

Document of
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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
KARNATAKA PANCHAYATS STRENGTHENING PROJECT
CREDIT NO. 4211-IN
(JUNE 29, 2006)

TO THE
REPUBLIC OF INDIA

March 21, 2012

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Extension of Closing Date

*INDIA — KARNATAKA PANCHAYATS STRENGTHENING PROJECT
P078832
(CREDIT NO. 4211-IN)*

Restructuring Paper

1. The closing date for *India, Karnataka Panchayats Strengthening Project, [Credit No. 4211-IN], P078832* will be extended from March 31, 2012 until December 31, 2012.
2. The project has been under implementation for four years and is currently rated as moderately satisfactory in implementation progress and in achievement of Project Development Objectives. There has been a rapid increase of funding to gram panchayats in recent years, primarily from centrally and state-sponsored schemes. As a result, the state government has focused on increasing spending under these schemes rather than increasing the size of block grants as initially envisaged. In this context, the Government is strengthening the staffing of the panchayats, particularly by recruiting 2500 Panchayat Development Officers in 2009, and improving gram panchayat accounting by implementing a computerized double-entry accrual accounting system. The general public appreciates the creation of a tendering requirement for awarding contracts and attributes the same for improvement in quality of works under this project. There has been significant improvement in documenting of procurement, payments and completion certificates of works. Assets created are of acceptable quality and are put to use by the community. A modest increase in own source revenues is reported.
3. The proposed extension is necessary to complete the remaining key activities which include: a) key consultancy studies like the project impact evaluation study; studies on panchayat finance by the Decentralization Analysis Cell; b) the construction of the Taluk Resource Centers and the Satellite Communication facilities; and c) allowing the Gram Panchayats to complete the utilization, accounting and reporting of the block grants financed by the project. The extension will also help in utilizing the balance IDA credit of \$24.6 million. The Borrower has submitted an action plan to complete the project by December 31, 2012.
4. This will be the first extension of the project.