the disbursements
- PSC endorses verification

Information/Data Source	Verification Mechanism
• Annual Plan with benchmark including format, • Verification table, • Document related to identification of needs-driven learning and training support, • Implementation Report, • Training Report, • Training Records at GP, • Attendance Record, • Training Material, • Trainer details and qualifications/experience • Training Module • Evaluation/Feedback Report from GP participants • Participant List • Quality assessment report	• Review of the learning and raining plan for Panchayats as per POM • Whether the training undertaken is as per the needs required • Review of the training MIS • Reviewing the subjects included in the learning and development segment (Area focused: Governance & Management, Planning & Financial Management, Technical and Environment & social) • Reviewing the types (Formal Training & Learning Events) of learning & development activities • Whether the appropriate training module and training material were developed. • Whether appropriate feedback received • Whether training has been suitably modified based on the feedback

DLI 4: "Average number of annual mentoring input days per GP with performance assessment"

Year 1:

- Verification Agent verifies that annual mentor deployment plan is complete and consistent with POM and calculates disbursement
- PSC endorses verification

Years 2-5:

- Verification Agent verifies that annual mentor deployment plans and reports are complete and consistent with POM, review the validate at the field level with sample checks of GPs, review at district and state level, and development VA report with calculation of disbursement
- PSC endorses verification

Information/Data Source	Verification Mechanism
• Annual deployment plan • Implementation Report, • Mentoring report, • Mentoring Records at GP, • Attendance Record, • Material, • Mentor details and qualifications/experience • Mentoring Module, • Evaluation/Feedback Report from GP participants • Participant List • Quality assessment report • Annual Plan with benchmark including format, Verification table	a. Reviewing the recruitment, deployment plan b. Reviewing the compliance with results of mentoring performance c. Reviewing the district allocation mentoring (annual budget allocation) d. Review the verification table of the program e. Review the various reports (ME4 & 5 to get mentoring days, Semi-Annual & Annual Reports) f. Whether the mentoring undertaken complies as per PAP g. Whether the mentoring activities were properly geo-tagged

DLI 5: Core institutional systems implemented by PRDD across all GPs

A: GPMS/WBMS/GIS

- PRDD/ISGPP-II cell submits annual implementation report to the verification agent unit contracted by the ISGPP-II cell. The agent verifies that the annual implementation report is accurate through review of systems, review of functionality and coverage (sample check). The verification agent submits the verification to the Program Steering Committee for final endorsement.

B. GRM

- PRDP/ISGPP-II cell submits annual implementation report to the verification agent unit contracted by the ISGPP-II cell. The agent verifies that the annual implementation report is accurate through spot checks in the field – GP, district and state level of the functionality of the system. The verification agent submits the verification to the Program Steering Committee for final endorsement

Information/Data Source	Verification Mechanism
Annual Plan with benchmark including format, Verification table	a. Review the Core Management System Plan (MIS, GIS, GRM, GPMS, video conferencing facility through Web Ex) b. Review of the implementation status & result achieved including verification of physical assets created and verification relevant data from respective portal c. Review of the reports generated from the GPMS, WBMS and GRMS

DLI 6: Annual Performance Assessments (APA) conducted by PRDD

- ISGPP-II cell under the PRDD hires an independent firm to conduct the APA. The firm will follow the procedure provided in the assessment manual, which is an appendix to the POM, which includes quality assurance/ verification agent (firm contracted) and World Bank (for review).
- The APA firm submits the draft final and final report to the verification agent for quality assurance and verification, after which it goes to the ISGPP-II PSC including the complete results of the APA and the resulting PBG allocation.
- The verification agent will review the APA report to verify that the correct procedure was followed, and that the allocations budgeted are accordingly. The APA team may be asked to review and rectify results. The PSC will also review the report of the verification agent and of grant disbursements to verify that they have conformed to Program entitlement.
- Note: The WB will receive a copy of the draft and final reports from the APA and results from the verification exercise and reserves the right to review the results and the quality of the assessments.
- The ISGPP-II Cell will submit the final report of the APA teams, together with the proposed grant allocations, and with copy of the verification report to the PSC of the ISGPP-II. (future years) The ISGPP-II cell will also submit a copy of the annual Program Report for the previous year and documentation (verified by the agent) to the PSC 1 month after end of the FY.
- The PSC make a final verification that the APA procedure was correctly followed, and that the final allocations in grant announcements match the allocations contained in the final report of the APA team.
- The World Bank retains the right to join the APA in the field as part of its implementation support, provide quality assurance reviews of county assessments, and to review the quality of the overall

ACPA process. The World Bank will therefore receive a copy of the APA team's draft as well as final assessment report at the same time as the verification agent and the ISGPP-II Cell.

DLI 7: Targeted number of vacant core GP positions filled

- Year 1: HR recruitment plan and budget finalized to for filling of gaps is developed by the ISGPP – II. The verification agent verifies and send to PSC for final review and verification.

- Year 2 and 4: ISGPP- Cell provides a report on the status of the filled positions across all GPs. The verification agent review, and make sample spot checks of data in minimum 10 GPs. After verification results in form of a VA report are send to the PSC for final review and verification.

Information/Data Source	Verification Mechanism
Annual Plan with benchmark including format, Verification table, Details of vacant positions, role, experience, job description and strategy for filling up the vacancies.	• Review the plan for HR support to GPs • Reviewing the HR database for hiring • Review the appointment dates for positions wherein appointment done, • Review the net vacancies created and filled up for GP

Annex 4: Summary of Technical Assessment

1.   This annex presents the summary of the technical assessment conducted for ISGPP-II and includes the following sections: the strategic relevance and technical soundness of the proposed Program; the Program's expenditure framework; the result chain and logic for DLIs selection, Program's results framework and monitoring and evaluation; the Program's governance structure and institutional arrangements; economic evaluation and technical risk assessment.

I.   Assessment of the Strategic Relevance

2.   Overall the Program is fully consistent with GoWB's policy on supporting GPs, through a two-pronged approach of strengthening their institutional systems and capacity as well as augmenting their financial resources. The Program is also aligned with the recommendations from the Fourth SFC to roll-out the experiences from ISGPP-I on capacity building support & providing discretionary grants based on APAs of the GPs to the entire state. ISGPP-II is particularly relevant in the light of a planned significant increase in discretionary development funding to the GPs over the coming 5 years, calling for strengthening of all systems, procedures and practices to ensure efficient utilization of funds and implementation of local service delivery.

3.   The roll-out will be achieved through a combination of PBGs, robust APAs promoting strong incentives, CB support and systems development. The PBG system will be based on the successful approach adopted by ISGPP-I. The PBG system will be refined and expanded to all GPs in the State through: i) a graduation of the conditions, ii) comparison of the performance of the new with the "peer" new GPs (and old with old), and iii) a strong focus in the CB design on targeting of weaker areas of performance, a more needs and demand-driven approach, supplemented by on the ground handholding and mentoring support.

4.   The planned new PBG constitutes a significant share (21 percent) of the total untied grants over the Program period from FY 2017/18-2020/21 and will be funded from 3 sources: (i) 10 percent CFC grants, (ii) 100 percent SFC, and (iii) the IBRD funded DLI-linked allocations. When combined with strong awareness raising, publication and sharing of results, and CB support, this will provide GPs with sufficient incentives to improve their performance. Experience from ISGPP-I and elsewhere show that such incentives can result in significant improvements in performance over a relatively short period of time. The PBG, which is designed to be an integral part of the overall IGFTS, will be combined with comprehensive support to core systems and procedures for GP operations (e.g. accounting and reporting systems).

Figure 4.1: Inter-governmental Fiscal Framework
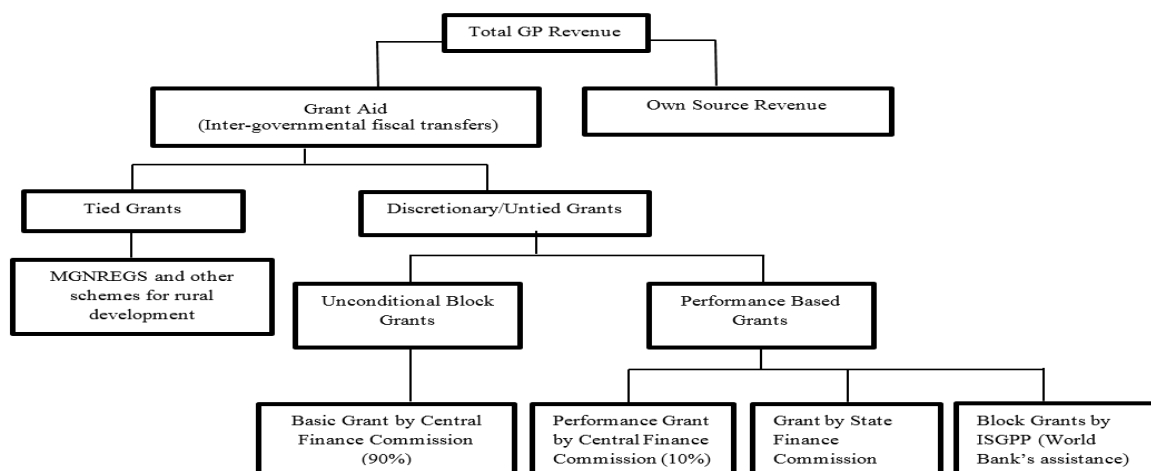
5.   As shown in the figure below the design is strategically driven by the fact that performance based discretionary/untied grants will constitute an increasingly significant share of the total discretionary/untied grant provided to the GPs.

Figure 4.2: Ratio analysis of performance based grant and unconditional grant
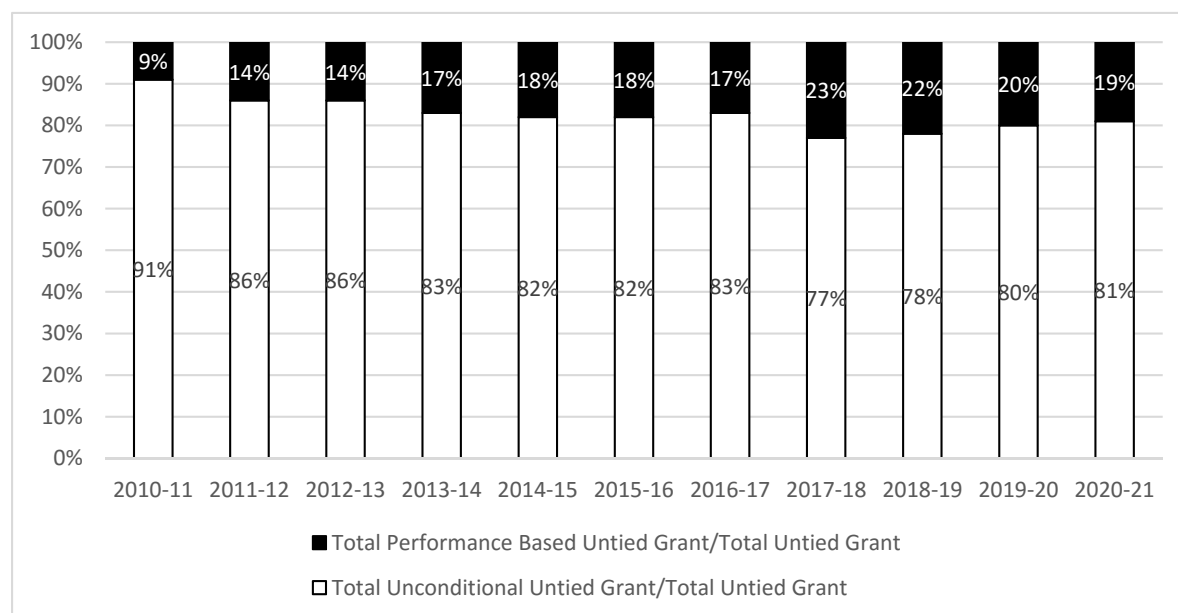
6.   Figure 3 below provides a detailed year-wise break-up of the planned PBG to GPs and depicts the planned increase in the 3 funding sources of PBGs over the program period.

Figure 4.3: Break-up of Performance based grant
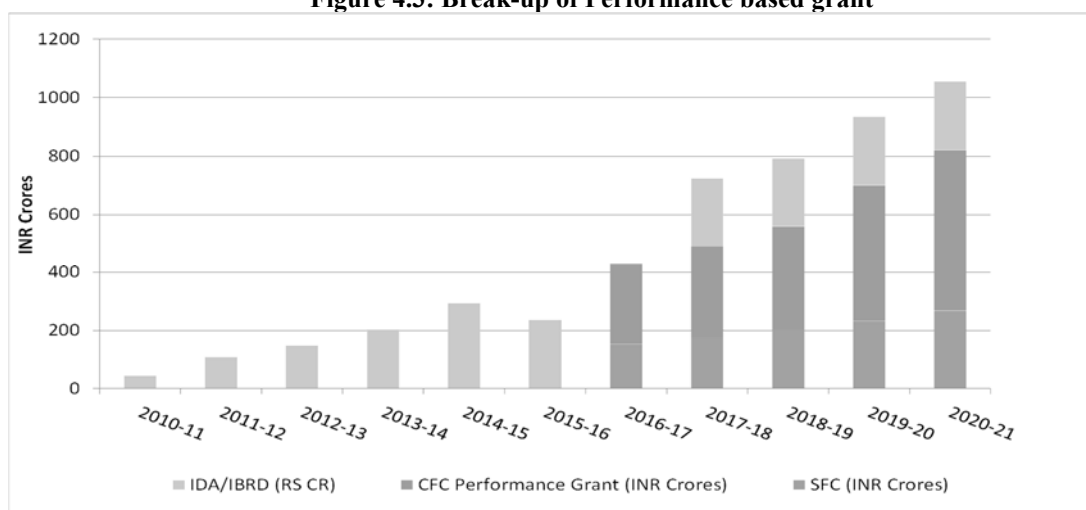
7. The four Key Result Areas (KRAs) under the ISGPP-II: 1) Establishing a state wide unified PBG allocation system for all discretionary funds available for GPs; 2) Improving local government financial management systems in GPs; 3): Improving local governance and HR capacities for increased transparency and accountability in local government functioning and 4) Improving the decentralized and participatory planning and budgeting mechanisms at the local level; are assessed to be well targeting the challenges facing the GP system in the current phase of the reform process, and the modalities – the combination of PBG, robust APA and CB support through training, mentoring, system development and backstopping support, are based on well-tested modalities, refined through lessons learned.

8. Furthermore, the ten core activities under the program will address challenges of the current GP system and challenges in a strategic and comprehensive manner. The three-element PBG is recognizes the contextual differences in GPs, including demographic factors as well as the level of support they have received for institutional strengthening in the past years.

