



GOVERNMENT OF KERALA

Abstract

Local Self Government Department - Kerala Local Government Service Delivery Project(KLGSDP) - Concept Note for the IInd phase - Approved - Orders issued.

LOCAL SELF GOVERNMENT (DA) DEPARTMENT

G.O.(Ms.)No.240/2017/LSGD.

Dated, Thiruvananthapuram, 08.12.2017

Read :- Letters No. 53/2017/KLGSDP and 56/KLGSDP/2017 dated 07/04/2017 and 31.08.17 from the Project Director, KLGSDP

ORDER

As per letter read above, the Project Director, Kerala Local Government Service Delivery Project (KLGSDP) has submitted the Concept Note for the second phase of Kerala Local Government Service Delivery Project, based on the decisions in the Review Meeting of Externally Aided Projects and Major Infrastructural Development Projects chaired by the Chief Secretary on 17/01/2017. Since the first phase of the project will complete on 29th December 2017, a follow up on the existing project is essential for effective completion of the various initiatives started in the first phase of KLGSDP. According to the Concept Note, the total estimated cost is US \$ 520.0 million of which US\$ 400 million is of IDA share and remaining US \$ 120 million is of State share. The project period is for five years.

2) Government have examined the matter in detail and are pleased to approve the Concept Note for the IInd phase of Kerala Local Government Service Delivery Project(KLGSDP) Annexed herewith.

By Order of the Governor

T. K. Jose

Principal Secretary

To


The Director of Panchayats, Thiruvananthapuram
The Commissioner for Rural Development, Thiruvananthapuram
The Director of Urban Affairs, Thiruvananthapuram
The Project Director, KLGSDP, Thiruvananthapuram

The Principal Accountant General (Audit), Kerala, Thiruvananthapuram,
The Accountant General (A & E), Kerala, Thiruvananthapuram,
The Director, KILA, Thrissur
The Director, Kerala State Audit Department, Thiruvananthapuram
The State Performance Audit Officer (SPA0), Thiruvananthapuram
The Secretaries, All District Panchayats (Through the Director of Panchayats)
The Secretaries, All Grama Panchayaths (Through the Director of Panchayats)
The Secretaries, All Block Panchayaths (Through the Commissioner for Rural
Development)
The Secretaries, All Urban local Bodies (Through the Director of Urban
Affairs)
The Planning and Economic Affairs (CPMU) Department (vide U.O. Note No.
CPMU1/105/2017/PLGEA dated 05.06.17)
The Finance Department (vide U.O. Note No. E 521324/PL GA-3/2017-Fin.
dated 05.07.17)
The Information and Public Relations Department
The General Administration (SC) Department
The Executive Director, IKM, Thiruvananthapuram,
Office Copy/Stock File

Copy to :-

The Private Secretary to Minister for Local Self Government Department
The P.A. to the Principal Secretary, LSGD
The P.A. to the Secretary (UA), LSGD
The P.A. to the Secretary (RD), LSGD

Forwarded/By order,



Section Officer

Concept Note for Follow-on Project- KLGSDP-II (Kerala Local Government Service Delivery Project)

Project Name	Kerala Local Government Service Delivery Project-II
Region	South Asia
Sector	Sub-national Government
Project ID	P102624
Borrower	Government of India, New Delhi, India
Implementing Agency	Local Self Government Department (LSGD), Government of Kerala, India
Project Cycle	2011-2015 December 31. Restructured and extended up to 30 th June 2017

The objective of KLGSDP-1 was to enhance and strengthen the institutional capacity of the local government system in Kerala to deliver services and undertake basic administrative and governance functions more effectively and in a sustainable manner. The beneficiaries include 941 Grama Panchayats and 87 Municipalities of the State outside the six City Corporations.

Component-wise Project Cost

The total project cost 260 million USD of which 200 million USD is the World Bank assistance and 60 million USD is the State share. The component-wise project cost is given below.

In USD million

Component	GoK USD million	IDA USD million	Total USD million
Performance Grant	60.0	178.6	238.6
Capacity Building	0.0	11.2	11.2
Enhancing State Monitoring of the Local Government System	0.0	3.4	3.4
Project Management	0.0	6.8	6.8
Total Project Costs	60.0	200.0	260.0

In Rupees @ of Rs 46 per USD

Component	GoK Rs Crore	IDA Rs Crore	Total Rs Crore
Performance Grant	276.0	821.56	1097.56
Capacity Building	0.0	51.52	51.52
Enhancing State Monitoring of the Local Government System	0.0	15.64	15.64
Project Management	0.0	31.28	31.28
Total Project Costs	276.0	920.00	1196.00

Reimbursement of expenditure by World Bank

As per the Financing Agreement of the project, the following is the year-wise percentage of the expenditure which is reimbursed by the World Bank.

