



ASIST- Asia Pacific *Mainstreaming Poverty Reduction Strategies*

Forum on the Pro-poor Delivery of Rural Infrastructure Services: The Challenge of Decentralisation



4 - 6 November 2003
Bangkok, Thailand

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Rural Infrastructure Services:
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Abbreviations

DFID	Department for International Development
ILO	International Labour Organisation
IRAP	Integrated Rural Access Planning
ITDG	Intermediate Technology Development Group
NGO	Non-Government Organisation
PDR	People's Democratic Republic
PMRRP	Prime Minister's Rural Road Programme
RIS	Rural Infrastructure Services
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

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Foreword

There is a general, world wide trend to the decentralisation of government functions. This is generally motivated by political imperatives but also has a sound basis in the economic rationale of improving the efficiency of the allocation of resources and the responsiveness of policy making. It is also seen as a more effective means to tackle poverty reduction. In addition there are some key considerations in development terms, these are:

- Development should not be a top down process
- Centralised planning and allocation of resources leads to a only a limited flow of resources to the local level
- Centralised delivery of programmes has not provided a response to local needs and have been out of touch with local needs

Most governments in the Asia Pacific region have or are being decentralised. The degree and form of such decentralisation varies from one country to another. However one of the main principals and characteristics is that the responsibility for the delivery of government services is given to the lowest level of government that can perform functions effectively and efficiently.

One of the key functions of government is the delivery of rural infrastructure. Rural infrastructure has a major role to play in the alleviation of poverty and in the achievement of the Millennium Development Goals (MDGs). Rural infrastructure is essential for employment creation and income generation, improving access to primary education and health care, and improved living conditions.

The ILO ASIST AP programme has seen decentralisation as an opportunity rather than a challenge and recognises the potential for local resource based approaches in a decentralised system. There is an appreciation that to provide effective advice on local resource based strategies for rural infrastructure, it is necessary to understand the decentralized system in which the infrastructure is being planned, implemented and maintained.

The Forum, the discussions and results of which are described in this document, brought together senior professionals from government, the private sector and international financing and donor institutions. The intention was to provide a means to share experience of the decentralised delivery of rural infrastructure services and to obtain a consensus of the key issues involved. It is hoped that the results of the meeting will both instruct the ILO ASIST AP programme but also generate discussion with our partners in the region.

Section 1: Introduction

A Forum on the 'pro-poor delivery of rural infrastructure services: the challenge of decentralization' was held by the ILO in Bangkok from 4-6th November 2003. Its main objectives were to:

- Share information and knowledge on how rural infrastructure services are being delivered in a decentralised system;
- Define the key issues in the delivery of rural infrastructure services; and
- Illustrate best practices from countries in the region.

32 delegates, representing 12 regional countries, the UK, and USA, attended the Forum. In addition to the ILO there were also representatives from the UK's Department for International Development (DFID), UNESCAP and the World Bank. The Agenda is given in Annex A, and list of participants in Annex B.

The Forum was organised in five sessions:

1. Decentralisation in Practice
2. Planning, Budgeting and Finance
3. Capacity Building for Effective Delivery
4. Sustaining the Created Assets
5. Impact of Decentralisation: What works, what does not?

Each session comprised 2-4 presentations, discussions of the formal papers, and a plenary discussion of the overall theme. Annexes D-H provide copies of the papers supporting discussion of each theme, respectively. A summary of the key issues that were identified during the Forum completes this introductory section, but first the basis for and salient points from each session are presented.

In the introduction to the Forum it was emphasized that the term *decentralisation* may be interpreted in a variety of way. All purport to be providing the framework to increased local autonomy and good governance, but vary in how this is to be achieved. There are two main forms, neither of which is static. The first is *deconcentration* being the transfer of specific functions to local units of central agencies. In this form decentralised agencies remain reliant on central government, but to a varying extent. The second form is *devolution* in which specific functions, *and* the legal responsibility for them, are transferred to local authorities. In this form decentralized agencies have a reduced reliance on central government, although financial dependency often remains substantial.

Decentralisation in Practice

The main presentations supporting this session were from the State of Madhya Pradesh, India and the Philippines. Additional regional experience is available on web sites for Bangladesh, Nepal, Pakistan, Sri Lanka and Vietnam.¹

Experience with decentralisation varies considerably among countries in the region from only a few years to more than a decade. The largest countries (India) also exhibit significant internal variations in their approach to decentralisation due to the differential reactions of the second (largely autonomous) tier of government to centrally proposed changes. In some cases decentralisation has been supported by legislated local government codes (Indonesia, Philippines) that serve to reinforce it as an objective in itself. In other cases decentralisation appears more of a means of achieving specific infrastructure objectives, such as the Prime Minister's Rural Road Programme (PMRRP) in India.

However recent, and whatever model is followed, there is undoubtedly a strong trend towards decentralisation in the region, although in some the emphasis still appears to lie on infrastructure rather than the services they make possible. Conversely where investment decisions on RIS have been perceived as overly centralised it has provoked major civil unrest (Solomon Islands).

The diversity of experience with, and approaches to, decentralisation means that at present there are few safe generalisations, other than that most countries face a raft of similar problems. Typical problem areas are embodied in the themes of sessions 2, 3 and 4 – planning, finance, capacity building and maintenance. In some cases a major problem is the politicisation of the decentralisation process due to the propensity of local legislators to intervene to influence implementation. Typically this reduces the coherence of local planning efforts and may actually result in wasteful investment in high profile infrastructure of little practical use. In other cases problems are manifest because of: (i) the duplication and confusion caused by multiple layers of government; (ii) direct transfer from the center to local units that are not able to exercise their (new) responsibilities efficiently; and (iii) continuing fragmented responsibilities for crucial sectors e.g. rural roads. These problems make it equally apparent that substantial efforts are required in a number of areas if efficient pro-poor delivery of rural infrastructure services is to result. In some cases these efforts must focus on convincing the general public of the merits of decentralisation and their crucial role in the process. It was argued that some, cynically but perhaps correctly, see it as merely transferring corruption from the top to an intermediate level.

¹ *The papers and web addresses are given in the references after the summary of the issues.*

Planning, Budgeting and Finance

This session was supported by presentations from Bangladesh, Cambodia, India and Thailand. From these it is apparent that with a few notable exceptions (PMRRP), planning and finance remain major problem areas. Lack of local level capacity to plan is a common issue, which is often a result of the very small scale of operation of local units. In this respect it seems necessary to distinguish between the *political legitimacy* and *operational viability* of local units for planning, budgeting and financing. Commonly small units can neither afford nor attract qualified staff, or generate the other resources necessary to discharge these tasks efficiently.

Whilst finance is characteristically represented as a binding constraint to greater local level implementation of RIS, often lack of capacity to avail of existing sources is closer to reality. This again raises the issue of the appropriate operational size of local units. Another problem lies in the financial imbalances that can exist between different levels of government, and within units at the same level, because of historical differences in their resource bases.

Notwithstanding the forgoing there are examples of innovative planning techniques geared to local levels needs, such as the ILO's Integrated Rural Accessibility Planning (IRAP) system, and the work of NGOs, such as ITDG in Sri Lanka, which is deliberately pursuing a bottom-up approach. Innovative financing mechanisms are also apparent, such as State borrowing on behalf of the central government in India, and various user and community funding schemes.

In India the concept of the *social audit of infrastructure* has been introduced to address problems experienced with conventional financial audits. Under this concept village office bearers are required to present a detailed account of the funds received and their utilization on various elements of the work in front of the entire adult residents.

Capacity Building for Effective Delivery

Presentation supporting this session comprised a mixture of institutional (DFID, World Bank), country (Indonesia), and NGO (ITDG, Sri Lanka) experience. The commonest difficulty with capacity building to support decentralisation of rural infrastructure services is the absence of an overall framework based on a realistic assessment of what is needed and currently exists on the ground. Such a framework should articulate a clear strategy for capacity building, define the policies to be adopted to achieve the strategic aims, articulate a comprehensive training plan, and specify the activities to be undertaken. It is also important not to overlook the needs of the private sector, especially small-scale contractors and in some circumstances local artisans and technicians.

Because of variations in the resource endowments of different levels of government, and among those at the same level, capacity building frameworks need considerable in-built flexibility. One size definitely does not fit all.



Sustaining the Created Assets

The main presentations supporting this session were from India, Lao PDR, and the Solomon Islands. Sustainable assets are considered to be the key requirement that a decentralised system should be able to deliver. In this respect the systematic neglect of maintenance remains the single most compelling reason for the lack of sustainability of most RIS assets. The reasons for this appear to lie more in the politicisation of decision making and mind sets of critical decision makers than in finance per se. The use of commercial principles, such as asset-based management, offers a promising way forward. It links needs more closely to underlying values, makes clear the losses that are likely to be incurred if maintenance investment is ignored, and makes transparent the (negative) consequences of substituting new construction for maintenance of existing assets. In some countries raising infrastructure provision or improvement specifications, and increased attention to the issue of quality assurance, is enhancing the sustainability of assets.

Experience has shown that there is a high correlation between the sustainability of assets and high levels of community participation. Increasing participation appears to be easier where benefits accrue to the participating group - such as housing, irrigation water supply, and sanitation - than with infrastructure services representing public goods - such as road systems. While some countries have resorted to the use of *voluntary labour* as a means of executing maintenance, international experience suggests that this is not sustainable in the long-term, especially for public goods e.g. roads.

Impact of Decentralisation: What works, what does not?

Three presentations supported this session - two from the Philippines and one from Thailand. Those countries that were among the first to decentralise have gained considerable experience with what works and what does not. Evidence for this lies in the numerous amendments that have been proposed to local government codes. The balance of evidence supports the view that as a result of decentralisation basic services delivery has become more integrated, more focused on local priorities, and more efficient and cost effective (Philippines). Effective participation is seen as key to the efficient provision of decentralised RIS. It has also been shown to be a way of combating the politicisation of decision-making.

Section 2: Summary of the Issues

The issues are grouped according to the major session titles. The detailed case studies and ensuing discussions suggest the following sets of issues as influencing the pro-poor delivery of rural infrastructure services in a decentralised system. In this context *issues* are not interpreted narrowly as statements of problems, but more broadly as considerations that merit further examination.

The overriding issue is simply: 'What is the role of government in the delivery of rural infrastructure services in an era of decentralisation?'

Session 1: Decentralisation in Practice

- Decentralisation does not imply lack of central government involvement. Indeed in relation to setting overall policy and standards the role of the centre can be crucial.
- A key issue affecting the efficiency of service delivery is the maturity of the decentralisation process and the extent to which it has a social and legal foundation.
- Efficient decentralisation implies devolving specific functions to specific levels of government with clearly defined roles and responsibilities.
- Efficient delivery is also influenced by the gap - due to a variety of distorting factors - between theoretical or legislated provisions, and those that exist on the ground. Fiscal transfers are a notable example (e.g. Philippines) and may require different "models" of decentralisation for administratively/ fiscally "weak" and "strong" regions with responsibility and authority at varying local government levels.
- The effectiveness of the decentralization process depends on the strength of the underlying democratic conditions: political vacuums or dominance by a single political interest are likely to result in over-politicization of executive actions, and disruption of coordinated development.
- Because of its function as a public good, decentralisation in the rural road sector remains particularly problematic due to lack of coherence among different stakeholder agencies, bias toward implementation by force account, propensity for equipment rather than labour-based execution of work, and general neglect of maintenance in favour of new construction.
- There is an increasing trend towards, and donor acceptance of, equity-based provision of rural infrastructure services. However, since some of these necessarily serve areas with a weak economic base, the overall burden of maintenance can be expected to increase.
- Participatory management and maintenance of irrigation works has resulted in significant operational benefits, but there are doubts concerning the viability of this approach to the road sector.
- The concept of the social audit of local infrastructure works has been introduced (India) as a means of overcoming the operational problems associated with conventional financial auditing.
- Whilst much discrimination remains, innovative ways are evolving to address gender biases in access to rural infrastructure services in terms of mandated representative proportions on elected bodies, and preferential



or shared allocation of household ownership rights.

- Some of the Local Government Codes passed in the early 1990's may need to be amended to correct deficiencies that have become apparent in the practice of decentralisation.
- E-communication of information has been shown to have potential as a means of enhancing the governance aspects of decentralisation.

Session 2: Planning, Budgeting and Finance

- The poverty reduction imperative has had a significant effect on rural infrastructure planning and financing, and paradoxically led to increased central government involvement in otherwise locally focused activities – the Prime Minister's Rural Road Programme in India is an example. While this development might be seen as weakening decentralisation, in India it has produced a more effective general planning framework for rural needs, and led to comprehensive capacity building measures at State and local levels.
- The move to more participation in the planning process is recognised as providing the potential for the identification of actual needs, greater transparency, and the inclusion of the beneficiaries in the development of effective delivery. However, short-term needs have to be balanced with long-term planning considerations. Planning has to be seen as a process, not a singular activity.
- Although politically legitimate, the planning, budgeting and financial viability of some local government units remains questionable due to their small size. Research suggests (Thailand) that they may also have unclear working procedures and staff rules, poorly trained staff, weak participatory practices, and inadequate cooperation with related government agencies.
- In many situations meagre levels of local fund generation give rise to a high degree of dependence on central government funding.
- Various innovative means for financing maintenance are being proposed – such as a cess (tax) on marketed agricultural produce (India), and an allocation from road funds (Lao PDR) - but it remains to be seen how effective they will prove in practice.
- It is important to find ways of communicating development issues to rural people in a manner that they can easily understand.
- Politically legitimate local governments often have low tax revenues, limited technical capacity, and are over-dependent on funds from centralised agencies.

Session 3: Capacity Building for Effective Delivery

- It is important to identify and address appropriate capacity building measures to all levels of government, not just those delegated as responsible, and to involve parts of the private sector.
- Capacity building needs to be holistic and comprise appropriate training and support mechanisms such as guidelines, operational manuals and databases. Mechanisms need to be established for: (i) updating operational manuals as a result of experience; and (ii) incorporating key elements in monitoring systems.
- The development of local level skills should precede, or at least run in parallel with, transfers of financial responsibility.
- Decentralisation may fundamentally change the type and focus of training required.



- Training outputs have to be matched with demands, including those caused by staff mobility and losses to the private sector.
- There is a need to institutionalise continuous capacity building and professional development within a suitable local organisation. A system of job accreditation or licensing may assist in the process of institutionalising capacity building. Respecting traditional approaches also encourages acceptance of new ideas.
- Having defined the standards for the various functions in the delivery of rural infrastructure, the level at which responsibility is allocated in the decentralised system needs to be identified. Only then can a capacity building process be properly targeted.