9. The Program will provide strategic support to the government in state-wide roll-out of PBG system by undertaking comprehensive APAs for all 3,342 GPs. The state government plans to provide DLI linked funding for PBG to two-third of the total number of GPs, while the remaining GPs will be covered through funding from SFC/CFC funds. Through this approach, the Bank will ensure: (a) institutionalization of APAs and PBGs as the state government's unified platform for providing discre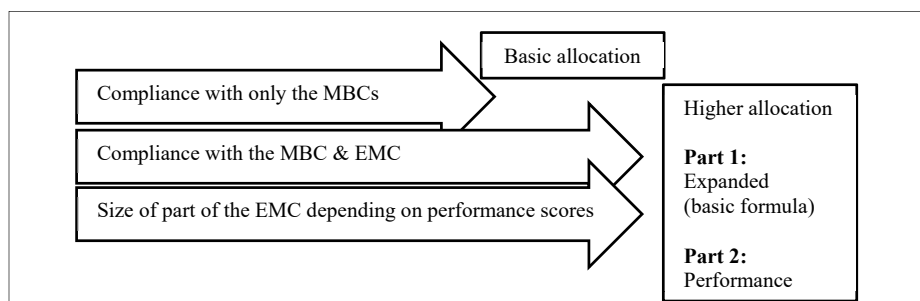tionary funds to all GPs; and (b) targeted support to GPs that were excluded from ISGPP-I and which are weaker in terms of capacity and system development. The modalities will ensure that one common system will be established, with due considerations on the weaker capacity of the new GPs, see the box above.

Figure 4.4: Components in the PBGS

10. The DLIs in ISGPP-II are well aligned with the Program's KRAs and support them in a comprehensive and interlinked manner. A well-elaborated verification mechanism is critical and PRDD will hire an independent professional firm to provide DLI verification services. This DLI verification agency will undertake the task of periodic verification of the DLI target achievements and submit a report to the Inter-departmental Program Steering Committee (PSC) established under the chairmanship of Minister-in-Charge of PRDD for final endorsement of the results. The Bank will retain a right to make the final decision whether a DLI has been achieved or not. In addition, the Bank may undertake regular independent quality assurance checks of the APAs to ensure continued robustness of the system.

11.   The Program will provide capacity building support to GPs through a range of activities, (both supply- and demand-driven) including institutional system development (GPMS, GRM, GIS etc.), formal learning, mentoring support, which will be mutually strengthening. DCUs and mentoring teams will provide GPs throughout the State with regular hand-holding and on-the-job backstopping services. Mentoring will follow the same, but improved, basic model as successfully used during ISGPP-I implementation and will be guided by the in-depth knowledge of mentoring teams, more demand-driven requests for advice by GPs, and will take into account the results of APAs to identify which GPs need backstopping and in which subject areas. The performance of the Program's mentoring teams will also be assessed on an annual basis so as to identify opportunities for upgrading the skills and approach of individual mentors.

12.   Although the program is based on well tested modalities under ISGPP-I, it has refined its approach to CB, and will move towards more demand-driven CB support based on local needs, and will also refine the systems and procedures launched in the first phase. In collaboration with District-level DPRDOs, the DCUs and mentoring teams, a district-based committee (chaired by the ADM) will be responsible for drawing up annual GP (and PRI) learning and training plans, based on the identification of the specific needs of GPs, Blocks and Districts. This will ensure that formal learning and training are geared towards the needs of individual GPs – and will represent a significant move forward from ISGPP-I's supply-driven and "across the board" approach to formal training for GPs. Each District will plan formal learning and training activities within the framework of a notional hard budget ceiling (or indicative allocation, IA); learning and training priorities for GPs in a given District will be prioritized within District-level IAs, and be consolidated into a Program-wide annual plan by the ISGPP Cell. District annual plans may also – depending on needs – include activities aimed at strengthening inter-governmental coordination (between GPs, Blocks and Districts). Where appropriate, STARPARD and other State agencies (such as BRAIPRD) will be contracted to implement formal learning and training activities. Where such State agencies are unable to implement such activities, the Program will out-source implementation to private sector service providers. The Program's formal GP learning and training activities will be evaluated each year to ensure quality and make any necessary adjustments.

II.   Assessment of Program Technical Soundness

13.   The overall technical design is sound and based on the most recent experiences from PBGs around the World, India (other states) and from further refinement of the previously well-tested ISGPP-I model in West Bengal. The design of the PBG fits the objectives of promoting incentives for both new (2,342) and old (1,000) GPs. The PBG will have scalability for the new GPs with a smaller amount for compliance with basic conditions and a larger amount for compliance with the more demanding expanded access conditions (which are also the conditions for the old GPs), and thereby considers the various capacities of new and old GPs. New GPs' performance will be compared relatively with new GPs and old with old, to ensure an "equal level playing field". This is in accordance with international best practices, with due considerations of safeguards on the one hand and realistic demand on GPs' performance on the other, and the Program has learned from experiences from the 5 years of roll-out of PBGs to 1,000 GPs as well as experiences from PBGS in the region (e.g. Nepal, Bhutan and Bangladesh) and other parts of the World (e.g. Ethiopia, Uganda and Tanzania – all 3 PforR designs) as well as from other states in India (e.g. Kerala).

14.   The new system is designed to strengthen the incentives and capacity delivery mechanisms compared to the first phase, as: (i) the grant allocation will be influenced by relative performance improvements at the GP level, (ii) every score in the APA will count and influence the size of allocations, and (iii) the GPs will be well aware, that if they "relax", they will lose important amounts of untied funding. The incentives also support improved accountability and awareness about all GP operations and strengthen linkages between the communities and the GPs, see Table 4.1 below.

Table 4.1: How the ISGPP-II Incorporates Lessons Learnt

| Area	Lessons Learned	Action Taken
APA cycle synchronized with GP government planning and budgeting cycle	Important to ensure that the results are ready in due time for the GP planning process.	This will be ensured with a clear timeline and supported by a DLI on timeliness of the APA. This will be monitored and disbursed against a DLI.
Timely audit results	The timeliness of audit results is pertinent to ensure that the most recent FY is applied and that audit results can be incorporated in the APA results. This was a challenge in the beginning of ISGPP-I.	DLI targeting and Program support will be put in place to strengthen the capacity of the ELA in timely audit of all the State's GPs will be put in place and monitored closely to ensure timeliness.
Links between APA and CB support	Has been a success in ISGPP-I and other places, and will be strengthened in phase II with additional instruments for targeted CB support	Roll out of well-tested system and modalities and combined with comprehensive CB support using a combination of tools from training, mentoring, system development and peer to peer review and support. The CB support will be rolled out to all GPs in the State of West Bengal.
Minimum access conditions	Minimum access conditions have shown to be a strong performance incentive in ISGPP-I	The graduation of conditions is a new refinement.
Performance based allocations	Link between allocation and performance results provides good incentives. However, towards the end of ISGPP-I most GPs could get access to the additional funds with the on-off trigger system in place.	The "second generation" of the performance measure adjustment, where scores are mainstreamed in the formula, is designed to be more gradual/scaled than the on/off triggers of ISGPP-I. This means that every minor performance improvements impact on the size of the allocations and thereby the incentives.
Performance assessments	The APAs have to be highly professional, neutral and objective with contracting of teams and QA.	Previous lessons will be applied, and combined with a formal system of external verification of results and QA of all results by an independent verification agent and a more formal verification and approval system by the overall PSC.
Performance measures	PMs have to be simple, well targeting performance of importance for drivers of change and with a clear scoring system attached.	The new design has refined at the margin with a few new performance measures, and clarification of others. The performance of the new (2,344) GPs will be compared with other new GPs in the Program to ensure a fair system.
Performance improvements	Performance will increase rapidly with PBGS approaches, but will vary greatly between the old and the new GPs.	The new (and weaker) GPs' performance will be compared with performance within this group to create an equal level playing field. There will be a smaller amount available for new GPs which complies with a smaller sub-set of core BMCs.
Sustainability of the PBG	The PBG experiences from the "stand alone" system in ISGPP-I led to agreement on future roll-out to the entire State.	The future system will provide full coverage of the State, and integration of various funding streams into a joint PBG (10% of CFC funds, all the SFC funds and funds sourced from the IBRD disbursements). The

Area	Lessons Learned	Action Taken
		IBRD funding share will decrease gradually over the years.
Capacity building	Important to combine performance grants with CB support to address weaknesses	The CB modalities have been strengthened in a range of areas, including tools to ensure that it is more targeted and demand-driven, and strengthening of the linkages between training and mentoring, as well as moving towards a more result-based system of allocation of funds.

15. The Program will ensure that these funds deliver high returns as the size of grants will depend on the direct and indirect absorption capacity and overall performance of the GPs. The size of the allocation will vary proportionally with their performance in core areas of importance and relevance for efficient service delivery. The grant simulations for the first year demonstrate that a GP which will obtain 95 points (out of a maximum 100 points and where the average score is 60 points) in the APA will receive on average 29 percent additional funds, and opposite, if it has a poorer performance and obtains about 35 points, its funding will accordingly be reduced by 21 percent. A small, good-performing GP (with 95 points) will receive about 700,000-800,000 INR more than the average allocation per year. For an average size GP the increase in funding for the same level of performance will be to the tune of about 1,500,000 INR, which is significant in terms of incentive and service delivery, also compared with typical project size at the GP level (most projects have costs in the tune of 1-2 Lakh or 100,000-200,000 INR). The trust in the grant system and effective GP spending, is also expected to leverage future increases in the future funding allocations to GPs.

16. The per capita size of the PBG will increase from about 105INR or 1.6USD (in FY 2017/18) to 150INR or about 2.2 USD (FY 2020/21) in average figures due to a gradual increase of the PBG allocations over the years if all GPs comply, but is estimated to be significant higher for the compliant GPs, if the expected number of GPs comply (i.e. 40 percent in the first FY for BMCs and only 30 percent for the EMCs), as funds are allocated only to the compliant GPs. The level of the PBG is comparable to ISGPP-I (e.g. 146INR in FY 2014/15). Experience from ISGPP-I and other places shows that the planned level is sufficient to ensure incentive impact, especially when combined with CB/TA support, awareness raising, transparency and publicity about results.

17. The allocation formula for the PBG is transparent and is based on 2 criteria: geographical size of the GP (10 percent) and population size (90 percent), with a factoring in of the third criterion: "performance scores". This system typically provides grant adjustments against the actual performance of the GP to the tune of up +/- 25 percent (less in the first year and more in the following years) and the adjustment is designed in a manner to ensure that it provides equally strong incentives to all GPs, see the figure below:

Figure 4.5: Examples of scores and adjustment (%) of grants up and down against performance on a scale from 0-100 points
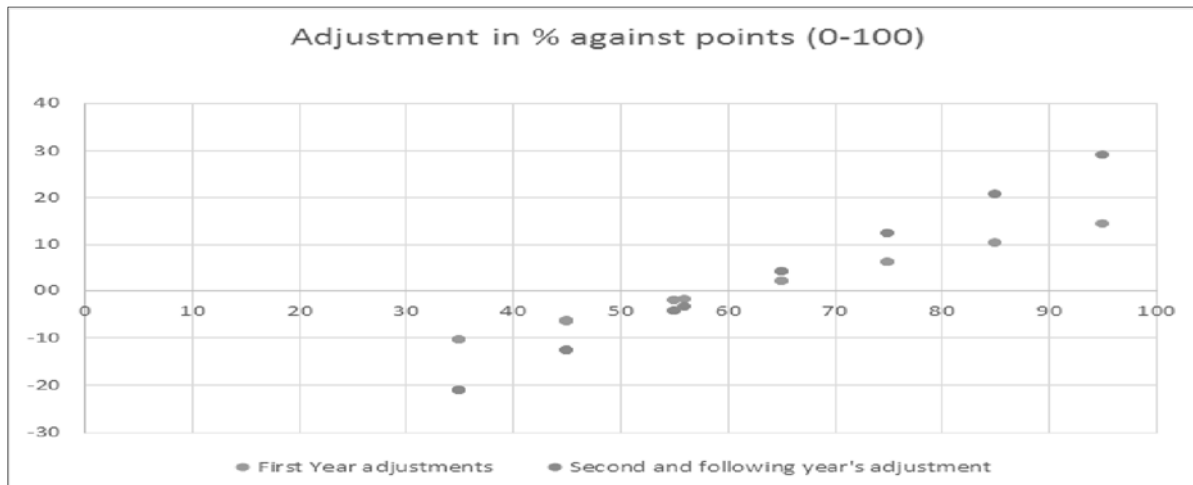
18. The choice of Performance Benchmarks/measures is assessed as appropriate, and based on a review of ISGPP-I experience, field-testing during Program design, and reviews of experience from elsewhere. The Performance Measures (PMs) directly address KRAs 2, 3 and 4, while KRA 1 is covered by general support for the design and implementation of the state-wide PBG system and APA process. A first set of MMCs and PMs were applied in the five years of operation of ISGPP-I. The MMCs and PMs have now been refined and for the new, and weaker GPs, a basic set of basic minimum conditions will be applied, which provide sufficient safeguards, and which ensure easier access to a smaller level of grants. Improved performance and capacity will then lead to the release of larger grants as and when the expanded set of conditions is complied with and when capacity to handle more funds is available. The performance measures have also been fine-tuned based on past experience and on technical assessments in the field. Similarly, the entire system of verification/quality assurance of the results has been formalized and improved upon through the introduction of a verification agency.

19. Based on ISGPP–I experience, minor adjustments have been made in the investment menu (allowed expenditures). As in ISGP-I, most of the investments are expected to go to areas such as small road projects (major rehabilitation), water supply schemes/tube wells, and other small-scale infrastructure projects (see the sector allocation under ISGPP-II below). These projects are of core importance for efficient service delivery at the local level. The risk of fragmented funding in multiple smaller schemes will be addressed through incentives in the performance measures to improve planning, awareness raising, and support to strengthening of the budgeting and procurement process.

20. Even in times of increasing grants, GPs' absorption capacities have been shown to improve when PBGs are introduced. During ISGPP-I implementation, the annual fund absorption of grants increased from 55 percent in FY 2010/11 to 84 percent in FY 2013/14 (and this result achieved at the same time as annual grant amounts increased significantly). Secondly, the previous fragmentation of funds before the PBG was introduced, also seen in non-ISGPP-I GPs, changed during the ISGPP-I. ISGPP-I managed to promote larger and more sustainable and needs-based priorities and investments at the GP level. Finally, the completion rate by end of ISGPP-I compared to planned projects was relatively high (23,619 out of 30,442 planned projects or 78 percent). These tendencies, with a refined design for ISGPP-II, are expected to continue.

21. The Program's approach to CB explicitly acknowledges the need to look beyond this phase of World Bank financing and to prepare for a sustainable uptake of GP capacity building by the state

government. Mentoring support, one of the most successful aspects of ISGPP-I, will be maintained by the Program. A larger number of mentoring teams will be deployed to cover all 3,342 GPs with access to regular, on-the-job backstopping and advice. In the interests of institutional and financial sustainability, each mentoring team will, on average, service considerably more GPs than in ISGPP-I. Mentoring teams will also sharpen their focus on the varying needs of each GP and will rely, in part, on APA results to guide their inputs to GPs. In addition, the Program will undertake APAs of all its mentoring teams in order to provide mentors with appropriate skills upgrading and to maintain quality.

