

**West Bengal: Strengthening Rural Decentralisation
Programme (2007-11)**

Programme Memorandum

Government of India
Government of West Bengal
Department for International Development, UK

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Draft

ACRONYMS

AsDB	Asian Development Bank
CAP	Country Assistance Plan
CCA	Convergent Community Action
CBO	Community Based Organisation
CSO	Civil Society Organisation
DFID	Department for International Development
DPMU	District Programme Management Unit
DSRD	DFID Support for Rural Development
FIS	Financial Information System
FRA	Fiduciary Risk Assessment
Gol	Government of India
GoWB	Government of West Bengal
GP	Gram Panchayat
GTZ	German Technical Cooperation
GUS	Gram Unnayan Samiti (of Gram Sansad)
GS	Gram Sansad
HPI	Human Poverty Index
IFSL	Innovation Fund for Strengthening Livelihoods
IT	Information Technology
M&E	Monitoring and Evaluation
MIS	Management Information System
NGO	Non-Government Organisation
PBF	Performance Based Fund
PRDD	Panchayats and Rural Development Department
PRI	Panchayati Raj Institution
PS	Panchayat Samiti
SAP	State Assistance Plan
SHG	Self Help Group
SL	Sustainable Livelihoods
SPMU	State Programme Management Unit
SPI	Social Progress Index
SRD	Strengthening Rural Decentralisation
TA	Technical Assistance
UPF	Untied Poverty Fund
VLI	Village Level Institution
ZP	Zilla Parishad

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- Appendix 1 Programme Logical Framework**
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1. SUMMARY

1.1 The **purpose** of the Strengthening Rural Decentralisation (SRD) programme is to secure more effective, accountable and pro-poor rural decentralisation in West Bengal. This programme helps GoWB implement its strategic roadmap for decentralisation through policy and institutional reforms, capacity building, pro-poor planning and community-led programme implementation and contributes to the **goal** of sustainable poverty reduction in the rural areas of the state.

1.2 The initial submission for the SRD programme sought DFID assistance of up to £130 million over 7 years. In December 2004, the SoS approved DFID support of £ 9 million for a two-years phase, wanting to look at outputs before approving the remainder of the SRD programme. The strong outcomes of this phase confirm the key features of the SRD programme. In line with the GoWB roadmap for rural decentralisation, Panchayats¹ now have a clearer functional mandate and more resources (both internal and those leveraged through SRD). An external appraisal indicates that the programme is targeted well at the poorest regions, has considerably raised the Gram Panchayat² capacity, and supports processes and interventions that have significant potential to reduce poverty.

1.3 The remainder of the programme will institutionalise and upscale the successful capacity building initiatives undertaken so far and will strengthen the focus on the poorest and the most vulnerable. This will be achieved through the following outputs:

Output 1: GoWB roadmap to strengthen (i) the policy framework for rural decentralisation, (ii) Panchayat support institutions and (iii) the GP mandate implemented well.

Output 2: GPs have improved capacities and resources in line with their strengthened mandate.

Output 3: Convergent, pro-poor and participatory planning, implementation and monitoring systems for PRIs (focussed on GPs) established and operational

Output 4: Resources used to sustainably strengthen livelihoods, improve service provision and reduce vulnerability of the poor.

1.4 The current government in West Bengal has a strong track record of significant poverty reduction and economic growth in rural areas through effective decentralisation. Comparative international studies have found decentralisation in West Bengal exceptionally successful. They have also noted several challenges that have emerged since the mid-1990s.

1.6 The remainder of SRD will address such challenges. It will cover 540 GPs in the poorest regions, including 270 GPs of the first phase. It will ensure:

¹ Rural local bodies in India are called Panchayats or PRIs (Panchayati Raj Institutions).

² Gram Panchayats or GPs are the lowest formal tier of Panchayats.

