

**A Review of the Gram Swaraj
Project in Koppal District,
Karnataka: Some Policy
Perspectives**

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Abbreviations

1.	APL	Above Poverty Line
2.	BPL	Below Poverty Line
3.	DAC	Decentralization Analysis Cell of the RDPR
4.	GP	Gram Panchayats
5.	GSP	Gram Swaraj Project
6.	ITAP	Incentive, transparency, accountability and participation
7.	MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
8.	Non-GSP	Without Gram Swaraj Project Area
9.	OSR	Own Source Revenue
10.	PDO	Panchayats Development Officer
11	RDPR	Department of Rural Development and Panchayati Raj
12`	TP	Taluk Panchayats
13	TSC	Total Sanitation Campaign
14	ZP	Zilla Panchayat

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Executive Summary

This report presents a review of the Gram Swaraj Project (GSP) implemented in four Talukas of Koppal District. The exercise has a limited coverage in area because the intent was to go beyond official data and examine project outcomes as viewed in household perceptions on project outcomes and analyze this information econometrically. The question we faced while designing this exercise was whether we should go extensive and keep focus on official data or reduce the geographical coverage but make the exercise more intensive by obtaining detailed information and analysing it thoroughly. Since a larger macro exercise to evaluate GSP is already in the offing and since variability in changes of outcomes obtained from official data across the state was rather narrow, the decision was taken to increase the depth of analysis and focus on finding out how households evaluated the project results.

Accordingly, 240 households were selected randomly across 12 village situated in 6 Gram Panchayats (GPs) of Koppal district, a half of which have been implementing GSP and the other half have not had the project and thus were taken to be control GPs. The 'treatment' and 'control' dichotomy in sample helped us separate the effects of the project from other effects on outcomes.

The project has aimed to fill key development gaps in 39 most backward talukas of the state. First, it has sought to increase the development resources of these backward GPs by not only emphasizing on higher generation of own source revenue (OSR) but also by giving project grants to increase their capacity to undertake investment. Additionally, keeping in view the need to improve local management capacity, the project sought to allocate block grants, rather than tied funds, so that the GPs can carry out their own prioritization and planning. Third, through extensive training and equipment supply the project sought to build local management capacity in both handling of operations and procurement and accounting. Fourth, a number of process improvements were promoted such as tendering of works, internal audit and mandating the release of tranches of grants conditional to completing accounting of funds already released. Finally, it sought to promote enhanced participation, transparency and accountability. The expectation was that these process improvements would not only yield efficiency gains in the use of GSP resources but would also have spillover benefits and thus improve local service delivery in general.

The review exercise has shown that GSP outcomes were not realized fully as

expected. The score is mixed at best. While OSR did improve in treatment GPs, over the control ones, and performance on audit and account keeping improved, it was not clear if gains indeed reflected the full potential of the process improvements. For one, though OSR performance improved over control GPs, yet it remained far below the goals set by the project. In regard to process improvement practices, such as gram sabha attendance, representation of the weaker and marginalized sections in such meetings showed little improvements. The spill-over benefits seemed limited at best, as the quality of services delivered across treatment and control villages showed no (statistically) significant variation. Significantly, denial of wages programmed under MGNREGA was consistently lower for the households in GSP villages than for households in non GSP villages. But school, health and water services showed no correlation whatsoever with whether a village had GSP or not. This pointed to the fact that sector services ran quite independent of the household views, thus calling for convergence of services for more effective monitoring and programming.

This rather a mixed result posed a serious question. Why should enhanced participation, transparency, accountability, local financial autonomy local selection of works and local role in procurement should all have no clear impact on outcomes? These improvements are known, theoretically as well as in development practices globally, to make a positive difference. Why then did they not have a significant impact on the results of this project? This led us to examine various aspects of the project design. The exercise brought out two sets of design gaps: a *system gap* and a number of *policy gaps* which did not allow intended process improvements to occur fully or to improve results.

The system gap discussed in the report refers to seriously weak accountability in implementing the project as also in delivery of rural services in general. Since community gets most of these services free, and the suppliers of service is paid not by the recipients of service but by government agencies that do not directly benefit from the service, the accountability equation becomes unclear in the situation. The supplier may not care for or be sensitive to the needs of the recipients of service, and may thus not have adequate incentive to ensure quality. In fact, the funding agencies or their lower hierarchy may seek rent where they can manage net personal gains, rather than drive the providers towards best performance. Recipients of service, on their part, may have very little control over providers or recourse against delivery failures due to difficulty of access and lack of easy recall of public servants, elected and tenured.

This broken accountability chain may further weaken recipients' demand for quality of project outcomes due to public goods failure inherent in the situation.¹ All this may lower effective monitoring and seeking recourse in event of failures or quality compromises. This calls for fixing the system gap. The report recommends the setting up of an independent monitoring mechanism to ensure accountability.

The report underlines several policy gaps. First, it emphasizes the need for explicit incentives for performance in several aspects of project outcomes. In particular, it advocates for incentivizing OSR collection and performance of GPs in several other areas. It also calls for balancing participation of the weaker section in gram sabhas especially to enhance their say in selection of works. It calls for integrating various works while tendering so that tenders are not fragmented and are of a minimum size to attract established contractors. It underlines the need for enhancing transparency such as by pasting information on GP notice board about procurement quantities and costs, wage payments, payment received by each laborer. This will allow villagers to have easy access to these pieces of information and effective monitoring.

The report also advocates a compact approach in selection of work, so that approval of work is tied to villagers undertaking feasible and monitorable social responsibilities, in lieu of receiving public funds for their proposals. These responsibilities may include girls' school attendance, prevention of early marriage, birth control or improvement in sanitation.

Above all, the report underlines the need for a continuous listening to the field by an expert group with a view to identifying programme and policy gaps and making policy proposals for correcting institutional and policy hurdles. The recommendations of this group should be submitted directly for consideration by the government. It is only through constant upgrading the programme and policy environment that can significantly improve efficiency and effectiveness of rural services. The report recommends the combining of the independent monitoring and the policy review and development functions into one mechanism.

To conclude, the report makes the following major recommendations:

- i. Setting up of a mechanism for independent monitoring of services and continuous listening to the field with a view to identifying

¹ A citizen may expect someone else to take up monitoring and follow up because once any improvement in service delivery occurs, all households would gain from the same. But all citizens may think the same way, thus reducing the chance of citizens standing against failures in provision.

institutional and policy hurdles holding results of GSP and other rural services, and to periodically propose reform.

- ii. Incentivise project activities and goals such as OSR collection, and enhance transparency, accountability and participation (ITAP) in project processes.
- iii. Promote convergence of services in planning and monitoring.
- iv. Promote compact approaches for behavior change, better monitoring and for higher accountability.

The above recommendations can be piloted in two groups of GPs: one where the first recommendation combined with those at (ii) and (iii) is piloted and the other where the fourth recommendation is implemented. The pilots can be evaluated to see if these measures should be scaled up.

Chapter 1

Introduction

The exercise seeks to examine whether the special features of the project had the expected impact. As several other rural development projects do, the Grams Swaraj Project (GSP) too seeks to build community assets in the rural areas of the state. But rather than having universal coverage, the project limits itself to only 39 most backward Talukas of the state. It also seeks to strengthen institutional capacity at the Gram Panchayats (GP), Taluk and Zilla Panchayat level. First, it mandates that GSP grants should be allocated in block to GPs so that GPs and communities would have much greater planning autonomy. Second, through training and equipment supply the project seeks to build local capacity for better handling of operational and financial management including procurement.ⁱ Third, it requires the GPs to successively raise higher resources of their own or own source revenue (OSR) to strengthen and sustain planning autonomy and self development. Fourth, the project seeks to improve processes of planning and implementation by mandating enhanced participation, transparency and accountability. The expectation is that these process improvements would not only yield efficiency gains in the use of GSP resources but would also have spillover effects and thus improve local service delivery in general.

1.1 Scope of the exercise and issues in evaluation

This report seeks to achieve the following objectives.

- It examines whether GPs did in fact realize efficiency gains from improved processes and capacity building measures incorporated in the GSP design.
- It uses 2-level data to carry out the analysis, namely (i) the official data collected from 6 GPs randomly selected from the four taluks of Koppal district, the district and their respective taluk offices, and (ii) household data obtained from 12 villages. It uses features and views of randomly selected 240 households to assess how in households' views the programme has performed. It also compares the GSP results with those of other similar programmes operating in villages. The purpose of the comparative is to see if special features of GSP have indeed produced distinctly better results, and whether there are gaps in the processes that

have constrained results and that need correction in the next round of programming.

- The report also discusses a framework of efficiency and effectiveness within which it recommends key improvements needed in the future design of projects like GSP.

1.2. The survey process and the method of analysis

The GP level data was collected from the audited reports obtained from the Local Audit Circle of the State Accounts Department. Majority of social sector indicators and other data were obtained from the line departments at the district level. Missing gaps were filled from the records of the Gram Panchayats and the Taluk and Zilla Panchayats.

The household data was gathered from a two level exercise. First, a survey questionnaire was constructed based on discussions of related issues in existing reports. This draft survey questionnaire was tested in Bewoor and Hasgal Gram Panchayats. The method was tested in focus group meetings attended by GP members, members of women and other groups. The survey format was modified in the light of feedbacks from the focus groups and officials. The survey questionnaire is attached (Annexure 1).

The household survey was carried first by holding a focus group discussion in each GP which was utilized among others to determine weights to be assigned to various components of the main question (see the questionnaire), followed by household visits. For instance, the equal weight to be assigned to access to village functionary among PDO/Secretary, bill collector, elected representative and the village account was the decision of the focus group carried out in all 6 GPs. The nature of the focus group discussions and their emerging views can be seen from the minutes of the focus group discussion presented at annexure 5.

GP level data was placed in table formats which, for lack of sufficient numbers of GPs did not lend to analysis of statistical significance. This limitation was overcome in the micro analysis based on 240 point data on severable variables considered in the study.

The household responses were examined in econometric models through which various relationships were assessed and their levels of significance determined. The econometric analysis went beyond seeing whether there was any significant improvement in treatment villages, as opposed to control ones. It also assessed the determinants of various project objectives. It was

possible, for instance, to identify the determinants of tax paying behaviour of households and what influenced, in their view, the quality of service delivery in its various aspects.

1.3 Limitations of the Exercise

GSP was started in Karnataka in 2005, with funding from the World Bank, to cover 1341 Gram Panchayats (GPs) in 39 most backward taluks of the state. The 39 taluks were identified based on Dr. Nanjundappa Committee; the GP within taluks were identified based on criteria developed by the State Government and approved by the World Bank. The project was to end in 2011, but it has been extended twice, most recently to run through 2014, since there has been a significant amount of accumulated saving coming from rupee depreciation over the project period. Therefore, since the project is still operational the conclusions of this evaluation are somewhat ahead of project conclusion.

The exercise also looks at a relatively small sample, limited only to 3 GPs where the project has been implemented (call treatment GPs), and covering 3 other GPs which are similar in all respects except that they do not have the GSP (control GPs). It also examines data from 240 households randomly selected from 12 villages situated in the 6 GPs, through an extensive survey. This sample taken from 'treatment' and 'control' GPs clearly makes a small sample. But, two considerations weighed in undertaking a more intensive exercise albeit in a limited geographical area. First, a larger exercise is being planned to cover most GPs under the project. Second, since the official data for GPs across the state show limited variation, such as in case of OSR, there is clearly a need to look deeper and to gather data from households on how they assess project parameters and its results. Mere official data may not always contain all the information about how the project is doing on the ground. A micro exercise is very relevant to gain household perceptions about the project. And, clearly, it would become an unwieldy exercise if micro or household analysis were to be included alongside the macro evaluation over a large sample. This limited exercise was therefore chosen to allow for people perception to bear on findings. Econometric methods are used to analyse household perceptions. Koppal district was selected for this exercise for its relative backwardness.