22.   The Program's approach to formal GP learning and training is more focused demand/need-driven and flexible than in ISGPP-I. Rather than relying on a supply-driven, "one-size-fits-all" and basic approach to training, the Program will adopt a needs-driven and GP- (and District) specific model for the identification and implementation of formal learning events and training sessions. By getting District-based units (DPRDO, DCU and mentoring teams) to draw up annual learning/training plans, in which activities are identified in relation to the specific profiles of each GP and then prioritized (within a notional hard budget ceiling), the Program's capacity building interventions should become more efficient and better targeted. This approach also ensures that mentoring and formal learning/training are more closely articulated and more complementary. Implementation of the Program's learning/training activities will also become less reliant on a single state government institution (STARPARD), without greatly reducing the extent to which institutional support is provided to the State-wide GP training system. Opening up the implementation of CB activities to other (private and public) sector service providers is also likely to increase efficiency and ensure that the quality of learning/training activities is upheld.

23.   The Program's support for ensuring that core staff are appointed in all GPs is of considerable importance and is addressed by a specific DLI. Mentoring, training and systems development are only useful and provide value-added insofar as GPs are adequately staffed

III.   Assessment of the Implementation Arrangements

24.   The Program will be implemented using existing government systems, including the main features of the intergovernmental fiscal transfer system, as set up under ISGPP-I. Existing systems will be further strengthened to meet the objectives of the ISGPP-II program as necessary.

25.   The state government's Panchayat and Rural Development Department (PRDD) will have the primary responsibility for program implementation and will ensure that the program's development objectives are met. The PRDD will execute the program through the ISGPP Cell that was established within the West Bengal State Rural Development Agency (a society registered under Societies Act by PRDD) under ISGPP-I. The ISGPP cell will assume direct, state-wide responsibility for day-to-day program management, implementation, coordination and monitoring at the state and the local level. The ISGPP Cell will have experienced specialists to cover all key areas of the program. The ISGPP Cell will coordinate the implementation of all program activities at the local level through the DCUs and develop annual plans for CB based on inputs from the districts. This structure is similar to the structure followed under ISGPP-I and will be further strengthened given the larger scope of ISGPP-II.

Figure 4.6: Institutional Structure and Supporting Agencies for ISGPP-II
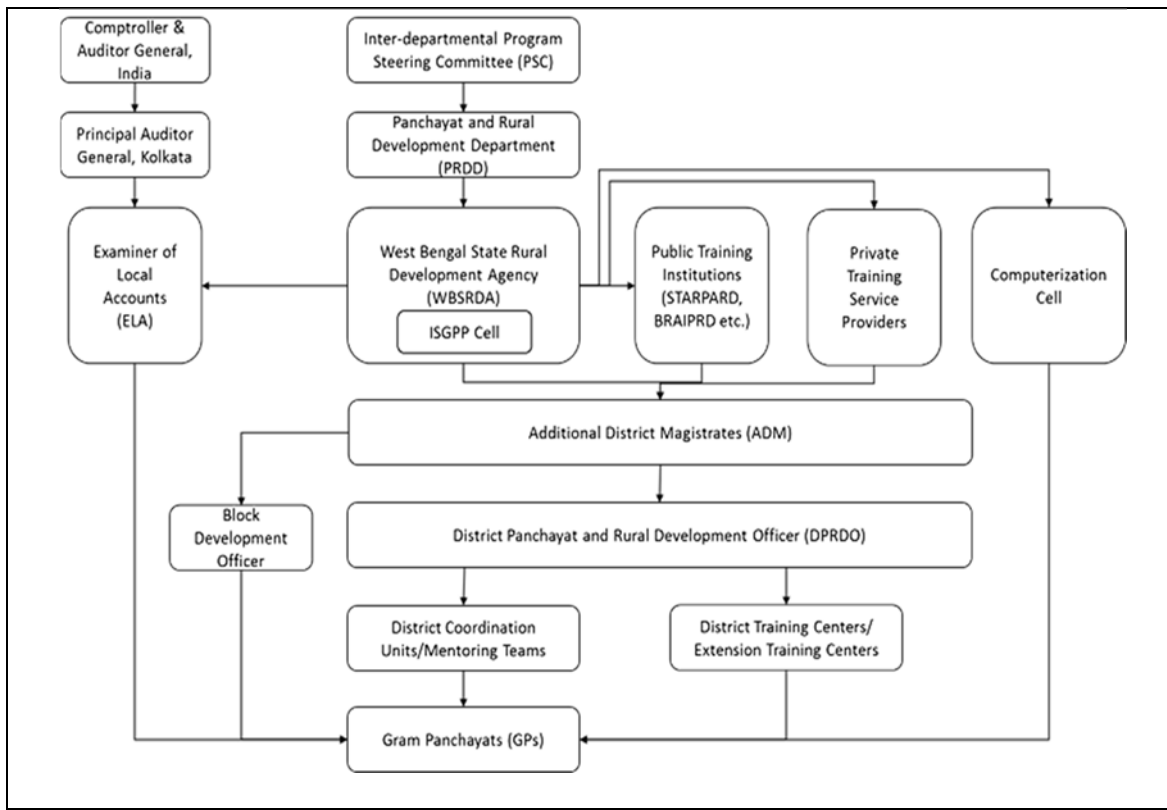
26.   Compared with the already strong institutional arrangements under ISGPP-I, a number of initiatives have been taken to strengthen coordination. First, a formal Inter-ministerial Program Steering Committee has been established (GO already issued in October 2016), which will review and endorse the assessed and verified results from the Program and provide policy guidance on Program implementation. Second, at the district level coordination of all CB interventions will be strengthened with the district-based annual CB planning.

27.   To ensure a high degree of impartiality, GP performance assessments and the verification of DLI results will be carried out by independent contracted agents, with final reviews undertaken by the PSC. The World Bank will receive copies of all reports and review fulfilment before making disbursements. The APA will be carried out by an independent firm to ensure the objectivity of the process. The assessment will be carried out in line with the POM on performance assessment, which has been developed by the GoWB, with its content and quality acceptable to the Bank. The APA manual and related tools (questionnaire for data collection) provide clear definitions for each indicator as well as guidance on the scoring and the process and procedures for the assessment, including systems for quality assurance and approval. Prior to the final decision, all results will be verified by a third party, the contracted verification agency, which will review all DLIs. The PAD includes a detailed and robust verification protocol.

IV.   Assessment of the Grievance Redressal Mechanism, Fraud and corruption

28.   The system for handling grievances and tackling F&C will be strengthened under ISGPP-II compared to the first Program. A new online Grievance Redressal Mechanism (GRM) linked to a Toll-Free number (to be assigned by November 2016) for all PRDD related programs including ISGPP-II will be launched and supported by Program, and through DLI 5. The system will contain clear procedures for

handling various types of grievance, deadlines for redressing these, and clear institutional arrangements with the establishment of a Grievance Redressal Committee and guidelines for GPs for operations. Any grievance pertaining to procurement, financial mismanagement or corruption from any GP will be included in the semi-annual report sent by the designated Grievance Redressal Officer in the ISGPP-II Cell and will be included in the Annual Report to the World Bank. It will be the duty of GRO in the ISGPP-II Cell to compile this report from the district, block or GP level GRO's and send it onwards to the Bank.

29.   In addition, the Government of India and the State of West Bengal have passed several Anti - Corruption Acts and Rules, which further mitigate the risk of fraud and corruption. GoI is fully committed to combating fraud and corruption in its projects and programs through the Program's legal documents. The GoI is committed to meeting its obligations under the Anti-Corruption Guidelines for PforR operations. The World Bank Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results financing (dated February 1, 2012 and revised July 10, 2015) will be complemented by the protocol agreed between the GoI and the Association on July 30, 2008 for the exchange of information and documents, and the granting of access to the Association to the Operation's sites and related persons. Thus, a combination of different state level Acts/ Rules, a robust grievance redressal system and an effective M&E framework are expected to address these risks in the program.

V.   Assessment of the Program's Expenditure framework

30.   Program expenditures are expected to amount to a total of US$ 593.6 million (this includes the total PBGs to all GPs as part of the government program), of which US$ 209.4 million will be the IBRD contribution (based on the DLI achievement rates)[16]. The expenditure framework includes the total costs of the activities to achieve the PDO and does not distinguish between funding sources. For PBG, the IBRD funding contributes about USD 139.3 million out of the total amount of USD 523.4 million for the four years of grant allocations (FY 2017/18-FY2020/21). The summary breakdown of expected expenditure is shown in the table below (further details are included in the full TA). The relatively low share of the IBRD funding is due to the fact that government has chosen to contribute substantially to the roll-out of the PBG in the entire State of West Bengal, sourced from the 10 percent of the CFC and 100 percent of the SFC. However, the IBRD funding is strategic and supports the entire technical roll-out of innovative PBG systems as well as all CB and system development activities.

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[16] Note that of this, USD million 4.5 has been disbursed as a Program Preparatory Advance (PPA).

Table 4.2: Summary of the Expenditure Framework

S. No.	Expenditure areas	FY 16/17	FY 17/18*	FY 18/19	FY 19/20	FY 20/21	FY 21/22	Total (INR Crores)	Total (USD mn.)
1	PB Grants to GPs	0.0	724.2	793.3	934.3	1055.2	0.0	3507.1	523.4
2	CB and institutional development support	13.65	57.76	68.66	68.39	65.99	61.73	336.19	50.3
3	Program management, coordination and monitoring	16.52	18.86	34.43	18.27	27.00	18.89	133.96	19.9
4	Total	30.2	800.1	886.8	1021.2	1155.7	94.3	3977.8	**593.6**
5	Of this sourced from IBRD	30.2	309.2	326.8	320.2	333.9	94.3	1403.5	**209.4**

Note: The PPA activities are within the West Bengal FY 2016/17. Exchange rates: 1 USD = 67 INR. PPA the first year is 4.5 million USD or 30.2 crore. Please refer to the TA for further details.

31.   A more detailed break-down of the expenditure framework is shown below.

Table 4.3: Details of the Expenditure Framework

S. No.	Activities	PPA 2016-17*	2017-18	2018-19	2019-20	2020-21	2021-22	Total	Mn USD
	Performance Based Grants								
1	**Performance Based Grants**	**0**	**724.21**	**793.31**	**934.33**	**1055.21**	**0**	**3507.06**	**523.44**
	IBRD based on BMC Qualification	0	116.67	58.33	58.33	58.33	0	291.66	43.53
	IBRD based on EMC Qualification	0	116.67	175	175	175	0	641.66	95.77
	Funding from SFC & CFC (GoWB)		490.88	559.98	701	821.88	0	2573.74	384.14
	Mentoring Support								
2	**Mentoring Support**	**12.81**	**27.96**	**35.49**	**38.18**	**40.63**	**42.92**	**197.99**	**29.55**
	DCU	0	3.58	3.71	3.86	4	4.15	19.3	2.88
	DCU Staff Cost	0	2.98	3.06	3.16	3.25	3.35	15.8	2.36
	DCU Opex	0	0.6	0.65	0.7	0.75	0.8	3.5	0.52
	Mentoring Support	12.81	27.96	35.49	38.18	40.63	42.92	197.99	29.55
	Mentor Staff Cost	0	3.58	3.71	3.86	4	4.15	19.3	2.88
	Office Rent	0	2.98	3.06	3.16	3.25	3.35	15.8	2.36
	Mentor Opex	12.81	27.96	35.49	38.18	40.63	42.92	197.99	29.55
	Training for Newly recruited Mentors & Refreshers training of existing mentors	0	3.58	3.71	3.86	4	4.15	19.3	2.88
	Formal Learning and Training								
3	**District annual allocations**	**0**	**10.19**	**11.66**	**13.31**	**13.96**	**10.13**	**59.25**	**8.85**
	GP-based allocation (Year 1 = INR 40,000/year/GP;	0	10.19	10.66	12.31	12.96	9.13	55.25	8.25

S. No.	Activities	PPA 2016-17*	2017-18	2018-19	2019-20	2020-21	2021-22	Total	Mn USD
				Program Period					
	5% annual inflation increase)								
	District-based allocation (Year 1 =INR 450,000/year/district; 5% annual inflation increase)	0	0	1	1	1	1	4	0.6
4	Systems Development and roll-out								
	Systems Development & roll-out	**0.84**	**19.62**	**21.51**	**16.9**	**11.4**	**8.68**	**78.95**	**11.78**
	IT support for system development	0.59	1.7	1.96	2.25	2.59	2.97	12.05	1.8
	User support & training	0	0.6	0.4	0.5	0.5	0.4	2.4	0.36
	Procurement of PDAs for revenue mobilization	0	2.35	0	0	0	0	2.35	0.35
	Support for GIS (Domain Consultants for map services)	0.25	1	1	1	1	1	5.25	0.78
	Procurement of mobile phones for GPs	0	2.15	0	0	0	0	2.15	0.32
	Support for GP Internal and External Audit	0	5	5	4	4	2	20	2.99
	Support for GRM	0	3	2	2	2	1	10	1.49
	GPMS Support	0	2	5	1	1	1	10	1.49
	Strengthening Capacity Building & Monitoring System at State (including SCU), District (including DCU), DTC & GP level	0	1.82	6.16	6.16	0.31	0.31	14.75	2.2
5	Support for HR recruitment for GPs								
	Support to districts for filling of GP's key positions	**0**	**0**	**15**	**0**	**5**	**0**	**20**	**2.99**
	Support to DLSCs for recruitment process	0	0	15	0	5	0	20	2.99
6	**Development and implementation of internal audit system for GPs**								
	Internal Audit	0.08	0.35	0.39	0.42	0.47	0.49	2.19	0.33
7	Timely completion of APA								
	Annual Performance Assessment & Baseline	**2.84**	**3**	**3.2**	**3.5**	**3.8**	**4**	**20.34**	**3.04**
	APA & Baseline	2.84	3	3.2	3.5	3.8	4	20.34	3.04
8	Program Management, Coordination and Monitoring								
	B. Project Management Support Activities	**13.68**	**15.86**	**16.23**	**14.78**	**18.21**	**14.92**	**93.67**	**13.97**
	Consultancy for Preparation of POM	0.37	0	0	0	0	0	0.37	0.06
	Midterm Review	0	0	0	0	2.5	0	2.5	0.37

| S. No.	Activities	PPA 2016-17*	Program Period 2017-18	2018-19	2019-20	2020-21	2021-22	Total	Mn USD
	Impact Evaluation	0	0	0	0	0	3	3	0.45
	Consultancy for DLI verification	0.39	0.5	0.55	0.61	0.67	0.73	3.44	0.51
	Other Studies	0	0	1	1	1	0	3	0.45
	State/National Level Workshop	0	1	0	0	0	0	1	0.15
	Exposure Visit of Project Staff	0	0	0.75	0.75	0.75	0.75	3	0.45
	Exposure Visit of State & Dist. Level Govt. Officials	0	0	0	0.5	0.75	0.75	2	0.3
	New Office Setup	0	2	2	0	0	0	4	0.6
	Computer & Equipment for Project Offices	0.6	3	1	0.25	0.25	0	5.1	0.76
	SCU Rent & Maintenance	0	0.7	0.75	0.75	0.8	0.8	3.8	0.57
	SCU Operating Cost	0	2.13	2.34	2.58	2.84	3.12	13	1.94
	SCU Staff Cost	11.3	1.83	1.88	1.94	2	2.06	21	3.13
9	Timely completion of external audits of all GPs annually								
	External Audit	**0.05**	**0.15**	**0.17**	**0.18**	**0.2**	**0.22**	**0.97**	**0.14**
10	Citizen engagement, project communications and IEC								
	Project & Citizen Communications	**0.89**	**5**	**6**	**7**	**7**	**3**	**28.89**	**4.31**
11	**Total**	**30.17**	**800.11**	**886.79**	**1021.2**	**1155.72**	**94.3**	**3977.62**	**593.6**
12	**Sourced from existing planned expenditures**	**0**	**490.88**	**559.98**	**701**	**821.88**	**0**	**2573.74**	**384.2**
13	Sourced from IBRD	30.17	309.23	326.81	320.2	333.84	94.3	1403.48	**209.4**

32.   For the CB activities (specific training, mentoring, support from DCUs, etc.), program support activities, APA, support to ELA etc. the Program covers all the GoWB's ISGPP-II expenditures, hence no breakdown in the table in current and future planned "increased" investments under ISGPP-II. This goes for all expenditure areas, except for the PB grants, where the funding without the Program would have been only the 10 percent of the CFC grants and the 100 percent of the SFC grants for the period from FY 2017/18 – 2020/21, which was planned in the tune of: USD 384.1 million, before the increase from the IBRD support by USD 139.3 million.