(a) that the SRD package of support for pro-poor planning processes, stronger panchayat capacities and critical resources for pro-poor programme implementation (not available under the existing programmes) is tested at a convincing scale for wider replication;

(b) poverty reduction as a direct outcome is scaled up to ten million people (including 7 million from socially excluded groups) through low value high impact packages aimed at inclusive economic growth in 12 poorest districts;

c) GPs in poorest regions are better joined-up with the line departments and are able to leverage additional resources (GoWB, GoI and donors) for poverty reduction and have higher revenue mobilisation and spending capacities (World Bank is considering complementary support);

Of the ten million people covered, SRD will raise incomes substantially of two million people through direct investments. It will help communities adapt to recurrent natural disasters in very vulnerable regions and will improve health and education services and the provision of drinking water and sanitation in such regions. More capable Panchayats throughout the state, built through SRD, will help achieve objectives of other DFID programmes (HSDI, nutrition programme and CSSP) focussed on rural West Bengal.

1.6 The programme is rated medium risk, with key concerns over fiscal sustainability and fiduciary risk. A recent FRA notes that there is a credible programme of financial management reforms and that the programme funds are protected from the current risk. Fiscal sustainability is also improving. GoWB is strongly committed to decentralisation and has strong political interest in supporting local governments. Recent political events in the context of GoWB's efforts to aggressively pursue industrialisation are not likely to undermine rural decentralisation in the state. Unlike most other Indian states, corruption in West Bengal is widely perceived as low.

1.7 DFID support of £27m will be on a reducing scale, as GoWB's financial contributions increase in Years 2 and 3 of the programme. Technical Assistance will strengthen the state's policy and legal framework, support institutional change, and build capacities in financial management and participatory planning processes. Financial Assistance, targetted at the poorest and vulnerable, will support implementation of the plans and reform measures at all levels of the Panchayat system.

1.8 This submission seeks DFID support of up to £27 million (£26m FA and £1m TA) for the remainder of the SRD programme between 2007-08 and 2010-11.

2. PROGRAMME DETAILS

2.1 Programme Description

What problems does the programme address?

2.1.1 GoWB expects to arrest and reverse loss of momentum in rural poverty reduction by strengthening PRIs. Rural poverty headcount in West Bengal declined dramatically from about 73% in 1973-74 to 32% in 1999-2000. It is widely believed³ that ⁴PRIs led this dramatic poverty reduction through successful land reforms and effective use of agricultural technologies. Since then there has been slower decline in rural poverty. The challenges of further rural poverty reduction in the state are significantly different from those encountered so far. PRIs⁵ are not fully equipped to meet such challenges.

2.1.2 Unlike the experience so far, which was primarily based on successful application of reform-oriented legislations (land reforms) and new farming technologies, rural poverty reduction now requires identification of a wide variety of unmet needs (not covered by existing government programmes) of hard-to-reach poor people. GoWB believes this is possible through direct involvement of the poor (to minimise elite capture) in planning and programme implementation. This requires bottom-up planning processes, which begin at ⁶Para level (and not at the GP level), stronger financial management systems and mechanisms to ensure accountability to the poor.

2.1.3 Meeting the unmet needs of the poor requires new resources and mechanisms to ensure their effective targeting. State and Panchayat level reforms have in the past two decades resulted in considerable increase in agricultural production and the overall rural economic growth. Such growth is, however, not always inclusive.

2.1.4 Given the large number of PRIs and Panchayat functionaries in the state, all this adds up to a huge reform agenda, which cannot be achieved effectively without strong GoWB commitment and systematic implementation of a comprehensive roadmap for rural decentralisation. The SRD programme recognises and addresses these challenges.

2.1.5 The goal of the SRD programme is to sustainably reduce rural poverty and improve key human development indicators in West Bengal. The **purpose** is to achieve more effective, accountable and pro-poor rural decentralisation in the state. The purpose responds to the challenges mentioned above and will be achieved through the following interlocking outputs:

³ Dasgupta 1995, Saha and Swaminathan 1994, Rawal and Swaminathan 1998, Lieten 1992, Mukharji and Mukhopadhyay 1996 (Roadmap for Panchayats in West Bengal, page 6)

⁴ Rural Local Bodies in India are known as Panchayati Raj Institutions (PRIs) or Panchayats

⁵ Even the lowest formal tier of Panchayats in West Bengal covers on average 11 villages or Gram Sansads.