The analysis is further constrained by its reliance on qualitative data especially in understanding household perceptions on various issues. Clearly, qualitative data can be somewhat coloured by the situation of respondents and differences they have in information and access to projects and services. But, as will be seen, some adverse aspects of implementation,

such as extent of leakages or deficits in expected payment received by households, are rarely noticeable in official data. Objective data is scanty on such issues. Citizens are however willing to talk on these issues if appropriately asked through a suitably designed survey. This was done as part of this exercise. The people perception was obtained from focus group meetings carried out in GPs, and in the survey in which investigating team approached randomly selected 240 households in 12 villages, with a set of questions on related issues.² This resulted in very important information on household perceptions, although the conclusions do suffer from the limitations implicit in qualitative data. The results and conclusions can therefore be best interpreted as directional, and may not be taken to be dead accurate.

1.4. Organsation of the report

The report is organized in three parts. The next chapter or Chapter 2 evaluates the goals of improving OSR and financial autonomy together with other capacity building activities such as financial management and compliances and other forms of accountability. The following chapter or chapter 3 attempts to measure stated outcomes such as participation and gains, if any, obtained from process improvements. These gains will be measured in terms of improvements in primary enrolment ratio, immunization rate and drinking water availability. It is to be noted that these are spillover benefits expected from the project, since there is no direct funding from GSP resources to these goals. It is assumed that better participation, autonomy, accountability and greater funding resources available through increased OSR and block funding would lead to overall improvement in service delivery at the village level. These gains may be evident both over time as well as across treatment and control groups of villages.

Chapter 4 examines the perceptions of villagers on processes and gains in the project. Although the issues for enquiry in this chapter are exactly the same as in chapter 2 and 3, yet unlike the official data that is the basis of analysis in chapters 2 and 3, this chapter relies on household data collected through a detailed survey. In most part this data is qualitative in nature and one may contest its veracity because these may be coloured by the situation of the respondent, his or her access to information and motivation. These are still valuable information because official data can, sometimes, be tutored by the vested interest. Though not objective or fully verifiable, the micro analysis presented in this chapter is a counter-check on the macro analysis presented in chapters 2 and 3. This approach of evaluation is also

² Questionnaire copy enclosed at annexure 1

most relevant since it provides a view of the project from the ground. In project design and evaluation exercises such information is hugely important, especially when dealing with remote and marginalized communities. Just a view from above may hide some ground realities.

Chapter 5 assesses gains or lack thereof obtained from macro (chapter 2 and 3) and micro (chapter 4) analyses, and dwells into why these gains have occurred or have not occurred. The planning autonomy provided through block grants ought to improve resource allocation at the village level. Since development constraints are better visible from the ground and information is maximized in local planning, this aspect of the project ought to result in improved funding of relatively more severe constraints. This would increase funding efficiency and results. The financial and planning autonomy is further added by better financial management, participation, local monitoring, better accountability provided for in the project design. All this must lead to lowering leakages and waste and improving results.

What if these expected improvements have not occurred in clear and significant ways? Participation, accountability, transparency and autonomy to the local level are known in development literature to yield benefits. If they have failed to do so, then they raise design issues.

What if these concepts were not effectively incorporated in the design, what if some other effective gaps have remained unattended to which in turn have thwarted expectations of reducing waste and inefficiency? What are these critical gaps and how these can and should be attended to? Chapter 5 goes in to identifying these missing factors or gaps in the design of the project and recommends possible remedies for future programming. It is important to mention that the limited discussion in Chapter 5 and the data constraints it faced do raise the issue of comprehensiveness of the analysis. Even with this limitation, discussions in chapter 5 do present evidence-based conclusions, even if not based on a fully comprehensive analysis and does provide enough basis for policy makers to formulate changes and test them out through elaborate dialogue with stakeholders.

Chapter 2

Have Financial Autonomy and Accountability Yielded Expected Results?

2.1 OSR trends

An important objective of the project is to have GPs increase tax collection and increase own source revenue. As the table 1 below shows, this objective seems to have been realized in the sample villages. Not only was there a positive and significant annual growth in collection by implementing GPs, ranging on average from 28 percent to 58 percent annually (See Table 1 below and for absolute numbers see Annexure, Table 1A), there was also a better performance by treatment villages as compared to control GPs. On average treatment GPs in the sample showed a growth of 39 percent annually, while their counterparts which had no GSP increased collections only by 22 percent annually. A negative growth during 2009-10 is associated with excessive rains and floods that damaged crops and houses very extensively, which were followed by partial drought. These natural calamity had an adverse impact on collections.

Table 1: Trend in OSR in 6 Gram Panchayats of Koppal District

Taluks	Type	Gram Panchayats	Growth rate from previous year to current year					Annual Average
			2006-07	2007-08	2008-09	2009-10	2010-11	
Kushtagi	Treatment	Hiremannapur	-8.50	48.09	143.41	-50.30	22.44	31.02
Kushtagi	Treatment	Sanganal	-1.40	56.29	268.90	-28.67	-4.45	58.14
Yelbarga	Treatment	Karmudi	-42.70	161.23	-11.26	17.61	13.21	27.61
Treatment Average			-17.55	88.54	133.68	-20.45	10.40	38.92
Gangawathi	Control	Bevinahal	65.50	11.37	-12.58	30.13	40.98	27.07
Koppal	Control	Betageri	-38.80	119.84	-6.71	27.34	-3.66	19.61
Koppal	Control	Hasagal	17.2	37.28	-22.22	112.71	-42.32	20.53
Control Average			14.62	56.17	-13.84	56.73	-1.67	22.40

As Tables 2 and 3 below show, there was also a clear improvement in financial management indicators among GSP villages over the control GPs. GSP villages were able to complete the annual audit for all the years during project implementation so far, excepting Hiremannapur which has not yet submitted audited accounts for 2010-11. Contrarily, none of the non-GSP villages in the sample could complete annual audit for all the five years. Betageri missed audit for two years out of five project years, Bevinahal also missed twice and Hasagal once. In respect of reconciliations of objections made during the audit, GSP villages show higher numbers which may partly

have been due to the fact the frequent audit di throw a larger number of objection and the number of those resolved.

There is also a quicker submission of audit report by GSP villages (average delay of 379 days) as opposed to non-GSP villages where average delay beyond the last date of submission namely June end, was 465 days(table 3).

2.2 Incentives work

It should be noted that there is an incentive for completing audit in GSP villages. The release of tranches of GSP grants is linked to audits of accounts, an incentive that seems to have worked. This incentive seems to have worked, though not very strongly, and led to a better performance. To further improve compliance, the incentives should be looked into further. Surprisingly, however, an incentive is missing entirely in the project design for OSR collection. Although the Operation Manual provides for increasing OSR by 60 percent during first year of the project, followed by 65, 70, 70 and 75 percentages respectively in the second, third, fourth and fifth year. Yet, there was no specific incentive for achieving this goal. No one was to lose, neither the GP nor its functionaries, for under-performance. No one was to gain by achieving the stated goal.

Not surprisingly, none of the GPs have completed audit for the year 2010-11 in control group. It is also not surprising that their recoveries are significantly lower than those of treatment GPs in the sample. A larger number of objections in the treatment group seem to have arisen due to more scrutinized audit reports, as well the carrying out of internal audit. It is worth noting that all GSP villages in the state have carried out internal audit, while none in the control group has done so.

In addition, as is evident from Table 3, the treatment GPs have recovered comparatively a larger number of amounts held in objection.

Table 2: Trend in number of Audit Objections and Audit Recovery

Taluks	Type	Gram Panchayats	Total no. of Audit Objections							Total no. of Audit Recovered						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	5	4	8	3	8	0	5	6	4	4	3	6	2	4
Kushtagi	Treatment	Sanganal	4	7	3	7	9	2	5	3	0	2	1	5	2	2
Yelbarga	Treatment	Karmudi	11	3	3	6	7	8	6	7	1	6	2	4	2	4
Treatment Average			7	5	5	5	8	3	5	5	2	4	2	5	2	3
Gangawathi	Control	Bevinahal	7	3	3	1	3		3	6	2	1	1	1		2
Koppal	Control	Betageri	5	1	4	2	5		3	0	1	0	1	3		1
Koppal	Control	Hasagal	2	2	1	3	1		2	1	0	4	0	0		1
Control Average			5	2	3	2	3		3	2	1	2	1	1		1

Table 3. Delay in submitting auditing report

Taluks	Type	Gram Panchayaths	No. of days beyond 30 th of June when the audited the report was submitted						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Average
Kushtagi	Treatment	Hiremannapur	335	362	417	626	363	305	401
Kushtagi	Treatment	Sanganal	451	363	499	507	363	305	415
Yelbarga	Treatment	Karmudi	253	333	364	425	333	213	320
Treatment Average			346	353	427	519	353	274	379
Gangawati	Control	Bevinahal	365	380	515		485		436
Koppal	Control	Betageri		455	637		395		496
Koppal	Control	Hasagal	315	365	636	507	485		462
Control Average			340	400	596	507	455		465

2.3 No improvements in absorption capacity

The table below shows that the absorption capacity of GPs is consistently lower in treatment villages and in fact has declined over time. This unusual result, happening despite the fact that there is better capacity in treatment GPs in matters concerning financial management, may show that the good prudence might have slowed the process in spending. Lack of tendering, for instance in MGNREGS, might promote quicker and sometimes a run away sequences of planning and implementation. Tendering of works under GSP and associated participation and transparency may slow the absorption of funds, but not necessarily their effective usage.

A tranche-based release of GSP funds may also be a positive aspect of programming. Only when at least 70 percent of the previously released money is spent and utilization certificate is furnished, is further release of GSP funds permitted under the project. This requirement would militate against 'flooding' of money sometimes occurring in schemes such as MGNREGS and associated inefficiencies, though quick utilization.

Table 4: Absorption capacity of GPs (percentage-wise)

Taluk	Gram Panchayat	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Kushtagi	Hiremannapur	96.59	71.93	60.46	61.91	67.12	68.60
Kushtagi	Sanganal	79.09	74.98	67.56	67.96	88.97	81.85
Yelbarga	Karmudi	81.52	61.79	75.30	51.82	41.63	34.58
Treatment Average		85.73	69.57	67.78	60.57	65.91	61.68
Gangawathi	Bevinahal	92.89	82.75	76.14	72.62	89.21	84.38
Koppal	Betageri	86.26	91.56	88.82	58.35	83.04	62.19
Koppal	Hasagal	79.64	91.30	69.20	64.47	67.38	75.81
Control Average		86.26	88.53	78.05	65.15	79.88	74.13

Chapter 3

Process Improvements and Gains in Project

3.1 Direct and spill over benefits of GSP

Did GSP improve services in general? An expectation of improvement is almost solely based on the belief that process improvements have spill over benefits. The project investment will undoubtedly bring some improvements in services. But these benefits could multiply if good processes of GSP spill over to other activities and improve, as demonstration effect, processes and behaviors in general.

Whether it is the context of the project or its spill-over effects, it is always difficult to change institutional behavior and various roles in rural development context. Whatever may be the problems of adverse behavior, whether absenteeism of school teachers or clinic staff or instances of seeking bribe, allowing waste or wrong selection of beneficiaries or schemes, it is quite difficult to change these aberrations unless incentive system is significantly altered? Because, aberrations are often the products of wrong incentives, direct or indirect. Here incentive means both reward and punishment. If good work has no reward or bad work has no punishment, then key actors may take their private agenda to the point of limits of tolerance by the system.

If behaviors of key functionaries are not aligned to the project objectives and there is significant wedge between personal and public goals, then such situations cannot be corrected without changing the incentive system. A moral or administrative coaxing to show probity or performance can go only little distance.