Session 4: Sustaining the Created Assets

- Sustaining the created assets is a key test of the decentralised process.
- There is growing recognition of the need to increase the standards of rural infrastructure and improve the quality control of construction, rehabilitation and maintenance specifications so as to enhance asset sustainability. However, provisions for the quality assurance of works remains a problem area, as does the sectoral approach to maintenance.
- Recognition should be given to the special needs of post-conflict situations, where employment creation is often an overriding imperative.
- Addressing the traditional neglect of maintenance may require a fundamental change in the way that rural infrastructure is viewed. The promotion of asset management, or value retention, concepts are a promising approach that is being adopted in both developed and developing countries.
- An asset management approach could result in the elimination of the false distinction between budgets for construction and maintenance. Maintenance would then be seen as an integral part of the whole life cost of the facility. This may also lead to an enhanced perception of maintenance activities. It is likely that decentralised agencies would be more amenable to such an approach.
- There is some evidence that decentralising maintenance responsibilities has produced more equitable fund allocation between districts and a better choice of implementing mechanisms.
- Enhancing the sustainability of created assets may require attention to skill and institutional development, as well as more secure and increased funding.
- Whilst there are initiatives that still need to be evaluated, dependence on local communities to provide their own resources for the maintenance of roads has generally not been successful.
- Key players in the infrastructure sector can assist their decision makers by identifying the overall benefits of investing in maintenance.
- In addition to improving financial allocations to maintenance, it is also necessary to improve the technical and institutional capacity of the decentralised bodies responsible for this activity.

Session 5: The Impact of Decentralisation: What works, what does not?

- For effective delivery of programmes through beneficiary participation, the roles and responsibilities of the beneficiaries and the local government units need to be clearly defined, if possible in written agreements.
- The role of central organisations is crucial in defining standards and providing the decentralised agencies with standard procedures and systems

- in keeping with their mandates.
- For programmes, which are centrally funded, a capacity building component is a prerequisite and must be budgeted from the start.
 - Arrangements for cost sharing between central government, local governments and beneficiaries for the implementation and maintenance of projects need to be clearly defined, preferably in formal agreements, and effectively monitored.
 - The development of effective participatory rural infrastructure planning procedures can ensure transparency, objectivity and sustainability.
 - Extra budgetary financing available to local politicians tends to disrupt the effective and equitable delivery of infrastructure.
 - As long as effective contract administration procedures are put in place, contracting the implementation of projects to consultants and contractors is more efficient.
 - It is necessary to ensure that local infrastructure plans are, where appropriate, complementary to geographically adjacent local government units
 - There is a need to encourage the development of local small-scale contractors. Emphasis on the use of local materials (Thailand) can have positive implications for their development.
 - Experience suggests (Philippines) that stakeholder involvement in the political decision making process can lead to more objective and transparent allocation of resources.
 - Decentralisation is not static. There has to be flexibility to take account of lessons from experience and the changing environment.
 - Contracting procedures can be organised so that contractors are obliged to sub contract parts of the works to specific groups (communities etc) However, in Indonesia there has been problems with this approach.

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Section 3: Participants Presentations

Background Note

Physical isolation, the lack of access to basic social and economic services, is one of the fundamental reasons for poverty. The delivery of appropriate, demand driven and sustainable infrastructure (water supply, clinics, classrooms and physical access to markets and services) is a key element in providing the opportunity for the poor to improve their situation. The administrative framework within which infrastructure services are delivered is therefore extremely important.

In most countries in the Asian region provision of local infrastructure is carried out through decentralised implementation arrangements. The degree and form of such decentralisation varies from one country to another ². One of the main principals and characteristics of real decentralisation is that the responsibility for the delivery of government services is with the lowest level of government that can perform such functions effectively. The term decentralisation is often used indiscriminately to cover deconcentration, devolution and privatisation. Moreover, political, administrative and financial decentralisation often do not take place concurrently or in a coordinated manner.

A major proportion of government investment is in infrastructure. Consequently, the role of local government determines the manner in which infrastructure services are provided. The ILO ASIST AP programme works with governments in the region to assist them in the delivery of sustainable rural infrastructure that maximises the use of local resources. In carrying out this work it is clear that decentralisation provides the opportunity for more effective delivery of infrastructure services as well as better targeting the poverty concerns of the government. Conversely there are significant constraints related to the decentralisation process. Whilst these constraints are not specific to infrastructure, they all impact in a significant way on the delivery of infrastructure services.

1. Defining the decentralisation process

Decentralisation is a process, which involves political, administrative and financial issues. The result is that central government divests itself of the responsibility for the delivery of certain services and at the same time ensures that there is ample capacity and financial means for the decentralised bodies to deliver the services.

Decentralisation implies the devolution of both responsibility and authority to a local body. Often, however, responsibility is decentralised, but full authority is not. Moreover, the lack of devolution of financial authority and the difficulty of building up of a local capacity results in local authorities having greater responsibilities without the means to fulfill that responsibility.

Consequently, decentralisation merely results in diverting responsibilities without securing the means and inputs required to meet the obligations in term of public services to be provided by the government. The problem with such implementation arrangements is that the authority is then vested in a body which does not report to the real users of the assets, but instead reports to central government bodies which really have no direct interest in the operation, maintenance and usage of the infrastructure assets.

The result for the delivery of infrastructure services is that the intended beneficiaries may receive poorer rather than better services or the inputs are not properly targeted towards the users for which funding was initially intended.

2. Authority and responsibility of the decentralised bodies

The delivery of infrastructure services involves a whole process from planning through to implementation and maintenance. In a centralised system, the responsibility for each of the stages in the process is clearly defined. In a decentralised system, there has to be the same clear definition of responsibilities within local government institutions for each of the key activities in the delivery process. If this is not the case, service delivery may be delayed and the beneficiaries receive less service.

3. Financial management and control systems

A major argument used against decentralising authority is that the devolved body may not be capable of effectively managing the finances. The argument is circular. It is argued that the local authority cannot handle the funds, however they will never develop the capacity if they are not given the opportunity to handle the funds.

This is a major challenge in the case of infrastructure services. Infrastructure developments involve large investments which demand the development of effective financial procedures at the local authority level. There is also the issue of the organisational arrangements and responsibilities. Effective cash flow arrangements require that funds which are sourced from central authorities need to arrive at local government well in advance before works and commitments in the form of contract awards are carried out. Finally, an effective accounting system is required and there needs to be a proper audit procedure.

4. Implementation capacity at local level

Lack of capacity is often cited as the reason for not decentralising. Equally, local authorities often underestimate what is involved in taking on this responsibility. This in turn means that they have to have the capacity to be able to respond. At first, the staff may not have the capacity to deal with the increased responsibility. In addition there may not be sufficient staff at the local level to cope with the increased workload. Also, there may be a question of appropriate salary scales to equitably remunerate staff who have

to take on responsibilities. Although these are real issues of concern, they are not reasons for new decentralising but rather they key challenges when developing local implementation capacity.

5. Proactive, participatory planning systems

In a centralised system, the local authorities tend to provide shopping lists in the hope that some of the proposals are approved. When local authorities have this authority and the users have representation in local government there is both the opportunity and the obligation to ensure that infrastructure are selected according to local needs.

The opportunity to use the potential for local participation implies an understanding of the tools and procedures which will facilitate demand driven selection of infrastructure services. A lack of appreciation of participatory planning systems for the definition of infrastructure needs means that a major opportunity is lost for defining the actual demands of the population.

6. Procurement and contract administration procedures

In general, it has been shown that devolving the responsibility for infrastructure works to the private sector is more cost effective and sustainable. However, this does not mean that the local authority does not need increased capacity as such. Privatisation only implies that the specific responsibilities for the local authority change – they do not disappear.

It is often ignored that the privatisation of implementation requires a solid capacity in the local authority agencies to administer contracts. It is of little value having effective and efficient contractors if the administration of those contracts is inefficient, slow and/or unduly bureaucratic – or simply not prepared or authorised to carry out this task.

7. Effective maintenance procedures

The importance of maintenance cannot be over-stated. It is a major issue with technical, financial and institutional implications. Problems arise because maintenance funds are not clearly identified as part of the local authority budget. Moreover, there is often no clear definition of responsibilities at each level of government of what is required. This means that issues such as the identification of the work to be done, the definition of who is responsible for the works, the specification of the budgets required and identification of the sources of funding is neglected.

8. The role of local political bodies

When authority is given to local authorities there is the potential for greater interference from local politicians in the way that the funds are spent. This is all the more prevalent where the planning and budgeting capacity is weak.



Where the systems are weak, where the government officials responsible for infrastructure delivery are unused to exercising their technical skills and responsibilities and where local participation is unstructured and limited, politicians find it easy to direct the flow of investments.

The net result of all these constraints for the target institutions is that they are given greater responsibility with limited resources in an ill defined framework without the benefit of effective tools and procedures to carry out their responsibilities.

For the end users, these constraints can result in even less efficient delivery of the services they require. Their chances of using the potential for alleviating their poor status are actually diminished rather being enhanced.

There has until now been no concerted effort to provide a coherent framework for the delivery of rural infrastructure services. Infrastructure provides a major opportunity to facilitate and sustain pro poor development. In addition the level of investments in infrastructure is often ignored or not seen as an opportunity for improving rural livelihoods.

The work carried out by the ILO ASIST AP in capacity building for improved infrastructure service delivery clearly shows that the potential exists for local resource based approaches to infrastructure development which both responds to the actual needs of the rural population and can be effectively administered by local officials.

In government, particular attention needs to be given to the institutions tasked with the responsibility for delivering rural infrastructure services in a decentralised system. Whilst the key targets will be the local government planners and engineers as they will be directly responsible for the delivery of services, central agencies also have a role to play in defining national strategies and procedures for infrastructure provision.

At the national level the targets will be those responsible for setting standards for planning, for design and for maintenance and those responsible for ensuring the flow of financial resources to the local governments.

The ultimate beneficiaries will be the rural population who will be able to participate in the type, location and manner of implementation of the infrastructure services. They will also benefit both from the increased efficiency of the provision and better targeting of the services they require, and the opportunities that it will provide for improved access to employment, transport, health services, education, irrigation and markets permitting them the opportunity to raise their standard of living.

The provision of infrastructure services to the rural population, when properly institutionalised and embedded, is an effective means to improve the access of the population to income and to economic and social services. But more importantly, in a decentralised context, use can be made of resources that rural communities have – physical, capital, institutional, technical - and when coupled with a process that creates local ownership, have a positive impact on the livelihood of the rural population. The final outcome is that the allocation of resources will reflect real needs,

participation increases, employment is created, the local economy will be stimulated, foreign exchanges is saved, and through local ownership these benefits are be sustained. This however very much relies on the effective institutionalisation of local resource based delivery mechanisms.

ILO ASIST AP
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Papers on Decentralisation in Practice

DECENTRALISATION: THE CASE OF THE PHILIPPINES

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I. LOCAL GOVERNMENT STRUCTURE

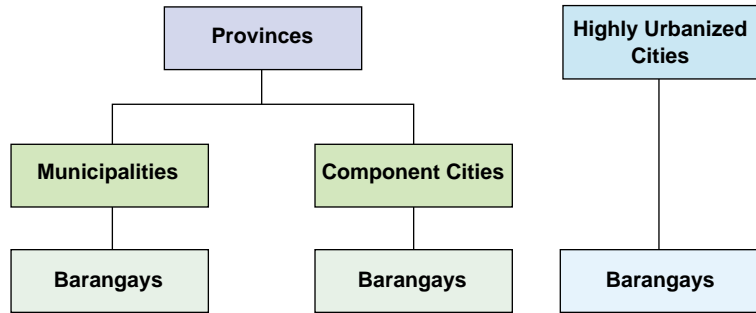
The Philippines has a unitary form of government with a multi-tiered structure. It is a presidential system with a bicameral legislature composed of the Upper House or the Senate with 24 members, and the Lower House or the House of Representatives with about 240 members.

At the top is the central government operating through some 20 departments (Ministries)/agencies. Administratively, the country is divided into 16 administrative regions and most departments maintain regional offices. There are autonomous regions including the Cordillera Autonomous Region (CAR) and the Autonomous Region of Muslim Mindanao (ARMM). It is emphasized, however, that the regions (with the exception of CAR and ARMM) are just administrative sub-divisions and not regional governments with elected officials.

The region is the unit of planning and coordination and, with the exception of Metro Manila or the National Capital Region, does not perform service provision functions. Each region has Regional Development Council (RDC) composed of (a) all provincial governors and chartered city mayors, (b) mayors of municipalities which are provincial capitals or regional centers, (c) the Regional Directors of the national government departments on the NEDA Board, and (d) representatives of the Private sector non-governmental organizations. The RDC's role is to (a) review and approve regional development plans and multi-year and annual regional investment programs, (b) endorse regional budget proposals of national government agencies in their region, (c) endorse specific project proposals including those requiring foreign financing, and (d) assess implementation of regional development plans. A special case is Metro Manila where a separate agency was created to integrate investment planning and provide certain services such as traffic management and garbage collection which could be better operated at a metropolitan level. The Metro Manila Development Authority (MMDA) was established to oversee and coordinate the activities of all its cities and municipalities.

The provinces, cities, municipalities and barangays constitute local government in the Philippines. Provinces comprise the first layer. In turn the provinces are divided into municipalities and component cities, each of which are further subdivided into barangays, the smallest political unit. At the same time, highly urbanized cities exist at the same levels as the provinces, i.e., they share the same functions and authorities.

Figure 1: Philippine Local Government Units



At present, there are 80 provinces, 90 cities, 1525 municipalities and some 45,000 barangays.* The barangay is typically composed of at least 2,000 people. On the other hand, municipalities may vary in size from 25,000 to 400,000 in population, cities from 150,000 to over 2,000,000 and provinces from 250,000 to over 2,500,000 in population. Each level of local government unit (LGU) is headed by an elected chief executive (governor, city or municipal mayor, barangay captain) and has a local executive body or Sanggunian which includes the elected vice governor, vice mayor and council members. All elected officials have a three-year term of office and are subject to a three-term limit. To a large extent, each level of government is autonomous although the higher level of government (e.g., province) exercises some degree of supervision over lower level governments (e.g., municipalities and component cities) in terms of budgeting and legislation.

II. LOCAL GOVERNMENT CODE OF 1991

The centerpiece of the Philippine Government's decentralization program is the revised Local Government Code enacted in 1991 (1991 LGC). The 1991 LGC consolidated all existing legislation on local government affairs, providing the legal framework for the Philippine decentralization program. The 1991 LGC includes far-reaching provisions affecting the assignment of functions across different levels of government, the revenue sharing between the central and the local governments, the resource generation/utilization authorities of LGUs, and the participation of civil society in various aspects of local governance. In sum, these provisions are aimed at providing the framework in support of increased local autonomy.

