



GOVERNMENT OF KERALA

Abstract

Local Self Government Department – Kerala Local Government Service Delivery Project (KLGSDP) – Project Preliminary Report for the 2<sup>nd</sup> Phase - Approved - Orders Issued.

**LOCAL SELF GOVERNMENT (DA) DEPARTMENT**

G.O (Ms) No.88/2018/LSGD,

Dated, Thiruvananthapuram , 29/06/2018

- Read - 1. GO (Ms.) No. 240/2017/LSGD Dated, 08/12/2017  
2. Letter No.53 /2017/KLGSDP dated, 08/05/2018 from the Project Director, KLGSDP.

**ORDER**

The first phase of the Project, Kerala Local Government Service Delivery Project (KLGSDP) was completed on 29<sup>th</sup> December 2017 and in order to continue the effective completion of the various initiatives in the first phase of the KLGSDP, Government vide Order read above have approved the Concept Note for the 2<sup>nd</sup> Phase of Kerala Local Government Service Delivery Project. Based on the discussion held by the World Bank Mission Team during 09 – 11, April, 2018, on the need to have an urban focus in the follow on project, as per the letter read above, the Project Director, Kerala Local Government Service Delivery Project has submitted the modified Project Preliminary Report for the follow on project. According to the revised Project Report the total project cost is US\$ 520 million of which US\$ 364 million is of IBRD share and remaining US\$ 156 million is of State share.

2) Government have examined the matter in detail and are pleased to approve the Project Preliminary Report for the 2<sup>nd</sup> phase of Kerala Local Government Service Delivery Project (KLGSDP), annexed herewith, subject to the condition that it shall be part of Development Fund being provided to Local Self Government Institutions and not above it, and further, that the State Government share shall be the same as earlier.

By Order of the Governor

**T.K. JOSE**

Additional Chief Secretary

To

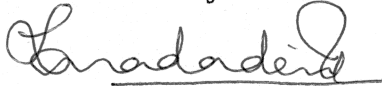
The Director of Panchayat, Thiruvananthapuram  
The Commissioner for Rural Development, Thiruvananthapuram

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 Panchayat)  
The Secretaries, All Grama Panchayats (Through the Director of Panchayat)  
The Secretaries, All Block Panchayats (Through the Commissioner for Rural Development)  
The Secretaries, All Urban Local Bodies (Through the Director of Urban Affairs)  
The Planning and Economics Affairs (CPMU) Department  
The Finance Department (vide uo no.SFC-A2/49/2018-Fin dtd, 22.06.18)  
The Information and Public Relations Department  
The General Administration (SC) Department (Vide Item No.2284 dated 27.06.2018)  
The Executive Director, IKM, Thiruvananthapuram  
Office Copy / Stock File

Copy to :

The Private Secretary, Minister for Local Self Government Department  
The PA to the Additional Chief Secretary, Local Self Government Department  
The PA to the Additional Secretary (Urban), Local Self Government Department  
The PA to the Special Secretary (Rural), Local Self Government Department

Forwarded/By order



Section Officer

## **Follow on Project of Kerala Local Government Service Delivery Project – Kerala Local Government Programme**

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Government of Kerala have approved the concept note for the follow on Project of Kerala Local Government Service Delivery Project vide GO(Ms) No.240/2017/LSGD dated.08.12.2017 with the assistance of World Bank at an estimated cost of 520 million USD (Rs.3,380 Cr) of which World Bank Share (IBRD) is 364 million USD (Rs. 2,366 Cr) and State Share is 156 million USD (Rs.1,014 Cr). The duration of the programme will be of six years which benefits the Urban Local Bodies (ULBs) and selected Grama Panchayats (GPs) having urban nature and facing issues of urbanisation.

The objective of this Programme is to enhance and strengthen the institutional capacity of the urban local government system in Kerala to deliver services and perform governance functions in a more inclusive and efficient manner. The programme enables the LBs to catch up with the current urbanisation trend in the State by ensuring the urbanised areas and selected rural local governments have proper administrative and service delivery systems and procedures in place to function effectively.

The Programme will provide technical and systemic support to the four Missions of the State–Haritha Keralam Mission, LIFE Mission- (Livelihood Inclusion and Financial Empowerment), Aardram Mission (People friendly health delivery system) and General Education Protection Mission to enable a sustainable convergence of these with local government planning and implementation. The Programme will undertake a series of state and city-level reforms to enable urban and selected rural areas to improve their performance in terms of both governance and service delivery functions and to promote local economic development.