⁶ Each GP on average has 11 villages in West Bengal and each village may have some outlying hamlets (Paras) where poor people generally live

Output 1: GoWB roadmap to strengthen (i) the policy framework for rural decentralisation, (ii) Panchayat support institutions and (iii) the GP mandate implemented well.

Output 2: GPs have improved capacities and resources in line with their strengthened mandate.

Output 3: Convergent, pro-poor and participatory planning, implementation and monitoring systems for PRIs (focussed on GPs) established and operational

Output 4: Resources used to sustainably strengthen livelihoods, improve service provision and reduce vulnerability of the poor.

2.1.6 The initial phase of the SRD programme began in November 2005. Apart from state-wide institutional reforms and capacity building, this phase focussed on poverty reduction in 270 GPs in 6 poorest districts of the state. Significant progress against all the outputs (details in Annex 2) has been noted by an independent review held 18 months after the start of the programme. This review⁷ has expressed confidence in the ability of the SRD programme to make substantial impact on the lives of the poor. Important steps taken during the initial phase include development of a comprehensive roadmap for decentralisation.

What will the money be spent on?

2.1.7 The remainder of SRD programme will help GoWB implement its transformational roadmap for rural decentralisation that will focus on institutional change necessary for rural poverty reduction. The GoWB roadmap addresses the problems summarised in the previous section. The SRD outputs will help GoWB implement key elements of this roadmap.

2.1.8 Of the programme budget of up to £27 million, £11 million (£ 10 m FA and £ 1 million TC) will be used to help GoWB work across the state to strengthen the policy framework, relevant laws, and the Panchayat support structures (output 1). This amount will also support training of staff and members of 540 GPs in 12 most backward districts, focussing on financial management (outputs 2). Further, it will establish a participatory planning process (output 3). SRD will also provide up to £16 million as CSPR (Critical Support for Poverty Reduction) to catalyse reforms and deliver direct poverty outcomes (output 4). CSPR will be used to effectively implement pro-poor development plans drawn up by GPs/GUS⁸s. CSPR will be provided to 540 poorest GPs over four years

2.1.9 SRD will broadly cover three types of capacity building – (a) institutional (changes in the rules of the game through legal and policy reforms), (b) organisational (structures and systems for improved planning, financial management etc) and (c) individual (knowledge, skills and attitudes), focussing on the PRI staff and elected representatives. The training activities

⁷ The review was conducted only a month after the first release of the UPF funds.

⁸ GUS stands for Gram Unnayan Samiti. This body represents people living in a village. Each Gram Panchayat has several villages.

supported by SRD are nested within the overall PRDD⁹ training strategy tested during the first phase.

2.1.10 CSPR at the rate of £15000 per GP per year will be provided in the first year of the next phase. With expected increase in other resources, this will be reduced to £10000 and £5000, respectively, in the following two years. Experience of GP/GUS priorities in the initial phase indicates that up to 70% of CSPR is allocated to support income generating activities and up to 10% for infrastructure. The rest is used for essential social services. The livelihoods component of CSPR has been used to meet critical needs of poor producers such as market survey and enterprise support, technical innovations, access to productive assets, microfinance, and assistance to the destitute.

Who will benefit

2.1.11 **SRD will deliver significant outcomes to ten million poor people.** Around 70% of these belong to socially excluded groups. More than two million will get substantial benefits directly from CSPR. SRD will deliver magnified poverty outcomes through strong convergence with the relevant line departments. The programme will assist line departments deliver essential services better. Significant benefits will accrue in terms of a strengthened institutional and policy framework and state-wide Panchayat capacities, which will facilitate wider replication¹⁰ of the SRD approaches.

2.2 PROGRAMME Appraisal (Why are we doing it?)

Background

How did we come to be involved?

2.2.1 **DFID joined GoWB efforts to further strengthen PRIs.** With UNICEF support, GoWB launched a pilot Convergent Community Action (CCA)¹¹ initiative in 1999 to test bottom-up participatory planning as a possible response to rural poverty. A DFID funded scoping study commissioned in May 2001 confirmed the overall success of the CCA pilots to involve poor villagers in the GP level planning processes. It also identified some weaknesses. GoWB decided to address these weaknesses and to replicate an improved CCA planning process across the state as part of a more comprehensive programme to revitalise decentralisation. The SRD programme was designed to address the key weaknesses identified by the scoping study and to support

⁹ PRDD (Panchayats and Rural Development Department) is the state level department responsible for rural decentralisation and development.