The 1991 LGC mandates the devolution of many functions previously discharged by central government agencies to LGUs. The Code ordains the transfer from central government agencies to LGUs the principal responsibility for the delivery of basic services and the operation of facilities in the areas of: agriculture and fisheries, health and social services, repair and maintenance of infrastructure facilities, water supply and communal

* These numbers change over time as new local government units are created.

irrigation, and land use planning. The devolution is substantial not only in terms of the sheer number of functions that were shifted but more so in terms of number of personnel transferred and the corresponding reductions implied in the budgets of affected central government agencies. The central government agencies that were most heavily affected by devolution were the Department of Agriculture (DA), Department of Health (DOH) and the Department of Social Welfare and Development (DSWD).

Under the 1991 LGC, LGUs receive a fixed share of government tax revenues (called the Internal Revenue Allotment or IRA) according to a formula fixed by law based on population, land area, and equal sharing. The 1991 LGC sets the aggregate IRA of LGUs at 40 percent of internal revenue tax collections compared with the share of LGUs in national taxes at 20 percent of internal revenue taxes at the maximum prior to the Code. The IRA amounts are “untied” except for the requirement that LGUs spend 20 percent of the amount on development purposes.

Provinces absorbed 45.6 percent of the total cost of devolved functions, municipalities 47.4 percent, cities 7.0 percent and barangays 0 percent. Comparing these with the mandated share of LGUs in the IRA (provinces 23 percent, cities 23 percent, municipalities 34 percent and barangays 20 percent) shows a clear mismatch in the resources transferred and the expenditure responsibilities devolved to the different levels of local government. An imbalance also exists across LGUs within each level. Cognizant of the problem, the national government sees the need to take steps to possibly improve the IRA distribution formula so that the expenditure needs of the various levels of local government and the different LGUs within each level are taken into account.

Government realizes the danger that the fiscal imbalances could lead to a deterioration of services, reduced local resource mobilization, and increased disparities between urban and rural areas and between richer and poorer regions. Except for those in the fast developing areas where economic growth would increase local revenues, the provinces and municipalities would be hard pressed to finance the devolved expenditures, resulting in possible cutbacks in the level of services and investments. On the other hand, the cities would be in a better position to raise more local revenues because they have a stronger economic and tax base. However, they may lose their incentive to do so since they will be receiving a net increase in funds from the central government.

In refining its decentralization/devolution program, the government is differentiating between those local governments with greater financial and administrative capacity and those without. The cities, provinces and municipalities in the fast developing areas with stronger economic and tax bases could benefit from greater taxing powers, fewer controls on expenditures, and less central government support. They could be provided less by way of grants but encouraged to utilize loan funds at market rates for some of their capital investments. The financially weaker local governments would continue to rely on central government grants and assistance. Since significant differences exist between local governments in both financial and technical capacities, a more disaggregated analysis would need to be undertaken before specific remedies could be formulated.

III. THE ROAD SECTOR

The Philippine road network is composed of about 28,000 kilometers of national roads and roughly 172,000 kilometers of local roads.

National roads are not decentralized and are being handled by a national government agency, the Department of Public Works and Highways (DPWH). Anything not under the national roads system are decentralized and all called local roads, i.e., provincial roads under the Provincial Governments, city roads under the City Governments, and municipal roads and barangay or farm-to-market roads under the Municipal Governments and Barangays.

While the delineation of role/responsibilities in the road development is clear, National Government cognizant of the fact that not all LGUs have the financial and technical capacities to undertake local road development, still builds local roads. National Government Agencies (NGAs) implement road projects as essential complements of broader programs aimed at improving irrigation, agriculture, forestry, environment and poverty alleviation with such programs oftentimes including components to enhance/strengthen LGU capabilities. These programs are treated as national government initiatives wherein LGUs are required to buy in and put up local counterpart funds inasmuch as they are the direct beneficiaries of such programs/projects.

With NGAs other than those mandated to oversee road development operating under their own and respective sets of policies and rules which in some important aspects differ significantly (i.e., NG/LGU financing mix, method of procurement), some confusion arises especially among LGUs and projecting in many ways an image of non-coherent action by the National Government. Other related problems is the tendency of most LGUs to use force account in the implementation of road projects for which they have purchased substantial road works equipment, contrary to National Government policy for contracting out all works. LGUs also tend to direct available funds for roads on new construction, as their counterpart share, rather than for maintenance of existing roads.

While the above may in some way be reflective of a weak management framework, this should be positively taken as NG's recognition of the fact that most LHUs do not have the capability to undertake local roads development but which should not deter NG from pursuing broader development programs. As enunciated under the current Medium-Term Philippine Development Plan (2001 – 2004 MTPDP), the policies and strategies for the Road Transportation sub-sector includes among others that consistent with the provisions of the Agriculture and Fisheries Modernization Act or AFMA (RA 8435) an overall road framework plan shall be drawn up for each region particularly for the identified Strategic Agriculture and Fisheries Development Zones. The MTPDP provides that aside from the LGUs, the Department of Agriculture (DA) and the Department of Agrarian Reform (DAR) shall identify and fund the improvement or construction of local roads, particularly farm-to-market roads. Through the Local and Regional Development Councils, and with the active participation of the DA, local roads shall be planned and developed to complement national roads especially in improving access to



priority agricultural areas and urban/industrial centers and tourism areas.

The Department of the Interior and Local Government (DILG), the national government agency mandated to strengthen local government capability in the effective delivery of basic services to the citizenry, is currently undertaking with technical assistance from the Asian Development Bank (ADB) a study to formulate a Rural/ Local Roads Development Policy Framework. The primary objective of the Rural/Local Roads Development Policy Framework is to enable LGUs to effectively carry out their mandate to develop and manage their respective local road networks as stipulated in the Local Government Code of 1991. The framework shall cover provincial, municipal, city and barangay roads and focuses on the planning and programming, maintenance, financing, and institutional strengthening related to local/rural roads. It also includes development of long-term planning of the road network including programming of required maintenance and improvement works, selection and training of required staff, and assessment and implementation of works by contract.

Meanwhile, in line with the national government policy to support the financing of devolved functions with social and environmental benefits, the Department of Finance (DOF) has adopted a set of guiding principles and cost-sharing formula in the National Government financing of farm-to-market roads, rural roads or local roads and bridges. The formula retained the principle of channeling more grants to low-income LGUs. The new cost-sharing schemes are as follows:

LGU Income Class	Municipalities and Provinces			Cities		
	Loan	Grant	Equity	Loan	Grant	Equity
1 st & 2 nd	50	30	20	80	0	20
3 rd & 4 th	45	40	15	80	0	20
5 th & 6 th	40	50	10	50	30	20

IV. THE WATER SUPPLY AND SEWERAGE SECTOR

The overriding principle pertinent to the provision of water supply (and sanitation) services is the empowerment of LGUs as envisioned in the 1991 LGC. In line with the policy of the State in this regard, corollary policy pronouncements were consequently enunciated such as the NEDA Board Resolution No. 4, Series of 1994 which mandated LGUs to be responsible for all levels of services and delineating the roles and responsibilities of national government agencies, e.g., the Metro Manila Water and Sewerage System (MWSS), Local Water Utilities Administration (LWUA)/Local Water Districts, DILG, DOH and DPWH. This was meant to, among others, address the multiplicity of agencies within the sector.

The unclear delineation of responsibilities of agencies within the sector prior to the 1991 LGC resulted in many cases of water supply schemes that are characterized by small, non-integrated facilities that have been planned and implemented in a piecemeal fashion whose ill effects continue to



pervade most rural areas where gaps in the availability of services exist. In many cases, either the service providers or the coverage areas are too small to render the service provision efficiently nor effectively. There is lack of accountability from these service providers, the fundamental requirement of which is the publication of plans and then, at the end of the plan period or at least annually, a report on performance is published.

Planning is hampered by the scarcity of reliable and accurate data that will give a total picture of the sector. According to the 1990 census on population and housing, Level III systems cover about 23 percent of the population with Level II accounting for 19 percent and about 58 percent of the country's population relying on Level I sources. It has been identified that true baseline figures for the coverage of water supply (and sanitation) are not available. At present, there are many estimates of coverage, which are difficult to reconcile. The National Statistics Office (NSO), the DILG, the DPWH, LWUA and the DOH are all involved in providing figures and in some cases use different definitions for coverage.

Evidence suggests that customer preferences are not being assessed at the inception stage of projects. In many cases, people turn their Level II water systems into Level III by connecting their house faucets to the standpipe using plastic or rubber hoses. This practice is creating supply problems in the extremities of the systems. It has also been identified that those communities served by a Level I system would have preferred a Level III system but because of availability of subsidy for Level I, they opted for this level of service to avail of the subsidy.

While development financing for the water supply sector come from a combination of government subsidies (equity and grants), internal cash generation of government entities, foreign grants, and loan assistance and local government contributions, the inability of the majority of the LGUs to raise sufficient finance for system development and improvement relative to their targeted coverage and to operate, maintain and improve services from internally generated funds or the market remain a problem in the sector. Furthermore, the willingness to pay for services by customers has often been shrouded by the wrong notion that this service should be provided free of charge by government.

Although the government has a clear agenda for private sector participation (PSP) and there are explicit guidelines and procedures to facilitate participation, there should be more schemes at the implementation stage in the water supply (and sanitation) sector. Projects proposed by the private sector have experienced considerable delay between the development of the concept and the implementation stage. The lack of (a) established framework to allow LGUs to decide upon the most appropriate form of PSP, (b) LGU institutional capacity, and (c) effective and credible regulatory environment contribute to lack of success in PSP in the sector.

Non-revenue water (NRW) is another major issue confronting the sector, which impacts negatively on the cash flow of service providers and on the availability of water sources. High levels of NRW are a waste of scarce water resources and scarce funds of LGUs or WDs, and influence revenue and operating viability because this scenario advances the need for developing

new water sources. There is currently no concerted effort by the NG to use comprehensive strategies to reduce water wastage. Existing programs on NRW reduction are mostly driven by the individual needs of the water systems rather than national concern.

Other issues/problems besetting the sector and recommendations:

- (1) **Planning and Data Collection.** The need to strengthen coordinated planning and data collection remains a priority area to be urgently addressed. While there is currently a lot of effort to put in place and operationalize the National Water Information Network (NWIN), agencies commitment to ensuring its sustainability, if not fully ascertained, will once again put this effort to waste.
- (2) **Comprehensive Regulation and Enforcement.** One of the main factors identified causing the lack of private sector interest in water supply (and sanitation), aside from low tariffs, is the absence of an independent regulatory body to set and adjust tariffs. Economic regulation is best when it provides incentives to suppliers to improve efficiency while ensuring the passing on of benefits to the consumers. The function of enforcing the laws, rules and regulations related to the water (and sanitation) sector cannot be achieved effectively by national government agencies. These, together with overlapping functions, form the need for a comprehensive regulation and enforcement. In relation to this, the proposed creation of the National Water Regulatory Commission is deemed urgent.
- (3) **Intensifying Community Participation.** Community participation is conceived along the lines of establishing better collaboration and cooperation between the government and the community through the awareness, organization and mobilization of government and community resources. Experience has shown that there is a high correlation between the sustainability of projects and high levels of community participation. Decisions should be taken at the lowest appropriate levels and should include women who play a central part in providing, managing and safeguarding water. Community members and stakeholders participate in identifying needs and demands for water system or improvements thereon. After which resources will be assessed and program strategies will be set out such as task, operation and specific activities. Consultation with the community is also important in delineating and clarifying the roles of operators, regulators and other stakeholders so that accountability will be established.
- (4) **Implementation of a Demand-Responsive Approach to the Provision of Water Supply Services including Capacity Building.** Experience has shown that there is strong correlation between demand-responsive approaches and project sustainability. Demand-responsive approach involves giving the community informed choices on the various types and levels of services and costs. Although most project assistance includes a capacity-building component, the training provided appears to be adequate for immediate needs only, which may not be appropriate in the longer term. Capacity building activities need to be developed in a more holistic manner to take into account the outcomes sought, options to achieve outcomes, competencies required, incentives required to achieve the changes required and organizational capacity to accept changes.
- (5) **Strengthening of LGUs.** In line with the principles of the LGC, LGUs shall take full responsibility for the delivery of water supply and sanitation services. However, LGUs do not have adequate business, investment and



financial plans which as a result, investments for LGU-run water supply systems are almost ad hoc and too expensive, and not financially viable. Extension of the assistance to the LGUs is necessary so that they may be able to assess their needs and be self-sufficient enough to develop plans to address these needs. Assistance to LGUs may include provision of manpower and additional facilities.

- (6) **Agglomeration of Water Utility Service Providers.** The amalgamation of small service providers into bigger units will result to the improvement of scale efficiencies, cost sharing and cost recovery arrangements. With large operators, roles and responsibilities would need to be defined more clearly and accountabilities to customers, boards, regulators and stakeholders are more likely to be met.
- (7) **Develop Guidelines, Systems and Procedures on Project Funding.** This will facilitate the provision of long and short-term finance for capital investment in water supply, sanitation and sewerage programs and projects that matches the demand for such facilities. This should include the formulation of financing windows for different economic/viability level of borrowers.
- (8) **Raw Water Pricing.** Raw water is not currently priced to reflect their real value leading to wasteful practices and allocations that are not in the best interest of the country. The basis for the recommendation is for water to be priced and allocated according to its economic value so as to attain efficiencies and sustainability in the development and allocation of water resources. The strategy to *implement a communication plan to lessen anticipated public resistance to additional cost of raw water* will be an essential component of this strategy.

Efforts/Actions Taken by the Government:

- (1) **Enactment of Executive Order No. 123, Reconstituting the National Water Resources Board (NWRB).** The membership of the Board was reconstituted to exclude those with direct claims on water resources. The NWRB shall initiate review of the Implementing Rules and Regulations of the Water Code of the Philippines and shall amend the same as may be necessary. The NWRB shall likewise formulate a new/revised organization structure for its Secretariat to effectively and efficiently carry out its mandate. Upon approval of the President of the new/revised organizational structure, the NWRB shall be transferred from the Office of the President (OP) to the Department of Environment and Natural Resources (DENR).
- (2) **Revision of the NG-LGU Cost Sharing Scheme.** The National Government provides subsidy (labeled as grant in the table below) to the LGUs for social and environment related projects such as Level I and II water supply projects. The new cost-sharing schemes are as follows:

LGU Income Class	Municipalities and Provinces			Cities		
	Loan	Grant	Equity	Loan	Grant	Equity
1 st & 2 nd	50	30	20	80	0	20
3 rd & 4 th	45	40	15	80	0	20
5 th & 6 th	40	50	10	50	30	20

- (3) **Reforms in the Financing Policies in the Water Supply Sector.** The Government is pushing for a reform in the financing policies in the water supply sector wherein focus needs to be placed on “Graduating” water service providers (WSPs) to a level of creditworthiness to enable them to access available financing from Government/Private Financial Institutions (GFIs/PFIs).
- (4) **National Water Forum.** A national water forum is proposed to be held towards the end of the current year aiming for the President’s issuance of key policy pronouncements and/or follow-through directives to concerned government agencies to address problems and promote reforms in the sector.