33.   The PforR operation will contribute to an increase of resources available for PBGs by 36 percent. The share of IBRD funding decreases over time, thus promoting longer-term sustainability. The DLI related source of funding from the Program to the PBG framework over the four fiscal years constitutes 26 percent of the total funding for PBGs. According to the agreement made with GoI, the design is made in a manner such that the IBRD DLI to GoWB contributes only to the new enrolled GPs, i.e. 2,344 GPs, and will constitute 37.5 percent of the PBG funding for these new GPs over the Program period.

VI.   Assessment of the Program Results Chain, Results Framework and M&E

34.   The Program results chain is coherent and aligned with the PDO as well as the priorities mentioned in the fourth SFC report, as presented below.

Figure 4.7: Results Chain
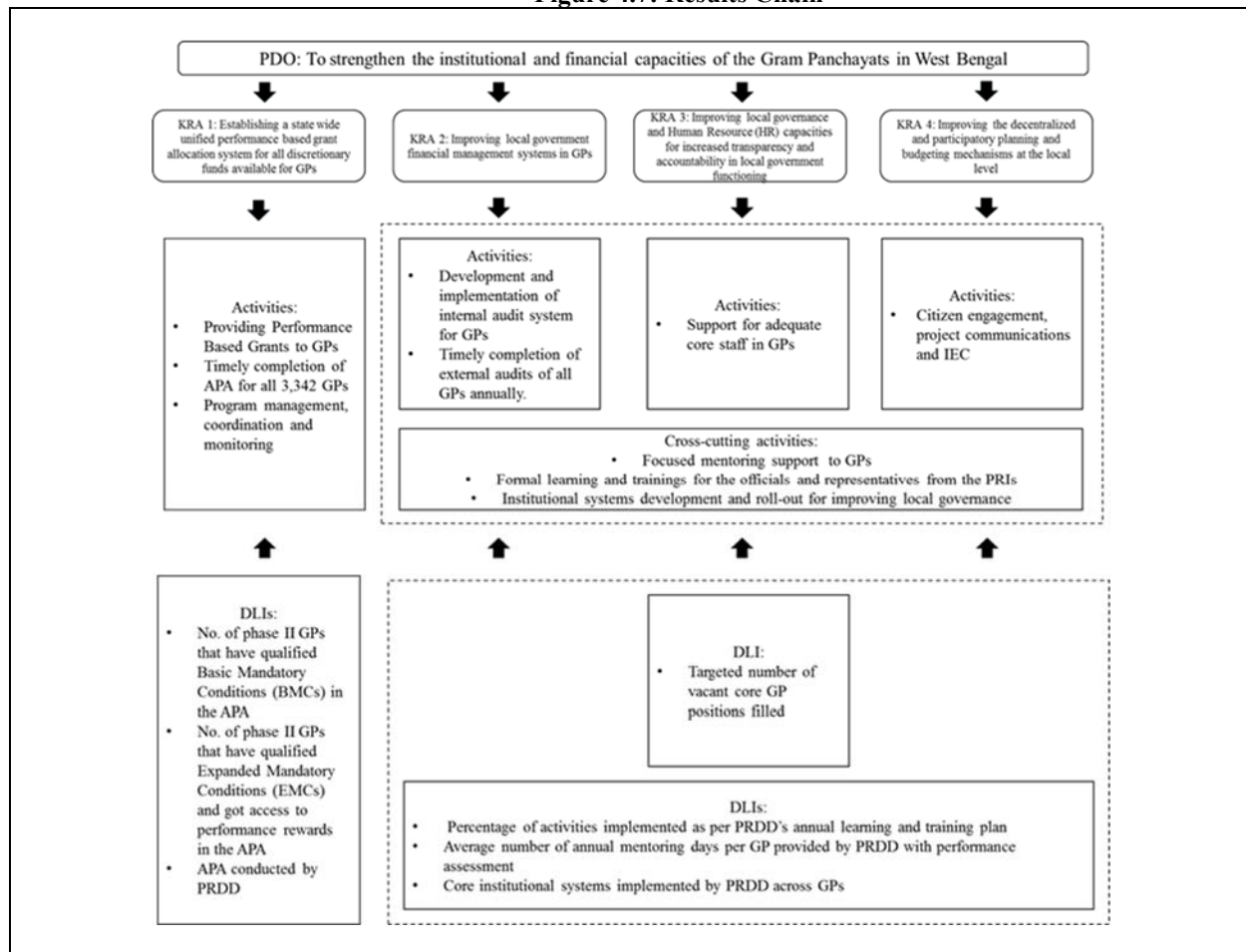
35.   Some of the activities and the corresponding DLIs relate to capacity building (formal learning and training), mentoring support and institutional systems development for the GPs which will span across improvements in financial management, local governance, decentralized planning and budgeting and hence are cross-cutting across multiple KRAs. In the results chain presented above, the cross-cutting activities and corresponding cross-cutting DLIs are accordingly indicated.

36.   The full results framework for the PforR operation comprises a total of 12 indicators and is fully aligned with the program's design and proposed activities. The Program will be monitored and evaluated through the use of a number of M&E tools throughout implementation, including use of the annual financial statements from the GPs to GoWB (note that the GPMS ensures continuous up-date of the financial reporting as well), the APAs (which will generate information on 11 out of the 12 indicators), annual audit reports from the ELA, consolidated annual Program reports and a planned Program midterm review.

VII.   Program Reporting Systems

37.   The Program data (revenues and expenditures), including physical investments to be financed, will be captured using the State of West Bengal's PFM and M&E systems. The computerized financial reporting system with regular reports in standard formats, from the GPMS, will be supplemented by physical progress reports on a bi-annual basis (web-based system), which tracks, among other things, progress across GPs

toward the Program's key result indicators. The ISGPP-II Cell in PRDD will consolidate and analyze the field data submitted by the GPs, through the districts and the results from the APAs and update the Program's results framework on an annual basis. The ISGPP-II Cell will share the monitoring information and analysis with the Bank on a regular basis and as a minimum, on an annual basis, through the Annual Program Report (APR). The PRDD/ISGPP-II cell has also developed standardized planning and reporting formats in phase I of ISGPP, which will be further developed in phase II. These reports and implementation progress on state level provided CB activities, status of audit and status of HR gaps will be aggregated and included in the APR.

38.   To ensure that the reporting of the Program expenditures is integrated into the state PFM system, the system will be updated to allow for identification of PBG-funded activities (through ledgers in the books of accounts). This will bring greater ease in accounting for expenditure from the Program, consolidating aggregate GP figures, and strengthening the use of the state PFM system, as part of the overall GPMS. The detailed system will be part of the POM's annexes to be ready before the first allocation of funds.

39.   Given the nature of the Program and the importance of tracking performance and CB needs and provision, there will be a need to strengthen the M&E functions of the ISGPP-II Cell and district based coordination units.

40.   With regard to responsibilities for the overall Program reporting, the ISGPP-II Cell will be responsible for overall coordination and reporting. It will consolidate and analyze the field data submitted/up-loaded by GPs, data from the APA, GPMS, ELA reports, summaries of complaints handling from the grievance system, and update the Program's results framework on an annual basis. It will also produce and submit to the Bank an Annual Program Report, with information on the following: Summary of aggregate Program expenditures, and Program infrastructure delivered by GPs, including beneficiaries broken down on gender; Execution of the CB plan (compiled every year) including activities training activities and activities conducted by the ISGPP-II cell, and mentoring support; aggregate environmental and social performance from each District (and GP wise), including information on grievances; progress against the Program's performance indicators in the results matrix of the PAD; assessment results, including the performance of GPs (BMCs, EMCs and PMs) and the disbursed amounts; aggregate information on procurement grievances as part of the overall grievance system and reporting and aggregate information on fraud and corruption issues.

VIII.   Program Economic Evaluation

41.   Economic evaluation of performance based fiscal transfer programs, with combination of PBGs, capacity building and APAs, internationally indicates that the economic benefits are wide-ranging and mutually strengthening. Moreover, in a number of institutional strengthening programs in rural areas specific reviews of the major investments show: (i) a high level value for the money; (ii) that the investments are highly labor intensive/ conducive to job creation, and income-generating for local communities; (iii) that the modalities for delivery are efficient compared to other modes of service delivery; and (iv) general high levels of economic rate of return (ERR) on investments.

42.   Previous experiences with the ISGPP-I, have been reviewed[17] under the recently conducted impact evaluation study of Institutional Strengthening of Gram Panchayats Projects (ISGPP) in West Bengal, and shows that GPs have a strong ownership in the operations, and that the incentives provided improve performance and capacity in core areas of GP operations and management such as procurement, revenue mobilization and assets management. The box below summarizes some of these findings.

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[17] Impact Evaluation Study for ISGPP – Final Report,2016, ICRA Management Consulting Services Ltd

Box 1: Key core benefits of ISGPP-Investments

•   Coverage of significant infrastructure and service delivery gaps with more than a doubling of the resource available at the GP level for rural investments;

•   Better utilization of available funds

•   Marginal reduction in project expenditure and significant reduction in projects completion time

•   Significant employment creation, based on experiences from phase one;

•   High economic rate of return in areas where most of the funds are utilized, and competitive costs compared to other modalities and investments;

Strong support of institutional improvements, incentives and longer-term sustainability in terms of strengthening of core institutions, planning, PFM, procurement, and safeguard management.

43.   As funds are multi-sectoral, and not earmarked to specific projects, the details of the project composition are not known beforehand. However, as a rather similar PBG was tested in ISGPP-I, it is possible to learn from the ISGPP-I, in analysis of the future EIRR and ENPV. Analytical work shows economic benefits of the typical investments of ISGPP, with strong focus on creation of basic infrastructure assets in the areas including road construction, water supply improvement, drainage facilities, etc. The key benefits of this and other ISGPP-Investments include reduced transport costs, reduced flood damage impacts, increased water borne diseases based health benefits, reduced water collection related time cost and increased job creation activities.

44.   The results specific economic analysis, with cost benefit analysis, has been undertaken for typical investments such as: (i) construction of a new gravel road; (ii) converting a gravel road to a concrete road; (iii) providing a borewell based hand pump water supply and (iv) construction of a drainage system are summarized below

Table 4.4: Summary of Economic Analysis

S. No.	Sensitivity Scenario	Sample Project 1: Construction of Concrete Road		Sample Project 2: Construction of Gravel Road		Sample Project 3: Sinking a Tube well		Sample Project 4: Construction of Drain	
		EIRR	ENPV @8% - US$	EIRR	ENPV @8% - US$	EIRR	ENPV @8% - US$	EIRR	ENPV @8% - US$
1	Base Case	20.12%	2,355	22.67%	3,607	27.23%	1,733	23.02%	1,862
2	20% increase in Construction Cost	16.13%	1,850	18.76%	3,089	22.48%	1,535	18.92%	1,586
3	20% increase in O&M Cost	19.01%	1,973	21.57%	3,261	26.27%	1,653	22.23%	1,774
4	20% decrease in project benefit	13.84%	997	16.75%	2,022	20.55%	1,109	17.29%	1,125

S. No.	Sensitivity Scenario	Sample Project 1: Construction of Concrete Road		Sample Project 2: Construction of Gravel Road		Sample Project 3: Sinking a Tube well		Sample Project 4: Construction of Drain	
		EIRR	ENPV @8% - US$	EIRR	ENPV @8% - US$	EIRR	ENPV @8% - US$	EIRR	ENPV @8% - US$
5	Combined effect (Worst Scenario)	8.62%	109	12.44%	1,158	16.02%	832	13.36%	761

Note: EIRR - Economic Internal Rate of Return; ENPV- Economic Net Present Value discounted @8%

45.   Estimated EIRRs in the range of 20.12 percent to 27.23 percent all above the minimum required social discount rate (SDR) of 8 percent along with their positive ENPVs indicate that sample projects investments are economically viable, even without considering other non-quantifiable benefits. The economic impacts of the project for all economic agents, including the facility users as well as the residents of the Program GPs is significant. An analysis of the project sensitivity test results at 20 percent increase in cost and 20 percent reduction in benefits shows that the rate of return and the net present value remain at acceptable levels. The internal rate of return remains higher than the SDR of capital in all cases and NPVs are found to be positive, thus confirming the viability of the project under various scenarios.

46.   Furthermore, the ISGPP-Investments are highly labor intensive and support job creation and about 25,000 man-days direct employment was created during the ISGPP-I, on an average per GP. This direct employment will lead to indirect employment to the tune of about 20 percent and all benefiting the local GP community, mostly of poor unskilled workers. Similar trends are expected in the ISGPP-II

47.   In addition to these tangible benefits, experiences show that completed ISGPP-I modality of incentive based allocations promote planning, PFM, and governance improvements across a broad range of core areas, and has introduced a good sense of competition and awareness across the GPs. Compared to the baselines, there are significant improvements in areas of audit reports, planning documents (procurement plans, revenue enhancement plans, planning and budgeting for maintenance and operations), fund absorption (not only the PBG, but also of all untied[18], grants), project completion rates[19] as well as in accountability and involvement of citizen groups in local planning. The potential for improving the GP performance in those core areas will be further tapped under ISGPP-II[20].

48.   A recent evaluation study[21] to gauge the public perception about the service delivery of the completed ISGPP had established that respondents from ISGPP-I project GPs had perceived significant

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[18]As an example, ISGP grant has also incentivized for timely utilization of grants thereby leading to increased absorption capacity of all untied transfers to GP from 55% in 2010-11 to 85% in 2014-15.