¹⁰ Howrah district, not covered by SRD, is an example of the SRD replication of the SRD approaches without DFID support. The Head of the District Administration, impressed by the SRD programme, has started its adoption of the SRD approaches with the available public funds.

¹¹ The CCA approach lays emphasis on rural community, particularly the poor, working with locally available expert volunteers to identify key issues that constrain development and to plan measures that can be implemented through local resources. Unmet needs were to be met through Panchayat, line department and other resources.

key objectives of the roadmap. The GoWB roadmap for Panchayats summarises this programme.

Fit with policy

2.2.2 Rural decentralisation is backed by strong national and state level policy frameworks and commitments. The 73rd Constitutional Amendment Act provides a strong mandate to PRIs and supports increased participation of women and excluded sections. GoI's Eleventh Five Year Plan sees decentralisation as key to improving service delivery. It requires each state to clearly commit resources to PRIs. West Bengal's successive five year plans have placed a similar emphasis on decentralisation.

2.2.3 The current submission responds to the White Paper 3 agenda by making a direct contribution to poverty reduction. It will improve the capability of state and local level institutions and strengthen their accountability and responsiveness.

Programme Approach

Why are we doing the programme this way?

2.2.4 Key features of the SRD design, summarised below, are backed by strong evidence – from West Bengal (CCA Pilots, DFID Scoping Study, SRD external review) and other Indian states (Kerala, Karnataka).

- **PRIs are the most appropriate organisational vehicles to lead rural poverty reduction in West Bengal.** Reliance on PRIs in SRD is based on their strong track record (Para 2.1.1) in poverty reduction in West Bengal. The fact that PRIs are constitutionally mandated bodies and a strong political support base for GoWB adds strength to this argument.
- **Further rural poverty reduction rests on building the PRIs' capacity to meet the new challenges of poverty reduction.** The key challenges (Para 2.1.1 to 2.1.4) facing PRIs have been identified through long-standing experience of West Bengal and other states.
- **Capacity building and CSPR are interdependent.** Experience in Kerala and West Bengal points to the fact that devolution of untied funds is important for capacity building. The external review of SRD's initial phase has attributed the marked increase in capacity to the application of the programme funds for bottom-up plans and not just to the trainings conducted. This reinforces the learning by doing approach of the SRD.

- **Community-led planning processes start at the hamlet (Para) level**, and not at the GP level, as is the normal practice.¹² Most rural poor live in small outlying hamlets of a village and feel more confident at that level. GoWB has created village level Gram Unnayan Samitis and SRD has adopted planning processes that begin at the Para level.
- **Self-help¹³ as the first support base for village level planning.** Outside support should address needs that cannot be met through self-help. This helps in establishing the importance of local resources and in strengthening community ownership of the programme.
- **Support for the unmet livelihoods needs of the poor is important.** Reviews of the first phase have noted that livelihoods activities supported by the programme have the potential to increase incomes substantially for the poor, provided there is adequate infusion of funds for a few more years.
- **Targeting¹⁴ strategy plays an important role.** The external review found that roughly 70% of the benefits from CSPR went to the most disadvantaged groups¹⁵ during the first phase. One limitation noted by this review is the inadequate coverage of the most vulnerable families. The remainder of SRD will review its approach to better target this segment.
- **The programme will deliver magnified outcomes through effective convergence** with major central/state rural development schemes implemented by various line departments. The external review confirms that SRD has begun to show impact through improved convergence¹⁶.
- **Wider replication needs appropriate scale of operation and adequate length of time.** The coverage of one-sixth of GPs (540 of 3300) will provide a critical mass of evidence and is likely to generate political support in favour of programme strategies. Consistent support to GPs over four years will allow sufficient time for administrative systems and capacities to get established and for “voice” and accountability to become effective.