V. SOLID WASTE MANAGEMENT

The present solid waste management system in the Philippines evolves around Republic Act 9003 (RA 9003) otherwise known as the “Ecological Solid Waste Management Act” (ESWMA), which was enacted in January of year 2001. The paradigm of RA 9003 is “waste is a resource that can be recovered”, emphasizing recycling, re-use and composting as methods to minimize and eventually manage the waste problems. The agencies involved in the solid waste management in the Philippines include:

- (a) **National Solid Waste Management Commission (NSWMC)** which outlines policies and prepares national solid waste management (SWM) framework, oversees implementation of the ESWMA, approves SWM Plans of local governments and prepares national SWM Status Report.
- (b) **Department of Environment and Natural Resources (DENR).** Sets standards, criteria, and guidelines for all aspects of solid waste management. Chairs the National Solid Waste Commission.
- (c) **Local Government Units (LGUs).** Responsible for the preparation and implementation of local SWM plans together with stakeholders within their area. Principally responsible for proper waste management. LGUs refer to the provincial, city/municipal and barangay levels.
- (d) **Metropolitan Manila Development Authority (MMDA).** Coordinates collection, transport and disposal of solid waste in Metro Manila. Responsible for daily operations of its transfer stations, composting facilities and landfills.
- (e) **National Economic and Development Authority (NEDA).** Acts as the central planning agency, coordinating with other agencies, in the national plan formulation process. NEDA synthesizes and integrates all inputs to develop policy guidelines and a national plan, which conforms to the goals of the National Government. NEDA also serves as the Technical Secretariat (TS) of the Investment Coordinating Committee (ICC) of the NEDA Board. Among other things, the TS evaluates the overall feasibility (technical, financial, economic, environmental, social and institutional aspects) of government projects, including solid waste, proposed for Official Development Assistance (ODA) and private sector financing. The result of the TS’s evaluation/recommendations serves as the basis of the ICC and NEDA Board for approving/disapproving project proposals.

The Philippine Constitution (Article II Section 16) stipulates that “the state shall protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature.” From the first anti-dumping law in 1938 to the most recent ESWMA, every piece of enacted legislation has emphasized proper collection and safe disposal of household garbage and industrial and hospital wastes. However,

actions on the ground not kept pace with policy and legal pronouncements, and every effort should be made to ensure that the ESWMA succeeds where previous legislation failed.

As the World Bank reported in its Environmental Monitor of 2001, there are key challenges that the Philippines need to address to achieve the goals of the ESWMA. These includes (1) **Strengthening enforcement and providing better incentives** – The current law enforcement situation needs to be improved to make the ESWMA an effective piece of legislation. In addition, providing incentives would reduce waste generation sources and improve management of waste disposal facilities. (2) **Addressing the Not-In-My-Backyard (NIMBY) syndrome** – This has prevented the siting of solid waste management (SWM) facilities and could be addressed through better awareness and consultation, and the demonstration of safe landfill practices. (3) **Raising public awareness on the benefits of proper solid waste management** - Support and participation of the people in SWM programs will be key to the successful implementation of the SWM. (4) **Increasing expenditures on SWM** – A back-of-the-envelope analysis indicates that the Philippines will need to spend an additional PhP150 billion (US\$3 billion) over the next ten years for SWM. (5) **Mainstreaming the utilization of new funding sources and employing cost-effective approaches** – New funding sources such as national government cost sharing, private sector participation and user fees should be explored along with cost saving measures such as shared facilities and producing power using landfill gas. (6) **Obtaining reliable information for national, regional and local planning** – Without proper data, long-term planning decisions cannot be made. (7) **Ensuring proper management of closed dumps and sanitary landfills** – The environmental and health risks of closed dumps and landfills will need to be minimized. (8) **Protecting the vulnerable and the under-served** – This includes scavengers and poor communities. (9) **Expanding coverage of infectious medical and hazardous waste treatment** – Effective implementation of the law will require a concerted effort that focuses exclusively on the practicalities of establishing safe and effective disposal practices in the short and long term.

Future plans are mainly focused on the full compliance of the LGUs in the provisions of RA 9003, such as the following: Existing open dumpsites should be converted into controlled dumpsites until 2004 and replaced with sanitary landfills in a span of five years. A ten-year Local Government Solis Waste Management Plan should be developed. Material Recovery Facilities should be established in every barangay, or in a cluster of barangays. This facility will receive mixed waste for final sorting, segregation, recycling and composting. Eco-labeling is required to instruct users on the recyclable value of the product.

THE PRO-POOR DELIVERY OF RURAL INFRASTRUCTURE SERVICES: THE CHALLENGE OF DECENTRALIZATION

THE MADHYA PRADESH EXPERIENCE

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Introduction

It has been widely recognized that creation of essential infrastructure facilities contribute towards alleviation of poverty. Recognizing this position poverty alleviation programmes have inter alia focused on asset creation, particularly infrastructure development. Lack of infrastructure facilities in remote areas impact extremely adversely on the rural poor as they lack resources to reach out to distant places for medical aid, sale of agricultural produce, sourcing of inputs, etc.

Constitutional Amendment

Even though focus was laid on infrastructure development aimed at poverty alleviation, the manner of implementation of these programmes left a lot to be desired. Most of those programmes were implemented as departmental activities by Line Department functionaries with little or no participation of the people in planning, implementation and maintenance of the assets. In many States of the Union of India regular elections to the PRIs were not held. In many States elected bodies were superceded and administrators were appointed. In order to remedy this malady a constitutional amendment in the form of 73rd and 74th amendment was brought about mandating elections to the PRIs and urban local bodies every 5 years. Further, affirmative provisions were also incorporated ensuring representation to women and disadvantaged sections of the society in these PR bodies.

Consequent to the 73rd and 74th amendment of the Constitution of India, Madhya Pradesh was the first State to go in for elections to the PR bodies in the new framework and format. After completing the 5 year tenure of these bodies the second round of elections have also been held and the elected PR bodies are midway through their second tenure. The State of Madhya Pradesh has 45 districts and thus it has 45 District Panchayats. It has 313 intermediate Panchayats called Janpad Panchayats and 22029 Village Panchayats.

Major Infrastructure Initiatives

Lack of rural connectivity has been one of the major impediments to economic and social development in the State. Roads having all weather connectivity is a must for all round development. Recognizing this need a programme called Prime Minister's Rural Road Programme was launched in the year 2000-01. the programme aimed at connecting the unconnected villages and prioritized the selection of villages on the population criteria.

A wide range of infrastructure facilities are needed in rural areas to promote economic and human development: those include school buildings, community centres, libraries, health centres, etc. Resource support for the poor for construction of housing has also been found a basic need. At the National level Sampoorna Gramin Rozgar Yojna (SGRY) has been launched with a twin objective of employment generation and asset creation. Similarly, a rural housing scheme has also been launched nation wide to provide housing support to the poor.

Since most of the rural poor are dependent on agriculture improvement of land and water management assumes great significance. At the national level programmes have been launched aimed at wasteland development and drought prone area programmes to improve the moisture retention of the soil through various water and land management interventions.

The details of the above infrastructure initiatives, the manner of its implementation with the involvement of the people and the challenges are discussed in the following paragraphs:-

Rural Connectivity

Madhya Pradesh is the second largest state in the country having an area of 337,871 sq. km where the state of rural road connectivity is rather poor. In the State, more than 80,000 kms of rural roads needs to be constructed for providing all weather connectivity to 28,392 villages. Three-fourth of such construction will be new and the rest one-fourth will be upgradation roads. Recently, GOI launched a national program called "*Prime Minister's Rural Road Program*" aiming at all-weather road access to all habitations with a population of 1,000 and above by the year 2003, and those with a population above 500 by the year 2007. PMGSY has been a great boon to this State. In Madhya Pradesh, the rural development department is currently implementing nearly US \$ 400 million worth of projects providing rural connectivity.

Participation of Panchayati Raj Institutions starts right from the planning process. A Master plan sequencing the priority in which the road works are to be taken up is prepared at the block level where representatives from the Village Panchayats chalk out the order of priority for phasing of the road-works in their block. The block road plans approved by the intermediate panchayat is forwarded to the District Panchayat for consideration and synchronising it with the final district rural roads plan. Thus, decentralisation at the grassroots level enables the beneficiaries to decide for themselves not only the order of sequencing, but also provides them the opportunity to





choose the alignment of roads passing through their villages based on local considerations.

Recognizing the need to seek participation of the people, the responsibility for maintaining the roads along with the funds have been transferred to the Panchayati Raj Institutions at the district level. Each district would receive funds proportionate to the constructed road length. Decentralization will, in the longer term, help the local institutions to gauge the need, scope and timing of the repairs and maintenance. Besides, the District Panchayats can exercise direct control over the supervision of the maintenance contracts awarded by them. Handing over the asset maintenance to the beneficiaries will also help develop greater stake. There have been many cases when individuals have voluntarily donated their land falling on the roadway.

For the maintenance of rural roads, the State Government has taken a policy decision to fund the maintenance from the mandi cess, levied on the produce brought to the agricultural markets. Therefore, the contribution for the maintenance of roads is channelled from the villagers themselves. However, the generation of resources would be inadequate to actual requirement. And hence, voluntary contribution of labour by the villagers will help serve the twin objective of obtaining participation at the individual level and secondly, in reducing the requirement of cash resource for the maintenance activity.

While participation of the beneficiaries in the maintenance has been envisaged, it is a challenge to ensure compliance, as the connectivity facility cannot be denied to those who are not contributing for maintenance.

Decentralised delivery of infrastructure

A rural employment scheme primarily aimed at providing employment opportunities and creation of assets and infrastructure in the rural areas is under implementation in the entire country under the name Sampoorna Gramin Rozgar Yojna (SGRY). 75% of the funds under the scheme come from the Government of India and the balance from the State Government. Approximately 110 million US \$ equivalent of resources are made available to the 3 tier Panchayati Raj Institutions (PRI) for implementation of this programme. While 50% of the resources are directly transferred to the Village Panchayats, 30% is provided to the Janpad Panchayats and the balance 20% to the District Panchayats. The resources could be utilized for a wide variety of activities such as construction/upgradation of primary school buildings, community halls, Panchayat offices, health centres, pre-schools, internal roads of the village, street lighting, creation of water bodies and water harvesting structures, afforestation, infrastructure for sanitation and so on.

The respective PRIs have full authority in deciding on the type of work keeping in view the overall requirement and consensus. While in the initial phases of the implementation of the programme many of the Village Panchayats opted for improvement of internal roads of the village, construction of community halls, etc., recently there has been a shift in emphasis to creation of water bodies and construction of water harvesting structures.

The State has recently taken initiative to promote afforestation of degraded community forest land through special projects. Under this programme the poorest of the poor are identified and each such family is persuaded to undertake plantation activities in 2 hectares of degraded community land with rights to enjoy the usufructs. 20% of the usufructs accrue to the village community (Gram Sabha) while 80% of usufructs are with the Below Poverty Line (BPL) family in whose favour the area has been allotted. The entire requirement of funds both for plantation and maintenance for the initial 5 years is provided under the scheme and is transferred to the participating poor families for undertaking the work.

In the construction of building, roads, etc. under the scheme contractors have been kept out, if the project cost is less than Rs.500 thousand. It has been observed that the Village Panchayats through construction committees are able to get such works executed as they are comparatively small. Out of the annual allocation under SGRY a certain percentage (15%) is earmarked for maintenance of the assets created in the previous years and the same is passed to the Village Panchayats for undertaking such maintenance works.

Feedback was received from the Gram Panchayats (GPs) of bottlenecks in getting the technical approvals for undertaking construction of buildings, etc. from the Sub-Engineers of the Rural Engineering Services. Recognizing the problem, recently, the Government has broad banded the framework for sourcing of technical expertise. Now the GPs are at liberty to use any qualified Engineer either from Government or the private sector for technical approvals and evaluation.

Financial audit of the funds for execution of works under SGRY often lead to operational problems in the past. Hence, the concept of social audit of infrastructure works by the Gram Panchayat was introduced 5 years back, in the State. Now, the Gram Panchayat office bearers are required to present detailed account of the funds received and its utilization on the various elements of the work in front of the entire village community i.e. Gram Sabha, in which all adult residents of the village are members. Thus, a series of initiatives were undertaken to facilitate efficient functioning of the decentralized implementation of infrastructure development aimed at alleviation of poverty and empowerment of the community in the State of Madhya Pradesh.

Rural housing

Through a house to house survey, the need for improvement of housing of the poor has been assessed in the State of Madhya Pradesh. The rural housing scheme for providing financial support to families which are in need of housing is under implementation in the entire country and the needed resources are provided by the Government of India and the State Government in the ratio of 75:25.

Selection of beneficiary is extremely crucial in this programme. Earlier the selection of beneficiary was done by the President of the Gram Panchayat in consultation with the other elected members. However, the same was not found very satisfactory, therefore, two years back the selection





procedure was changed and now the Gram Sabha (all adult members of the village) select the beneficiaries under the scheme. The endeavor is to select the most needy, for priority allocation of resources. While doing so priority is given to widows and households headed by women. Special attention is also given to families belonging to deprived section of the society who have been identified as scheduled caste and scheduled tribe in the schedule attached to the Constitution of India.

In the early phase of the programme, a cluster approach was preferred as it was felt that the same would enable easy arrangement for drinking water, sanitation, providing of approach roads, etc. However, in practice it was found to be unacceptable as the families who were selected for assistance did not favour relocating themselves from their existing habitats. Therefore, presently the emphasis is on in-situ construction of the house. The resource support under the scheme is made available to the selected beneficiary and he or she undertakes construction of the dwelling unit using local materials. This has also enabled easy maintenance in subsequent years.

While the sanction of the house is in the name of women in women led households it has been made mandatory that the allotment would be in the joint name of the husband and the wife in other households, thereby assuring security to women under the scheme.

Watershed Management

Background:

Watershed development in MP dates back to the 1950s. MP was one of the states chosen immediately after Independence for centrally sponsored programmes for the River Valley Project (RVP) and ravine reclamation. Later, programmes such as the Drought Prone Area Programme (DPAP), Integrated Watershed Development Programme (IWDP) and National Watershed Development Project for Rain-fed Areas (NWDPA) were also initiated in the state. Till the 1990s, these programmes were taken up as departmental works with limited community participation. Given the earlier focus on water and land treatment and degraded ravine lands, programme activities were typically concentrated at constructing structures to arrest soil and water erosion, water harvesting and reducing biotic pressure to enhance land productivity. Peoples' stake and their involvement in planning and management of watershed development activities were not focus of the process and it was only after the watershed programme implementation guidelines of 1994 that change was evidenced.