With Kerala's rapid urbanization, ULBs and GPs having urban nature have been facing challenges in terms of both governance and service delivery systems. The programme will address these shortcomings by undertaking enabling policy reforms as well as strengthening the organizational capacities of the ULBs and selected GPs having urban nature to improve the delivery of key urban services.

The programme will make a substantial impact on the systems and capacities of ULBs and in selected GPs of urban nature in Kerala which will be designed and implemented following a “narrow and deep approach” by focussing on the LBs and selective areas for urban reforms that are fundamental to urban / rural governance and would transform the way LBs function.

The proposed programme seeks to pilot two new approaches for urban development

1. Create a state-city compact through concurrent policy and implementation reforms to achieve tangible improvements in the governance and service delivery of ULBs and in selected GPs.

- 2.. Adopt a mutually reinforcing model of (i) providing performance based grants for capital investment to incentivize systemic changes that are required for transformational improvements in service delivery and (2) supplement with focus on system development and enhanced capacities.

### Innovations in Financing Leveraging

The proposed project will focus on improving the financial management systems, performance-based grants and own source revenue mobilization of the participating LBs. Improvements in these areas may enhance their creditworthiness and strengthen their position to leverage additional financing resources from market sources for their investment needs.

### Financial arrangement

Tranche	Total External Assistance Sought	Counterpart funding being made available by				Total Project Cost		
		Implementing Agency	State Government	Central Government	Others, if any			
IN INR								
Tranche 1	2,366	1,014				3,380		
Tranche 2								
Tranche 3								
TOTAL								
IN USD (One USD = 65 INR) as on April 23, 2018								
Tranche 1	364	156				520		
Tranche 2								
Tranche 3								
TOTAL	364	156				520		
Year wise financial projections of fund utilisation								
Year	1	2	3	4	5	6	7	TOTAL
INR	325	455	650	650	650	650		3380
USD	50	70	100	100	100	100		520

## Activities of the Programme

- ✦ Providing performance-based grants to ULBs and selected GPs having urban nature for capital investments in local infrastructure in a manner that incentivizes the strengthening of their institutional capacity.
- ✦ Strengthening and expanding the capacity building program of ULBs and selected GPs having urban nature including: formal trainings and mentoring. May also include institutional strengthening of KILA in the urban sector.
- ✦ Strengthening and expanding the monitoring, financial, and governance systems in the State.
- ✦ Undertaking key urban reforms at both State and City levels through performance based incentives for enabling an efficient and inclusive delivery of services in the ULBs and selected GPs having urban nature.

## Other Elements

### Climate Mitigation / Adaptation

The capital investments to be financed under this program will follow the national guidelines on climate mitigation. Kerala is prone to multiple natural disaster risks and these will be taken into consideration during technical design and planning, as well as through capacity building on technical aspects.

### Beneficiary Engagement / Community Involvement / Community Monitoring

Kerala has a strong culture of community engagement, participatory and decentralized planning. The support to the LBs will continue to strengthen this aspect and also incentivize robust mechanisms for decentralized planning and accountability.

### Mainstreaming of Gender

Under KLGSDP-I, Kerala has implemented many gender focused interventions on a pilot basis, including Gender Action Plan preparation and implementation, Gender Budgeting, reducing gender Based Violence etc. The new programme will seek to roll-out these interventions state-wide.

## Output of the Programme

- ✦ Creation of capital assets for improvements in infrastructure and service delivery
- ✦ Systems in place for periodic maintenance of assets
- ✦ Development of an asset registry and management system
- ✦ Strengthening of KILA's capacities to train and build capacities in urban areas
- ✦ Operationalization of an end to end e-governance platform for service delivery, accountability and grievance redressal
- ✦ Institutionalisation of Social Accountability Mechanisms for ULBs and selected GPs having urban nature including Social Audit
- ✦ Establishment of an electronic MIS System of GP and municipal data.
- ✦ Enhancement of capacity of elected and official functionaries in the LBs

- ✦ Approvals and/or amendments in the regulatory framework of LBs to allow for governance and service delivery improvements.

### **Outcome of the Programme**

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- ✦ Increased access by ULBs and selected GPs having urban nature to timely, predictable and performance-based grants
- ✦ Increased and improved access to public services and local infrastructure
- ✦ Improved organizational systems and institutional capacities of ULBs and selected GPs having urban nature.