¹² Traditional panchayat planning starts at the lowest formal tier, Gram Panchayat. This level is generally dominated by the rural elite and poor have limited voice.

¹³ Voluntary contribution of money and labour, use of local resources, application of local knowledge, Panchayat revenues etc

¹⁴ Target districts and GPs will be selected on the basis of the existing poverty data; targeting within the GP will be based on participatory poverty surveys. Within the 12 SRD districts, GPs will be selected largely on the basis of poverty criteria, based on the national demographic census and the recent state-wide rural household survey. Some (<20%) choices will be made on the basis of GP capacity and disaster risk. Within each GP, support will be provided uniformly to all constituent Gram Sansads. The programme will identify destitute households by drawing upon the rural household survey validated by the Gram Sansad.

¹⁵ The scheduled castes, the scheduled tribes, minorities and women

¹⁶ In addition to the £20,000 per year from SRD, GPs can absorb more than £40000 under Rural Employment Guarantee Scheme, Backward Regions Grants Fund (BRGF) and other CSSs and social protection schemes. SRD proposes to cover 11 BRGF districts to enable better utilisation of BRGF funds. In addition, with increased capacity, GPs will assist line departments to deliver the Public Distribution System, Integrated Child Development Scheme, the National Rural Health mission and SSA (universal primary education) better.

- **Systematic capacity building for rural decentralisation requires a state level roadmap for rural decentralisation.** The scale and the complexity of the rural decentralisation challenges justify this requirement.

Appraisal Issues

Political Appraisal

2.2.5 GoWB has demonstrated exceptional political stability (current ruling coalition in power since 1977) and commitment to poverty reduction. The ideology and political interests of the ruling left front coincide with effective rural decentralisation. Based on their past track record in poverty reduction, Panchayats in West Bengal enjoy a favourable public opinion.

2.2.6 Rural decentralisation in general and the SRD approaches in particular enjoy cross-party support in West Bengal. SRD's recent good performance is contributing to greater political acceptance of this approach. The external review has noted that the political environment in which the project is operating is representative and was, in most cases, leaning in favour of the socially disadvantaged groups. The next state assembly elections are due in 2010 (?) and the Panchayats will go to polls in the middle of 2008. These elections are not likely to change the overall supportive environment for SRD.

Institutional Appraisal

2.2.7 The overall policy environment for rural decentralisation and the SRD programme remains strong in West Bengal. GoI supports empowerment of PRIs in various ways. The latest central and state finance commissions reports have provided incentives for better performing PRIs.

2.2.8 At the operational level SRD seeks to improve performance through strengthened accountabilities and capacities. The independent review has noted several achievements during the first phase of SRD, including: increased planning and monitoring capacities; creation of local leadership; considerably enhanced transparency, increased citizen awareness of social services issues and schemes; better record management by the staff trained under the programme; regular meetings of Gram Sabha and Gram Sansad. However, the review found the Upsamitis¹⁷ less than active.

2.2.9 More recent programme reports have noted more dramatic results: doubling of Panchayat own revenues in four years; development of improved accounting rules; increase in the frequency of Upsamiti meetings; four-fold increase (in one year) in the number of GPs regularly maintaining financial

¹⁷ GP level sub committees that deal with different subjects and co-ordinate actions with the relevant line departments

registers; and 4.5 times increase (in one year) in the number of GUSs with bank accounts.

Social Appraisal

2.2.10 Poverty in West Bengal is primarily a rural phenomenon, with over 28% of rural population living below the poverty line¹⁸. Further there is a geographical concentration of poverty and socially excluded groups in a few districts. Women belonging to the poor and excluded groups are generally the most vulnerable. Panchayats, through reservation of elected positions for women and other disadvantaged groups, are contributing to their increased voice. Geographical targeting coupled with inclusive interventions under SRD is meant to ensure greater pro-poor focus.

2.2.11 Representation of women at the GP level ranges between 33% and 55%. The external review observed that “UPF (now called CSPR) has largely been for the poor having an emphasis on the poorest”. However, participation of the poorest and partnership with CSOs need better attention. The geographical overlap between SRD and the DFID supported Civil Society Support Program (CSSP)¹⁹ will provide opportunities for greater engagement with CSOs. GoWB is considering a special policy package for the poorest in rural areas.