Leakages and waste or private gains are the products a wedge between personal goals and project objectives. Collusion and asymmetry in information are used as tools to sustain wrongful gains in project activities. But where system's tolerance is brought down by close monitoring and stricter recourse to defaults and collusion and information asymmetry are reduced through effective participation, transparency and accountability measures, then the wedge between personal agenda and public goal is reduced. Waste and bribe can be reduced not by moral coaxing and administrative supervision by a single hierarchy, but by reforming processes to improve the incentive system, transparency, accountability and participation (ITAP). See more on this in Chapter 5.

Table 5A. GSP grants as a % of total grant-in-aid received by the GPs

Taluk	Type	Gram Panchayats	GSP grant as % of Grant-in-aid					
			2006-07	2007-08	2008-09	2009-10	2010-11	Average Annual
Kushtagi	Treatment	Hiremannapur	21.89	10.77	19.99	8.67	7.92	13.85
Kushtagi	Treatment	Sanganal	20.80	19.59	41.76	7.53	8.12	19.56
Yelbarga	Treatment	Karmudi	28.46	13.28	23.59	28.07	17.07	22.09
Treatment Average Number			23.72	14.55	28.45	14.76	11.03	18.5
Gangawati	Control	Bevinahal	0.00	0.00	0.00	0.00	0.00	0.00
Koppal	Control	Betageri	0.00	0.00	0.00	0.00	0.00	0.00
Koppal	Control	Hasagal	0.00	0.00	0.00	0.00	0.00	0.00
Control Average Number			0.00	0.00	0.00	0.00	0.00	0.00

It is a mute question if institutional reforms which are often difficult to promote as they seek to alter the vested interest and existing power sharing equations, can indeed ride on a 17 percent budget component. Should such reforms be linked to not just one project but also to a number of them, so there is sufficient budget size behind these reforms?

Additionally, the effectiveness of such reforms would lie in clearly defining the intended changes in roles and processes, such as giving greater power of approval and procurement, and of monitoring to those who are direct beneficiaries, and aligning incentives to project performance. The next step would be creating awareness about the intended changes. Even if roles are altered, say by giving greater power to Gram Sabhas and the General Body Meetings, compliance can still be tardy unless changes are known to all and releases of funds are linked to compliance. For instance, approval of scheme can be mandated to be the decision of Gram Sabha, and release of funds can be mandated to be linked to certification by an independent agency that the specified roles and the rules of participation, accountability and transparency have indeed been followed. We shall revert to this discussion and provide more details on this in the concluding chapter.

3.3 Procurement process reform

The GSP procurement system has some good features. The scheme outlays are based on tendering while in MGNREG it is based on GP clearing the estimates prepared by officials. In principle, tendering may make project more competitive in costs, which may lead to financial efficiency. Yet, as the focus groups informed us, the tendering system in several GPs is compromised in practice. GSP funds are divided among GP members informally and each of them has a near autonomy in terms of selecting work. The bidders are sometimes the nominees of the members. This has led to fragmentation of GSP funds into tiny works, and rigging of the tendering

system. In contrast, MGNREG has none of the pretensions of tendering and the selection of work is almost similar.

As mentioned earlier, GSP funds are released in four tranches, linked to utilization and justification of at least 70 percent of the earlier released grants. It is also linked to submission of audit report and reconciliation of objections.

Clearly, the intention behind tendering is not sufficiently protected in designing rules. There are no guidelines on the minimum size of a tender which could be achieved by integrating works where feasible and necessary. Also, no practice exists for independent checking of tenders submitted and their approval.

3.4. People's participation

The project aims to improve participation at several levels, namely in selecting works, and in how to monitor and report. While household view on this issue comes for analysis in the next chapter, we look here at differential if any that might occur in the number of gram sabhas held and strengths of participation. On both counts, as shown in Table 6, treatment villages have done better than the control ones.

Notwithstanding these pieces of evidence, it is still a mute question whether key financial decisions, such as how much money is paid as wages or the price of the material procured, are shared with and indeed influenced by the members of the Gram Sabha. We return to this issue in the following chapter.

Table 6: Gram Sabhas and People Participation

Taluks	Type	Name of the Gram Panchayats	Number of Gram Sabhas held							Number of people participate in the Gram Sabha						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	2	2	2	4	2	2	2	200	250	215	420	230	260	263
Kushtagi	Treatment	Sanganal	2	2	3	4	5	5	4	215	248	194	320	228	296	250
Yelbarga	Treatment	Karmudi	2	2	3	4	2	3	3	115	205	196	187	148	209	177
Treatment Average Number			2	2	3	4	3	3	3	177	234	202	309	202	255	230
Gangawathi	Control	Bevinahal	1	1	1	2	2	2	2	151	162	165	165	185	234	177
Koppal	Control	Betageri	2	2	3	3	4	4	3	148	165	176	154	196	205	174
Koppal	Control	Hasagal	2	2	2	2	2	2	2	210	255	300	292	310	325	282
Control Average Number			2	2	2	2	3	3	2	170	194	214	204	230	255	211

3.5 Is service delivery better in GSP Gram Panchayats?

As can be seen from Table 7B (Annexure 3), primary drop out trends are consistently lower in GSP villages compared to their counterparts. However, as is evident from Table 7 below and Table & 7A in the annexure, the primary enrollment both in terms of net and gross ratios appear quite similar in treatment and control GPs. There is no difference between GSP and non-GSP groups of GPs. Similarly, there is little difference in immunization rate or availability of drinking water among these GPs (see Table 7C, 7D and 7E in the annexure 4).

Table 7: Net Enrolment Ratios

Taluks	Type	Name of the Gram Panchayats	Net enrolment ratio (primary school)						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	97.64	99.10	99.10	92.19	94.13	97.00	96.53
Kushtagi	Treatment	Sanganal	97.64	99.10	99.10	92.19	94.13	97.00	96.53
Yelbarga	Treatment	Karmudi	97.63	98.93	98.93	91.80	94.13	92.88	95.72
Treatment Average Number			97.64	99.04	99.04	92.06	94.13	95.63	96.26
Gangawathi	Control	Bevinahal	97.01	99.65	99.65	96.38	94.87	91.05	96.44
Koppal	Control	Betageri	98.18	99.19	99.19	96.72	88.64	96.23	96.36
Koppal	Control	Hasagal	98.18	99.19	99.19	96.72	88.64	96.23	96.36
Control Average Number			97.79	99.34	99.34	96.61	90.72	94.50	96.38

These data show that service delivery is quite similar among the 6 GPs, conforming to their initial positions when the GSP was undertaken. No significant difference in delivery of various services is visible in macro data.

This is actually quite an expected result. First, GSP funds are utilized to improve or repair sector facilities where necessary. These are not applied to actually expand services or improve their quality, the issues that are effectively addressed by the line departments in their respective programmes. Immunization, school enrolments, and even water supply are addressed by respective line departments. Therefore parity in delivery of services among GPs actually seems to hold independent of GSP.

Second, the repairs or improvements of facilities mentioned above may be quite small, predicated on GSP resources being limited on average to just 17 percent of total spending by GPs. This level of intervention might just be below the sensitivity level when improvements begin to show.

Third, there is no specific condition in this programme for improving services. There is also no provision of incentives to agents that might influence service delivery outside the project. Take the example of repairing water works where the line departments failed to do so, or building school compounds. These additions may have had some beneficial impact, but these impacts are perhaps so small that they are not apparent in macro data. While designing the project therefore, service improvements ought to have been a monitorable objective. It is quite possible to follow a compact approach in which funding of school compound is linked to better girl attendance or provision of play ground for children and these commitments are monitored along with release of funds. The compact approach is further elaborated in Chapter 5.

To sum up, while emphasis of project on increasing OSR has yielded some results, and audit compliance is better in GSP villages, it is not clear if the efforts of generating local revenue have been maximized. It is not clear if properly incentivized GSP villages would not have come up with still better performance. Perhaps frequent supervision had its effect, but it might have been far more effective to rely on incentives rather than administrative reminders. In the most recent review of the project, undertaken a couple of months ago, there was a discussion on introducing performance-based rewards to GPs. However, no study or information exists on how OSR targets should be set. Presently the determinants of OSR are not known, underling the need for a study in this regard. The econometric analysis in the next chapter shows that there is need to restructure the tax system to suitably factor in the determinants of tax-paying decisions of households. Incentives should be designed to promote those determinants. For instance, people show a higher willingness to pay taxes if the water availability improves. There could then be a priority for investing GSP funds in augmenting

drinking water availability along with a compact that this grant would be linked to a higher tax collection by the GP concerned. Informed incentivisation would be a key to success. Just announcing a reward may not move GPs optimally to act on this difficult issue of OSR.

For transparency and participation, selection of works could actually be the decision of Gram Sabhas. However, if different member areas contest on proposals, then there may not be a simple way to arrive at consensus. Self help and local contribution to project outlay could sometimes resolve such deadlocks. But the Indian polity does not believe in self funding of development at the local level.

To encourage bidding, it might be possible to create choices for households, namely through a menu of works that will require no contribution, another that will require a small contribution, and yet another - perhaps a group or a household facility such as drinking water or a latrine - that will require bigger contributions. Let people vote on proposals by offering contributions, rather than letting choices of the influential members of the GP or of the contractor prevail.

3.6 A monitorable and incentivized compact

Where self help or local contribution is not possible, a compact approach could still provide the basis for bidding for works. In this process different groups bid not with their financial contributions but with contracts to discharge their duties to fulfill citizens' rights such as not marrying their daughters underage, reducing child births or achieving 100 percent net primary enrollment, or such other contracts that fulfills rights of citizens and yet acts as an effective bidding media.

The spillover benefits of GSP to promote better education and health services seem to be a far cry. The reasons are many. First, these services are not linked to project performance. Second, the share of GSP funds in the total resources available to GP is rather small. This may fail to be sufficient incentive to seek improvements of general services. While mandating better performance of services, it would be advisable to club similar projects and set monitorable compact with GPs for specific performance on their parts. Convergence of programmes is key to overall reform. We discuss this further in Chapter 5 (sub section 5.4).

Chapter 4

Household Perceptions on Project Processes and Benefits

The preceding two chapters have used GP TP and ZP level official data to see if GSP has improved processes and results, both over time and in comparison to GPs where GSP was not implemented. The findings are mixed. While there was an evidence of better participation, better performance of GPs in the area of OSR, there was no clear evidence that basic service delivery became comparatively more efficient and effective.

To cross check these results, we went beyond recorded data and designed and undertook a survey in 12 villages, six of them where GSP was implemented and the remaining 6 which did not have this programme. The need for this micro analysis arose from the fact that a clear trend did not emerge from GP level comparison. Also, views of households are no less important or relevant in such analyses. Reliance on recorded data alone may not help us find full information because sometimes recoding could be influenced by the vested interest. A micro analysis can also throw lights on determinants of key behaviours which in turn can be used in designing compacts and policy changes.

The survey covered randomly selected 20 households in each of 12 villages. Most households selected are those covered in the baseline study by IMRB. The remaining were selected randomly in treatment and control villages ensuring that the households are reasonably similar to one another in all respects excepting one, namely that 120 of these are situated in 6 treatment villages and the remaining 120 are located in 6 control villages. The analysis was carried out in econometric models as will be specified later in the chapter. The names and definition of variables used in the analysis are presented in the following table.