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**PRELIMINARY PROJECT PROPOSAL REPORT FORMAT**

1.	<b>Name of the Project</b>	<b>Kerala Local Government Program</b>
2.	Sectoral Area (Indicate from the list at Annexure A)	Urban Development (including Urban roads and Urban Water/Sanitation) (Selected GPs having Urban nature and facing issues of urbanisation)
3.	Central Line Ministry or Department for the Project	Ministry of Housing and Urban Affairs & Ministry of Panchayati Raj
4.	State Line Department for the Project	Local Self Government Department, (LSGD), Government of Kerala, India
5.	Proposed Project Implementation Agency	Local Self Government Department, (LSGD), Government of Kerala, India
6.	Institutional Structure for Delivery (SPV/PMU/Any other)	PMU
7.	<b>Basic Design of the Project</b>	
	Goals and Objectives (max 100 words)	<ol style="list-style-type: none"> <li>1) To enhance and strengthen the institutional capacity of the urban local government system in Kerala to deliver services and perform governance functions in a more inclusive and efficient manner.</li> <li>2) To catch up with the current urbanization trend in the State by ensuring that urbanised areas and selected rural local governments have proper administrative and service delivery systems and procedures in place to function effectively.</li> <li>3) To provide technical and systemic support to the four Missions – Haritha Keralam Mission, LIFE Mission- (Livelihood Inclusion and Financial Empowerment), Aardram Mission (People friendly health delivery system) and General Education Protection Mission to enable a sustainable convergence of these with local government planning and implementation.</li> <li>4) To undertake a series of state and city-level reforms to enable urban and selected rural areas to improve their performance in terms of both governance and service delivery functions and to promote local economic development.</li> </ol>

	<p>Activities Involved (max 100 words)</p>	<ol style="list-style-type: none"> <li>1) Providing performance-based grants to ULBs and selected GPs having urban nature for capital investments in local infrastructure in a manner that incentivizes the strengthening of their institutional capacity.</li> <li>2) Strengthening and expanding the capacity building program of ULBs and selected GPs having urban nature including: formal trainings and mentoring. May also include institutional strengthening of KILA in the urban sector.</li> <li>3) Strengthening and expanding the monitoring, financial, and governance systems in the State.</li> <li>4) Undertaking key urban reforms at both State and City levels through performance based incentives for enabling an efficient and inclusive delivery of services in the ULBs and selected GPs having urban nature.</li> </ol>
	<p>Outputs of the Project (max 100 words)</p>	<ol style="list-style-type: none"> <li>1) Creation of capital assets for improvements in infrastructure and service delivery</li> <li>2) Systems in place for periodic maintenance of assets</li> <li>3) Development of an asset registry and management system</li> <li>4) Strengthening of KILA's capacities to train and build capacities in urban areas</li> <li>5) Operationalization of an end to end e-governance platform for service delivery, accountability and grievance redressal</li> <li>6) Institutionalisation of Social Accountability Mechanisms for ULBs and selected GPs having urban nature including Social Audit</li> <li>7) Establishment of an electronic MIS System of GP and municipal data.</li> <li>8) Enhancement of capacity of elected and official functionaries in the LBs</li> <li>9) Approvals and/or amendments in the regulatory framework of LBs to allow for governance and service delivery improvements</li> </ol>
	<p>Outcome of the Project (max 100 words)</p>	<ol style="list-style-type: none"> <li>1) Increased access by ULBs and selected GPs having urban nature to timely, predictable and performance-based grants</li> <li>2) Increased and improved access to public services and</li> </ol>