Component	2011-12	2012-13	2013-14	2014-15
Performance Grant	100%	84%	70%	60%
Other Components	100%	100%	100%	100%

Funds Utilisation

As per the agreement, the total project cost is Rs 1196 crore. But due to dollar-rupee exchange rate fluctuation, the project has received Rs 1564.66 crore. Of this, Rs1490.91 Crore (95.29% of funds) was released as Performance Grant. Another important point to be noted is that the Project Management cost of the project is only 1.68% of the total project cost.

Component-wise expenditure up to 15.03.2017 is shown below.

In Rs Crore

Component	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Performance Grant	93.54	190.35	271.19	115.31	270.35	63.14	1003.88
Capacity Building	0.09	2.82	4.18	3.14	2.77	4.95	17.95

Building							
Monitoring							
&	0.02	0.49	0.53	0.59	0.90	1.39	3.92
Evaluation							
Project							
Managemen	1.02	1.99	5.02	4.04	2.95	2.57	17.59
t							
Total	94.67	195.65	280.92	123.08	276.97	72.05	1043.34

Key Development issues and Rationale for WB funding for Follow-on Project KLGSDP-II

Local Self Government Department under Government of Kerala successfully completed the first phase of KLGSDP-I and hence a follow-on project is an essential and natural requirement for the effective completion of the various initiatives started in the KLGSDP-I. It is a well-known fact that Kerala is a national leader in democratic decentralisation and local governance. Over two decades, Local Governments of Kerala has created a variety of innovative models which can be replicated in other States. KLGSDP-I has had unique achievements in the areas of strengthening the local government system. As part of the project, nearly 40,000 subprojects in different sectors had been successfully implemented which contributed immensely in service delivery. Replicable models of Anganwadis, BUDS schools, crematoria, fish markets, bus stations, smart classrooms, dialysis centres in hospitals, renovation of ponds and construction of small check dams, drinking water schemes, road connectivity, front offices, etc., are some of the commendable contributions of the first phase.

More than the assets created by the LSGIs, the institutionalisation, it has brought about in the local governance system is the real achievement of KLGSDP-1. The Project was instrumental in making the accounts system in LSGIs up to date and almost error free.

In spite of the 20 years of remarkable achievements, gaps and deficiencies exist even now which need to be addressed especially with regard to the quality improvement in service delivery. How

to properly address the issues is a major concern. A funding system which incentivises IT-based local governance in GPs and Municipalities has to be introduced.

The funding should be available to all Grama Panchayats and Municipalities in Kerala for the projects which are carried out as part of the Plan.

More focused attention is essential in human development, education and primary health which can only be fruitfully done by local initiatives. In the case of welfare administration, the achievements are satisfactory. However, gaps are visible in the implementation of civic services and statutory functions. (Sen Committee has already pointed out this earlier).

There are big slippages in many aspects, For example, Waste Management. Reluctance to do the proper cleaning of waste from streets and markets is worrisome. Reluctance to perform regulatory functions by the local governments has its hazardous and negative impact on the environment. Illegal constructions without observance of building construction regulations and rules have already led to irreparable ecological damage.

The developmental activities make impacts on the environment. To mitigate the negative environmental impact, intervention at the local level is more effective because the actual action takes place at this level. Watershed management based approach has to be promoted for the conservation of ecosystems. With the appropriate technical support, the protection of water bodies can be very effectively implemented by the local governments. The climate change is affecting the life of everyone adversely.

The State is lagging behind in ease of doing business because in most cases no norms are followed apart from the discretion of the officials. Hence a good administrative service system should be incentivized.

In the case of accountability and transparency, a lot of remarkable achievements can be pointed out. But on the social audit front, Kerala is far behind many other States. As part of the KLGSDP-I, a social audit manual is prepared and social audit has been kick started in 2/3 local

bodies in each district. This needs to be taken forward and scaled up in a more integrated manner, though some initial resistance is foreseen.

The Government of India and the Government of Kerala have spearheaded initiatives in e-governance. IT-GIS based planning using smart software will make the plan approvals easier and transparent.

A proper App and IT-based mechanism for grievance redressal of the citizens will help to enhance the trust of the citizen in the system.

MoRD under the Rurban Mission is pushing the local economic development whereas the World Bank too is doing so internationally. The achievements in the Social sector are uneven. Development has not reached equitably to the Scheduled Castes, Scheduled Tribes and the marginalised. Hence focused attention needs to be given to the outliers.

Special funds need to be allocated to address issues like malnutrition in outlier areas.