Table 4.1: List of variables used in the various econometric models

Serial no.	Variable used	Explanation	Definition
1.	dumtype	A dummy variable to separate treatment from control GPs	Treatment=1, and Control=0
2.	taxpaid	A dummy variable representing whether a household paid tax, full or in part, or not	Paid tax=1, not paid at all=0
3.	osrpayed	Tax paid as % of demand	
4.	totalland	Extent of land held by household	Weight for dry land =1, for irrigated land= 2
5.	hhliterate	Household literacy	% of literate members in the total members of a household
6.	waterperdaybuckets	Household water consumption per day	No. of buckets of water available from multiple sources
7.	satisfactionfromassetcreation	Household satisfaction from assets Creation	Measured by weights given by household
8.	satisfactionschoolservices	Household satisfaction from School Services	Measured by weights given by household
9.	gramsabhaactualexpected	Household participation at Gram Sabha	Measured by weights given by household
10	hhsy	Average household years of schooling for school going children	Measured by average years completed per child
11	villagefunctionary	Household satisfaction from access available to village functionaries	Measured by weights given to access to elected representatives, PDO, bill collector and village accountant

4.1 Tax compliance by households

An important GSP goal has been to increase own source of revenue. We saw in the preceding chapter that growth in OSR collection, on average, is higher in GSP villages compared to their counterparts. In the household survey we looked at two variables in this regard: (i) tax compliance measured in 'yes' or 'no', namely whether a household has paid taxes or not, and use this data to make a comparison between GSP and non GSP households, and (ii) the degree of compliance measured by tax payment as percent of demand issued to households, a continuous variable. These two variables would show if there is differential improvement in tax compliance due to GSP. We have then assessed the determinants of taxpaying behaviour of households with the help of an econometric analysis, with a view to generating information

about how OSR increases can be programmed in future projects. The results of the assessment are presented as follows.

- The first variable *tax paid* did not significantly change from control to treatment villages. This would imply that GSP did not significantly improve tax compliance among the village population where the programme was undertaken in comparison to villages where there was no GSP.
- Around 88 percent households reported as having paid tax, in total or in part. But this percentage does not significantly differ as we move from control to treatment groups.

taxpayed	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Dumtype	.025	.0427059	0.59	0.559	-.0591298	.1091298
_cons	.875	.0348692	25.09	0.000	.8063083	.9436917

The above analysis had the limitation in that the dependent variable was not a continuous variable. Tax compliance was therefore also examined with reference to another variable *osrpaid*, a continuous one, which is the amount of tax paid by the household as proportion of the amount of demand issued. This exercise confirmed the results of the first analysis, thus showing no significant difference in the behaviour of households with regard to tax compliance. Clearly, tax compliance was quite independent of GPS programming.

4.2 Determinants of tax compliance:

Although not entirely within the scope of the study, we used the survey data to find out the factors that may have influence over household willingness to pay taxes. While carrying the analysis, both the binary value of tax compliance (tax paid or not paid), as well as percentage of demand actually paid by households were examined as dependent variables. As regards a simple differential between GSP and non GSP data, the result was not significant as in the case of the binary data.

We also examined several likely causal variables, such as average number of years of schooling of school going children in the household and household satisfaction with school services. But none of these relationships were found to be statistically significant.

The only determinants of tax payment behavior that stood to be significant are three, namely landholding, household literacy (though weak) and the number of buckets of water available daily to households. The following estimates show the strengths and statistical significance of these determinants.

osrpaid	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
totalland	-.0180625	.0034336	-5.26	0.000	-.0248269	-.0112981
waterperdaybuckets	.0046371	.0024854	1.87	0.063	-.0002592	.0095335
hhliteracy	.0007663	.0007526	1.02	0.310	-.0007164	.0022489
_cons	.7792607	.0612818	12.72	0.000	.6585315	.8999899

Three important conclusions can be drawn from the above results.

- i. Landholding has a negative impact on tax compliance. This result was confirmed when we ran the model with tax compliance binary variable as well. Why should the extent of land held by household have a negative and statistically significant ($t = -5.26$) correlation with tax compliance? In fact if we look at how house tax is levied it is actually related to the quality and size of houses. It has no relation with the extent of land held. If differential in landholding does not reflect in house size or if residents seek and get parity in determining tax demand, then while land holding may increase among households, the tax demand may stay the same. But this will not give a negative correlation between taxes paid and land holding. What seems to suggest is an active avoidance of taxes by landed household, and a sign of elite capture of the village level institution. There is some evidence of elite capture in GP participation data as well (see next sub section).

Whether this result represents a negative taxpaying behaviour of rich villagers, is a mute question. Do rich villagers ensure that they do not get tax demands in proportion to the extent of land they hold or the related factors such as their wealth, or the size and quality of their dwellings? This study does not go to addressing these issues. We recommend a deeper look to find out if there are other determinants of tax revenue of GPs. The result however points to the need for tax revision to correct such imbalances, which could actually have been incentivized by devolving additional funds where such revision was undertaken. Here again, it would be effective to adopt a compact approach in which authorities and the GP officials would reach agreed level of collection and related additional fund to be allocated dependent on this performance.

- ii. Availability of water is a significant determinant of tax compliance behaviour. Investment support to augment drinking water availability can be extended conditional upon commitment for higher OSR
- iii. Household literacy does have a positive impact on tax compliance but it is not statistically significant in the sample. This needs to be examined in a larger sample to see if there is significant impact of this factor on tax compliance.

4.3 Household participation in decisions made by GPs

Another important objective of GSP was to increase people participation in managing the programme. The financial autonomy granted to GPs meant that procurement and disbursement were all handled locally, while the Taluk Panchayat played a supervisory role. Gram Sabhas were held at the time of identifying works, calling of tenders and monitoring work progress. The programme therefore promoted work selection, procurement and monitoring processes based on a 2-side partnership, namely between the GP and the Taluk Panchayat at one end, and between the GP and the village households at the other.

There is clear evidence that the first end partnership was achieved, although in focus group meetings GP officials did mention that in procuring material component the Taluk officials played a more than equal role. What about the second end partnership? Did people actually participate in GP decision about which work would be selected and how it would be executed? Anecdotally a mixed view came up at the focus group discussions. Women Gram Sabha members indicated much less awareness about decisions than male members. The macro data has shown that on average greater number of people participated in GSP villages compared to non GSP ones. But a more comprehensive view on this issue was taken in the household survey. Did households actually participate more often in Gram Sabhas? Household response did not confirm any (statistically) significant ($t= 0.02$) change in the household attendance of Gram Sabha between GSP and non GSP GPs.

We further went on to investigate the likely determinants of Gram Sabha participation by households. We examined several causal variables. What came out as not significant are household literacy rate, whether a household was BPL or APL, and the average number of years of schooling had by the household children. The factors that came out significant are as follows.

regress gramsabhaactualexpected watersupply satisfactionfromassetcreationand
satisfactionschoolservice totalland

Total | 27.9925562 227 .123315226 Root MSE = .33914

gramsabhaactualexpected	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Watersupply	.3006526	.1432011	2.10	0.037	.0184521	.5828531
satisfactionfromassetcreationand	.0292692	.0225948	1.30	0.197	-.0152575	.0737959
satisfactionschoolservice	.3742221	.1648062	2.27	0.024	.0494452	.698999
totalland	.0083286	.0034457	2.42	0.016	.0015383	.015119
_cons	-.2958064	.1850824	-1.60	0.111	-.6605406	.0689279

Four factors came out as having positive and significant influence on decisions of household to participate in gram sabha:

- i. extent of land holding,
- ii. satisfaction with water supply,
- iii. satisfaction with school services
- iv. usefulness of the various assets created in the village, albeit with a weaker significance.

Arguably, water supply and satisfaction with school and community assets are motivating factors in the household enthusiasm to attend Gram Sabhas. But landholding, besides being a key factor, seems to indicate an “elite capture” of decision making of GP. The greater the household land holding, the greater its likelihood of its participating in Gram Sabha meetings. This result should however be further checked through a more comprehensive modeling. At this stage, too, this result does give an indication for policy reform, namely to set norms in programme operations to have a higher attendance of the landless in Gram Sabha when it approves work selection, procurement decisions and progress monitoring report.

Importantly, water supply seems to be a significant factor in both household willingness to pay taxes and their decision to participate in Gram Sabha.

4.4 Household satisfaction with School Services

None of the explanatory variable run on household satisfaction with school services turned out to be significant. No differential was noticed between GSP and non GSP villages. The BPL and APL household did not respond differentially on this issue. Status or satisfaction with other services such as

water supply and higher OSR did not show a significant impact on how households responded to the status of delivery of school services, although there was a mild correlation between land holding and happiness with how school delivered services to children.

satisfacti~e	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
totalland	.0014517	.001423	1.02	0.309	-.0013524	.0042558
_cons	.8818657	.0116779	75.52	0.000	.8588543	.9048771

This implies that schools might be running quite independently of the views held by households. This might suggest the need for more effective interactions between school teachers and parents, and schools and Gram Sabhas.

4.5 Household access to Village Functionaries

The respondents were asked to report their access to four village functionaries, namely (i) elected members of gram panchayat, taluk panchayat and state assembly, (ii) Panchayat Development Officer (PDO) or the GP secretary, (iii) the bill collector of GP taxes and (iv) the village accountant. The responses from 240 households showed the following conclusions.

- A significantly higher access to village officials by households in GSP compared to non GSP villages
- A negative correlation between taxes paid (that is amount paid as proportion to demand or a binary willingness to pay) and access to village functionary.
- No other factor examined such as BPL or APL, landholding etc. came out to be significant.

The first result seems intuitive. Because, GSP process selection and tendering of works did require participation of officials. This cannot but increase presence of officials in the village thus increasing the possibility of access. What is counter intuitive is why those who pay more taxes find access deficient. Here a likely explanation is that they demand better access than they receive. Hence their lower satisfaction with current level of access.

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regress villagefunctionary dumtype,osrpayed
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villagefun~y	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
osrpayed	-.0595579	.0333557	-1.79	0.075	-.1252737	.006158
dumtype	.0881166	.0239255	3.68	0.000	.0409797	.1352534
_cons	.7444154	.0334407	22.26	0.000	.678532	.8102987

4.6 Did households do better under MGNREGS in GSP villages?

Today MGNREGS is a dominant programme in rural India. As already shown in the previous chapter, its fund flow to the 6 GPs is quite large. We examined its impact on households to see if the process improvement practiced under GSP had a salutary effect on the way MGNREGS was implemented.

The effectiveness of MGNREGS was measured by how low the denial of employment rights was under the scheme. This scheme promises to offer 100 days of work to each household every year and to receive payment of specified wages. The question posed to respondents was how much wages they received. The expected payment was reported to have been fully received by some respondents. But several and a sizeable proportion of them reported highly deficient payments. In some cases, denial was very high. The determinants of this deficit are shown as under.

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regress mgnregs hhsy dumtype
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mgnregs	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
hhsy	.1528404	.0960185	1.59	0.115	-.0376346	.3433153
dumtype	-.1733448	.0564799	-3.07	0.003	-.2853856	-.0613039
_cons	.750206	.0718525	10.44	0.000	.6076699	.8927421

The above results are summarized below.

- There was a significantly lower denial in GSP villages compared to non GSP villages.
- Households' average years of schooling mattered in fulfilling their expectations under MGNREGS
- No other factor such as landholding, BPL or APL or literacy rate was found to be statistically significant

This is perhaps the most significant result to show that GSP processes, which provided better accesses to functionaries and thus the opportunities for households to demand rights), also resulted in a higher access to an important rural programme, namely MGNREGS. Notwithstanding this differential, denial level as reported by households is much too large (around 75%), which calls for a well thought out response by government.

There has recently been a series of controversies in the implementation of the MGNREGS in Koppal district, resulting in a thorough inspection and sometimes delayed release of funds. This may definitely have played a role in creating denial in receipt of intended benefits by households. The encouraging indication is, however, that even in this hard situation, households sending children to school and thus being in need of greater financial assistance were in a better position to access benefits.