[19] On detailed review of about 40 completed contracts in Khila GP of Howrah District has revealed that the contracts were completed before 21 days from the estimated 71 days contact estimation period, on an average. Thus the reduction in project completion period had reduced to 30% and this improved performance is due to the ISGPP. In the same GP, average completion period was about 30% more than the estimated time (93 days). In case of comparing the project completion days during pre-ISGPP and during the ISGPP period, the project completion days had reduced much further i.e., 60%.

[20] Proposed basic (BMC) and expanded conditions for the APA for accessing ISGPP – II funds include: (i) annual increase in own revenue base on year basis; (ii) GPs do not have adverse audit opinion; (iii) GP plan and budget approved by 31 January; (iv) achieving the prescribed fund utilization targets; and (v) GPMS installed and operated in a timely manner. (Source: Aid Memoire of West Bengal ISGPP-II First Preparation Mission, June 20-24, 2016.

[21] Hiring of Services for Citizens Recall and Feedback Assessment of Communication Tools and Service Delivery', ISGPP, Final Report, January 2016.

improvement in the basic public service areas as compared to their counterpart from the non-project GPs and also have changed their standard of living to a large extent. An impact evaluation study carried out for the completed ISGPP-I in 2016 had assessed the critical activities/interventions in the project that has contributed towards achievement of project goals and objectives. Performance of ISGPP GPs vis-à-vis non-ISGPP GPs both in ISGP Project districts and non ISGPP districts was compared to understand the benefit accrued in ISGPP GPs for the interventions carried out at the GP level. Major findings include:

- planning was more efficient in ISGPP GPs in comparison with non-ISGPP GPs;
- percentage of GPs qualified for Block Grants had increased from 48.3 per cent (483 GPs out of 1,000 GPs) in 2010 to around 98.7 per in 2015 which showed increased compliance of conditions and criteria as per the APA over a period of 5 years;
- quantum and utilisation of project grant funds had improved substantially from FY2011 to FY 2016. After satisfying the minimum required eligible conditions, the GPs became qualified for ISGPP grant had increased from 48.7 percent in 2010 to 98.7 percent in 2015. Similarly, the utilization of untied grants from all sources including from ISGPP had improved during the program. Utilization of Block Grants (untied from ISGPP) had improved from 18 percent (2010) to 98.5 percent (2015)[22] and the total fund utilization had improved from 55 percent to 85 percent during the same period;
- previous practice of fragmentation of funds with smaller asset projects had reduced drastically (ISGPP data shows that GPs now invest an average of INR5 Lakh per activity in comparison to the INR0.4 Lakh per activity during the pre-project phase);
- assistance provided by mentors under ISGPP capacity building component was important in improving the performance of the GP;
- procurement support to GPs under ISGPP had improved the system[23], participatory approach, quality of construction and considerable reduction in implementation period. Procurement and construction period have reduced resulting in time and cost overrun;
- consideration to environmental and social review for all works carried out using ISGPP funds and other united funds; and
- prepared Vulnerable Group Development Index to identify the backward areas in a GP, to ensure active participation and balanced development in the planning process.
- And finally, and very important, the completion rate of projects and thereby the ability of GPs to deliver core services and infrastructure has increased from the start of the Program 2010 to 2015 by the end, a trend also expected in the ISGPP-II, not only for the PBG funding part related with the entire GP portfolio of investments.

49.   The performance incentives in core areas from planning to auditing (including project implementation) combined with significant CB support is expected, as observed during ISGPP-I, to enhance the entire operational capacity of GPs in core areas of governance, PFM and service delivery, promoting not only the effective utilization of the PBG (which is about 30 percent of the untied grants going to GPs) but the entire use of all local funds (grants and own source revenues) which constitute about 5 percent of the total public expenditure in the State of West Bengal. Second, the first phase experienced that increase in grants, when combined with incentives on OSR, could be combined with enhanced mobilization of OSR (increased from INR crore 40 to 96 per capita during the program period or by 240 percent), leading to additional funding available for targeted needs-based service delivery and improved sustainability in the entire investments and grant system.

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[22] Impact Evaluation Study for ISGPP – Final Report,2016, ICRA Management Consulting Services Ltd (pp ix)

[23] ISGPP had provided the procurement guidelines for implementation of schemes according to West Bengal Panchayats (Gram Panchayats Accounts, Audit and Budget) Rule 2007 procedures and P&RDD orders issued in 2012.

50.   To the extent possible and appropriate, the Program will promote local private sector development. As under ISGPP-I, the implementation of almost all Program activities will be contracted out to the private sector. On average, about 150 -200 contracts were involved in the construction of investment projects in a GP from 20012-2015. This is expected to expand with the proposed investment menu and likely investments. GPs, as implementing agencies, will retain their supervisory role and the Panchayat & Rural Development Department of GoWB, as the main executing agency, will retain its oversight and quality assurance role for Program implementation.

51.   Based on the technical assessment, the technical design of the Program will contribute to the overall goal of efficiently producing results and reaching the Program's objectives. The Program is assessed to be technically sound and the risks identified (moderate) are well addressed, especially through the APA and the comprehensive CB support.

IX.   Overall Technical Risk Rating

52.   Based on the findings of assessments undertaken for the preparation of the Program, the overall technical risk rating is **moderate** since the ISGPP-II is based on well-established systems and procedures and is backed by strong commitment from the Government of West Bengal. The overarching measures to mitigate the risks include a series of institutional development and CB activities to the new GPs for enhanced performance, which will be financed by the Program. Second, the well tested incentive mechanism under the performance based disbursement mechanism will be expanded, deepened and rolled-out. The CB has innovative features, in additional to traditional training such as mentoring support, peer to peer review and support, and web-based M&E and learning. In sub-areas such as in-sufficient staffing at the GP level where risks are relatively higher, sufficient initiatives are planned under DLI related focusing on improvements and CB interventions to reduce risks.

Annex 5: Summary of Fiduciary Systems Assessment

1.   To prepare a PforR Operation, an Integrated Fiduciary Systems Assessment (IFSA) involving the assessment of governance and anti-corruption mechanisms, procurement and financial management systems has been carried out for the proposed program in line with the Program-for-Results Policy and Directives (OPCS5.04-POL.01 and OPCS5.04-DIR.01).

2.   The fiduciary arrangements, including fund flow, procurement and audit arrangements of the closed ISGPP I are documented in the various program documents (Program Appraisal Document, Program Operations Manual, Financial and Procurement Manual/s). Apart from the specific program documents, fiduciary arrangements in the state are guided by several state rules and legislation. The existing vigilance and anti-corruption mechanism include the state level constituent body of the Anti-Corruption Bureau which enforces the Prevention of Corruption Act, 1988, financial and performance audits by the Comptroller and Auditor General (CAG) of India, Right to Information Act, 2005 and the various state and departmental level vigilance and grievance redressal systems.

3.   Given that this is a follow-up operation, the integrated fiduciary assessment built upon the existing knowledge and experience gained from the implementation of ISGPP I. Additionally, the team conducted onsite visits to ten (10) GPs selected as a representative sample. The GPs selected were by and large, those that were not part of ISGPP I and covered the districts of Jalpaiguri, Uttar Dinajpur and Siliguri (North Bengal) and Purulia, Bankura and Murshidabad (Central and South-west Bengal). The on-site visits to the GPs covered verification of records, assessment of systems and procedures and interviews with GP elected representatives and fiduciary staff.

4.   In line with the PforR approach, the Program will be implemented using existing country fiduciary systems. The activities to be undertaken under the Program fall under three broad expenditure categories; (i) PBGs to GPs, using the APA methodology and processes successfully implemented under ISGPP I to determine the eligibility and quantum of grants; (ii) GP level capacity building, including systems development, mentoring support, formal and demand driven training, mentoring support and support for strengthening of internal/external audits; and (iii) Program management, monitoring and coordination support. In line with existing GoWB procedures, the budget line for the program will be held by PRDD who will periodically release funds to ISGPP Cell for program level expenditures.

5.   The state-level fiduciary systems for PRDD and ISGPP Cell, as a constituent of WBSRDA, an umbrella technical organization registered as a society, are well established and tested under ISGPP-I. The process of annual budgeting at State level by and large, follow a top down approach with the consolidated budgetary requirements sent by respective Departments to Finance Department in December and the amount allocated in April. Reserve Bank of India is the banker to the government while State Bank of India is the main agency bank. All receipts and expenditure transacted at various treasuries are routed to a single account. Every day debit / credit balance information for each of the treasuries is sent to the Reserve Bank of India which combines this with debit and credits received for the government due to other transactions (such as receipt of market loans, transfers from GOI etc.) and a consolidated cash position for the state government is arrived at and communicated to Finance department daily. At the departmental level, functional computerized Integrated Financial Management Systems (IFMS) operate which facilitate fund flows and management of sanctions, allotments and movement of funds. Centrally mandated classification systems allow for budgeting, accounting and reporting as well as tracking of expenditures at Departmental level. The West Bengal Financial Rules, 1979 describe primarily the financial powers of different authorities and the procedure which should be followed by them in the securing and spending of the funds necessary for the discharge of the functions entrusted to them, including processes for tendering of works. In West Bengal, Finance (Internal Audit) Department functions under the State Finance Department and is responsible for audit of various departments, local bodies and government undertakings. CAG carries out

audit of state governments through the offices of Principal Accountants General/ Accountants General as appropriate.

6.   While there is evidence of positive developments in public financial management in West Bengal, there is clearly need for greater attention to issues of implementation. Report of the Comptroller & Auditor General Audit of India on State Finances in West Bengal for the year ended 31-Mar-2015 notes several instances of inadequate provision of funds, unnecessary/excessive re-appropriations and rush of expenditure at the end of the year. In some cases, the anticipated savings were not surrendered leaving no scope for utilizing these funds for other developmental purposes. Accumulation of unadjusted AC bills and parking of developmental funds in Personal Deposit (PD) Accounts were major areas of concern, as amounts were drawn from treasury or transferred out of the Consolidated Fund of the State without proper treasury checks. On General and Social Sector, the auditors noted that utilization of SGSY Infrastructure fund [under PRDD] and creation and utilization of assets disclosed various areas of lax implementation and deficient monitoring.

7.   The Personnel and Administrative Reforms Department of the government of West Bengal ensures that the State machinery is functioning properly with respect to addressing public grievances. It also houses the Office of the (i) State Vigilance Commission; (ii) The West Bengal Lokayukta; (iii) West Bengal information Commission and acts as the nodal department for two very important Acts i.e., 'The Right to Information Act, 2005' that empowers citizens to obtain public records or information from any public office[24]; and 'The West Bengal Lokayukta Act, 2003' enacted to investigate corruption related complaints by the citizens against the public functionaries in West Bengal. The West Bengal Right to Public Services Act, 2013 is another important legislation which gives citizens clear rights to time-bound service delivery in selected services, and rules have been made for the type of services covered, officers responsible for delivering such services within the bureaucratic hierarchy, and a clear accountability framework has been outlined. The Act addresses the growing demand of citizens for more transparent delivery of public services and ensures a time frame for delivery of such services. The Act covers all Departments, Directorates and their Sub-ordinate offices, Local Bodies, Authorities, Corporations and Companies (PSUs).

8.   At ISGPP Cell and other agencies involved in the implementation of ISGPP-II, the accounting and financial reporting arrangements are robust and well-tested during the implementation of ISGPP-I. The implementing agencies are registered as separate autonomous societies subject to country legal framework which governs their operations and financial management. The societies operate outside the State's Treasury systems, maintain separate bank accounts and books of accounts using off-the-shelf computerized accounting application systems. ISGPP Cell prepares program procurement plan every year and follow the prescribed procurement guidelines of the Bank for procurement of goods, works and consultancy services. Implementation experience of ISGPP I however, does suggest dysfunctionality with respect to the higher level oversight and monitoring function exercised by the Executive Committee of WBSRDA. This is partly on account of the large number of projects implemented by WBSRDA and the fragmented accountability arrangements for the same.

9.   Under ISGPP I, the ISGPP Cell was staffed with a lean procurement structure of two full time procurement specialists, who were trained on Bank funded procurement at ASCI, Hyderabad. During the life of the project, goods valued at US$ 1.1 million covering 63 contracts (using shopping methods) and consultancies valued at US$ 4 million covering 46 contracts were procured using the Bank's rules and procedures. All procurement was completed successfully by the closure of the project. For all intents and purposes, the ISGPP Cell have adopted the Bank's procurement processes followed under ISGPP I as their own procedures and have decided to follow the same. Based on procurement activities at the new program,

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[24] Except those that are exempt and generally in the interest of national security. See further details and FAQ for RTI at http://wbpar.gov.in/CommonUser/aboutUs.aspx?type=11

ISGPP Procurement Manual has been prepared as part of the POM laying down the procurement procedures which will apply uniformly across the state and district level implementing agencies.

10.   For the Gram Panchayats (GPs), the legal framework comprises the Gram Panchayat Act 1973, and The West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007 (amended in 2010) and The West Bengal Panchayat (Gram Panchayat Administration) Rules, 2004 (amended in 2006). On the overall, the GPs are aware of the Rules; however with significant changes in the operating environment and in the manner of doing business with computerization being a key driver, governance challenges, and the need to provide adequate powers to GPs to enhance own source revenue to attain a degree of self-sufficiency, the legal framework needs to be reviewed and amended where needed. Although prescribed by the Rules, five-year perspective plans of GPs are generally not prepared. The timeline and activities for development of annual action plans and budgets are more or less similar across the GPs and are laid down in the Rules. There are both strengths and weaknesses in the GP budgeting process. Among the strengths are (i) bottom-up approach followed for budget preparation with public participation at Sansad (Ward) levels thereby capturing local aspirations for development; and (ii) several iterations that are built into the process of finalization of draft budget including review by Upa-Samitis, special meeting of Gram Panchayat, Gram Sansad review, Block Panchayat Samiti review, publishing of draft budget for public review and comments and final Gram Sabha to pass final budget.

11.   GP budgets are however, not linked to the five-year perspective plan and to an extent, ad-hoc in nature and low on predictability. Although activities are proposed by Sansads in their action plans, it is difficult to trace the activities in the Final Budget since these do not indicate Sansad level allocations. GPs maintain separate fund bank accounts based on terms and conditions of specific funds and for own source revenue. Currently grants and contributions are received by GPs in two instalments but there is no definite timeline for the flow of funds. GPs follow cash based double entry computerized accounting systems. The main accounting record is the Cash Book and Subsidiary Cash Books (for bank accounts). Cash/ Bank Books are maintained in the accounting module of GPMS, computerized accounting system of PRDD. A major strength of the computerized accounting system is that it has enabled GPs to be up to date in the maintenance of their primary books of accounts and put GP accounts in the public domain. While GPMS has been installed in all 3342 GPs, about a third of the GPs have backlogs of 30 days or more in the system and fall under Grade C and D in GPMS Status Monitoring System. Recognizing the significant risk that this poses, the program design envisages that GPs that do not fall under Grade A or B in GPMS Status Monitoring System will not qualify for grants under the program. This requirement will be included as `Basic Mandatory Condition (BMC)' from FY18-19 onwards.