Economic Appraisal

2.2.12 PRIs in West Bengal have contributed to higher agricultural production and productivity through more secure land rights for the tillers of land and propagation of improved farming technologies. More capable PRIs and their joined-up working with line departments, envisaged in SRD, will enhance such possibilities. SRD activities (Para 2.1.10) and the funds leveraged through them will enhance the volume of economic activities at the village level. SRD will help the excluded sections of the population make critical links with economic activities taking place in rural areas.

2.2.13 GoWB fiscal deficit has decreased from 7.8% in 2003-04 to below 5% in 2006-07, though debt stock remains high at around 50% of GSDP. However, GoWB commitment to decentralisation has ensured that allocation of untied funds to PRIs in 2006-07 at Rs.2780 million has already crossed its commitment for 2010. This and the success of the initial phase indicate that these levels of fiscal devolution will be sustained at the least. More funds are likely to be available at the Panchayat level through SRD's support for higher revenue mobilisation capacities of GPS, resources leveraged from the centrally sponsored schemes, and possible WB programme in support of similar objectives in West Bengal.

Fiduciary Risk Appraisal

¹⁸ Poverty as defined by Gol. This is significantly below the one dollar a day per capita definition of poverty.

¹⁹ A DFID funded programme recently launched in West Bengal.

2.2.14 A fiduciary risk assessment (FRA) focussing on PRIs was carried out during the design of SRD. It highlighted weaknesses in the following areas: budgeting, procurement, internal audit, accounting, and the PFM capacities of the PRIs. PRDD²⁰ developed detailed risk mitigation measures.

2.2.15 An FRA update of June 2007 has found the PFM reforms programme in West Bengal credible and has noted good progress against most of the risk mitigation measures. The FRA still rates the overall fiduciary risk as high, “mainly because the demonstrated impact of the measure taken to address the weakness would take longer to bear fruit”.

2.2.16 Large scale misuse of SRD funds is ruled out. The programme expenditure is protected through separate management and audit arrangements. It is generally deployed in the shape of relatively small grants (mostly non-infrastructure) and is subject to rigorous appraisal and monitoring processes.

2.2.17 Measures taken so far are significant. They include: amendments to the financial rules to strengthen accounting practices; adoption of IT-based MIS; improved accountability mechanisms and training of panchayat functionaries. Their impact is already visible in some areas of PFM (details in the Annex 2). The remainder of SRD will institutionalise the PFM reforms introduced so far.

Environmental Appraisal

2.2.18 People in the rural West Bengal depend on natural resources for their livelihoods. West Bengal is prone to several natural disasters²¹, including seasonal flooding, droughts, earth quakes and arsenic contamination of water.

2.2.19 The latest projections of climate change predict warming of 1.5-2.5 °C by 2050s and an increase in rainfall, mainly in the winter, pre-monsoon and post monsoon seasons. The predicted rainfall increase, coupled with increase in glacial melt and sea level rise is expected to result in increasing severity of flooding in the medium term. There is also an increasing trend of cyclone occurrence.

2.2.20 The Constitution devolves authority to PRIs to manage land, water and forest resources and prescribes the establishment of environmental committees at Gram Panchayat level to ensure the integration of environmental issues into local development plans. The GoWB Roadmap indicates proposed amendments to the state Panchayat act to strengthen

²⁰ PRDD (Panchayats and Rural Development Department) is the GoWB department responsible for rural decentralisation and PRI strengthening.

²¹ 16 districts are regularly affected by monsoon flooding, the coastal and delta districts are at very high risk of cyclones, the western districts are drought prone. The northern districts are most at risk of earthquakes. Arsenic contamination in shallow tube wells is a widespread problem. Water from such wells is used for drinking and for irrigation, where arsenic may enter the food chain through uptake in rice or other crops.

regulatory functions such as tube-well and shallow well registration and management of flood waters.