Chapter 5

Conclusions, Gaps in Design, and Recommendations

GSP targets the most backward taluks of the state so as to quicken the pace of development in these areas, and it seeks to strengthen institutional capacity and management processes for greater efficiency and effectiveness in the use of resources. We have examined the results of the project using GP, Taluka and District level official data (Ch 2 and 3), and household perceptions about project outcomes (Ch 4). This chapter integrates findings from macro (Chapters 2 and 3) and micro or household perceptions (Chapter 4) analyses, examines the project design with reference to a conceptual framework of efficiency and effectiveness, and recommends some options for improving designs of future projects. First, we present the conceptual framework within which we evaluate the findings from macro and micro analyses.

5.1 Efficiency and effectiveness in programming

Efficiency relates to lowering unit costs in obtaining results in general. Effectiveness is not always about unit cost, rather it is about who benefits from project activities. It means reaching benefits to the intended groups in the maximum possible measure. Clearly, limiting the GSP grants to the most backward Taluks is an effectiveness measure. Size of the block grants and stress on mobilizing OSR are goals towards effectiveness in that they increase public investment in these backward villages. Similarly, representation of the poorest households in various decision making processes would be a step towards effectiveness.

There are two important questions relating to measuring efficiency and effectiveness here.

- Which indicators represent project outcome? (i) Is it the benefits specified as project outcome indicators such as increases in OSR, financial management including accountability, and participation? Or (ii) is it to be measured by improvements in village infrastructure? These outcomes would in turn result into better infrastructure such as school compound, village roads and water supply to which project resources were applied. Or even going further, (iii) would project results be measured by how have project resources translated into better primary enrollment ratio, lower drop out rate, better drinking water availability and improved access to village functionaries? For easy measurability, the report has examined project results in terms of (i) and (iii).

- Do we measure improvements over time for the same GP, or their movements in comparison with the non GSP villages? While we have carried out both comparatives in Chapters 2, 3 and 4, a question still remains as to whether results obtained were indeed optimum or the maximum that is feasible. This is a normative question and leads us to another question of whether the project was actually designed with optimum efficiency and effectiveness potentials. How would then the results obtained compare with their fullest potential?

These are difficult questions, but are necessary to ask if we wish to find out the gaps or weak spots in the project. We attempt to answer these normative questions by assuming that results are as good as transaction settings in the project. If the role allocation and processes of exchange well conform to the normative principles of efficiency, then results would be accordingly maximised. We now turn to discussing the normative principles.

5.2 Efficiency and effectiveness - a normative framework

The following principles applied in project processes, singly and in combination, contribute to maximizing results. These principles are incentives, transparency, accountability and participation (ITAP).

- Incentivized roles. The actors in the project including the village community must have good personal reasons to participate and contribute to project outputs. Any role without sufficient incentive is not likely to result in optimum action. For instance, we found that landed households have greater probability of attending the gram sabha than the poorer households. Poorer households have high opportunity cost to attending community work, especially when they can ill-afford to forego wages. Why should they attend gram sabhas then? Incentive must be created for them to attend work selection and monitoring meetings.

Incentives can be created by placing reward for action, incorporating punishment for inaction or linking action to granting some other benefits that communities seek themselves. For instance, often households need caste certificates for deriving benefits under various schemes. Paying taxes or grams sabha attendants could, for instance, be linked to issuance of caste certificates.

Block grant to the Gram Panchayat offers an important autonomy in planning. GP officials would welcome that. These grants could be tied

to the attendance of those who hitherto are not regular in attending meetings. It can also be tied to fulfilling some of requirements to meet the principles of participation, transparency and accountability.

- Transparency means maximizing information to all the concerned and keeping them equally informed, without asymmetry. This brings optimum knowledge to bear in decisions regarding allocation of project resources among various activities, and pre-empts misallocation, personal agenda or rent seeking, leakages and corruption in the project.
- Accountability means ensuring that the roles and processes are followed, outputs maximized and leakages or private gains avoided. The project does seek to promote accountability through several measures, such as frequent reporting and audit, tendering as a means of work approval, and linking fund release to utilization certificates for earlier releases.
- Participation not only results in efforts towards maximizing outputs but it also helps in improving efficiency. We know from the basic microeconomic theory that transactions are efficient and rent seeking minimized, if not removed all together, if both buyers and sellers of services have choice. Also, participation should be incentivized. If a household neither gains by participation nor loses by not participating or by receiving or not receiving information, then clearly, the principles of participation and transparency remain unutilized. Similarly if incentives are more in favor of misuse of funds, without any perceivable harm in doing so, then transactions can be skewed and utilized for wrongful private gains.

We shall now evaluate the results of macro and micro analysis, and examine whether the principles of incentives, transparency, accountability and participation (ITAP) are fully met in roles and processes behind these results.

5.3 Integrating macro and micro findings and their evaluation

i. Improving framework and guidelines for own source revenue collection:

The treatment GPs clearly showed up a better performance, increasing OSR annually at 39 percent, as compared to 22 percent in control villages. Yet

the objective of increasing OSR by 60 percent during first year of the project, followed by 65, 70, 70 and 75 percentages respectively in the second, third, fourth and fifth year, remained elusive. Importantly, as household analysis showed there was no significantly better tax compliance, the major source of OSR, in the treatment villages as compared to control ones. In fact, tax compliance was positively correlated to drinking water availability and household education, and had a surprising negative correlation with extent of land held by the households. No incentive was linked to OSR performance. No measure was intended to ensure revision of property tax structure and incentives, linking for instance devolution to GPs conditional to this revision and incentives for households paying taxes. No weights were provided to investment in schemes that improved drinking water availability.

It is not clear if anything was done to “improve framework and guidelines for a higher OSR.” Just higher OSR targets were fixed, which remained a mere sermon, bereft of matching incentives. There was no accountability on this point either, since failure to meet the target did not result in the concerned GP getting any fewer funds. Nor was any reward linked to better OSR performance.

Reliance was placed on paternalistic coaxing of GPs for better performance, an old belief that has festered most programmes. Using market tools to promote desired action, such as co-financing of facilities by beneficiaries, are notions yet to find acceptance in the current programming environment.

Not surprisingly, the intended OSR targets were not reached although frequent visits and monitoring as required under GSP may have helped treatment GPs to do better than control ones. Judging the project design by the framework of efficiency, key measures seem lacking, which when incorporated could take collections towards their stated potentials.

- ii. Building capacity, providing formula-based Block grants and revamping financial management and procurement system:

These steps were taken and are likely to have improved implementation. Financial management improved (see Focus Group Discussion for Bewoor, Annexure 5, showing a secular decline in number of audit objections and amounts held for recovery). Recovery of the amounts held in objections was higher in treatment villages compared to control ones (Table 2). The focus group in Bewoor placed the project at the highest rank for efficiency among all programmes (Annex 5). Absorption capacity in GSP was slower compared to MGNREGS (Table 4), which could have occurred because of greater checks and balances and accountability. Release of funds in

trenches, linked to submission of full justification and utilization certificate for at least 70 percent of earlier released funds, acted as a useful tool of accountability.

But do all this add up to achieving optimum financial results? The financial autonomy to GPs may seem a good thing, but villagers informed that this sometimes led to fragmentation of work. No minimum amount was prescribed for tendering, so as to avoid fragmentation and, as was reported, to prevent each member of GP trying to promote his or her work and contractor.

Co-financing was ruled out in the design of the programme. If one were to compare the GSP design with some of the more successful Social Funds promoted globally by the World Bank, there is a stark absence of co-financing in this project. Without co-financing, there cannot really be demand-driven prioritization. Without putting their own money on the table, it is not clear how the gram sabha and households can arrive at the optimum selection of works.

The Indian polity lays quite low stress on self help. Actually the relationship between the government and people is perceived as one between a giver of assistance and the taker. This runs counter to promoting efficient allocation of funds among activities. As prioritization and monitoring are not suitably incentivized, the top-down view finally prevails and private agenda finds a greater space within programme priorities.

What is required is a thorough consideration of whether co financing is possible. Options worth examining would be setting apart a portion of the total GSP funds for a Taluk for which GPs could bid with their counterpart funds or with their OSR performance. It could also be considered whether private asset creation in priority areas such as sanitation could also be funded under the project – definitely under MGNREGS, TSC – albeit with a lower level of subsidies. Institutional co financing norm could be set lower, say 20 %, when private co finances or group co financing say for construction of latrines, could be set at 40 percent or higher. These percentages or activities selected for co financing by beneficiaries, groups or GPs, are of course a matter to be determined in a bottom up consultation, rather than by a prescription handed down from the top. In any case, as discussed in Chapter 2, it is possible to give choice with differential levels of co financing, and let households, groups of household choose from a given menu. Beneficiaries' choice is definitely more revealing and efficient, and pro market than prescriptions from the top.

- iii. Improve the effectiveness of delivery across the range of services devolved under the Karnataka Panchayat Raj Act, 1993.

This objective can work in several ways. First, by providing additional resources and increasing OSR, the project allows for gap filling in investment for community level infrastructure. Renovations of schools and water systems would obviously improve services. Second, process and role improvements practiced in implementing the project may also bring *positive externalities* or *spillover benefits* in development schemes in general. When these improvements take place a *learning-by-doing* happens and the skill level in GP management rises. These benefits become available for other activities running concurrently, thus promoting horizontal benefits

However, there is no evidence that this actually happened, neither from macro data nor in a series of regressions carried out on data generated by people's perceptions. Analysis in Chapter 2, 3 and 4, showed no significant improvement in service delivery in GSP villages compared to the control villages, except some evidence of a small improvement in water availability for the households. As seen in Chapter 4, no differential was found between the two groups of GPs. This actually suggests that line departments deliver their services quite independent of one another and of household participation and accountability mechanisms incorporated in GSP. The absence of externality notwithstanding, there is evidence of lower satisfaction in community work and a higher satisfaction in private work such as under housing. A high level of denial of rights under MGNREGS is a pointer in this regard.

We found from the focus group discussions that dissatisfaction among people about programmes, particularly MGNREGS, and officials' complains about unreasonableness of elected officials and citizens, both run very high. All this calls for urgent mechanism to identify and lower institutional and policy deadlocks, delays and unreasonable expectations in programme implementation.

There is presently a key system gap as well as several policy gaps that thwart results. Let us explain the two gaps in details here.

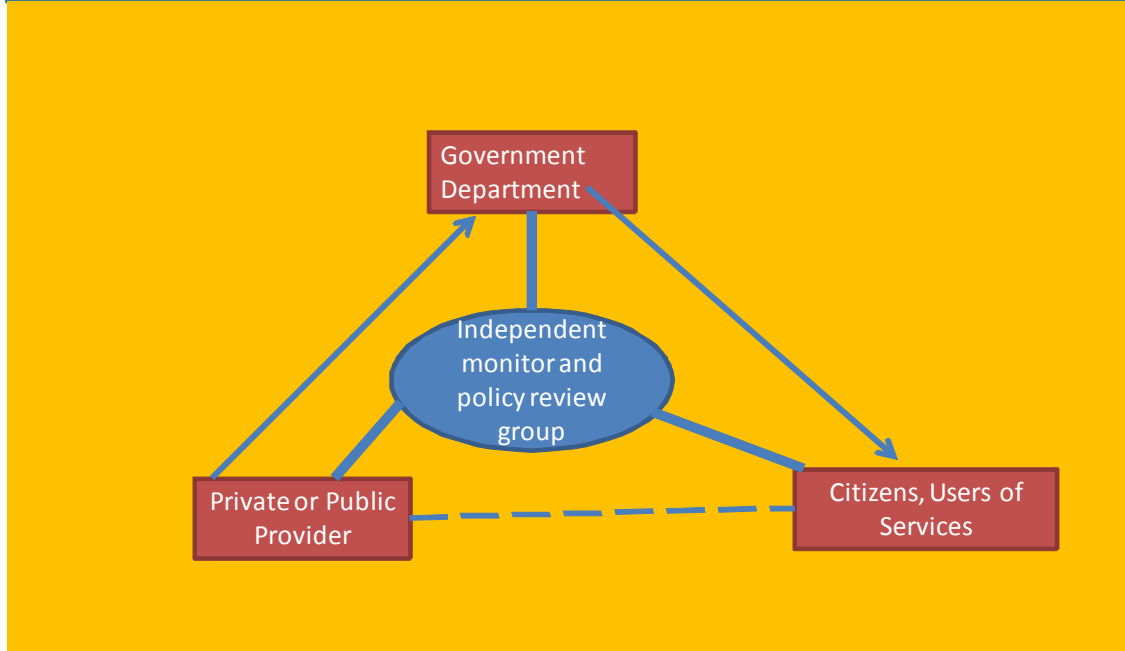
Many public services are delivered with the help of 2-agent contracts. For instance, a power transmission company buys inputs from private suppliers and pays for the same. Buyer and seller are distinct two entities in the contract. A price is negotiated by them, payment is made by the buyer and supplies of goods and services made by the seller. There is an in-built

accountability in such contracts. On the other end, the transmission company supplies power to individual consumers again I 2 agent contracts, although under a monopolistic environment. Monopoly can be unfair – in this case to buyers of electricity – so there is need for a regulator to ensure fair pricing and supply of power.