12.   Construction/maintenance of assets account for the bulk of annual GP budgets. Audit reports have flagged certain issues/ risks specifically associated with works contracts. Absence of monitoring and control of fixed assets is a significant risk for the GPs as it is exposed to potential losses through misuse and wasteful expenditure. The level of GP compliance with the Rules on assessment and collection of land and property taxes, fee and levies vary. As noted in the statutory audit reports and evidence gathered during sample GP visits, property record maintenance is not strictly according to Rules, there is lag in collection of self-assessment forms, surveys and periodic assessments of market values of properties and laxity in tax collection efforts. Assessment of sample GPs revealed that collection efficiency varied between 7 percent and 88 percent. Low collection efficiency is leading to loss of revenue and GPs need to stem the losses with better scrutiny and monitoring. Greater attention needs to be paid to collection of arrears and public disclosures of defaulters in accordance with the respective Rules.

13.   At the GP level, procurement policy and rules are governed by the Department of Panchayati Raj and Rural Development (PRDD). Policy guidelines are developed at the State level whilst detailed planning, implementation and monitoring is undertaken at the District, Block and GP levels. With the significant increase in quantum of fund at the disposal of the Gram Panchayat, the scope and range of procurement

activities has been on the rise at an enormous pace. Realizing the need to introduce more systematic approach for improving the procurement process with relevant policy reforms and enactment, the West Bengal Government issued West Bengal Gram Panchayat Procurement Manual (2014) prepared by the ISGPP Cell in consultation with stakeholders from Gram Panchayat, Block, District and State level. This Manual is followed throughout the State GPs in order to strengthen local self-governance with stronger accountability and transparency.

14.   This Manual, provides procurement guidelines and acts as a ready reckoner for the Gram Panchayats that have been aligned with the prescriptions in the existing rules but kept simple so that the local self – governance institutions at the lowest level i.e. the Gram Panchayats can follow and implement them and also meet the objectives of each program and project. So, this Manual strives towards standardization and uniformity of Gram Panchayat procurement system across the state and across all funds. Utmost care has been taken as far as practicable to ensure avoidance of conflict with existing Rules and Acts of the Finance department and the P&RD department of the state.

15.   The Manual provides for different procurement methods. The open competition is the preferred approach in line with the Manual. The predominant procurement method used by the assessed GPs is by locally publishing the RFQ which is akin to National Shopping in the Guidelines. The Manual requires at least three quotations for competiveness. The Procurement Manual provided to the GPs has prepared various standard tender documents/forms that are available in printed form as well as for down-loading from its website. These are standard tender documents (STD) for goods, works, and non-consulting, standard request for quotations. Manual available include; procurement policy, records management, procurement of works, procurement of non-intellectual services, etc. The evaluation criteria are generally non-discriminatory and encourage competition.

16.   The procurement at the GP level is handled by elected members of the GP. The GPs are assisted in the task by GP Secretary who is an employee of the government. The constitution of committees are spelt out in the Rules which are binding for procurement at GPs. Procurement under GPs mostly includes contracts of very small size e.g. construction of roads from one point to the other (usually less than 1 km); upgrading or new construction of water pumps; repair of tube well, etc. There is absence of procurement planning; GPs prepare budget estimates but there is no practice of preparation of procurement plans with details of timeline, estimates and quantities.

17.   The assessment however, indicates that that competition is not adequate; three quotations being received only to suit mandatory requirements. A review of the bidding documents at the sample GPs visited did not indicate existence of transparent public opening of bids, although the Manual and Rules require evidence of public opening. The assessment also indicates that the given criteria for selection is not being fulfilled; credentials of all bidders are not as per procedure requirement (e.g. experience not of same nature of work, but they are considered and awarded the contracts). Certificates for past experience are drawn by the same panchayat with initials of approvers without any stamps. Negotiations do not normally, take place with the bidders. The Rules do not permit negotiations with lowest bidder. While the Manual provides templates for Notification and Contract, evidence at the sample GPs does not establish a contract document process being adhered to. The contracts are simple and small and being executed locally. GPs assessed have poor records and filing system. The way files are managed makes it difficult to follow the procurement of a specific requirement through the various stages of the procurement cycle. Lack of adequate capacity has been noted at various levels across GPs, and there is a need for enhanced procurement capacity. Procurement audits, post procurement reviews, concurrent audits and internal audits are not conducted nor planned.

18.   GP budgets are not reviewed nor revised. No formal, periodic budget monitoring is carried out which compares actual income and expenditure against budgets and variances highlighted. While

accounting data is captured in GPMS, budget data is not. Budget heads and accounting heads differ therefore budget and accounting heads need to be linked to generate comparative information for decision making and control. Other than monthly and annual Cash Book summary (Form 26 and Form 27 respectively) and Compiled Collection and Expenditure Statements containing ledger account balances, there are no formal financial reports generated by GPMS. Recognizing this gap, the ISGP Cell has developed computerized systems to capture manually, activities listed in the integrated budget by location (Ward), sector/ Upa Samiti and fund sources.

19.   Under Statutes, PAAOs are appointed at Block levels to carry out internal audit of GPs among other activities. However, in actual practice there are large vacancies, PAAOs spend only a part of their time in carrying out GP internal audit. The internal audit is annual or not at all, and reports are not submitted on time. The office of the Accountant General, West Bengal (AGWB), of which the Examiner of Local Accounts (ELA) is a part, is an arm of CAG and mandated by the State to be the statutory auditors for regular external audits of GPs in accordance with their constitutional obligations. There is no requirement by law for the audits to be completed in a definite time frame; however, as per practice, ELA office completes all GP (3,351) annual audits by end of the next financial year i.e. within 12 months of the close of each financial year. Consolidated audit reports are placed in the State Assembly by May each year. For greater impact of the audit process, it is necessary to improve the timeliness and quality of the auditing processes. The audit process at present, is essentially manual, transaction-based and time-intensive.

20.   At present, the main channel for receiving complaints at the GP level in West Bengal (or for rest of the PRI system) is mostly manual/written complaints or verbal voicing of grievances. Complaints can be put in a complaint box which exists at most GP's. They can also be written in complaints registers or sent through letters. As per the PRI Act and the guidelines of different central government schemes, GP's should record complaints in a separate complaints register along with details on action taken on them. However, field visits for the fiduciary assessments found that this system is weakly implemented and needs considerable strengthening. Complaints registers were not duly filled up with complaints, nor was there consistent record of action taken (in the last 6 months) available in most GP's with the exception of one or two. Nature and frequency of complaints received varies at the GP's and most were service related grievances while some were related to greater transparency and provision of information. For example most common complaints were around provision of water, sinking boreholes, building roads, improving sewage, upgrading the health related ICDS centers and also receipt of benefit payments under schemes such as NREGA or IAY. Field visit/s found that GP's have a manual or verbal grievance redressal mechanism in place. With the exception of one GP, all other GP's visited had a complaints box though most of them were empty and sparingly used.

21.   The Anti-Corruption framework in India and the various Acts/Rules passed by Government of West Bengal have strong provisions for combating fraud and corruption and handling complaints on maladministration and service delivery. This legal framework gives significant and independent powers to the anti-corruption bureau and its state level bodies to initiate enquiries related to fraud and corruption under the Prevention of Corruption Act 1988 and take punitive action. Field visits found no complaints on F&C, however, an enquiry under the RTI Act was found in one GP reflecting this is an important tool being used by citizens to hold GP's accountable.

22.   The government in keeping with its commitment to improve grievance redressal, transparency, accountability and F&C related issues, will launch a new GRM system linked to a toll free helpline for ISGPP-II and other PRDD related schemes. The proposed online Grievance Redressal Mechanism (GRM) will allow an easy way to lodge complaints verbally through a toll free number, these will be captured through a software, and forwarded to the respective PRI levels for redressal. The toll free number (1800200864) along with key features of the GRM will be adequately displayed outside every GP so that citizens can be empowered to voice grievances without fear and grievances can be kept anonymous as well.

In this context, Grievance Redressal Committees (GRC) will be set up by the ISGPP cell at the state, district and blocks. At the district level, the District Magistrate (DM) will head the GRC and grievances will be discussed in DM's monthly meetings, where the concerned members of Block GRC or GP's grievance redressal officers will be present. At each stage any relevant action taken will be entered into the online system. GRO's will divide the grievances into two categories 'high' and 'highest', high priority grievances will be dealt with within 7 days and highest priority will be dealt with within 4 days, the action taken will be reported to the higher level block or district GRC. For purposes of the program, the new GRM system, GRO's and other designated focal points shall receive complaints (Fraud and Corruption, Procurement, Environment and service related etc.) from the public and periodically provide summary reports of these complaints and actions taken on them to the World Bank in its Semi-Annual and Annual Report.

23.   For Program-specific fiduciary arrangements, the PRDD and ISGPP Cell will be responsible for the fiduciary activities of the Program at the State Level while Gram Panchayats (GP) will be responsible for fiduciary activities under the GP level results area. PRDD and its implementing agencies are assessed as having adequate fiduciary capacity to manage the Program. Under ISGPP 1, a block grants cycle was designed for the proper and timely disbursement of block grant. The block grant was released each year during May and the entire amount was routed to the designated bank accounts of the District Panchayats & Rural Development Officer (DPRDO) from where the allocation of each GP was routed to the GPs bank account through electronic fund transfer mode.

24.   For ISGPP II, there will be two levels of funds flows: (i) state-level funds flow from the State Budget to ISGP Cell (through PRDD) for financing achievement of results; and (ii) up-stream funds flows from the World Bank to the Government of West Bengal [through Government of India] on achievement of DLIs. The state level flow of funds for the Program (including IBRD financing, 100 percent SFC grants and 10 percent CFC performance based grants) from the State budget to ISGPP Cell of WBRDA and thereon to DCUs and DTCs (expenditures for STARPARD and BRAIPARD and other service providers will be met directly by ISGPP Cell) and the GPs will be in line with existing GoWB procedures. Program-specific bank accounts will be opened at ISGPP Cell, DCUs and DTCs for implementing program level activities. Program activities and expenditures will be tracked using existing accounting systems of ISGPP Cell. For GPs, the grants will flow from ISGPP Cell into the escrow account/s at the district level operated by DPRDO for onward electronic transfers into single savings bank account called PBG A/c…name of GP. GPs will utilize the funds for implementation of various Program activities in accordance with their plans and budgets. BMC/EMC and APA established under ISGPP I and further refined under ISGPP II will now apply across all PBGs to GPs, including IBRD funding sourced from DLI, SFC 100 percent, CFC 10 percent - Performance Grant component and any other scheme of untied funds, as the state government may decide. An Office Order issued earlier this year lays down the conditions that GPs will have to fulfil to be eligible for the 10 percent of the CFC Grant to be disbursed as Performance Grants. The up-stream funds flow process from the World Bank to the GoWB (through GoI) is linked exclusively to the achievement of agreed results or Disbursement Linked Indicators (DLIs). The framework for PBGs, fund flow protocol and fund flow chart is as follows:

Figure 5.1: Performance Based Grants Framework
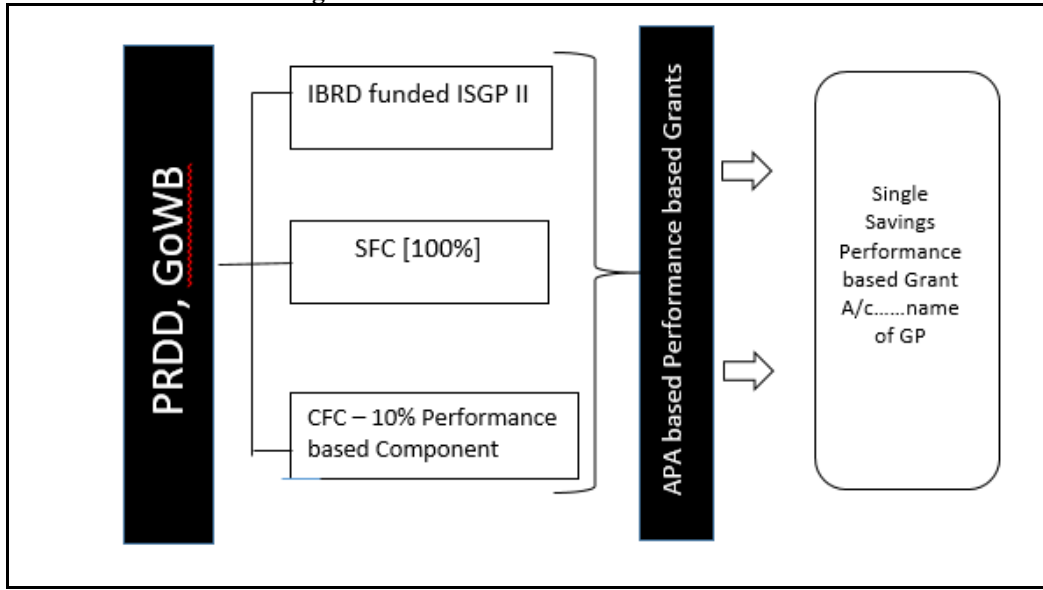
Table 5.1: Program Fund Flow Protocol

From	To	Frequency and Timing	Quantum	Authorizing Responsibility	Other Comments
IBRD	GoI	Annual, Feb each year	As per DLIs achieved and certified by IVA and endorsed by PSC	Country Director (CD), World Bank	For DLI 1 & 2 on PBGs USD disbursed equal to the INR amounts stated in the DLI disbursement tables (fixed in INR amounts)
		Annual, May each year			For DLI 3 – 7 on PBGs Based on the USD stated in the DLI disbursement tables against results.
GoI	GoWB	Annual, Feb each year	INR equivalent of US$ disbursed by IBRD @ current exchange rate	PF Department, MoF, GoI	Back to back basis, as applicable for all EAP schemes
		Annual, June each year			
GoI	GoWB	Annual, Oct each year	Based on budgeted CFC amounts

For each GP: As determined by annual performance assessment (APA) (depending on compliance with the conditions for Performance based Grant component and the formula with performance of GPs) | MoPR, GoI | CFC Performance based [10%] Grants |
| GoWB | ISGPP Cell | Annual, March each year | Same as transferred by GoI under EAP | Principal Secretary, PRDD | Adequate State budget provision for ISGPP II; essential for fund releases |