		local infrastructure 3) Improved organizational systems and institutional capacities of ULBs and selected GPs having urban nature
<b>8.</b>	<b>Finance Plus Element</b>	
	Systemic and Transformational Impact (max 100 words)	With Kerala's rapid urbanization, ULBs and GPs having urban nature have been facing challenges in terms of both governance and service delivery systems. The program will address these shortcomings by undertaking enabling policy reforms as well as strengthening the organizational capacities of the ULBs and selected GPs having urban nature to improve the delivery of key urban services.  The proposed project will make a substantial impact on the systems and capacities of ULBs and in selected GPs of urban nature in Kerala. The proposed project will be designed and implemented following a "narrow and deep approach" by focussing on the LBs and selective areas for urban reforms that are fundamental to urban / rural governance and would transform the way LBs function.
	Innovations and Piloting of New Approaches (max 100 words)	The proposed project seeks to pilot two new approaches for urban development  1. Create a state-city compact through concurrent policy and implementation reforms to achieve tangible improvements in the governance and service delivery of ULBs and in selected GPs.  2. Adopt a mutually reinforcing model of (i) providing performance based grants for capital investment to incentivize systemic changes that are required for transformational improvements in service delivery, and (2) supplement with focus on system development and enhanced capacities.
	Innovations in Financing Leveraging (max 100 words)	The proposed project will focus on improving the financial management systems, performance-based grants and own source revenue mobilization of the participating LBs. Improvements in these areas may enhance their creditworthiness and strengthen their position to leverage additional financing resources from market sources for their investment needs
	International Best Practices Proposed to be Adopted (max 100 words)	Experience in over 20 countries show that:  1) Institutional change can be incentivized by a proper system of performance-base grants 2) A combination of demand driven reforms for institutional improvements combined with supply

		<p>driven capacity building (formal training and mentoring) activities brings about the desired change</p> <p>3) A State-city level compound is required to link enabling reforms at the State-level with organizational development capacities at the city level.</p>	
<b>9. Other Elements (if any)</b>			
	Private Sector Engagement (Financing, Supply Side Involvement, Provision Of Services) (max 100 words)	N/A	
	Climate Mitigation / Adaptation (max 100 words)	The capital investments to be financed under this program will follow the national guidelines on climate mitigation. Kerala is prone to multiple natural disaster risks and these will be taken into consideration during technical design and planning, as well as through capacity building on technical aspects.	
	Beneficiary Engagement / Community Involvement / Community Monitoring (max 100 words)	Kerala has a strong culture of community engagement, participatory and decentralized planning. The support to the LBs will continue to strengthen this aspect and also incentivize robust mechanisms for decentralized planning and accountability.	
	Mainstreaming of Gender (max 100 words)	Under KLGSDP, Kerala has implemented many gender focused interventions on a pilot basis, including Gender Action Plan preparation and implementation, Gender Budgeting, reducing gender Based Violence etc. The new program will seek to roll-out these interventions state-wide.	
<b>10.</b>	<b>Name / Names of the State / States Involved</b>	Kerala	
<b>11.</b>	<b>Name / Names of the District / Districts Involved</b>	Potentially All.	
<b>12.</b>	<b>Proposed Project Duration</b>	From	2019
		To	2025
		Years	6
		Months	
<b>13.</b>	<b>Type of Project (Please tick)</b>	Central Sector	
		State Sector	Yes
<b>14.</b>	<b>Category of State (Please tick)</b>	General	Yes
		Special Category	
		Both	
<b>15.</b>	<b>Counterpart Funding by the Centre or State or Both (Specify %)</b>	Central Sector (min 50%)	
		State Sector (min 30%) for General Category	Yes
		State Sector (min 20%) for	

		Special Category						
		Other						
<b>16</b>	<b>Financial Arrangement</b>	<b>Fill details below (both in INR crores and USD million)</b>						
Tranche	Total External Assistance Sought	Counterpart funding being made available by					Total Project Cost	
		Implementing Agency	State Government	Central Government	Others, if any			
IN INR								
Tranche 1	2,366	1,014					3,380	
Tranche 2								
Tranche 3								
TOTAL								
<b>IN USD (One USD = 65 INR) as on April 23, 2018</b>								
Tranche 1	364	156					520	
Tranche 2								
Tranche 3								
TOTAL	364	156					520	
<b>17.</b>	<b>Year wise financial projections of fund utilisation</b>							
Year	1	2	3	4	5	6	7	TOTAL
INR	325	455	650	650	650	650		3380
USD	50	70	100	100	100	100		520