It was during this period that the amorphous programmes of the past were combined under one umbrella in Madhya Pradesh (M.P) and sought to be implemented in mission mode through the Rajiv Gandhi Mission for Watershed Management (RGMWM). The RGMWM was one of the seven missions started by the state on August 20, 1994. These missions represented an attempt to address an agenda of basic needs centring around rural livelihood, education and health through people-oriented approaches. The unprecedented devolution of powers to Panchayats was intended to complement the mission agenda. The mission mode of operation was selected for it entailed clarity of strategies and objectives, action within a definite time-frame, fast-track procedures, committed teams, inter-sectoral

effort, collective action, close monitoring and transparent evaluation.

The RGMWM attempts to analyse endowments and constraints of an environmentally balanced, equitable and sustainable growth path for a region and seeks to address the constraints thus identified through the following:

- a. environmental regeneration and improvement of environmental resource base as a source of labour intensive growth, while augmenting productive capacities, increasing resource use efficiency and correcting regional and rural-urban imbalances
- b. provision of livelihood security to resource poor households through just and sustainable access to basic needs such as food, fodder, fuel and water
- c. location-specific interventions, given the diverse natural resource and socio-economic conditions across the state

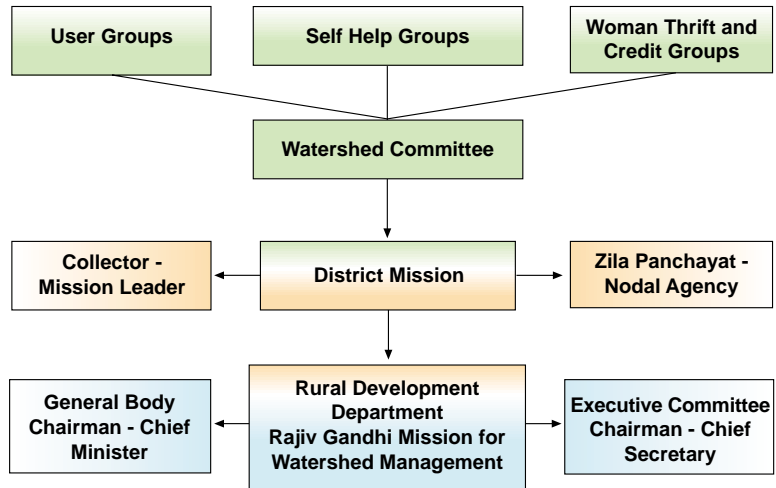
Further, the RGMWM seeks to consolidate all available financial resources and expertise to ensure focussed efforts. The Department of Rural Development, Government of Madhya Pradesh is the nodal department for implementation of RGMWM. Funds, available under programmes such as the DPAP, IWDP and the Employment Assurance Scheme (EAS) are pooled. An easily accessible repository of inter-disciplinary inputs drawn from line departments, NGOs, sectoral experts and research and academic institutions has been sought to be prepared to inform planning and implementation.

Most important, the RGMWM attempts to integrate concerns of poverty reduction and environmental regeneration through a strategy of participatory watershed management. It is premised on the understanding that livelihood crises in the state have resulted from a distortion in the relationship between people, their natural resource support base and government, and that environmental transformation cannot occur unless government programmes work through people and address their prime concerns. The RGMWM, therefore, adopts direct people's participation as a core element of its strategy.

The institutional arrangements and implementation mechanism adapted for RGMWM mark a reversal from the past and are sought to be geared to a participatory bottom-up approach in which communities exercise control over programme activities at each stage and government and non-government agencies play catalysing, facilitating and coordinating roles.

Institutional Arrangement:

The RGMWM is being implemented under following institutional arrangements:



Implementation Mechanism:

The milli-watershed is the planning unit for the RGMWM activities and is identified by the District Level Watershed Advisory Committee (DWAC). It extends over an area of 5,000-10,000 hectare and is further subdivided into micro-watersheds of about 500-1,000 hectare. At the level of the planning unit, programme activities are managed by a Project Implementation Agency (PIA) selected by the DWAC. The PIA is normally a government department or an NGO and is responsible for operationalising the programme at the level of the planning unit. The PIA Members facilitate and coordinate village-level activities. At the village level, the responsibility for planning and execution of programme activities is entrusted to Village Watershed Committees (VWCs).

Village-level activities undertaken under the programme are intended to check soil erosion, harvest surface water, conserve and augment ground-water potential and regenerate community/government lands with a view to addressing local concerns.

In the initial phase, when micro-watershed is selected for treatment, the PIA Member makes initial familiarisation visits to the village and shares programme objective and strategy with residents. This is aimed to assess and create an appropriate climate for programme interventions and stimulate discussion on village-level concerns. This is followed by Participatory Rural Appraisal (PRA) to assess natural resource and socio-economic conditions within the village, understand problems and identify vulnerable people. The PRA is intended to generate further discussions on problems and options for addressing the same, help in identification of affected persons and selection of activities to be undertaken from the menu of options.

The PRA is instrumental in identifying programme activities at the village level and individuals likely to be benefited from them. These individuals are organised in separate groups at this stage. Typically, three types of groups are identified: User Groups (UGs) of farmers whose private lands are to be treated and benefiting from water harvesting structures on common lands; Self Help Groups (SHGs) of landless and other groups for works on community lands and other income generation activities; and Women Thrift and Credit Groups (WTCGs) of women who wish to undertake savings, credit and income generation activities. Training inputs are also provided to prospective members to prepare them for future responsibilities.

Elected representatives from each of group, two to three Panchayat members and a PIA Member are to form the VWC. A third of the VWC Members have to be women. The VWC Members elect a President and may employ a Secretary and two volunteers for undertaking various functions.

The VWC is the key programme-specific institution at the village level and is registered with the DRDA. The VWC is responsible for the following:

- Preparation of Action Plans (APs)
- Sanction of APs through the Panchayat, GS and PIA
- Implementation of proposed activities through various groups
- Receive, expend and account for programme funds
- Own and manage programme assets on public lands
- Collect Development Fund (DF) contributions for future maintenance of programme assets
- Formulate benefit-sharing arrangements from programme activities
- Mobilise, promote and assist SHGs and WTCGs
- Access resources from non-programme sources
- Purchase, lease or rent any movable or immovable property for achieving its aims

After the formation of the village-level institutions, each of the groups is required to prepare action plan for their selected activity. The AP is envisaged as the consolidated form of the plans prepared by various groups and is to include a village map, secondary information, documentation of earlier activities and the key programme activities proposed and their costs. Most important, the AP is clearly required to detail the benefit-sharing arrangements agreed and undertakings relating to villagers' contributions to the Development Fund and arrangements for future maintenance of programme assets. Following the approval of the Gram Sabha, the APs are forwarded to the DWAC. Before granting its approval, the DWAC is to refer the document to the District Watershed Technical Committee (DWTC). It is only after the receipt of DWTC clearance that the DWAC grants its approval. Village-level activities are initiated only after DWAC clearance is received.

The programme guidelines stipulate a norm of about Rs. 6,000 per hectare. About 85 percent of this amount is released to VWCs for implementation of watershed development activities. The remaining amount is earmarked for community mobilisation, training and administrative expenses incurred by DWACs, DWTCs and PIAs. The amount transferred to the VWC is





deposited in a Project Account maintained by the VWC. Demand for SHG activities is made only for activities agreed in the AP and are to be approved by the DWAC. Villagers are required to make contributions to the programme activities executed in the village. Works are not to be initiated unless a certain minimum contribution, either in the form of cash, labour or material, is made by the residents. The local contribution is to be deposited into the Development Fund Account (DF) dedicated for future maintenance of programme assets.

The VWC owns all movable and immovable assets created through programme finances and is required to assume responsibilities for their maintenance, except for assets created on private lands. As a first step, the VWC is to prepare a list of various structures and their maintenance requirements and costs and present the same to the GS for approval. The costs for the same are to be met from interest received from the amount in the DF.

The RGMWM guidelines lay considerable emphasis on equitable benefit-sharing arrangements. These benefits can be from community work on community lands (including water resources, fuel, fodder and forest produce) and community work on private lands. The benefit-sharing arrangements for the former are to be recommended by the VWC and agreed by the GS. The PIA Member, Panchayat and other elected representatives can offer suggestions in case proposed benefit-sharing arrangements are perceived to be inequitable but final approval authority remains with the GS. For benefits accruing from community work on private lands, the arrangements are to be agreed between the land owner, service providers and the VWC and approved by the GS.

Overview of Progress

The RGWM is currently operational in all districts of MP. An area of about 3.65 m.ha, spread over nearly 7978 villages in 5695 micro-watersheds had been selected for treatment. Of the area earmarked for treatment, about 2.2 m.ha. had already been fully treated and programme activities are in various stages of completion in the remaining area. At the village level, about 55,823 UGs, 15,707 SHGs and 8336 WTCGs had been formed. Impacts of RGMWM have been assessed through various evaluation studies and are listed below:

- Increase in Khariff Area: 23.2% of pre project Khariff area
- Increase in Rabi Area: 30.6 % of pre-project Rabi area
- Increase in area under Summer crop: 133.7% of pre-project area
- Increase in irrigated area under Kharif crop: 31.5 % of pre project irrigated area
- Increase in irrigated area under Rabi crop : 47.9 % of pre project irrigated area
- Increase in irrigated area under Summer crop: 107.8% of pre project irrigated area
- Increase in Kharif production: 43.81 % of pre-project period
- Increase in Rabi production: 49.33 % of pre-project period
- Increase in Summer production: 36.90 % of pre-project period
- Increase in Double Cropped Area: 37.21 % of pre-project period

- Increase in area under Fodder production: 121.09% of pre-project period
- Increase in area under Plantation: 82.65 % of pre-project period
- Increase in area under Fuel wood plantation: 58.02 % of pre-project period
- Decrease in Wastelands: 45.86 % of pre-project period
- No. of villages where Groundwater levels have increased : 5634 villages
- 39.86 % Decrease in dugwells getting dry in summer
- 40.61 % Decrease in tube wells getting dry in summer
- 66.08 % Increase in No. of dugwells with round the year water availability
- 64.39 % Increase in No. of tubewells with round the year water availability
- Assistance to SHGs: Rs. 747 lakh
- Income generated by SHGs: Rs. 240 lakh
- Savings by Women Thrift & Credit Groups: Rs. 324 lakh

Participatory Irrigation Management and Maintenance

A welcome change has been brought about in the State in the management of irrigation structure, water courses, its maintenance and distribution of water for irrigation purpose. In the past the line department functionaries used to maintain the head works, canals and water courses and also regulate the distribution of water to the individual beneficiaries. This resulted in serious inadequacies as complaints from tail enders were common feature about non-receipt of water as powerful cultivators at the higher reach took away the water preventing the flow in the water course leading to the tail end. Further, the maintenance of canals and head works were also not satisfactory as excessive seepage was often found in the canals.

At present a participatory irrigation management and maintenance and distribution practice is being followed in Madhya Pradesh. For this purpose at the project level a Project Committee (PCs), at the lower level a District Committee (DCs), and water users association have been formed for each project. Financial support at the rate of Rs.50 per hectare has been made available out of which Rs.30 is given to the water users association and the rest to the PCs and DCs. As of now, 1.495 million hectares of area has been brought under participatory management. Presently, there are 79 project committees, 150 district committees and 1470 water users associations comprising of 10282 members. The programme has now covered 11068 villages benefiting 11.75 lakh cultivators. The new approach has led to improved maintenance of head works, canals and water courses. With improved and participatory management structure the tail enders are now able to get water. The recovery of irrigation cess has also improved, tremendously. On the whole the involvement of the stakeholders in maintenance and distribution has impacted, positively.



Summing up

A wide variety of infrastructure services have been provided in the State and increasingly attempts have been made to involve the stakeholders in the planning, actual implementation and maintenance of the assets



created. While involvement of the people in the planning and implementation of different programmes have uniformly been a success, the same could not be said as far as maintenance management is concerned. The maintenance management in a participatory mode has been a success in those infrastructure activities where benefits directly accrue to an identified group, like irrigation. Participatory maintenance of roads is in the initial stage of its endeavor. However, it is a difficult area as those who do not contribute to the maintenance of roads cannot be excluded from its use.

Inspite of the varying efficacy of the participatory approach in different types of infrastructure delivery, there is no doubt that the participatory approach ensures better quality of work and delivery of services as local people realize their stake in the activity.

Papers on Planning, Budgeting and Finance

PRESENTATION PLANNING, BUDGETING AND FINANCE

*By Ngy Chanphal, MBA
Under Secretary of State
Ministry of Rural Development
Royal Government of Cambodia*

**Forum on the Pro-Poor Delivery of Rural Infrastructure
Services: The Challenge of Decentralization**

Organized by the
International Labour Organization / ASIST-AP

Amari Boulevard Hotel, Bangkok
November 4-5, 2003

Presentation

Planning, Budgeting and Finance

By

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*Pro-Poor Forum: Delivery of Infrastructure Services:
The Challenge of Decentralization*

Session II - Presentation

**How Planning, Budgeting and
Finance for rural infrastructure
works is best organized and carried
out through local government?**

*Pro-Poor Forum Delivery of Infrastructure Services:
The Challenge of Decentralization*

Presentation

- Background and Reference
- National Poverty Reduction Strategy
- Importance of RTI
- Institutional Set Up
 - MWPT, MRD, SEILA
- Cambodian Experiences
- Planning, Budgeting and Finance
- Guiding Principle

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Reference

- Millennium Development Goals (MDG) for 2015
- Cambodia: Second Socio-Economic Development Plan (SEDP II) 2001-2005
- Cambodia: National Poverty Reduction Strategy (NPRS) 2003-2005
- Cambodia: Seifa Program Document 2001-2005 (STF December 2000)
- Cambodia: National Workshop on Formulation of the 2003 SEILA Program (STF 27-29 August 2002, Siemreap)
- ILO: *Improving Access in Rural Areas, Guidelines for Integrated Rural Accessibility Planning*, Chris Donnges, ASIST-AP, RIP No. 1, 2003
- ILO: *Building Local Government Capacity for Rural Infrastructure Works*, Geoff Edmonds and Bjorn Johannessen, ASIST-AP, RIP No. 2, 2003
- ILO: *Jobs or Machines, Comparative Analysis of Rural Road Work in Cambodia*, Paul Munters, ASIST-AP, RIP No. 4 2003



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Governance Action Plan (GAP)

- **GAP** outlines the RGC's Strategy and program of actions to further good governance as the backbone of sustainable development, social justice and poverty alleviation
- **GAP** is a rolling strategic framework that provides a consistent and transparent approach to coordinate efforts in eight priority reform areas: Legal and Judicial, Administration and De-concentration, Decentralization and Good Governance, Public Finance, Anti-corruption, Gender Equity, Demobilization and Armed Forces, and Natural Resources Management.