			To GPs depending on the APA (compliance with minimum conditions and according to the formula with performance)		
GoWB	ISGPP Cell	Annual, June each year	Same as transferred by GoI under CFC	Principal Secretary, PRDD	CFC Performance based (10%) Grants
GoWB	ISGPP Cell	Annual, June each year	As per SFC recommendation and approval by State Assembly. To GPs: Depending on the APA (minimum conditions and formula with performance)	Principal Secretary, Finance/PRDD	SFC Grants [all performance based]
ISGPP Cell	DCU/DTC	Fixed (revolving) Advance at start of program; and thereafter monthly replenishment	Quantum of Fixed (revolving) Advance to be determined, based on estimated requirements	Program Manager, ISGPP Cell	Fixed (revolving) Advance may be reviewed and revised periodically, as per requirement.
ISGPP Cell	DPRDO (19 districts)	Annual, May each year	Performance based grants, as per results of APA, confirmed by QA/IVA	Program Manager ISGPP Cell after endorsement of PBG results by PSC	• Performance based grants will include funding from three sources: (a) IBRD DLI-based funding; (b) SFC 100%; and (c) CFC 10% Performance based grant component • ISGPP cell under the PRDD hires an independent firm to conduct the APA. The firm will follow the procedure provided in the assessment manual, which is an appendix to the POM, which includes quality assurance/ verification agent (firm contracted) and World Bank (for review).
DPRDO [19 districts]	GP designated bank accounts	Annual, May each year	Performance based grants, as per results of APA, confirmed by QA/IVA	DPRDO	• PBG will be transferred into a single savings bank account called PBG A/c … <name of GP> at GP

Figure 5.2: Program Funds Flow Arrangement
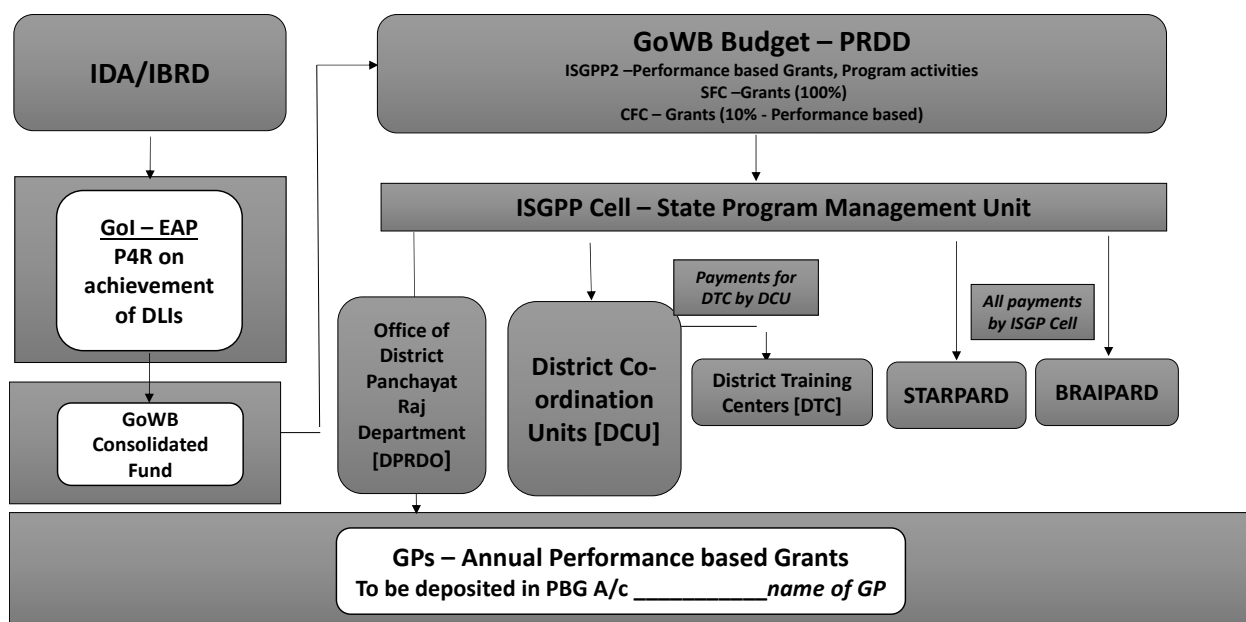
Note 1: In addition to Performance based grants under ISGP Phase II (100%), SFC (100%), CFC grants (10% - Performance based) will be routed through ISGP Cell;

Note 2: As per GO no. 1129/SS/RD/CCA/W/2C-02/2015/Part 1 dated 20-Dec-2016, GPs to maintain single savings bank account [PBG A/c …….name of GP] for receipt and expend of PBG Grants, including Performance based grants under ISGP Phase II (100%), SFC (100%), CFC grants (10% - Performance based)

Note 3: Annual Performance Assessment will determine eligibility and quantum of all grants, including SFC (100%) and CFC (10% - performance based)

25.   The audits for the Program will be conducted at two levels: at the first level, the Annual Financial Statements (AFS) for the Program will be audited by private CA firm selected, using agreed competitive procurement processes documented in the POM. The AFS will cover the total program and include all sources and uses of funds, including SFC grants (100%) and CFC Performance based Grants (10%). At the second level, 3342 GPs annual financial statements will be audited by the Examiner of Local Account (ELA), under the Office of the Accountant General of West Bengal (an arm of the Office of Comptroller and Auditor General of India) – the quality and timeliness of the GP annual audit reports will be monitored and tracked under the APA and determine the eligibility of the GPs to access PBGs under the program. In order to comply with the legal covenants, GoWB will be required to submit audited AFS of the Program within nine months of the close of each financial year

26.   In West Bengal ISGPP II program procurement is done at two levels – GP level and PIU level. At the GP level, procurement policy and rules are governed by the Department of Panchayati Raj and Rural Development (PRDD). Policy guidelines are developed at the State level whilst detailed planning, implementation and monitoring is undertaken at the District, Block and GP levels. With the significant increase in quantum of fund at the disposal of the Gram Panchayat, the scope and range of procurement activities has been on the rise at an enormous pace. Realizing the need to introduce more systematic approach for improving the procurement process with relevant policy reforms and enactment, the West Bengal Government issued West Bengal Gram Panchayat Procurement Manual (2014) prepared by the ISGPP Cell in consultation with stakeholders from Gram Panchayat, Block, District and State level. This Manual is followed throughout the State GPs in order to strengthen local self-governance with stronger accountability and transparency.

27.   Most procurements at GP level are expected to be highly decentralized and low value, therefore skill development challenge will not be for complexity of procurement, but for ensuring consistency,

uniformity and monitoring this very large number of small value contracts. The value of the individual community level contracts to be carried out at GP, are not expected to exceed US$ 10,000. The present assessment has identified issues in regard to lack of integrated procurement planning; lack of competition and equal opportunity when it comes to contracting done by the GP's; selection criteria of contractors and suppliers needs to be strengthened and streamlined; restriction on registration of vendors, suppliers; contract administration needs improvement; standards for disclosure / transparency are inadequate; a system for procurement monitoring (or MIS) and a robust complaint handling mechanism does not exist and there is no independent oversight over procurement processes. The staff availability and capacity at decentralized level is limited.

28. At the state level, the ISGPP Cell handles all procurement related activities. The Cell is staffed with two Procurement personnel who are headed by the Project Manager. Though the existing capacity at Cell is limited for handling civil works, they are competent to handle goods and consultancy procurements which are the only ones envisaged under the proposed project. The ISGPP Cell handled several medium value contracts, both for goods and services and therefore, has the necessary skills and expertise in contract management. For all intents and purposes, the procurement procedures proposed by the ISGPP Cell are acceptable to the Bank as they are in line with the Bank procurement procedures. Based on procurement activities at the new project, a Procurement Manual will be prepared laying down the procurement procedures which will be followed by the ISGPP Cell for the new project.

29. A number of mitigation measures have been incorporated in the Program design to increase transparency, accountability and reduce fiduciary risk. These include:

- State level, inter-departmental coordination and high-level oversight will be provided by an inter-departmental 'Program Steering Committee' that has been established under the Chairmanship of the Minister-in-Charge of Panchayati Raj and Rural Development Department.

- Linking PBGs to effective transparency and accountability performance measures in the APA; PBGs to be given only to GP's that do not have a 'disclaimed' or 'adverse' external audits report. This is a part of the BMCs to qualify for a proportion of the PBG;

- Stringent verification mechanism for APA and Disbursement Linked Indicators by third party verifications agents which will be further approved by the high level Program Steering Committee to ensure quality assurance;

- Electronic Grievance Redressal Mechanism with Toll Free helpline implemented by effective Grievance Redressal Officers at State, District and GP level (as described above).

- Robust online monitoring systems e.g. GPMS, MIS and GIS systems for tracking physical progress, geo-tagging of works delivered and online monitoring system developed under ISGPP-1 will continue to be supported under ISGPP-II.

- Road map for GPMS strengthening agreed as DLIs under the program include (a) implementation of online GPMS will be gradually strengthened in a manner that 2,506 GPs are using the online web based systems (2017-18); (b) integration of MIS and GIS modules in GPMS (2017-18); (c) PDA based OSR collection system integrated with GPMS [2018-19]; (d) Issuing Trade License, Building Permission and other services including on line tax payment as part of Ease of doing business module in GPMS (2019-20); and (e) Implementation of Asset Management system under GPMS (2020-21);

- Incorporation of budget module under GPMS;

- ELA Office will develop a strategy to improve timeliness of audit in a manner that will ensure that all GP audits are completed by September of each year;

- Score based performance benchmarks established under APA under ISGP II will assess the extent of compliance with established procurement processes at GP level, including (a) procurements are consistent with approved plans; (b) Procurement decisions are based on comparing at least three price quotations; (c) completeness of the documents requesting for quotations, including Notice Inviting Tenders (NIT); (d) signatures on comparative statements; and (e) evidence of complete records available in GP files.

- Other procurement related measures to be put in place during implementation include (a) ISGP Cell to provide clear guidance on consistent and transparent methods of procurement and processes and ensure robust oversight mechanism is adopted by each implementing agency; (b) Annual Finance audit shall include procurement review of contracts; (c) Ensure adequate staffing at Block and District levels; (d) Design appropriate capacity building and strengthening strategy for consistent and expedited actions; and (e) A robust grievance redressal mechanism and ensure social audit.

Table 5.2: Fiduciary Risk Assessment Table

Type of Risk	Initial Risk Rating	Brief Explanation	Risk Mitigation Measures incorporated in Program Implementation	Residual Risk Rating[1]
Country Level	M	Takes into account overall history of the country PFM environment, governance and corruption concerns.	This refers to the Government of India. this is based on the PEFA assessment & literature survey and other studies such as the study on PFMA in CSS and other state level SFAA's carried out by the Bank.	M
Entity Level	M	Funds releases from the state treasury to the project could face delays due to weak financial position of the state.	Back to back fund transfers from GoI to GoWB and thereon into bank account of ISGP Cell will be closely monitored. This has not been a significant constraint under the closed ISGPI.	M
Program Level	S	PRDDs oversight on the financial management arrangements at GP level may be compromised by the large number and dispersed locations of GPs.	The Program builds upon the implementation experience of the closed ISGP I. An enabling reform environment for PFM improvements in anchored in part into the program and State's own initiatives.	M
OVERALL INHERENT RISK	**M**			**M**

Type of Risk	Initial FM Risk Rating	Brief Explanation	Risk Mitigation Measures	Residual Risk Rating[1]
CONTROL RISK				
Planning and Budgeting	M	Unrealistic budget estimates, noncompliance with budget ceilings, poor linkage between work plans, procurement plans and budgets	• Annual work plans, prepared for the program following a bottoms up approach would form the basis for budgeting at the state level; • Program will be budgeted for as a separate line in the state annual budget under PRDD	L
Accounting and Reporting	H	While GPMS has been installed in all 3342 GPs, about a third of the GPs have backlogs of 30 days or more in the system and fall under Grade C and D in GPMS Status Monitoring System	• Program design envisages that GPs that do not fall under Grade A or B in GPMS Status Monitoring System will not qualify for grants under the program. However, given that the APA exercise for FY17-18 has already commenced and the necessary Office Orders have been issued, this condition will be included as 'BMC' from FY18-19 onwards • Mentoring teams at district level will include dedicated GPMS/accounting resource person and IT expert who will provide in-situ support to GPs • Formal training support will be provided to all GP staff in accounting and GPMS	S
Funds Flows	S	Funds flow delays in transfer of block grants to GPs caused by District level discretionary interventions	• Fund flow protocol and mechanism has been agreed; protocol eliminates scope of district level interventions; all fund transfers are made electronically. A separate confirmation of the fund transfers will be sought from the bank operating the Escrow bank account at each district • Under ISGPP 1, block grants cycle was designed for the proper and timely disbursement of block grant. The time taken for the transfer of funds to GP bank accounts was reduced to 2 days. These processes have been adopted by the state and will be applied across the state.	M
Internal Controls and Internal Audit	H	Weak internal audit systems, weak oversight and lack of effective audit committees, weak social accountability mechanisms at GP level represents increased exposure to risks	• ISGPP Cell will engage a firm of chartered accountants to review internal audit processes, train PAAOs and jointly conduct internal audits under risk-based principles, as part of on-the-job training • Set up Audit Committee comprising (say 1/3rd 'independent' professionals) to review	S

Type of Risk	Initial FM Risk Rating	Brief Explanation	Risk Mitigation Measures	Residual Risk Rating[1]
		of loss and abuse which will remain undetected and uncorrected	perspective plans, annual integrated budgets, budget monitoring reports, internal audit and annual statutory audit reports of GPs and provide suggestions for improvement	
		Failure to maintain the information on capital expenditure for asset creation on a satisfactory basis is a significant weakness in the internal control framework and increases the exposure to risk of non-detection of misappropriation or misuse of public funds	• GPMS team has planned to implement an Asset Management system as a module within GPMS in Year 5 of the program – this will be monitored through DLIs under the program	
Audit and Oversight	H	Manpower constraints at ELA Office, manual and time consuming audit processes may result in delays in completion of audits by end-September each year	• A separate component for capacity building of ELA Office will be developed and implemented under the program	S
Procurement	S	Weak systems and procurement capacity creates risks of fraud and corruption in the preparation, award and supervision of contracts, and results on the overall in poor quality outcomes	• An improved procurement system for all GPs is under preparation; application of the system will be supported by capacity support through in-situ guidance and class room trainings. • Enhanced transparency through complaints handling and appeals mechanism • Support through performance measures in the APA.	S
Complaints handling mechanisms	H	Lack of an effective complaints handling structure at the GP level at present.	• New electronic Grievance Redressal /Complaints Handling mechanism to be in place as per Government Order dated August 30, 2016 with a toll free helpline. • Capacity building of complaints handling staff and; • Awareness building for the new GRM and toll free number	S

Type of Risk	Initial FM Risk Rating	Brief Explanation	Risk Mitigation Measures	Residual Risk Rating[1]
Fraud and Corruption	H	Fraud and Corruption instances may not be reported	The new electronic Grievance Redressal /Complaints Handling mechanism will also cover Fraud and Corruption related complaints.	S
OVERALL CONTROL RISK	**H**			**S**

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Annex 6: Summary of Environmental and Social Systems Assessment

1.   The key interventions of the program relate to institutional strengthening of Gram Panchayats, increasing access to development opportunities and improved livelihoods by enhancing the quality of planning and implementation of development activities. For this, support will be extended towards capacity building, systems development and small scale infrastructure works. These interventions are expected to result in substantial social and environmental benefits to the local communities at large and especially to those from the poor and vulnerable sections. Adverse impacts that are sensitive, diverse, and unprecedented on the environment and people are not foreseen. However, planned efforts are essential to ensure that program interventions result in sustainable social and environmental benefits. Towards this, and in accordance with the World Bank policy and directive on Program for Results financing (July 2015), the Bank task team conducted an ESSA. The ESSA explored the degree to which the program systems align with the principles of: promotion of environmental and social sustainability; avoidance, minimization or mitigation of adverse impacts on natural habitats and physical cultural resources; protection of public and worker safety; management of land acquisition; consideration of issues related to indigenous peoples and vulnerable groups; and, avoidance of social conflict. Further, it identified required actions for enhancing the program systems and mitigating environmental and social risks. Overall, the ESSA concluded that the program systems are aligned with the core principles of the Bank's Program for Results instrument, yet, there is considerable scope for strengthening.