2.2.21 However, there is currently a mismatch between regulatory responsibility and the ability to implement and enforce regulations in rural areas. Awareness of environmental issues in GPs and GUSs is low. PRIs and other relevant agencies in West Bengal have little or no capacity to predict environmental impacts, determine current baseline conditions and design relevant interventions.

2.2.22 The capacity building (output 2) is central to enabling PRIs to carry out their core functions, which include the protection of the environment and the promotion of sustainable livelihoods. GP and GUS development plans include activities related to natural resource management, water and sanitation and disaster risk management. SRD supports training and technical advice, and draws upon CSPR for implementation of such activities.

2.3 LESSONS AND EVALUATION

2.3.1 As indicated in Para 2.2.4, SRD is based on several lessons learnt from a number of internal and external experiences. Kerala's experiment with devolution of funds along with capacity building focussing on participatory planning, which has influenced SRD, is now well established in policy and institutional terms. SRD also draws from the World Bank decentralisation project in Karnataka, which provides support for capacity building and block grant to GPs (£10,000 each, roughly the same amount per capita as SRD). UNICEF's CCA approach has influenced SRD's bottom-up planning processes and has established the need for self-help and local revenue generation. SRD's own experience so far has underlined the importance of an effective communications strategy that recognises and caters to different needs of various stakeholders.

2.3.2 SRD also draws upon DFID's Rural Livelihoods programmes²² in India and elsewhere. The SRD programme builds upon their experience of participatory planning, but provides for a wider range of basic services.

3. IMPLEMENTATION

3.1 Management Arrangements

3.1.1 The SRD programme will be managed by a Task Team Leader (Governance Adviser) and a Project Officer in the Maturing States Team of DFID India. They will be supported by a multi-disciplinary Task Team including a Livelihoods/Environment Adviser, a Social Development Adviser and an Economic Development Adviser.

²² In the mid to late 1990s, DFID's rural programmes adopted a broader Sustainable Livelihoods approach but with continuing focus on natural resources management, and were institutionally housed within the counterpart line departments and/or some parastatals (with limited stake in the development of rural areas). These programmes emphasised participatory planning processes, and used informal people's self-help groups without directly involving panchayats.

3.1.2 Policy oversight and decision making in the programme will be undertaken by a sub-committee of the West Bengal State Rural Development Agency (WBSRDA), chaired by the GoWB Minister-in-charge, PRDD.

3.1.3 Overall lead of programme implementation will be undertaken by PRDD. As in the initial phase, a Programme Management Unit (PMU) will be tasked with programme implementation and necessary field level coordination. The PMU will include senior officials on deputation from PRDD and GoWB and will also include external technical experts.

3.2 Timing

3.2.1 The current phase of SRD will end in December 2007. The remainder SRD programme will begin in January 2008 and will end on 31 March 2011.

3.3 Funding

3.3.1 DFID will contribute up to £27 million of Financial Aid (£26m) and Technical Assistance (£1m) on 100% grant terms. A detailed budget summary and programme cash flow summary is at Annex 2. GoWB will provide the requisite staff, administrative support and office accommodation necessary for programme implementation. GoWB will also make available one-third and two-thirds of the CSPR in year 2 and 3, respectively.

Flow of Funds

3.3.2 The programme will follow the same fund flow procedures as during the first phase. FA will be routed through GoI to the GoWB's Finance Department, which will then transfer these funds to PRDD for allocation to PRIs as agreed in Annual Action Plans. DFID will reimburse GoWB following the submission of quarterly expenditure claims, in accordance with standard procedures.

Fund Flow FY wise

(Details as per Annex 3)

FY 07-08	FY 08-09	FY 09-10	FY 10 -11
£ m	£ m	£ m	£ m

3.4 Contracting and Procurement

GoWB will undertake contracting and procurement under Financial Aid according to GoWB's established procedures as agreed with DFID for SRD's first phase. Within GoWB, the PMU will be responsible for coordinating all consultancy inputs. For TA, DFID will undertake contracting and procurement in accordance with the EU Public Procurement Directives/DFID procedures.