This system gap is corrected by establishing a power regulatory commission that monitors and sets prices at both ends of the transmission company's business. Independent regulation becomes necessary whenever there is monopoly, a likelihood of information asymmetry, or accountability issues.

Rural services and project delivery are often a 3-agent contract, which makes transactions to become far more complex. The provider such as school teacher gets paid for his services by a government office which however does not benefit from the service provided. Citizens who are meant to benefit from the service are often not required to pay. How can the provider become accountable to citizens, the users of service? Would citizens, on their part, demand quality when they get things free? In this muddled accountability space, space gets created for private agenda, private benefits at the cost of the quality and quantity of the service. An independent monitoring of contracts to watch transactions at all the three interfaces, namely between government and providers, providers and citizens and citizens and the government – is essential for accountability, for rooting out corruption, and to improve the quality of goods and services delivered. This rationale is depicted pictorially as follows.

Independent Monitor to correct a system gap in rural services



The above diagram shows broken accountability in the system between the provider and the users of services. Even the provider-department accountability may get vitiated by long-term alliances in a bureaucracy. The independent monitor can ensure that weak accountability loops are strengthened, and also that users (and providers) get a recourse from contract violations.

This body can and must also fill the policy gap that has acquired a serious proportion, having on the one hand debilitating impact on services and on the other a continuous decline of confidence in government to correct the ills. This is elaborated in the following sub section.

These discussions suggest two possible remedies, namely (i) constitution of an independent and integrated monitoring mechanism for programmes and services, and (ii) an effective mechanism under (i) that allows for quick policy responses in order to cut delays, leakages and deadlocks. This is required not only for efficient implementation of programmes but also to restore public confidence in governance.

5.4. An independent monitoring mechanism and other recommendations

- (i) **Services Commission as an institutional support:** We recommend that a three-to five member independent monitoring commission be set up for rural development programmes and basic social services delivered at the grassroots. The Commission can be constituted under the Right to Services Act.

The top-down policy and programme development system that exists today suffers from two key malaises. The enterprise for reform runs low in bureaucracy while of course the stories and complaints about failures and wrong-doings are widely voiced. Second, there is also a capacity gap at lower levels to propose, in cogent ways, the changes needed to correct the system. This underlines the need for a commission mandated to promote policy reforms aimed to cut delays and deadlocks, improve incentivized roles and make processes more transparent, accountable and participatory (ITAP).

The members of the commission must have the track records in promoting institutional and policy reforms. Since the commission would be largely engaged in postulating preventive (policy) measures, not punitive ones, it would need expertise in microeconomics and governance rather than just in law.

- (ii) **Programme convergence at GP level.** Presently, as the report says (Chapter 4), the line departments carry out their schemes independent of one another and sometimes also of the people. The Commission would promote convergence in the following aspects of programmes.

- **Convergence of investment.** Allow seamless utilization of programme resources for cross-sectoral priorities, if so determined through a thorough participatory process. Water funds could be allocated to fill infrastructure gaps in schools, or for sanitation projects. Health facilities can undertake environmental schemes with their own resources. Schools can undertake child rights campaigns.
- **Convergence of processes.** The ITAP (incentive, transparency, accountability and participation) tools need to be applied in schemes of all sectors, including basic services delivery. The Commission will continuously upgrade sector processes in this framework. For instance, tendering is followed in GSP but not in MGNREGS. What is good for one programme is likely to be good

for another as well, which needs adoption across programmes. OSR performance can be linked to several schemes through a comprehensive compact discussed.

The Commission itself would follow a far more participatory process than is in practice today. In fact unless proposals either emerge from the meetings of the commission with the community and grassroots officials or a top down idea is validated at the grassroots, there is no certainty that such proposals are grounded in reality.

- Convergence of roles. In some programmes procurement of material is entirely handled by the Junior Engineer of the TP. GP official are left to handle wage component. GP officials remain ignorant about material costs. There is a need to rationalize roles within the ITAP framework using the idea of incentivized compact discussed in sub chapter 3.5

(iii) Promote a compact approach: To promote behavior change, build accountability where self-help or cofinancing by community is not an option, and to incentivize monitoring a compact approach for implementing rural development projects and delivery of rural services is recommended. This means that whenever programme resources are devolved to a GP, officials and the village community may consult one another to discuss their mutual obligations to promote development locally. They will discuss the demands of community that authorities must attend to such as building of classrooms, teachers' housing, water system, undertaking forestation, building a bridge over nearby river, revamping animal care services, and building housing for clinic staff. The demand from communities can be numerous, not all of which can be funded. The ones that can be funded within the budget can be narrowed down, but collateral demand that do not require funds, such as filling vacant positions in schools or ensuring that village officials visit the village on appointed days, can all be unincluded in the list of obligations that the authorities would Make commitments to fulfill.

On their part, the authorities may also demand certain commitments from villagers towards self development, such as repair of irrigation tanks, temple compound or burial grounds wholly with labour contribution to be made by villagers, ensuring universal attendance of children in school, preventing early marriage, and promoting

population control norms. This list prepared by line departments can be long. Of course villagers would make commitments only for what is implementable within the project period.

Thus the villagers and the authorities would arrive at a mutually agreed list of commitments which are then written up and formalized, along with how and how frequently these would be monitored and how performance would be rewarded.

Fund devolutions can be tied also to specific performance such as to OSR collection. Once started the compact scope will increase and there will be inherent self regulation respective responsibilities. The mutual commitments would also be approved by heads of line departments and monitored periodically.

This sort of a compact approach would not only increase accountability but will promote a culture of development that underlines the principle that development is a combined responsibility of communities and government, and that it can never be fast enough or comprehensive enough without all concerned contributing to the effort. It will reverse the prevalent notion that rural development is the result of a paternalistic relationship between people and government in which people always receive doles from government while keeping their own collective effort dormant, unorganized or defunct.

(iv) Incentivize project activities and goals: We have already discussed the need to enhance transparency, accountability and participation in order to improve efficiency and effectiveness in programmes. These changes may not be easy to occur especially in the face of the vested interest that benefit from lack of efficiency and effectiveness. Incentives need to be created to change institutional behavior as well as household response to responsibilities such as pay taxes.

The above four recommendations can be piloted in two groups of GPs: one where the first recommendation is piloted by constituting an appropriate monitoring group, with some members of the group having expertise in policy analysis and writing policy proposals, and the other where the remaining three recommendations are grouped and implemented together. The pilots can be evaluated to see if these measures should be scaled up.

Annex 1

Survey Questionnaire

Treatment GP Control GP

GP Taluk District

I. General Information of the Respondent

1. Name of the Respondent:
2. Gender: Male Female
3. Age: Marital Status
4. Education
5. Caste Caste Group
6. Land Holdings in hectors
 a) Wet land
 b) Dry land
 C) Total
7. Source of Income a) b) c) d)
8. Earning of the HH's a) b) c) d)
9. Size of the family Gender a) Male Female
10. Status of te family BPL APL Oters

1. Education

- 1) In your household how many members are completed their years of schooling (age group between 6 – 15 years of schooling)

HH No	Name of the Members	Gender	Age	Educational qualification	Literate/ Illiterate	Expected years of schooling	Actual years of schooling	Type of school	Marital status	Occupation	HHYS	HER	HHLR

❖ Household Years of school HHYS= $\sum(\text{actual/expected})/n$

❖ Households enrolment rate : HHER

- a. Total no. of children in school-going age group (Primary and Secondary : 6-15 years)
- b. Total no. of children attending school

❖ Households literacy rate :HHLR

3) Household Literacy Rate

❖ a) Number of literate in house

❖ b) Total number of above 5 years

B. Health

a) Number of Births in last 5 years

b) Number of Institutional Deliveries out of ((a) – Total births) in 5 years

d) Number of deaths of children out of (a) in last 5 years

e) Child deaths in the HH during project period

Name of the child who died	Gender (Male/Female)	Age at death	HH IMR and HHU5MR
			$HHIMR = \frac{\sum(\text{no of deaths under 1 year of age})}{n}$
			$HHU5MR = \frac{\sum(\text{no of deaths under 5 year of age})}{n}$

3. Access to Drinking Water

a. No. of buckets of water available per day?

b. Main Sources of drinking water

	Specify % of water available from (b)	
a. Tap	<input type="text"/>	<input type="text"/>
b. Hand pump	<input type="text"/>	<input type="text"/>
c. Bore wells	<input type="text"/>	<input type="text"/>
d. Others	<input type="text"/>	<input type="text"/>

D. Access to Sanitation:

- 1) Open defecation
- 2) Individual Toilets
- 3) Public Toilets (with water)
- 4) Public Toilets (without water)

- a) Weightages given to use open defecation in the family
(Number of persons)
- b) Weightages to be given the 4 kinds of toilets
(Above mention types)

E. Rights

- | | Expected | Actual |
|--|----------------------------------|---------------------------------|
| a) Has job card, if eligible | <input type="text" value="Yes"/> | <input type="text" value="No"/> |
| b) Satisfaction level with school services
(Teacher – pupil ratio (3), Management/ SDM(3), Mid Day Meals(4)) | <input type="text"/> | <input type="text"/> |
| c) Satisfaction level with immunization of children
1. Polio 2. DPT, 3. Measles 4. Others | <input type="text"/> | <input type="text"/> |
| d) Entitlement to access of drinking water
1. Fluoride 2. Salination 3. Per capita consumption litr/day | <input type="text"/> | <input type="text"/> |
| e) Access to village functionaries
1. Elected Member 2. PDO/Secretary 3. Bill Collector 4. Village Accountant | <input type="text"/> | <input type="text"/> |
| f) Access to information about schemes, day Village Accountant or health workers come to the village
1. Medias 2. Wall Writings 3. Tamtom 4. Kalajata | <input type="text"/> | <input type="text"/> |
| g) Entitlement of ration card
1. Rice 2. Wheat 3. Sugar 4. Oil | <input type="text"/> | <input type="text"/> |

F. Participation Rates

- | | Expected | Actual |
|---------------------------|----------------------|----------------------|
| a) Household member voted | <input type="text"/> | <input type="text"/> |
| b) Gram Sabha attended | <input type="text"/> | <input type="text"/> |

G. Efficiency

- a) Do you pay the tax? Yes/No
- b) How Tax levied & Paid

Expected	Actual
<input type="text"/>	<input type="text"/>

c) Satisfaction from asset creation and maintenance from all sources

Road	<input type="text"/>	<input type="text"/>
School Building	<input type="text"/>	<input type="text"/>
Housing	<input type="text"/>	<input type="text"/>
Maintainace	<input type="text"/>	<input type="text"/>
Street light	<input type="text"/>	<input type="text"/>
Others	<input type="text"/>	<input type="text"/>

d) Household perception on money received

<input type="text"/>	<input type="text"/>
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Expected Actual