Local statistics and local database are still inadequate for deriving proper assessment of the status. Therefore, creating a streamlined and clean database is essential. Electronic MIS system should be in place for effective and efficient total monitoring system.

Local Governments should make a connectivity plan regarding roads and other critical infrastructure.

Asset management is a forgotten/uncared for area in local governments. A large volume of assets has been created at the local level. But there is no maintenance plan and they are maintained not properly and in certain cases, these assets are not even used for the intended purpose. The ownership of the local government assets may be shown in different colours (display boards) so as to identify the fact that the assets are owned by the local government.

It can be seen that social assets creation is not taking place as envisaged. To address this, the local bodies should be able to implement a central design.

Trivialisation is an issue faced everywhere. Gender plan is not incorporated properly in local planning. This is an issue which requires careful examination. Capability building of official functionaries is very important. It is interesting to note that the capability of elected representatives has increased whereas that of the officials has decreased over the period. Continuous capability building activities should be conducted. IT-based self-learning can be thought of. A group of certified trainers may be identified and maintained.

Strong and effective support arrangements are necessary for local bodies. For example, cost effective and appropriate technology for roads and buildings may have to be promoted (rubber road, plastic road, etc.).

Detailed studies on costing of services have to be conducted. The efficiency of officials has to be measured using appropriate indicators developed for the purpose. Revenue raising potential of local governments needs to be assessed through suitable studies. Innovative activities and practices in different sectors are seen in the case of certain local bodies especially because of the creative instinct of the local leadership. For the promotion of such innovative activities, 10 to 20% of the funds may be earmarked.

‘Training India’ is an important activity to be looked into. Decentralisation experience of Kerala in unique local initiatives can be spread across the country by replicating in other States.

The criteria for Performance Grant for local bodies should be devised. Scores should be fixed for public service, projects like abattoirs, crematoria, public market, public toilets, etc. The APA system developed during the KLGSDP-I may be modified accordingly.

Grievance Redressal Systems in the present form does not address the real concern and complaints of the citizens. The initiative should be taken to put in place a grievance redressal mechanism which is web-based. This would ensure transparency and accountability.

A framework of the programme can be prepared and circulated among Grama Panchayats and Municipalities as a discussion note to generate innovative ideas and to create a roadmap to move forward.

Vision of Government of Kerala

GoK has launched the second phase of the People's Plan Campaign and has provided local governments with a wider avenue of opportunities for planning and implementation of development projects. Implementation of the four missions (*Haritha Keralam*, *Aardram*, Life and General Education Protection) is aimed at the holistic and sustainable development of the State under *Nava Kerala Mission*.

Panchayat-level *Haritha Kerala Mission* launch focuses on replenishing water bodies by making concerted efforts to recharge the depleting ground water level and promoting organic cultivation and effective waste management system, promoting farming and aimed at ensuring all-round cleanliness and sustainable development will be implemented at local government level. The health care system envisages preventive, promotive, curative and rehabilitative aspect of health.

As part of the ESMF, the project has taken up activities under the following areas: Natural resources management and conservation; Conservation and management of critical assets and cultural heritages; and Conservation and management of other public service assets related to mandatory functions of local bodies.

Implementation

Institutional and Implementation Arrangements

Project Oversight

The Local Self Government Department of Kerala (LSGD) will have the primary responsibility for project implementation and ensuring that the project development objectives are met. The LSGD will execute the project through a Project Management Unit (PMU) with overall responsibility for project execution, ensuring that the project resources are budgeted and disbursed, and that project accounts are audited.

Project Management

The PMU, within LGSD, will assume direct responsibility for day to day project management, coordination and implementation. The PMU will take the lead role in planning, coordination and monitoring of the project performance in line with the project implementation schedule and facilitate day to day decisions for implementation of various components of the project and will be responsible for inter-institutional coordination. The PMU will undertake the annual performance assessments of the GPs and Municipalities, quality assurance of the assessment, prepare annual work programmes, budgets, annual procurement plans, will disburse funds, review fund execution and accountability, oversee quarterly review meetings and contract and supervise project staff and consultancy assignments, prepare reports and other documents and provide quality control. The PMU will be headed by a Project Director assigned from the state government, reporting to the Principal Secretary, LSGD, and will be supported by a Deputy Project Director for this specific role. The PMU will be staffed by (i) Financial Management Specialist; (ii) Finance Assistant, (iii) Procurement Specialist; (iv) Environmental Specialist; (v) Gender & Social Safeguards Specialist; (vi) Grant Management Specialist; (vii) Capacity Building Specialist; (viii) Monitoring and Evaluation Specialist; (ix) Communication Specialist; (x) IT Specialist; and (xi) Support Staff including district-level co-ordinating staff.