3.4.2. Technical support under both the FA and TA components will be sourced from mainly national consultants with some international inputs. Consultants will be selected jointly by GoWB and DFID and their work will be jointly monitored through work plans and periodic reviews

3.5 Accounting and Auditing

3.5.2 For FA, GoWB will provide Annual Audited Statements, on the basis of an audit of project expenditure by an external independent auditor, no later than six months from the end of the financial year. These will be followed by the Accountant General's audit report within 12 months of the end of the financial year (tbc with PRDD)

3.5.3 **PRDD** will submit to DFID six-monthly progress reports, including financial statements showing contributions received and expenditure incurred by PRDD.

3.6 Monitoring and Reporting

3.6.1 The programme is supported by a logframe with detailed indicators (Annex 1). Baselines have been set for many indicators through GP self-evaluations and other studies. Similar baselines will be developed on priority for the new GPs to be covered during the remainder of the programme. Some more will be required in relation to some new indicators introduced in a recent revision of the logframe. Some new tools incorporated in the logframe such as the peer reviews and special surveys will be defined more specifically before the formal launch of the next phase.

3.6.2 DFID and GoWB will undertake joint Annual Reviews to assess the progress. There will be a Mid-Term Review at the beginning of Year 3, and an End of Programme Review in Year 4. The PMU will undertake routine monitoring and regular reporting for GoWB and DFID. This will be backed by self-evaluations and other forms of self-monitoring at the level of PRIs.

3.6.3 At an early stage an overall Monitoring and Evaluation Strategy will be developed. This strategy will clarify the monitoring needs and the types of instruments (including those mentioned above) to be used at various levels and their frequencies. It will include review and monitoring of risks and how the lessons from the M&E processes are shared with internal and external stakeholders.

4. RISKS

4.1 Summary of Purpose-Level Impact Matrix

The following risks have been identified in relation to the programme:

- A. **Fiscal stress at the state-level constrains GoWB transfer of funds to PRIs.** The overhang of excessive past borrowing constrains the availability of funds for development. GoWB is considering steps to address the debt burden in cooperation with GoI. Measures to increase revenues have shown results but not sufficient to address the debt service burden. However, GoWB remains committed to devolve more funds to PRIs and has so far exceeded agreed limits of untied funds for PRIs. As indicated in Para 2.2.13, other resources are likely to address the need for funds at the GP level

- B. **Financial management, accounting and audit systems for the SRD programme do not meet the expected standards.** As indicated in the fiduciary risks appraisal section, a recent FRA has acknowledged existence of a credible programme of financial management reforms which are addressing the key fiduciary risks. It has also ruled out large scale misuse of programme funds.

- C. **Political Environment in the state ceases to be supportive of the SRD objectives and approaches.** As discussed in Para 2.2.6 this has low probability. However, if this happens it can have high impact.

- D. **PRIs unwilling to raise local taxes or generate revenue through user charges.** This is medium probability low impact risk. In recent years PRIs have doubled local revenues. Benefits to the citizens flowing from SRD will strengthen the case for appropriate taxation.

- E. **Line departments and other state level institutions are unwilling or unable to extend full co-operation to the SRD programme.** This has been a serious problem from the beginning. However, SRD approach is gradually being accepted by other departments. The rural decentralisation roadmap clarifies role of key line departments. PMU will take further steps to involve the relevant line departments in key activities to increase their understanding and ownership of the SRD approaches.

	<i>Impact:</i>		
<i>Probability:</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>
<i>Low</i>			
<i>Medium</i>	D		A
<i>High</i>		E, B	C

Numbering refers to risks as listed above.

4.2 The programme is assessed as medium risk at the purpose level. As the above table indicates, out of a total of five risks, three are judged to be particularly significant. However, the likely high impact of the programme justifies taking these risks, which are supported by appropriate mitigation measures.

5. Conditionality

5.1 The DFID grant for SRD is based on shared commitments. SRD is a GOWB initiative. DFID has been working with GoWB to refine its pro-poor focus. Key benchmarks are incorporated in the logframe and will be monitored through arrangements described in section 3.6 above. These were developed through dialogue with the key programme partners.

5.2 The risk section has summarised the key risk areas and mitigation measures. Risks will be reviewed periodically. Issues, if any, in relation to benchmarks and risks will be resolved through periodic dialogue.