1. MGNREGS (Expected wage rate X No. of days worked)	<input type="text"/>	<input type="text"/>
2. Housing	<input type="text"/>	<input type="text"/>
3. SGSY	<input type="text"/>	<input type="text"/>
4. TSC	<input type="text"/>	<input type="text"/>
5. GSP	<input type="text"/>	<input type="text"/>
6. Water supply	<input type="text"/>	<input type="text"/>
	<input type="text"/>	<input type="text"/>

Annex 2:

OSR Trends**Table 1A: Trend in OSR in 6 Gram Panchayats of Koppal District**

Taluks	Type	Gram Panchayats	Own Source Revenue Generated by GPs						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	82075	75075	111178	270613	134500	164685	139688
Kushtagi	Treatment	Sanganal	8000	7889	12330	45485	32443	31000	22858
Yelbarga	Treatment	Karmudi	155964	89314	233313	207048	243508	275678	200804
Treatment Average			82013	57426	118940	174382	136817	157121	121117
Gangawathi	Control	Bevinahal	183498	303610	338126	295588	384663	542279	341294
Koppal	Control	Betageri	70845	43377	95362	88964	113285	109138	86829
Koppal	Control	Hasagal	67969	79652	109350	85049	180910	104343	104546
Control Average			107437	142213	180946	156534	226286	251920	177556

Table 3A. Delay in submitting audit report

Taluku	Type	Gram Panchayaths	Date on which the audited report was submitted					
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Kushtagi	Treatment	Hiremannapur	31-05-2007	27-06-2008	22-07-2009	22-02-2011	28-06-2011	30-04-2012
Kushtagi	Treatment	Sanganal	25-08-2007	28-06-2008	14-10-2009	30-10-2010	28-06-2011	30-04-2012
Yelbarga	Treatment	Karmudi	12-03-2007	28-05-2008	29-06-2009	31-08-2010	30-05-2011	31-01-2012
Treatment Average								
Gangawati	Control	Bevinahal	30-06-2007	16-07-2008	30-11-2009		31-10-2011	
Koppal	Control	Betageri		26-09-2008	31-03-2010		30-07-2011	
Koppal	Control	Hasagal	10-05-2007	30-06-2008	30-03-2010	30-10-2010	31-10-2011	
Control Average								

Annex 3**Table 4A: Absorption capacity of GPs**

Taluk	Gram Panchayat	2005-06			2006-07			2007-08			2008-09			2009-10			2010-11		
		Receipt	Expenditure	%	Receipt	Expenditure	%	Receipt	Expenditure	%	Receipt	Expenditure	%	Receipt	Expenditure	%	Receipt	Expenditure	%
Kushtagi	Hiremannapur	1992060	1924068	96.59	3094591	2225918	71.93	5095100	3080540	60.46	7486893	4635270	61.91	9430946	6330423	67.12	15070286	10337577	68.6
Kushtagi	Sanganal	1917227	1516301	79.09	3497000	2622108	74.98	3073116	2076325	67.56	3647687	2479126	67.96	9492387	8445279	88.97	12041530	9855713	81.8
Yelbarga	Karmudi	2251458	1835354	81.52	2368447	1463493	61.79	3796195	2858685	75.30	5408756	2802963	51.82	7106250	2958514	41.63	7643581	2643362	34.6
Treatment Average		2053582	1758574	85.73	2986679	2103840	69.57	3988137	2671850	67.78	5514445	3305786	60.57	8676528	5911405	65.91	11585132	7612217	61.7
Gangawathi	Bevinahal	1710326	1588644	92.89	1876970	1553147	82.75	2296548	1748543	76.14	5883813	4273106	72.62	8127003	7250268	89.21	6626570	5591423	84.4
Koppal	Betageri	845232	729060	86.26	1791920	1640633	91.56	3357463	2982252	88.82	1071718	625299	58.35	6628358	5504106	83.04	5016403	3119912	62.2
Koppal	Hasgal	2274083	1811178	79.64	2245471	2050081	91.30	3211336	2222215	69.20	3805022	2452950	64.47	6320366	4258771	67.38	7785006	5901833	75.8
Control Average		1609880	1376294	86.26	1971454	1747954	88.53	2955116	2317670	78.05	3586851	2450452	65.15	7025242	5671048	79.88	6475993	4871056	74.13

Annex 4
Education, water and health services

Table 7A: Enrolment Ratios

Taluku	Type	Name of the Gram Panchayats	Net enrolment ratio (primary school)							Gross enrolment ratio (primary school)						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	97.64	99.10	99.10	92.19	94.13	97.00	96.53	103.36	102.06	100.50	107.00	102.21	106.00	103.52
Kushtagi	Treatment	Sanganal	97.64	99.10	99.10	92.19	94.13	97.00	96.53	103.36	102.06	100.50	107.00	102.21	106.00	103.52
Yelbarga	Treatment	Karmudi	97.63	98.93	98.93	91.80	94.13	92.88	95.72	109.53	109.60	103.70	109.00	106.75	106.00	107.43
Treatment Average Number			97.64	99.04	99.04	92.06	94.13	95.63	96.26	105.42	104.57	101.57	107.67	103.72	106.00	104.82
Gangawathi	Control	Bevinahal	97.01	99.65	99.65	96.38	94.87	91.05	96.44	106.52	100.50	105.20	110.00	108.90	109.00	106.69
Koppal	Control	Betageri	98.18	99.19	99.19	96.72	88.64	96.23	96.36	104.86	102.50	105.20	107.00	103.03	104.00	104.43
Koppal	Control	Hasagal	98.18	99.19	99.19	96.72	88.64	96.23	96.36	104.86	102.50	105.20	107.00	103.03	104.00	104.43
Control Average Number			97.79	99.34	99.34	96.61	90.72	94.50	96.38	105.41	101.83	105.20	108.00	104.99	105.67	105.18

Table 7B: Dropout Rate

Taluku	Type	Name of the Gram Panchayats	Dropout (Primary School)						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	29	60	43	19	67	23	40
Kushtagi	Treatment	Sanganal	28	59	39	18	66	37	41
Yelbarga	Treatment	Karmudi	3	6	8	6	5	10	6
Treatment Average Number			20	42	30	14	46	23	29
Gangawathi	Control	Bevinahal	36	21	28	13	58	15	29
Koppal	Control	Betageri	10	12	9	6	8	8	9
Koppal	Control	Hasagal	23	48	39	22	52	31	36
Control Average Number			23	27	25	14	39	18	24

Table 7C:. LPCD and Individual household water connection

Taluk	Type	Gram Panchayats	LPCD rate							Individual household water connection						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Average Annual	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Average Annual growth
Kushtagi	Treatment	Hiremannapur	40	45	50	40	50	50	46	10	15	18	21	27	33	21
Kushtagi	Treatment	Sanganal	40	45	50	40	35	50	43	5	8	13	19	25	28	16
Yelbarga	Treatment	Karmudi	31	34	35	39	41	42	37	12	14	19	24	29	34	22
Treatment Average			37	41	45	40	42	47	42	9	12	17	21	27	32	20
Gangawati	Control	Bevinahal	32	36	45	40	38	30	37	9	13	17	25	29	34	21
Koppal	Control	Betageri	30	25	38	40	36	35	34	22	30	41	48	53	60	42
Koppal	Control	Hasagal	29	35	40	39	42	38	37	4	7	11	16	25	30	16
Control Average			30	32	41	40	39	34	36	12	17	23	30	36	41	26

Note: Individual House Hold water connection data is cumulative.

Table7D: Immunization rate in selected Gram Panchayats of Koppal District

Taluku	Type	Name of the Gram Panchayats	Immunization (Fully Immunized Children)						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	118	140	113	121	131	180	134
Kushtagi	Treatment	Sanganal	102	119	133	117	208	218	150
Yelbarga	Treatment	Karmudi	59	66	71	90	58	60	67
Treatment Average Number			93	108	106	109	132	153	117
Gangawathi	Control	Bevinahal	43	72	81	85	91	97	78
Koppal	Control	Betageri	67	79	88	90	116	111	92
Koppal	Control	Hasagal	77	129	147	290	204	136	164
Control Average Number			62	93	105	155	137	115	111

Table 7E: Number of Births and Institutional Deliveries

Taluks	Type	Name of the Gram Panchayats	Total Number of Births							Number of Institutional Deliveries						
			2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Annual Average
Kushtagi	Treatment	Hiremannapur	63	54	78	69	77	86	71	61	55	66	64	89	108	74
Kushtagi	Treatment	Sanganal	44	35	32	26	20	39	33	12	10	18	17	63	85	34
Yelbarga	Treatment	Karmudi	91	72	54	77	64	58	69	14	11	5	40	59	60	32
Treatment Average Number			66	54	55	57	54	61	58	29	25	30	40	70	84	47
Gangawathi	Control	Bevinahal	22	24	26	25	24	29	25	19	22	21	23	25	31	24
Koppal	Control	Betageri	68	71	52	89	113	144	90	0	0	76	61	88	93	53
Koppal	Control	Hasagal	89	121	133	120	96	103	110	128	178	130	198	65	95	132
Control Average Number			60	72	70	78	78	92	75	49	67	76	94	59	73	70

Annex 5

Focus Group Meetings

Bewoor, 07 May 2912

Village Features, funds received and utilized

A village of 4297 people (male 2170, female 2127), Bevoor predominantly depends on dry agriculture for its livelihood (129 hectares irrigated by 12 functioning borewells, out of the net sown area of 1919 hectares). It has 197 BPL families out of the total of 722.

With a literacy rate of 42.21%, Bevoor enjoys a good social infrastructure. In addition to being the GP headquarters, it has a high school, a Navodaya residential school, a primary health centre, a water supply system providing sufficient drinking water through taps, a veterinary hospital and an Anganwadi centre. It is well connected by road to Koppal and the national Highway 13, has a bank and social centre as well as a pucca GP building. This is an above average GP (Grade 1) of the district.

GSP started in the village in 2007/08. The five year pre-prepared action plan was made in 2006/07. As per the devolution norm, GSP funds reached Bevoor GP as follows.

Table-1

Date of receipt of fund	Installment	Fiscal year	Amount received by GP(Rs lakhs)	Amount reallocated to village Bevoor	% of GP funds to Bevoor
15/03/2007	1 st	2006/07	5.90	2.89	48.98
31/01/2008	1 st	2007/08	3.51		
27/05/2008	2 nd	DO	3.51	5.31	61.40
06/12/2008	1 st	2008/09	4.45	0.75	
06/08/2009	2 nd	Do	4.47		
05/02/2010	1 st	Do	3.56	4.60	42.87
26/03/2010	2 nd	2010/11	3.57		
24/02/2011	1 st	Do	5.35	3.35	37.56
Total			34.32	15.90	46.33

* The Anganawadi work is continued in 2007-08 (total estimated 2.5)

Table-2: These funds were used to fund the following activities.