Implementation Support

Information Kerala Mission (IKM) is an e-governance project of the GoK under the LSGD, aiming at strengthening local self-governance through ICT (Information Communication Technologies) applications. IKM will support the process of updating legacy data of GPs and Municipalities relating to inventory of assets, infrastructure, taxation, and other revenue related information in to the financial management e-system at LSG level. The MIS developed during KLGSDP-I can be utilised for this specific purpose.

Two execution support agencies will implement specific project components and sub-components under the overall direction of the LSGD. These are: (i) Kerala Institute of Local Administration (KILA), an autonomous institution registered under the Societies Act, 1955, established under the LSGD which will be responsible for the execution of the various activities under Component 2; (ii) Gulati Institute of Finance and Taxation (GIFT), an autonomous

institution under the Department of Finance will continue to house the Decentralization Analysis Cell. A Memoranda of Understanding (MoU) will establish the nature of the relationship between the PMU and these institutions.

Twelve manuals have been developed under the supervision of KILA and the toolkits and training modules are being prepared. Training based on these is yet to take off. Social Audit Manual and toolkit were prepared by SIRD. Social Audit in local governments has been kick started by the initiative of PMU-KLGSDP-I. The creation of database and policy studies has been undertaken by DAC-GIFT. Despite the achievements in the initiatives, further strengthening is required.

Proposed Project Development Objectives

As it is a follow on project, the PDO may be kept the same as that of KLGSDP-I.

The project development objective is to enhance and strengthen the institutional capacity of the local government system in Kerala to deliver services and undertake basic administrative and governance functions more effectively and in a sustainable manner.

Project Beneficiaries

Direct beneficiaries of the project will be the 941 GPs and 87 Municipalities in the State of Kerala. Investments made by the GPs and Municipalities will indirectly benefit the entire population of the State of Kerala outside of the six City Corporation areas.

PDO Level Results Indicators

Achievement of the PDO will be measured by: (a) 70 percent GPs and Municipalities will have passed the performance assessments for well-functioning fiduciary, planning and service delivery systems (Total 1028); (b) A well-established performance-based grant system is increasingly financed by GoK; and (c) the number of direct project beneficiaries of which a certain percentage are female.

Project Description:***Project Components***

The project will have four components with an estimated cost of US\$ 520.0 million.

Component I: Additional discretionary untied Performance Grant to 941 Gram Panchayats and 87 Municipalities to allow increases in their development spending and in discretion in choosing public services including maintenance of infrastructure.

Component II: Develop the Capacity of Gram Panchayats and Municipalities and establishment of modern management systems to facilitate prudent management of resources and improve service deliveries to the people within their respective areas.

Component III: Support to enhance monitoring of local Government fiscal systems by the State through Decentralization Analysis Cell which will develop (a) Database of GP and Municipal Information; (b) LSG Service delivery Survey; (c) Project evaluations, and (d) provide policy advisory functions with independent analysis of the fiscal system and service delivery to the relevant agencies of the State Government to support policy changes and increased allocation of financial resources.

Component IV: This component will provide support to the Project Management Unit (PMU) within the LSGD in overall coordination, implementation, monitoring and evaluation of the project.

Project Costs and Financing

Lending Instrument: The lending instrument chosen for Bank support is a Specific Investment Loan (SIL). The SIL is considered the most appropriate instrument to support the institutionalization of decentralization in Kerala, including the introduction of a grant system, and the consolidation and expansion of the LSGs' capacity building in the areas such as financial management, procurement, planning and environmental and social safeguards

Safeguard policies

Environmental Assessment

ESMF document has been prepared during the first phase. In continuation of this, a sector environmental analysis will identify the environmental issues related to the Project and recommend appropriate measures to address this. Environment management plan will be prepared and implemented along with performance indicators according to the Bank guidelines.

Indigenous peoples

While the project interventions will not adversely affect the indigenous people (tribals), these groups may require special attention from the view point of ensuring inclusion and equity. Further, need to take account of the Indian Constitutional Provision as applicable to the tribal areas is essential while designing the institutional arrangements. A social assessment study identifying all the stakeholder groups and developing a framework for ensuring inclusion, participation and involvement of the key stakeholders is planned as part of the project preparation activities. The Project design will be consistent with the Bank safeguard policy relating to flow of benefits to tribal communities through their informed participation.

Involuntary resettlement

Lands required for sub projects implementation are not acquired involuntarily.

Tentative Financing

Source: Government of India

Duration of Project: Five Years

In USD million

	International Development Association (IDA) / IBRD	400
	Government of India / State of Kerala (Borrower / Recipient)	120
	Total Amount	520