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POVERTY

Poverty can be defined not only as a low income or lack of opportunities and choices but also includes low education, poor health, low productivity, lack of safe water supply, vulnerability, gender & ethnic minority discrimination and so on.

The main causes of poverty are the lack of access to basic needs, namely education, health, foodstuffs, water supply, rural credit, shelter and other social services.

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NPRS 2003-2005

Priority Poverty Reduction Actions

- maintaining macroeconomic stability;
- **improving rural livelihoods;**
- **expanding job opportunities;**
- **improving capabilities;**
- **strengthening institutions and improving governance;**
- **reducing vulnerability and strengthening social inclusion;**
- **promoting gender equity; and**
- priority focus on population.

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RURAL DEVELOPMENT

- **Rural Development** is a strategy designed to improve the economic and social life of a specific group of people resident in the country's rural areas - the rural poor (the World Bank).
- **Rural Development** is integrated in objective and in strategy. Objectives vary from the broadest (multi-sectoral or area-based development) to the narrowest (target-group development). The strategy must integrate relevant and complementary activities.

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Decentralization in Cambodia

Policy and Strategy

- **To promote democracy, good governance and the quality of life**
- **To give ordinary people greater opportunities to determine their future; and**
- **To insure sustainable development, including the delivery of basic services.**

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Decentralization in Cambodia

- **Election of Commune Councils (1621 communes nationwide as part of the Administration Reform – February 2002**
- **Implementation of SEILA as a functional structure to support the decentralization and de-concentration to insure sustainable development, including the delivery of basic services.**

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Rural Transport Infrastructure (RTI)

Government Commitment

The RGC recognises that transport improvements are vital to social and economic development. One of the cornerstones of the government's medium-term strategy is promoting better transport services in rural areas through well-maintained roads and feeder roads. Inter-village road improvements bring many advantages to communities.

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Roads and Transport: Institutional set-up

The transport sector in Cambodia consists of Roads, Rail, Inland Waterway, Port and Shipping are mainly under the responsibility of Ministry of Public Works and Transport (MPWT) with Ministry of Rural Development (MRD) responsible for tertiary or rural roads and transport.

The road sub-sector in Cambodia consists of:

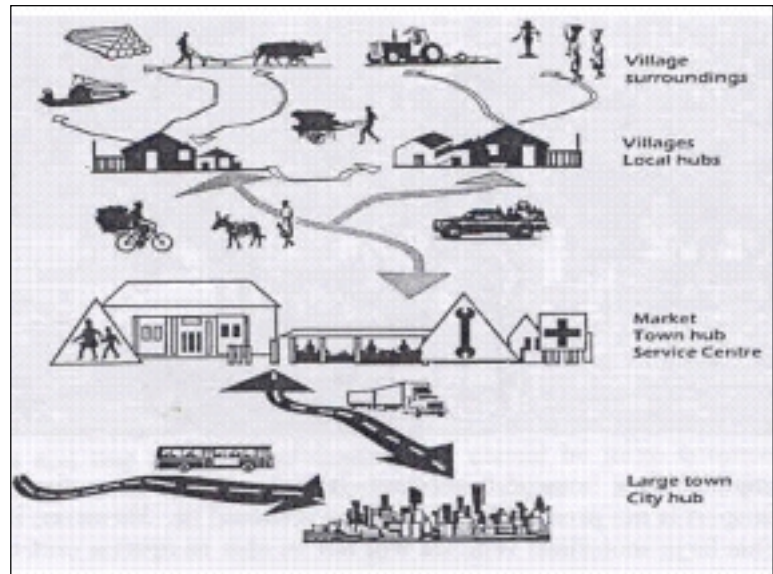
1. Primary roads
2. Secondary roads
3. Tertiary roads

The MPWT road rehabilitation strategy seeks to strengthen the linkage between the three broad economic zones or triangle into which the country is divided for transport planning process: Tourism zone, Industrial zone and Agro-industrial and eco-tourism zone.

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Rural Transport Strategy

The MRD's rural transport strategy aims to increase rural access by giving priority to cost-effective maintenance and rehabilitation of rural roads, and promoting the use of labour-based appropriate technology (LBAT) with the involvement of the local private sector (small and medium sized contractors) in the execution of the works.



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Ministry of Rural Development: Policy Objectives

"The Ministry of Rural Development is responsible for facilitating improvement of rural social and economic conditions"

Our Mission:

1. To improve accessibility
2. To create opportunity

The MRD's role is as an enabling institution. It seeks to improve access to rural infrastructure, particularly rural transportation and water supply, to improve access to rural finance and credit schemes, promote sustainable natural resource management and stimulate rural community development through realising the RGC's policies on governance, implemented through the decentralisation and de-concentration of government functions.

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Ministry of Rural Development

Accessibility Improvement

- **Improve Accessibility**
 - Access to rural infrastructure and transport
 - Access to rural water supply
 - Access to health care and sanitation
 - Access to rural credit
 - Access to skills
- **Create Opportunity**
 - To make the right choice
 - To participate in the decision making process
 - » **Planning**
 - » **Implementation**
 - » **Maintenance**
 - To get involve in all stages and benefits from development



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The Importance of Rural Infrastructure

(Refers to roads - transport and communication, water supply & sanitation services and rural energy)

A strong, well-functioning rural infrastructure:

- **improves basic health & hygiene**
- **reduces the vulnerability**
- **creates new economic opportunities**
- **creates new employment**
- **enhances democratic process and skills**

PARTNERSHIP FOR DEVELOPMENT



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Rural Transport Infrastructure (RTI)

Employment Creation

	Organisations/ Project				
	ADB/RIIP	KNUTRP	WFP	ILO	Total
Workless	283,952	239,087	4,352,493	117,848	4,993,380
Workdays	4,996,352	6,650,000	14,165,000	3,708,077	29,519,429

A workday payment is not less than one US dollar, although the WFP remunerates the labourers in kind, with food, the equivalent value is not less than one US dollar. Therefore almost US\$ 30M has been put back into the economy through the use of labour for building rural infrastructure.

This is a much needed injection of resources into a rural economy. In addition to simply alleviating poverty it gives the people living along the road (the labourers) more sense of ownership of the asset.

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Rural Transport Infrastructure (RTI)

The Cambodian Experience

- The **planning process** is one of the most important aspects and a **transport policy** is an essential for proper development of infrastructure.
- In addition a **sustainable maintenance procedure, standard technical specifications, choice of technology, capacity building and community awareness** are all very important considerations.
- Identification of the user, and development of the legal structure and policy for road use are vital for the long-term operation of any infrastructure.

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Rural Transport Infrastructure (RTI)

The Cambodian Experience

- **Integrated Rural Accessibility Planning**

This is a new planning tool in Cambodia and it will help to better identify access priorities. IRAP should also allow planners to better develop proposals for infrastructure and to support the investment programme.

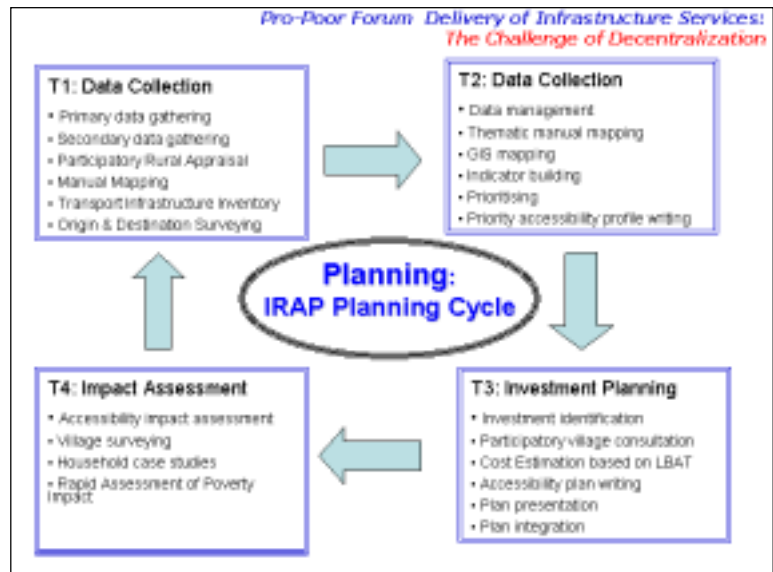
- **Rural Road Maintenance**

LBAT is not a complicated technology, but high engineering standards still need to be met. Once a road is built, traffic increases, and without maintenance, deterioration occurs quickly. In Cambodia, monsoon rains, flood, and oxcart can cause a lot of damage to an incorrectly designed and built road, or a road without maintenance.

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Planning: Integrated Rural Accessibility Planning (IRAP)

- **IRAP** is a development-planning tool that evaluates community assets and prioritises investments according to maximum need and impact. IRAP works by assigning accessibility ranking to communes and villages according to their levels of access to basic minimum needs and services.
- **IRAP** is participatory in nature at every level and investment priorities incorporate community perceptions.
- **MRD** is using IRAP to guide future infrastructure investments.
- **IRAP Planning Cycle**
 - T1: Data Collection
 - T2: Data Analysis
 - T3: Investment Planning
 - T4: Impact Assessment



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SEILA Programme

- **SEILA** is the national effort to achieve poverty reduction through improved local governance.
- **SEILA Immediate Objective** "is to institute decentralized and de-concentrated systems and strategies to manage sustainable local development"

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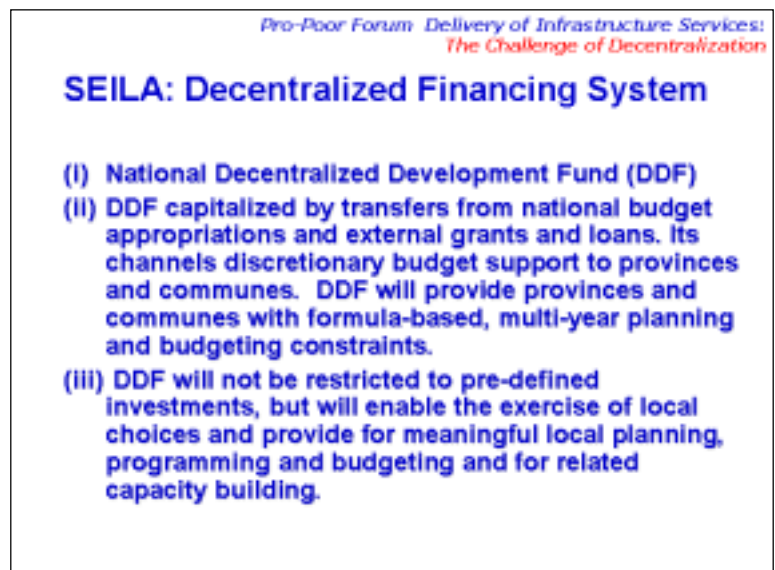
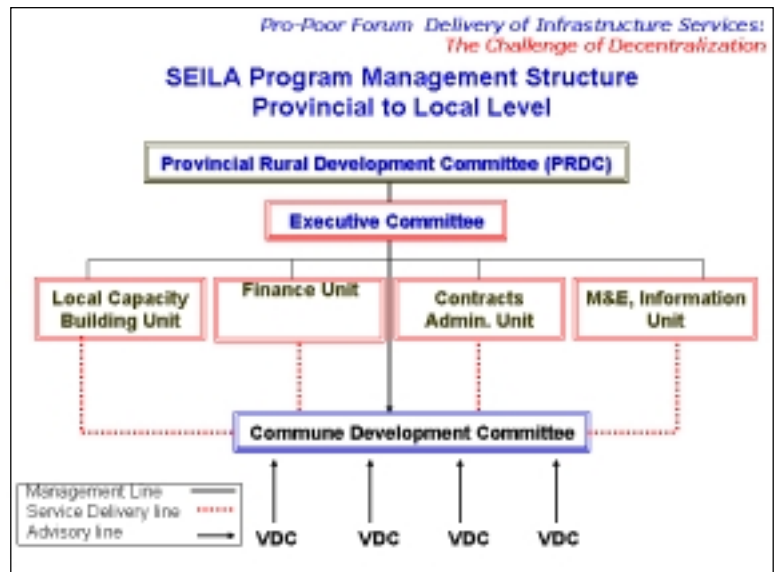
SEILA Programme aims at:

- (i) fostering local development and poverty alleviation, through a multi-sector approach with includes the delivery of local infrastructure and services and the promotion of peace and reconciliation,
- (ii) building the capacity of provincial and commune authorities for sustainable development management through practical experimentation, and
- (iii) generating lessons for development of national deconcentration and decentralization policies.

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SEILA Program Management Structure National to Provincial Level





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SEILA: Decentralized Planning System

- (i) Started with **Local Planning Process (LPP)** as the key features for people's participation in public decision making. Commune and village level organizations, assisted by relevant ministries, NGOs, and technical agencies as development partners under the contract, will facilitate people's participation in planning and managing investments.
- (ii) District act as provincial agents and channels for facilitation and technical support services to the communes. District level consultative mechanism for annual coordination of commune, and Provincial investment programs.

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SEILA Programme: Achievements

1. SEILA has helped creating policy and legal framework including regulations for the local authorities in conformity to decentralization, the delegation of power to provincial governors to support communes councils and so forth.
2. SEILA has helped train communes councils to formulate their own development plans with direct local participation, as well as training on decentralized administration and financial management.
3. SEILA has helped create and introduce the commune funds, which get biggest share of funding from the national budget and the rest from "Partnership for Local Governance" project.
4. SEILA has helped strengthening partnership between relevant national institutions and all levels of authorities in 24 provinces/municipalities across the country. In addition, through the formulation of commune development plan, SEILA has strengthened its partnership with civil society, NGOs and local people and also with donor community.