2.   The ESSA is prepared through a combination of reviews of existing program materials and available technical literature, and consultations with all key stakeholders including PRI members, ISGPP staff, state government officials and other subject matter experts. Field visits were made to the GPs covered under ISGPP I (to evince the implementation results experiences) as well as potential GPs across the state. In all, the assessment covered sixteen GPs across nine districts within the state, each one selected so as to reflect diversity in respect to geo-physical characteristics, social groups, and ethnicity. ESSA results have been discussed with GoWB and with various stakeholders in a workshop organized in Kolkata on December 15, 2016. The ESSA was uploaded on the websites of the GoWB and disclosed by the World Bank on December 22, 2016. The GoWB re-disclosed the final ESSA on the Programs website on February 15, 2017.

3.   The ESSA indicates that a clear and definite regulatory as well as institutional mandate exist at the national, state and sub-state levels for ensuring decentralization and the social inclusiveness and capacity building of various agencies to address the social and environmental issues. Further, it recognizes that two key institutions hold the key to the success of the program- ISGPP Cell and GPs. The former is well equipped to deliver the program in an environmentally and socially sustainable manner. GPs, on the other hand, are eagerly waiting for participation in the program. However, the following issues emerge as significant:
   i.   PRI Linkages: Plurality of institutions with duplication is quite evident. Linkages among GP, PS and ZP need strengthening. Mentoring and monitoring support from apex institutions are not adequate.

   ii. Fund Flows: Uncertainty and erratic fund flows to the GPs seem to be a systemic problem (beyond the program control) but bound to affect the program effectiveness.

   iii. Planning and implementation: Proper planning under uncertain cash flow situation is rather difficult. Given the limited resources and uncertain flows, GPs resort to planning investments on a piecemeal basis rendering difficulties in incorporating the environmental and social aspects.

iv.   Inclusive investments: Demands in the GPs are high, so it will be a challenge to do prioritization of investments which will be inclusive, relevant and useful to the communities as a whole.

v.   Capacity support and capacity building: Staff support from both PRIs as well as ISGPP Cell (during the first project) has been inadequate. Addressing this is highly critical so as to enable provide adequate and appropriate: (i) facilitation assistance to ensure widening and deepening of the investment choices; (ii) human resource support; and (iii) mentoring / overseeing assistance.

vi.   Technical and institutional capacities: The program GPs do not have adequate capacity, especially, on technical front. Technology has a direct bearing on enhancing inclusion and equity as well as in ensuring sustainable social and environmental benefits. While ISGPP I has been successful in institutional building, it falls behind expectations in respect of 'technical' solutions. Unless technical capacity is built as to be on par with the latest technologies and techniques, environmental aspects may not be adequately addressed. Capacity support has two dimensions; one, supplementing the Nirman Sahayak with additional technical human resources for GP, and other, staffing at DCU. Further, differential staffing may be needed to cover appropriately larger and spread out GPs, especially in Left Wing Extremism (LWE) and tribal areas. Further, capacities have to be built for all the technical staff working at other levels of PRIs- PS and ZP. All investment activities must be appraised taking into account post construction and Operations &M implications.

vii.   Information, Education and Communication (IEC): Capacity building should be reinforced by effective communication outreach activities. A systematic and intensive outreach program in each GP would enable to prepare a long list of priority items as expressed by different Wards and GPs.

viii.   Environmental Guidelines: Environmental guidelines must be updated as to include aspects on cyclone/disaster resistant constructions, worker safety, etc. There is also need for special guidelines for different geographies in the state, especially on the international boundaries/ waterways.

ix.   Voluntary Land Donations: Lands secured on voluntary basis raise questions warranting revising the rules governing the same.

x.   ESMF: ISGPP-I developed an ESMF for addressing environment and social issues as well as a Vulnerability Group Development Index (VGDI) for identifying lagging areas, to be taken up on a priority basis. There is substantial scope for refining the adoption of the ESMF, and the application of VGDI to ensure the desired results.

xi.   Developmental linkages. There are several schemes undertaken by PS and ZP as well as government departments which are planned and implemented independently without full involvement of GPs. A fuller awareness about the resources available with different sources will help to prepare integrated plans and in deciding on the choice of activities. Moreover inter-GP activities fall under the realm of higher PRIs and government departments. Establishing a linkage would help in preparing integrated plans and in achieving convergence. A compendium of the existing potential programs/ projects for use by GP should be prepared to ensure fuller awareness.

Recommendations and Actions

4.   The existing ESMF needs to be updated providing for: (i) enhancing the negative list of activities, especially, to include aspects on cyclone/disaster resistant construction technologies and worker safety requirements; and (ii) incorporating operation and maintenance considerations of the built assets into designing and budgeting.

5.   In order to improve performance relating to ESMF, its provisions must be incorporated during the planning and implementation phase of each activity contrary to the current practice of first planning activities and then subsequently ensuring compliance with the ESMF, which is essentially a checklist approach. Comprehensive planning of civil works needs to be adopted including environmental aspects into the overall designing of each civil works, as well as providing for appropriate budgeting.

6.   Enhanced awareness as well as adoption of improved and innovative technologies is essential to ensure environmental sustainability of the infrastructure. For this, arrangements are to be made to ensure adequate capacity support and appropriate capacity building measures. Thus, the program will have to move beyond STARPARD (ISGPP I had outsourced most of the formal training programs to STARPARD) and draw upon resources from the market to ensure state of the art technical capacity development. This will need to be addressed through a more needs-based planning of the CB interventions, as per the current program design.

7.   Enhancing Inclusion of poor and vulnerable sections in the investment activities is key for developmental impacts. Inclusion is being addressed through the instrument of VGDI. The results, however, have not yielded expected results as they have not taken the existing resources and assets in its entirety. Thus, the method for using of the VGDI must need to be revisited.

8.   District capacity requirements and mentoring support need to be location specific. Differential staffing arrangements will have to be made taking due note of the geo-physical and socio-economic setting in each district. One size fits all approach in terms of staff / deployment should be avoided. Instead a more demand driven for mentoring and learning must be devised, as per the proposed Capacity Building strategy.

9.   Approaches to securing lands through voluntary donations are not explicit. Thus a short note on the rules governing securing lands (detailed in the ESSA report) through donations should be prepared and disseminate to all stakeholders.

10.   Development Linkages across PRIs are quite low. There are several schemes undertaken by PS and ZP as well as government departments which are planned and implemented independently without full involvement of GPs. A fuller awareness about the resources available with different sources will help while preparing an integrated plan and particularly in deciding on the choice of activities. Moreover inter-GP activities fall under the realm of higher PRIs so establishing links amongst them would help them prepare integrated plans. A compendium of the existing potential programs and projects for use by GP could be prepared to ensure fuller awareness of all investments taken place at the GP level.

Annex 7: Systematic Operations Risk Rating (SORT)

Table 7.1: SORT Table

Systematic Operations Risk-Rating Tool (SORT)	
Risk Category	**Rating**
4. Political and Governance	Moderate
5. Macroeconomic	Moderate
6. Sector Strategies and Policies	Low
7. Technical Design of Project or Program	Moderate
8. Institutional Capacity for Implementation and Sustainability	Substantial
9. Fiduciary	Substantial
10. Environment and Social	Moderate
11. Stakeholders	Moderate
12. Other	Low
OVERALL	**Substantial**

Annex 8: Program Action Plan

S. No.	Action	By Whom	Time line	Completion Measurement
1.	**Amendment of Panchayat Act and Rules** The Panchayat Act 1973 and West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007 to be amended to revise the devolution framework, financial management systems and procurement systems in GPs	PRDD	By Dec 2018	The draft of amended Panchayat Act 1973 and West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007 submitted to legislature for approval
2.	**Internal Audit in GPs** Establish internal audit processes, train PAAOs/ PDOs and jointly conduct internal audits under risk-based principles in GPs, as part of on-the-job training	ISGPP Cell	By August 2017	ISGPP Cell will engage a professional firms/institutions to review internal audit processes, train PAAOs/ PDOs and jointly conduct internal audits under risk-based principles, as part of on-the-job training
3.	**Grievance Redressal Mechanism** New three element Grievance Redressal and Complaints handling Mechanism to be effectively implemented	PRDD	By April 2017	Grievance Redressal Management System fully operational
4.	**Negative list** Enhancing the negative list of activities.	ISGPP Cell	Before negotiations and then re-visited on annual basis	ESMF Updated incorporating the supplementary list of negative activities. This activity was complied with by the agreed date.
5.	**Land** Share with GP and other relevant stakeholders approach and methodology for securing lands for civil works.	ISGPP Cell/ PRDD	Before Negotiations	Revise the current ESMF including the agreed rules governing securing lands for civil construction. Create awareness about the same across all the stakeholders and ensure its compliance by GPs. This activity was complied with by the agreed date.
6.	**ESMF Capacity Building** ESMF capacity building for all the development entities - PRIs and Line Department through appropriate orientation programs.	ISGPP Cell/ PRDD	By Dec 2017	Issuance of a directive to all the PRIs for the adoption of revised ESMF.

Annex 9: Implementation Support Plan

1.   The Implementation Support Plan (ISP) is based on the implementation support guidelines for Program for Results operations, adopted to the design and risk profile of ISGPP-II. The Government of West Bengal (GoWB) is responsible for the Program's overall implementation, including its technical aspects. The World Bank task team will provide implementation support on: (i) implementation progress and achievement of Program activities and results; (ii) addressing implementation challenges on the capacity building activities, including the consolidation of district CB plans; (iii) implementation of the PAP, (iv) achievement of DLIs and KPIs; (iv) monitor system's performance to ensure their continuing adequacy through Program monitoring reports, audit reports and field visits; (v) monitor changes in risks to Program for Results and compliance with legal agreements.

2.   ISGPP-I had established robust systems, procedures and implementation arrangements. Implementation support during ISGPP-II will pay special attention on the innovations from ISGPP-II like the demand driven CB plans and will closely monitor the utilization of PBGs in the less capacitated GPs. Also, based on the recommendations from the preparatory assessments, the following areas have been identified as most critical for Bank support: (i) performance based grant system: PBGs will consist of three sources of funds, and will be critical that the program implementing agency oversees the blend of the three sources as well as the timely notification and eventual allocation of the PBGs at the GP level. Attention will also be given to the extent to which GPs manage to harmonize the PBGs with their annual plans and budgets, preventing the fragmentation of the investments as much as possible. The Annual Performance Assessment and Verification Protocol will be revised and adjusted for subsequent years, if needed; (ii) adoption of new approach to capacity building: the capacity building activities pose challenges both in terms of the scale of the mentoring teams and the consolidation of demand-driven training plans. ISGPP-II cell would have to be supported to ensure that the rollout and evaluation of the mentors as well as the supply of training courses runs as planned; (iii) investment menu: during the first stages of implementation, attention will be given to ensure fund utilization according to the existing menu, and enforcing corrective actions; and (iv) fiduciary functions in both procurement and financial management will be monitored during regular implementation support missions and through reporting instruments of the project as per the POM. Special attention would be given to GP training in procurement rules and procedures and strengthening the internal and external audit of the GPs.

3.   Considering a substantive increase in the number of GPs to be covered by ISGPP-II and the additional efforts to be made at the project implementation level to put in place the new Capacity Building strategy, substantive supervision support from the Bank is expected for the first year of project implementation. Coverage of GPs with weak capacity and that were not exposed to the performance grants of the first phase, will bring additional supervision challenges in the areas of procurement and financial management, as identified in the IFSA. The Bank's task team is well positioned to fully support the timely implementation of the project. The team is well staffed with two Sr. Task Team Leaders and a technical specialist to look after all activities of the project. In addition, sufficient fiduciary support is available on procurement, financial management, social and environmental safeguards. All team members are based in Delhi and can provide timely support at all times. To ensure timely implementation and proper correction action, the first year of implementation will have four supervision missions. From the second year, two implementation support missions will take place. In addition, supervision will take place from the Delhi office on a continuous basis, and members mobilized at any time as needed.

4.   Key to the Bank's effective implementation support will be its coordination and timing, aligned with critical points in the planning and verification of results for disbursement requests to the Bank. During the first year of implementation, the Bank's support will focus on strengthening the Program systems and institutional activities necessary to achieve the DLIs. The first implementation support mission will take place right after effectiveness to provide direct and timely feedback. It is expected that first year DLIs will

be achieved, but these will be reviewed during the initial supervision mission. The implementation support missions during the first year of implementation will include the full technical and fiduciary teams. Subsequent implementation support mission will have a stronger emphasis on verification/M&E skills, capacity development, and technical implementation expertise, varying according the actual needs. An outline of the indicative implementation support required is shown in Tables 9.1 and 9.2 below:

Table 9.1: Main focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Start up and implementation of APA and VA. Start up and implementation of CB strategy and activities PAP implementation Monitor completion of systems development Monitor flow fund mechanism and implementation arrangements Monitor integration of IBRD, SCF and CFC into PBGs Monitor progress on KPIs and achievement of PDO Oversee completion of PPA funded activities	Intergovernmental finance; institutional/governance; financial management; procurement; social and environmental; M&E.	4 implementation support missions Core team: 4x4=16 weeks Support staff: 3x2= 6 weeks <u>Total 22 weeks for first 12 months</u>	N/A
12-48 months	Monitor overall project implementation Monitor implementation of PAP Verification/approval of DLIs Monitor progress on KPIs and achievement of PDO Conduct MTR	Intergovernmental finance; institutional/governance; financial management; procurement; social and environmental; M&E.	2 implementation support missions Core team: 4x2x3=24 weeks Support staff: 3x2x3= 18 weeks <u>Total 42 weeks over 36 months</u>	N/A

Table 9.2: Task Team Skills Mix Requirements for Implementation Support (template)

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Sr. Intergovernmental fiscal specialist	8	4	2 trips from Y2
Intergovernmental fiscal specialist	8	4	2 trips from Y2
Sr. Institutional/governance specialist	8	4	2 trips from Y2
Sr. Financial Management specialist	8	2	
Procurement specialist	2	1	
Social specialist	2	1	
Environmental specialist	2	1	