Fiscal year	Work description	Fund utilized	When completed	sector	% sector focus
2006-07	Anganawadi Building	1.00			
	Asphalted Road	1.41			
	Drainage	0.48			
2007-08	Anganawadi Building (cont...)	1.50	2008		
	Asphalted Road	2.06			
	Drainage	0.75			
	Community toilet	1.00			
2008-09	Asphalted Road	2.50			

	Community toilet	1.00			
2009-10	Asphalted Road	0.60			
	Drainage	2.00			
	P compound	1.50			
2010-11	CD & road	2.00			
	P compound	1.35			
Grand Total		19.15			

GSP special features:

GSP broadly seeks to promote the following three areas of reform:

- Institutional capacity building: This includes encouraging (i) greater participation by way of attending ward/gram sabhas, conducting jamabandi as part of annual budget preparation, , expenditure and quality checks, ensuring functioning of Standing Committees of GP; (ii) transparency by way of social auditing which means local public inspection of work, improving local planning capacity by way of increasing untied funds allocation and setting fresh guidelines for plan and budget preparation
- Financial reform including (i) introducing double accounting, computerization of account by introducing panchatanyra, special auditing GP annual books and programme account by a charter accountant, in addition to the State Accounts Department carrying out reconciliation of accounts, that is ensuring consistency with individual and project expenditure, entries in the cashbook and passbooks, introducing tendering of all works, increase OSR
- Improve service delivery efficiency at the local level by filling financial gaps of sectors, and training staff and citizens,

A focus group meeting to assess how these special feature have performed and deliver benefits was held in the village, attended by GP official, taluk and Zilla officials (annexure1), citizens (34 males and 18 females). The performance of these project features and effectiveness compared to those of similar programmes working at the village level, were ranked by the focus group on the scale of 0-10. Females and males ranked these programme separately, what is shown below is the simple average of the two ranks for each scheme.

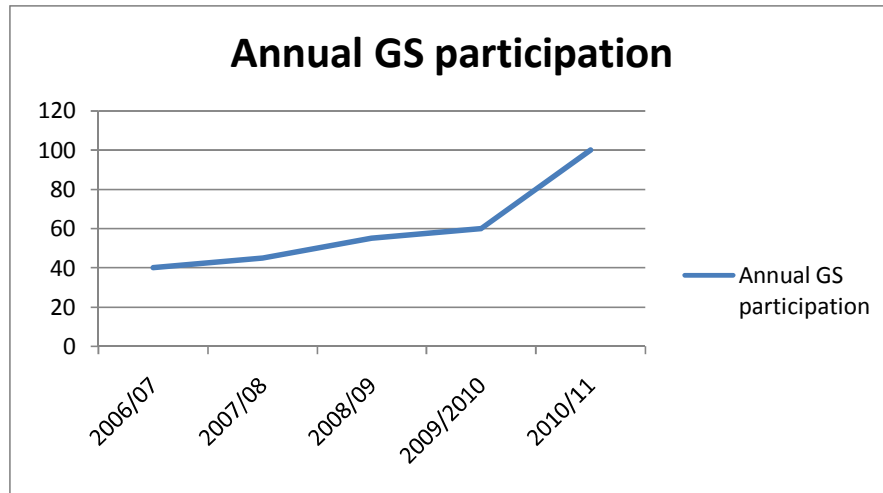
Scheme	overall pre-ranking of efficiency out of 10	Unit cost impact from tendering/unit costs	Quality of work	Durability of assets	Participation	Information and awareness	Post rank
GSP	7	3.5	6	10	8	9	7.3
Swarna grama	7	3.5	6	10	0	0	3.9
Housing	9	9	10	10	10	10	9.8
TSC	9	6	7.5	10	10	6	7.9
MGNREGS	7	6.5	10	9	9	6	8.1

Observations on the above table.

1. The villagers present, both male and female, preferred individual to community benefits. They would rather accept inefficiency in the use of funds in NREGS since some money lands in their hands, to community work in which money transfers between authorizes and contractors. Often, they know very little how contractors get paid and works tend to be 'over-estimate'. Participants spoke openly, in the presence of PDO, that account is not transparent in tendered work, especially b]=making and approval of bills and payments.
2. Second, a work under NREGS carried out on private lands two years ago, have not yet been paid. There was lack of clarity on the quantity and quality of works and about the claims of land owners. Third Party Inspection has fixed the value of the work at Rs14 lakhs. But this amount has also not been paid. The villagers therefore chose to speak in favour of NREGS as if to reconfirm the genuineness of their claim.
3. Third, swarn grama is being implemented by Taluk and Zilla Panchayats. Even action plan is prepared by an assigned NGO. This scheme is therefore largely an example of top-down planning. No discussion of priorities took place in the Grama /Ward Sabha. Villagers may have given a negative mark on participation due to this reason though spoke about other features of the programme quite favorably.

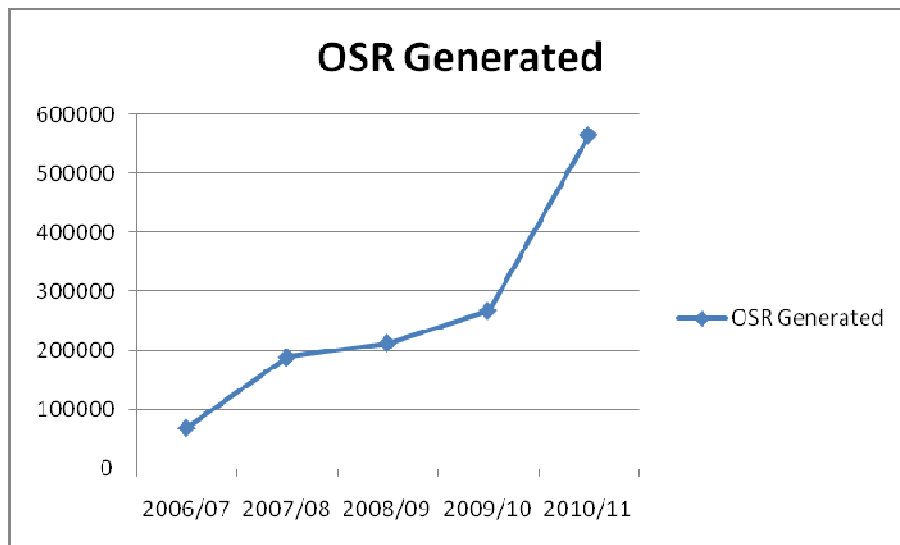
Improtant conclusions from the focus group:

- GPS does not score high marks on participation even though that is an important objective of the programme, although gram sabha attendance in GPS context has increased.

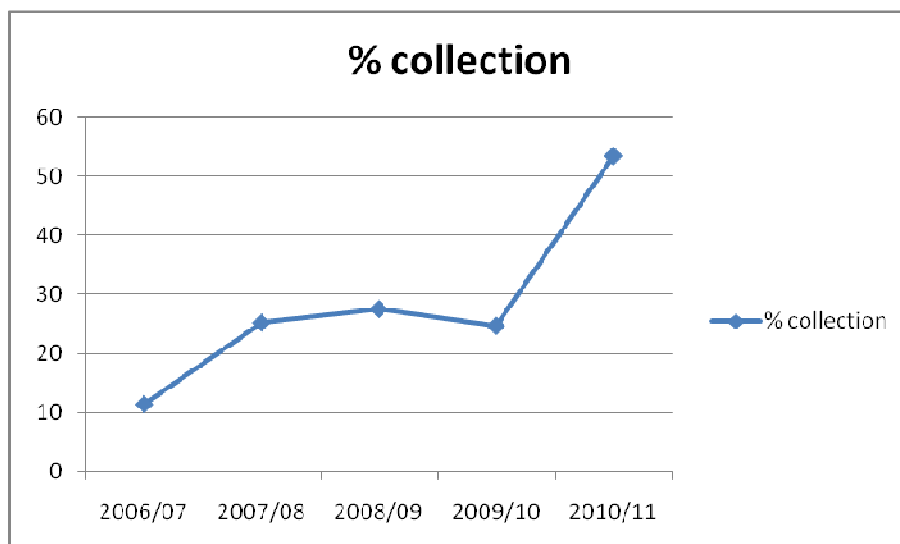


- GSP has scored really lowest on key features as well as overall programme ranking, if we ignore the 0 mark given to Swarn Grama on participation and information.
- Even on quality of work and unit cost efficiency GPS has scored the lowest.

OSR trend:



Notwithstanding an increasing trend in OSR generation, the proportion of OSR in the total expenditure remains low (3.4% in 2009/10).



Accountability:

- (A) Villagers in the focus group described leakage of funds in NREGS variously. However there was a sort of convergence that the job card holder get roughly Rs 80 out of 125 they are supposed to get. However this may have happened despite the job card holders having actually worked. Thus the rent on job card is roughly above 60%. The question remains if there are further transaction costs to the contractor. Who rents the jobs to do projects? Villagers did mention that GP members in particular have financial interest in NREGS work selection and payment and could easily be imposing transaction cost on the projects undertaken. In all likelihood, therefore, the transaction cost in NREGS would be higher than 60%, thus making it apparent that the quality of work is clearly below 40 % of that estimated.

If the villagers' rank given in the table above is a guidance, the quality of work in GPS must be lower than 60 percent, because NREGS is given quality rescore of 10 while GPS works have receive a score only of 6.

Comparison with housing: The focus group members said gave various estimate of how much beneficiaries actually get in their hand for building a house under this scheme. Earlier, they indicated a case in which out of Rs 35,000 that was to be received by the beneficiary, household net receipt was only Rs 25,000. This amounted to a transaction cost of 28.5%. A more recent information however put the transaction cost of Rs 5,000 out of Rs 50,000. Latest norm under the Basawa, Indira Awas Yojana, requires an estimated cost of Rs 63800 per house out of which subsidy is Rs3800, and Rs 10,000 loan. The remaining Rs 50000 is the grant to be given by the programme. In most cases however the beneficiaries do not go or loan and the subsidy, and are content with receiving Rs 45,000. So, the transaction

cost he pays is 10%. Clearly the transaction cost is comparatively lower for housing scheme and quality is given the highest rank.

Both from quality and accountability criteria, the focus group has ranked housing scheme as the very best in efficiency. Also, they prefer this programme since the constriction is directly under the beneficiary himself/herself, and thus payment to unintended individuals is minimized. Tendering feature of GPs fails to meet the direct implementation by beneficiaries in the housing scheme. Its benefit of course fails to meet that in housing because, quite naturally, individual would prefer individual benefit to themselves over community benefits.

Double entry accounting:

This helps in breaking expenditure work and item-wise, thus improving transparency in expenditure and reducing the practice of 'drawing' inadmissible spending. This system is therefore likely to reduce misapplication of fund. In GSP, this system seems to have helped as shown in the following table.

Fiscal year	No of objections in annual audit by the SAD	Amount involved (Rs. Lakhs)
2006/07	8	2.41
2007/08	3	0.50
2009/09	2	0.40
2009/10	2	0.30

Recommendations of the focus group:

A priori tendering is preferable to assignment of works. But this is predicated on **openness, competition** and **unbiased measurement** and **bill preparation**.

Openness or transparency and completion may be compromised when people or contractors outside the GP fail to know in time what work is coming up for tendering. IT is not uncommon that members of GP themselves may try to act as contractor submitting tenders in name of their relatives. Reasonable lead time for submitting the tender and proper dissemination of the information or tender invitation are essential for efficient use of resources. Some monitoring of who are bidding, whether villagers themselves, relative of GP members or outsiders would be necessary to ensure openness and completion. An in-depth review of reform in the process of tendering seems required to ensure openness and completion

But even if there is openness and completion but work measurement and bill preparation and approval are compromised then openness and completion will be of little avail. Tenders will factor in their bids the transaction costs prevalent in work measurement and bill preparation and approval, and jack up their bids. This may require organic separation of the following activities:

Although the right agencies should be identified through wide consultation, the following may be treated as a starting point of the consultation process.

Activity	Agency
A Call for tendering, tender scrutiny should be with agency 1.	GP, PDO
B Tender selection and approval with agency 2	Committee of JE, plus an expert taken from a panel approved by CEO
Work monitoring and reporting	Social auditing group, with report
Work measurement and bill preparation	JE, PDO
Bill approval	Finance committee of GP constituted specifically for the purpose,
Payment	President of GP

ⁱ Even though capacity building component includes state, Zilla and Taluka levels, this exercise is limited to GP and community level initiatives.