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SEILA Programme: Challenge

1. Institutional

- too many provincial committees and duplication of composition and responsibilities

2. Financial

- Constraint
- Delays in disbursing development fund to the local because of the decline in national revenue linked to unfavorable internal and external factors (SARs, Election)

3. Political and strategic

4. Vision of SEILA after 2005

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Conclusion

There is no one solution that can solve all problems

- ***Delivery system: Partnership***
- ***Propositions for effective rural development***
- ***Guiding Principle***

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Delivery System

Partnership in Development

- **Government**
- **NGO's and IO's**
- **Private sectors**
- **Informal institutions and Mechanisms at various levels**

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BASES OF EFFECTIVE RURAL DEVELOPMENT

Vision of Control

The First Principle: Social Participation as a Process

The Second Principle: Partnership Development for Rural Development

Propositions

Proposition 1: Flexibility and Diversity

Proposition 2: Human Resource and Manpower Development

Proposition 3: Two-Way Development

Proposition 4: Complementary Roles and Responsibilities

Proposition 5: Knowing the People

Dr. Krasae Chenawongse: Rural Development Management: Principles, Propositions and Challenges, Khon Kaen University, Thailand, 1991

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Guiding Principles

- **Partnership**
- **Decentralization**
- **Financial Sustainability**
- **Competitive Delivery**
- **Transparency and Accountability**
- **Environmental and Social Sustainability**

*Pro-Poor Forum: Delivery of Infrastructure Services:
The Challenge of Decentralization*

**Rural Development
is the Catalyst for Change**

*Pro-Poor Forum: Delivery of Infrastructure Services:
The Challenge of Decentralization*

ISSUES

- How to communicate development to rural people?
- How to include Short term needs with Long-terms plan?
- How to avoid overlaps of activities and responsibilities
- What types of Extension services to be provided?
- How to balance Top-down vs bottom-up approach?
- Does Task vs Process oriented co-exist?
- Duplication and complementary
- How to balance between services provided and received?

Thank You

PLANNING, BUDGETING AND FINANCING OF THE RURAL ROAD NETWORK IN INDIA

(WITH SPECIAL REFERENCE TO PMGSY)

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1. Introduction:

It is well known that construction of rural roads brings multifaceted benefits to the rural areas and is an effective poverty reduction strategy. Increase in agricultural production, improvements in cropping pattern, better prices for the agricultural produce, reduction in transport costs, cheaper and more assured availability of essential commodities, creation of new employment opportunities in off-farm sectors, better climate for setting up cottage and agro-Industries and increase in production of dairy products are only some of the direct economic benefits of rural roads. The impact of the new links on the social life of the rural population is reflected in the form of better preventive and curative medical care, increased attendance in schools, better availability of public services (banking, postal, police, fire, veterinary, etc.), higher levels of social interaction etc. Rural roads also change life patterns by bringing access to modern means of living, cooking, dressing, recreation etc. Road connectivity critically increases the penetration of emergency Government programmes (eg. Polio eradication, drought / flood mitigation, epidemic control, etc.) to the target populations. It qualitatively stimulates the rural economy, and its effects are transmitted to the entire socio-economic structure of the rural society.

2. Rationale for Central Intervention:

The poverty reduction impact of rural connectivity is the basic rationale for the intervention of Government of India in the rural roads programme which hitherto has been predominantly within the purview of State Governments and it is for this reason that rural roads, earlier overseen at the Central level by the then Ministry of Surface Transport is now with the Ministry of Rural Development.

The Constitution of India provides for separate jurisdiction for the Central Government and the State Governments and '*communications that is to say roads, bridges, ferries and other means of communication*' (other than National Highways which are under Central Government's jurisdiction) is actually the exclusive jurisdiction of the State Governments. In fact the Constitution of India now further empowers State Governments to delegate responsibility for roads and other means of communication to representative local elected institutions known as 'Panchayats'.





3. Central Rural Roads Programme:

The Government of India's resolve to provide rural connectivity as part of the poverty reduction strategy has manifested itself in the Pradhan Mantri Gram Sadak Yojana (PMGSY – Prime Minister's Rural Road Programme), with the target of connecting every rural habitation that has a population of more than 1000 by the year 2003 and every rural habitation with a population of more than 500 by the year 2007. In respect of the Hill States, Desert Areas and Tribal areas, the objective is to connect habitations with a population of 250 persons and above by the end of the year 2007. The connectivity has to be through good all-weather roads. The Programme was formally launched on 25th December 2000.

The task is formidable as about 1,60,000 unconnected habitations need to be covered under the PMGSY. This includes approximately 59,000 unconnected habitations with populace of over 1000; 80,000 having populace between 500-999; and 20,000 eligible habitations having populace of 250-499. It is estimated that providing this new connectivity alone would cost about Rs.34000 crore or US \$ 6.8 billion. The total road length constructed would be of the order of 370,000 km. Another US \$ 6.6 billion is the estimated cost of bringing existing roads (mostly unmetalled and without adequate drainage works) to prescribed standards. The total project cost for the programme is thus Rs.60,000 crore or US \$ 12 billion.

4. Financing of the Programme:

Though the Central and State Governments have adequate technical expertise and are in a position to bring to bear organisational capabilities to execute the programme, the financing of a programme of this magnitude is a serious challenge in the context of competing demands for scarce resources. Rural roads is a State subject, but it was realised that the finances of the State Governments did not permit allocations of the required magnitude. Accordingly, a conscious decision was taken to provide 100% Central financing for the programme – a major departure from the normal pattern where the cost is shared between the Central and State Governments.

The sourcing of funds for the programme has accordingly occupied the attention of Central Planners. To be able to start the programme, recourse was taken to an existing fund – the Central Road Fund set up in 1988 under a Parliamentary Resolution which levied a small cess on Diesel and Petrol, predominantly to fund National Highway Construction and maintenance. The Fund was given statutory status in the year 2000 as the Central Road Fund Act, an increased cess rate Re.1 per litre of diesel and petrol was levied. 50% of the revenues were earmarked for funding of rural road development. This enabled an immediate additional revenue generation of Rs.2500 crore per annum (US \$ 500 million), for rural roads which is the present annual budgetary allocation for PMGSY. The cess was increased by another 50% during current budget and from 2003-04, the annual allocation is likely to be Rs.3500 crore (US \$ 750 m).

5. Funds Sourcing Strategy:

To meet the entire requirement of Rs.60,000 crore (US \$ 12 billion) from

an annual revenue source of Rs.3500 crore (US % 750 m) would require the programme to go on for at least 18 years, far beyond the time frame of 7 years stipulated. Two major additional sources needed to be tapped – multilateral aid agencies such as World Bank (WB) and Asian Development Bank (ADB) and the Domestic Capital Market, and accordingly discussions are under way to augment funding through these sources. The ADB is likely to extend a loan of about \$ 400 m this year and World Bank about \$ 300 m this year. Further loans are also likely and may enable a total sourcing of about Rs. 20,000 crore (US # \$ billion).

However, even after taking these inflows into account a resource gap of Rs.20,000 crore (US \$ 4 billion) or more will still have to be met. India has a well developed capital market, and though long term funding for infrastructure projects is still a new area, it is likely, given the fact that this is a Central Government programme and there is an assured revenue source (in the form of the Diesel Cess) for servicing the debt, that the resource gap can be met from internal borrowings. The necessary arrangements for the purpose are in the process of being worked out in two ways:-

- By creating a Special Purpose Vehicle (SPV) at Central level to borrow and pass on funds to the State Governments
- To use existing SPVs at State level to do the borrowing and arrange for the servicing of the loan from the stream (Diesel Cess)

The concept of the Central borrowing (specially through a State Government SPV) for direct investment in a State subject is still a new idea and mechanism are in the process of being worked out to ensure adequate accountability for various aspects of this process.

6. Participatory Implementational Planning:

As has been mentioned earlier, National Highways, which are the main arterial roads are the direct responsibility of the Central Government. The remaining roads, which are under the State Governments, are generally classified into three categories – State Highways (which generally connect headquarters of District and important towns), Major District roads (which are roads generally within a District, branching from State Highways and carrying significant volumes of traffic) and Rural Roads (which branch from Major District roads and terminate, either directly or through a further branching, at villages and habitations). Planning based on an appreciation of the complete network, though for long a goal among the transportation planners, had never been comprehensively and systematically done, mainly because State roads had never been subject to a planned continuous Central intervention.

The Central Government through PMGSY therefore, appreciating the felt needs of the State Governments, very rightly took upon itself the task of facilitating the preparation of District Rural Road Plans through comprehensive Guidelines. Executed by State Governments and the Panchayats, today the Plans are not only ready, but are the instrumentality for selection of road works for execution under PMGSY. The Plan depicts not only the existing connectivity status but also the planned road links to



all habitations of a population of 250 and above. Since the Plans were seen as being the basis for implementation of new connectivity works, Panchayats took a lot of interest in the development of the Plan, which is now being perceived as the general framework for transportation planning even beyond the ambit of PMGSY itself.

Since the State Government and the District Panchayats prepared and approved the overall Plan for the District as per criteria laid down by the District Panchayats themselves and the Plan is finalised in a State Level Committee the Plan is seen by them as their own plan. Based on this perception, a participatory system for PMGSY implementational planning has been successfully operationalised. Each year an allocation is communicated well in advance by the Ministry of Rural Development to the State Government, which is based primarily on the 'lack of connectivity' criteria emerging from the Rural Roads Plan. A similar criteria is generally adopted by the State Governments in making allocation to the District through the State Governments have considerable freedom in this respect. Based on the District-wise allocation, road works for execution are selected by the District Panchayat out of the District Rural Road Plan. A fairly extensive consultation process with Members of Parliament, Members of the State Legislative Assembly and other local representatives is part of the process since rural roads is an obviously emotive issue and a general consensus greatly increases the process of land being made available by the local community on a voluntary basis. Some States have successfully developed objective criteria for road selection by ranking proposed road links by the population directly benefited. From 2004-05 onwards, road works will be taken up on the basis of ranking criteria in all States.

In drawing up the list of the road works, the District Panchayat is requested to ensure that primacy is accorded to providing New Connectivity to Unconnected Habitations. The following Order of Priority is to be strictly followed:

- i) Providing new connectivity to unconnected habitations with a population of 1000+ (500+ in case of Hill States etc)
- ii) Providing new connectivity to unconnected habitations with a population of 500-999 (25-499) in case of Hill States etc.
- iii) Upgradation of Through Routes in the Core network (only Rural Roads to be covered)
- iv) Upgradation of Link Routes.

The only exception from the above order of priority is in respect of those routes that include the Village Panchayat Headquarters or Market Centres or educational or medical essential services or those which are notified as places of tourist interest. In such cases, provision of new connectivity may be made irrespective of the population size.

7. Capacity Building at State and Local Level

Before the Central intervention through the PMGSY, rural roads as a sector had been an area of low current investment with varying standards and amorphous responsibility for planning and maintenance. The PMGSY has involved not merely application of financial resources for road

development but a whole sectoral development involving the State executing agencies in order to bring about:

- *Uniformity of Standards.* A Rural Roads Manual was developed at the instance of the Ministry of Rural Development, by the Indian Roads Congress (IRC), which is the standards setting agency at Central level.
- *Network Planning.* The concepts of District Rural Road Plan and Core Network were developed and operationalised through the State Government and Panchayati Institutions.
- *Creation of dedicated executing machinery.* Rural Road Development Authorities were created in the State Governments, with nodal responsibility and operational control of the District Level Programme Implementation Unit (mirroring a Central nodal agency – the National Rural Roads Development Agency (NRRDA) under the Ministry of Rural Development)
- *Training & HRD.* Training programmes have been structured, to cover 15,000 engineers in the State Governments. The programmes will be organised by State Government agencies with funding and content support from NRRDA. This is likely to permanently increase State capabilities in road network development and management.
- *Outsourcing of functions.* Under PMGSY, detailed Guidelines have been issued on various aspects of the programme and an Operational Manual is under preparation draft of which has already been circulated. As a result there is a clear set of functions and responsibilities and State Governments have been able to outsource the work of preparation of project reports and of work supervision. The NRRDA has itself outsourced the work of scrutiny of the project reports to Engineering Institutions / Universities and the work of quality monitoring to non-governmental engineers. Many State Governments are also beginning to outsource quality monitoring on the same basis.
- *Improvement in the technical underpinnings.* A Book of Specifications and a Standard Data Book are being developed for uniform application for rural roads, replacing the earlier documentation developed for highways. District level laboratories are being funded under PMGSY to enable testing of materials for project preparation. All this increases State level capacity on a permanent basis.
- *Standardising Bidding Procedures.* A Standard Bidding Document has been developed for use in all States for PMGSY works. The process is highly transparent and has speeded up procurement procedures in the State and contributed to contractor development.
- *Development of an online management and accounting system.* As a result of PMGSY, a comprehensive database of PMGSY roads and habitations connected is available over which a web based online management system has been operationalised (<http://www.pmgys.org>). The data base provides an excellent platform for many applications, including maintenance management. Many States have started developing GIS applications already.





A new feature that is in the process of operationalisation is the online Accounting System wherein the accounting centres (PIUs) directly enter expenditure into the road level database in order to produce the State level accounting information (Balance Sheet, Ledgers, Cash Book). An interactive interface will be available to the Bank Branch where the programme funds are retained, in order to ensure accounting and reconciliation of the banking part of the transaction.

8. Problem Areas

Though PMGSY as an intervention has had an overwhelmingly positive impact, and its standards and practices have been applied to management of other portions of rural road network and to development of capabilities at State levels, several issues are still a matter of concern, and perhaps a second paradigm shift (the first being the Central intervention to provide new connectivity through PMGSY) may well be needed to address these issues:

- Maintenance.* PMGSY addresses maintenance issues in relation to roads constructed under the PMGSY, by providing for a contract for maintenance which piggybacks on the construction contract, though it is funded by the State Government and not the Central Government. This is in keeping with the principle that the PMGSY is a one time intervention and the responsibility for the Network remains with the State Government. However, presently, this only takes care of maintenance for 5 years and not for the useful economic life of the road. More importantly, it does not cater to the maintenance of the entire network. As such, it may even become counterproductive by forcing financially strapped State Governments to cut back on maintenance of economically more important roads in order to qualify under PMGSY. Maintenance of rural roads is actually well within the purview of Panchayats, but they need to be given adequate ownership rights over the roads by the State Governments and empowered to raise resources. Though rural roads are overwhelmingly popular, except in areas where an immediate marked impetus in economic activity actually takes place, people may neither be willing nor able to pay an additional local tax or user fee to the Panchayat for maintenance. The development of a sound maintenance plan with reasonably adequate financial resources is therefore an important unresolved issue, intermixed with the issue of local level ownership
- Quality Assurance:* Though PMGSY has had enormous impact on the way rural roads are designed and constructed, there are still gaps between precept and practice which need to be addressed through incorporation of quality assurance features into the executing agency functioning and contractor selection procedures. Covering these gaps requires the development of policies and infrastructural facilities, many of which are, fortunately, receiving attention under PMGSY. However, rural road construction outside of PMGSY is quite significant in several States and the systems and procedures evolving under PMGSY (because it is a central intervention which consciously focuses on quality), needs to be similarly adopted under normal rural road programmes.