18.	Name of the Multilateral Development Bank (MDB)/ International Financial Institution (IFI) (Indicate from the list at Annexure B) from which External Assistance is sought	World Bank - IBRD
19.	Details of Clearances / Comments / Observations about the project (Please enclose copies)	
<b>Central</b>		
	NITI Aayog	N/A
	Central Line Ministry/Department (for Central PSU-Executed Projects)	N/A
	Ministry of Home Affairs (MHA), GoI (for all UTs without State Legislature)	N/A
<b>State (Excluding North Eastern States)</b>		
	NITI Aayog	Yes
	Proposed Central Line Ministry or Department for the Project	Yes
	Debt – Sustainability Self-Certification by State Finance Department	Yes
<b>State (North Eastern States)</b>		
	NITI Aayog	N/A
	Proposed Central Line Ministry or Department for the Project, GOI	N/A
	Ministry of External Affairs, GOI	N/A
	Ministry of Home Affairs, GOI	N/A
	Ministry of Development of North Eastern Region, GOI	N/A
	Debt – Sustainability Self-Certification by State Finance Department	N/A
20.	Whether Feasibility Study for the project is available?	No, this will be prepared as a part of project preparation
21.	Whether Detailed Project Report (DPR) or Detailed Engineering Design for the project is available?	No, this will be prepared as a part of project preparation

22.	<b>Whether following clearances are involved in the project</b>	
	Environment	No
	Coastal Regulation Zone	No
	Forest	No
	Heritage	No
	Any other (Please specify)	N/A
23.	<b>Current status of clearances mentioned in Point 22</b>	
	Environment(max 100 words)	N/A
	Coastal regulation Zone(max 100 words)	N/A
	Forest(max 100 words)	N/A
	Heritage(max 100 words)	N/A
	Any other (Please specify)(max 100 words)	N/A
24.	<b>Whether any court or tribunal proceedings are pending that could impact the project?</b>	No
25.	<b>Current Status of court or tribunal proceedings if pending(max 100 words)</b>	N/A
26.	<b>Whether Land pooling / land acquisition / Resettlement and Rehabilitation is involved in the project?</b>	
	Land Pooling	No
	Land Acquisition	No
	Resettlement & Rehabilitation	No
	Any Other (Please specify)	
27.	<b>Current Status of Land pooling / land acquisition / Resettlement and Rehabilitation involved in the project</b>	N/A
	Land Pooling(max 100 words)	N/A
	Land acquisition(max 100 words)	N/A
	Resettlement & Rehabilitation(max 100 words)	N/A
	Any Other (Please specify)(max 100 words)	N/A
28	<b>Whether External Assistance has been availed in the past for similar project (i.e., earlier phase etc.)? If yes,</b>	Yes

	Name of the Project:				Kerala Local Government Service Delivery Project				
	Project period:				6 years				
	Start Date				September 2011				
	Completion Date:				December 2017				
	Loan/Credit Amount (in INR crores and USD million):				USD 183 million				
<b>29. Details of externally aided projects (completed / ongoing /pipeline / posed / under examination) since 01.04.2008 undertaken by the proposed borrowing Agency (Central line Ministry / Department / Central PSU/ State Government)</b>									
Name of the sector	Name of the MDB/ IFI which provided Loan assistance	Name of the Ministry/ Dept.	Name of the project	Start date	Close date		Project cost		Expenditure Incurred(in INR crores and USD million)
					original	revised	Original	revised	
Local Governments	World Bank	Local Self Govt. Dept.	KLGS DP	Sep 2011	Dec 2015	Dec 2017	USD 260 mill	USD 261 mill	USD 261 mill

## **Annex A**

### **Sectoral Area**

1. Agriculture (including Crop Insurance) and Allied Sector (including Dairy, Fisheries, Poultry and Horticulture)
2. Disaster Management
3. Education & Skill Development
4. Energy (including Renewables)
5. Environment and Climate Change
6. Finance (includes Public Finance Management and Financial Institutions)
7. Governance (includes service delivery)
8. Health and Nutrition
9. Irrigation/Water Resources (including Rural Water and Watershed)
10. Rural Development (including rural roads and rural sanitation), Livelihoods and Panchayati Raj Institutions (PRI)
11. Tourism & Culture
12. Transport and Logistics (including Airports, Ports, Railways, Inland Waterways, Metros, Bus Service, National Highways, State Highways)
13. Urban Development (including Urban roads and Urban Water/Sanitation)
14. Social Safety Net programmes/Initiatives
15. Telecom, Media, Technology and Venture Capital
16. Manufacturing, Agribusiness and Services
17. Natural Resources
18. Others (Please Specify)

## **Annex B**

### **Name of MDB/IFI from which external assistance is sought**

1. World Bank – IBRD
2. World Bank – IFC
3. Asian Development Bank (ADB)
4. IFAD
5. NDB
6. Others (Please specify)