- *Sectoral Development:* PMGSY essentially addresses the ‘Last Mile’ connectivity. The maintenance, rehabilitation and renovation of the total network has been and will continue to be, the responsibility of the State Governments. Ideally investments under PMGSY need to be accompanied by matching investments in the other parts of the network to bring them upto standard. As part of the strategy of promoting rural investment, the banking sector has earmarked funds for rural credit and unutilised portion of this credit is available at low interest as a long term loan to State Governments under a facility called Rural Infrastructure Development Fund (RIDF) maintained by the National Bank for Agricultural and Rural Development (NABARD). Given the severe resource crunch most State Governments face, barring a few States which are able to take recourse to RIDF loans, very little investments other than under PMGSY are going into the rural road network, for its planned development, or even for its maintenance. Returns on PMGSY investments are crucially dependent on the health of the rest of the network. Adequate resource generation and rational allocation across the Network is perhaps the most crucial of the unresolved issues.

9. A summing up

Given the multi-segmented nature of the rural road network, the PMGSY intervention cannot be deemed nor is it intended, to be a comprehensive approach, and so to that extent serious gaps remain to be addressed in the sectoral context. Notwithstanding that, there are notable achievements, whose importance cannot be underestimated.

- PMGSY has laid down and enforced uniform and high engineering standards, which are now being emulated elsewhere within the sector. The crucial change is that State agencies now are more confident of their capacity in this regard. There is also an acceptance that rural areas deserve roads of good standards and that planning and budgeting has to be done accordingly.
- PMGSY has brought to the forefront the issue of maintenance in a manner that makes it difficult to sweep under the carpet. State Governments are now adequately sensitised to this issue. There is every likelihood that maintenance will now be integrated into the planning, financing and budgeting of rural road programmes and the role of Panchayati Institutions will get clarified in the process.
- PMGSY has operationalised the concept of the Rural Road Network, and this is likely to become the instrumentality for planning and budgeting for the rural road sector. Most important, the District Rural Road Plans are seen by the State Governments as their creation and the Plans are being successfully integrated into sectoral planning.
- PMGSY has operationalised an on-line web based management system over a road database which will not only enable GIS applications, but as a management application, holds out a working model for information sharing in any Central intervention in a sector where the States and the Districts have the executional responsibilities.

Section 3: Participants Presentations



- PMGSY has resulted in high value addition by confining itself to funding and laying down technical and managerial standards without diluting the accountability and responsibility of the State Governments. The Central role is accepted by the State Governments because it is in areas where their capabilities were admittedly lacking, and there is no clash of interests.
- PMGSY has resulted in a unique effort to bring various levels of elected representatives (from Panchayats upto Parliament) into a single programme planning and execution procedure. The results have been varied, but it has generated enormous public interest in the programme – and this in itself is a good augury to ensuring public support for management of the created assets.

PLANNING, BUDGETING AND FINANCE OF RURAL INFRA STRUCTURE:

FOCUS ON BANGLADESH CONTEXT

by *M. A. Karim,*

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1. Prelude

- 1.1 The spectrum of the titled area Planning, Budgeting and Finance of Rural Infrastructure is a relatively wide one as each of the three aspects i.e. planning, budgeting and Finance in its own right, summons a wide array of discussable issues. So, given the facts, the expanse of this paper shall be confined to the planning process of rural infrastructure, their funding and management perspectives in the context of Bangladesh. Inasmuch, effort shall also be made to focus on the specific aspects of these plans reflecting on local ownership of local development plans, especially in the face of funding that originate from centrally administered sources.
- 1.2 The paper is sequenced to broadly include: [i] The features of the country i.e. Bangladesh, reflecting on socio-economic parameters; [ii] Structures of local government institutions and their mandates in respect of infrastructure development; [iii] planning and resource allocation policies and practices of central government; [iv] In-place planning and budgeting system for infrastructure development and their O&M parameters; and [v] Pertinent observations and pragmatic views for improvement of the current practices.

2. Basic facts on Bangladesh

- 2.1 Climatically a tropical country, Bangladesh has a relatively small land-mass of 1,47,560 Km². With an aggregate head-count of around 123.1 Million (census 2001), it has perhaps the densest population in the world that stands at around 834 per km². Enumerated urban population is around 23% while the large majority of 77% live in the rural area. The country has 6 administrative divisions, 64 districts, 470 Upazilas (sub-districts) and 4,484 Unions which happens to be the lowest-level administrative unit (effectively).
- 2.2 Regarded to be one of the most resource-inadequate countries of the world, it has as a GDP per capita of US\$ 380 while a more representative indicator i.e. PPP stands at \$1,650. In general socio-economic context, the resource-inadequacy of the country has its concomitant, more so, consequent effects on other commonplace parameters of the Bangladeshis. Seeing generally, the country has a high child mortality rate (but improving in current years), a high prevalence of malnutrition, a life expectancy at birth of around 59 years, a literacy rate of below 50% (substantially improved in the last one decade) and explicitly visible rampant poverty (more than 50% live below poverty-line), especially in the rural areas.





2.3 All the stated factors spanning poverty, unemployment, illiteracy, scarcity of access to credit, disparity involving womenfolk, poor capacity of people in respect of skill, and other factors down the road make any development effort, especially in the rural setting, extremely challenging.

3. Local Government Structure of Bangladesh

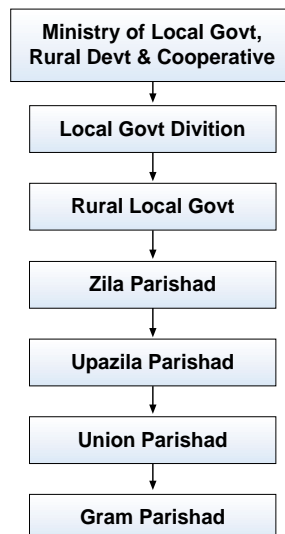
3.1 The current system of local government in Bangladesh is an outcome of a seemingly long process involving substantial reform measures. Consequently, GoB (Government of Bangladesh) has introduced a four-tier 'Rural Local government System' and a one-tier 'Urban Local Government System'.

3.2 The 4 (four) rural level parishads (councils) include the already formed Gram (village) Council, Union Council, Upazila (Sub-district) Councils while the remaining one i.e. Zila (District) Council is in the process of being formed. The one-tier 'Urban Local Government' organization includes all Municipalities and City Corporations of the country.

3.3 It is worth pointing that there lies certain lack of clear demarcation between the functions and power of different tiers of local government institutions (LGIs) and that of field operations of the line ministries of the government. So in a sense, the appropriate empowerment of the local government institutions have not yet been accomplished in conformity with the constitutional mandate.

3.4 In respect of categories, Local government institutions are grouped into broad categories. They are: Urban, Rural and Special Areas. The entities under 'Rural' and 'Urban' categories have been stated in sec 3.1. The remaining one i.e. 'Special Areas' include the institutions under Chittagong Hill Tracts.

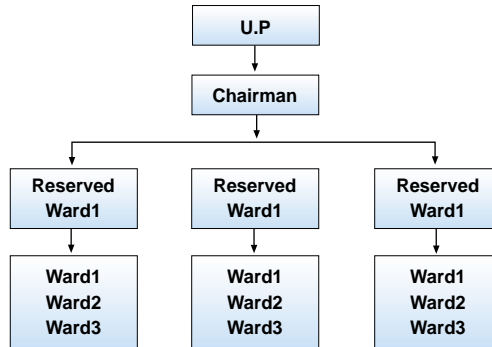
3.5 This particular paper stands to focus on the 'rural' setting, hence shall remain confined to the four-tiers of LGIs as stated above. A structure focusing on the stated narrowed down rural LGIs is depicted below.



- 3.4 Of these four rural LGIs vis a vis tiers, in effect only the **Union Parishad** i.e. Union level LGI is effectively functional at the moment. Justifiably, the area of discussion shall so be largely confined to this institute.

4. Responsibilities/mandate of Union Parishads

- 4.1 The Union Parishad (henceforth to be termed U.P) now has an organogram as portrayed below.



- 4.2 The existence of UP can be traced back to 1870. Through a process of successive evolution leading to its present shape, the concept of UP was progressively amended to take its current form in 1993 (latest).
- 4.3 In its mandated role, the Union Parishad, in particular, shall undertake the following functions (partially rephrased).
- Maintenance of law and order and assistance to administration in the maintenance of law and order
 - Adoption of measures for preventing crime, disorder and smuggling;
 - Adoption and implementation of development schemes in the field of agriculture, forests, fisheries, livestock, education, health, cottage industries, communication, irrigation, and flood protection with a view to increasing economic and social upliftment of people;
 - Promotion of family planning;
 - Development of local resources and their use;
 - Protection and maintenance of public property, such as roads, bridges, canals, embankment, telephones and power lines;
 - Review of the development activities of all agencies at the union level and to make recommendations to the Upazila Nirbahi Officer (TNO) in regard to their activities;
 - Motivation and persuasion of the people to install sanitary latrines;
 - Registration of births and deaths, blinds, beggars and destitute;
 - Conducting of census of all kinds.

- 4.4 However, in course of addressing the stated responsibilities, alongside a tall list of other doables, the most significant area of the UP responsibilities centre on the very expanse of **Financial Management**. In the following sections, an attempt would be made to focus on the different parameters of UP's Financial management spectrum.





5. Financial Management of Union Parishads (UPs)

- 5.1 UPs' principal sources of income/revenue include taxes of all kinds (household tax, taxes on entertainment facilities, license/permit fee, 1% of property-transfer tax, etc), leasing of water bodies, ferry terminals and markets and/or facilities, block grants of different types from the GoB, project aid/assistance, and contribution from individual or institutions. The GoB directives for taking up schemes using block grant stipulates: agriculture and irrigation 15-30%, transportation and communication 25-60%, water supply & sanitation 10-15% and education 10-25%.
- 5.2 UP's main areas of expenditure include development and maintenance of rural roads and structures, and as well, aiming to address the socio-economic welfare of the people, address agriculture, forestry, education, public health and family planning, cottage industry, and certain other aspects.
- 5.3 Notably, despite the UP being a local level institution and stated to be enjoying substantial autonomy, yet, GoB has a firm regulatory role in the expanse of its functionality. The GoB directives group the Financial Management aspects of the UPs into the following:
- Financial Administration (creation of fund)
 - Revenue earning (own income)
 - UP expenditure (expenditure procedures)
 - Budget (descriptions of UP budget)
 - Municipal Accounts
 - Municipal Audit
- 5.4 UP Planning Aspects
- 5.4.1 The planning façade of UP is now clearer than it was before. In the latest amendment of UP Ordinance, the power of UP has been expanded to include among others the development of physical infrastructure.
- 5.4.2 Now in course of planning any kind of physical infrastructure development in a UP, active participation and incorporating the views and opinion of the UP in the gamut of the entire process is mandatory. Consequently, both success and failure of any physical infrastructure intervention entails responsibility of the UP Chairman and members.
- 5.4.3 Incidentally, under the current norm, especially in the rural setting, the planning process is more of 'participation' than of the erstwhile 'imposition' which was the mode under the 'top-down' or 'blue-print' approach to development. The country's development planners, largely triggered by the country's donors, has been trying to make it an imperative to include the participation of the UP in the entire continuum of planning-design-implementation-O&M of rural development programs/ projects (also stated in earlier section). This involvement of the UP in the stated continuum somewhat establishes the vital element of their ownership of the development efforts.
- 5.4.4 Now one very important element of participation is 'contribution', mostly in monetary form, of the LGI (UP) towards the development costs of the infrastructure in individual areas. This issue is more elaborately addressed in a subsequent section.

5.5 Budgeting

5.5.1 The most vital element of UP's planning exercise vis a vis process is the **Annual Budget**. This document is reflective of the financial muscle of a particular UP. According to GoB stipulations that underline the framework of UP activities, Budget is to be based on the following financial sources of receipt. They are:

- Own source; and
- GoB source

The norm is to prepare well ahead a profile of probable income and expenditure that would essentially include all possible elements. The GoB direction (Financial Management directives) to the UPs is to have a marginally surplus budget so that the surplus forms at least 1/12 of the revenue projection amount.

5.5.2 Should the expenditure, reflected in the budget, exceeds the income, then efforts would imperatively have to be made to increase revenue income from own source and reduce the extent of expenditure. Amounts allotted against a particular head cannot in any way be over-run.

5.5.3 Each UP, at least one month prior to the start of a fiscal year, needs to meticulously prepare a list of expected income and expenditure and budget details, get it approved by the Council (Union Parishad) and send it to the respective Deputy Commissioner (District Administrative Head) for his approval. Failure to get it approved in time by the DC (due to not transmitting it on time by the UP) shall render the subsequent UP budget 'unapproved' and the relevant Chairman would stand to be held accountable for it.

5.5.4 The DC could make changes in the budget (a positional prerogative) and the changed document would be regarded as the 'approved' budget. And should the DC fail to approve or communicate his approval of the transmitted budget within the specified one month, it would be deemed to have been approved. For revision of budget as well, the same procedure as for new budget is to be followed.

5.6 UP Accounting

5.6.1 The installation and practice of a good accounting procedure is an essential element of a UP's financial management. Specific parameters and norms to be followed are adequately spelled out in the 'Financial Management' directive of GoB.

5.6.2 Some salient aspects of the doables of UP Accounting procedure include:

- Maintaining separate annual account for each of the development intervention of UP where UP money is invested;
- Maintaining project-wise account under the banner of civil works;
- Maintaining all accounts related records in prescribed formats (transmitted by LGD of MoLGRD&C);
- Follow the prescribed rules-in-place to prepare income-expenditure statement of the UP for each year and transmitting it to appropriate authority at specific time point(s);
- Reconciliation of the receipt and expenditure at the end of each fiscal year;
- Maintaining the 'all-important' cash book in the best possible way in GoB-prescribed format.





- In addition, maintain all grant register, bill register, muster roll register, stationary-item register, property register, receipt books for tax and rates, registers for assessment and realization of UP taxes, registers for leasing of property and others.

5.7 UP Auditing

- 5.7.1 Auditing of UP accounts as well forms a significant requirement of the 'Financial management' directive of GoB. Auditing is a key activity to check and see to the adherence of the established accounting and record-keeping procedures. There are two ways of conducting the audit. They are:
- [a] UP's internal auditing;
 - [b] Auditing by GoB's Audit department.
- It goes without saying that auditing provides the ultimate check against financial anarchy or mismanagement of any kind, hence warrants a diligent effort to arrest any kind of breach o financial/ accounting nom.
- 5.7.2 In accordance with section 128-132 of the country's constitution and CAG Law (Additional responsibility), 1974, the CAG puts in place a regular auditing of all the Ups of the country.
- 5.7.3 Findings and observations of the auditing exercise stand to be transmitted to the DC.

6. Rural Infrastructure and Union Parishad (UP)

- 6.1 GoB endeavors to reduce the poverty of the rural people and to establish their rights in societal spectrum through development of the physical infrastructure in the rural areas. Apart from GoB, its development partners as well participate in such efforts. Incidentally, the UP, while addressing the germane issues, have to bear in mind and be appreciative of a wide range of criteria and regulations (as suggested or desired by the relevant ministry) and as well the local milieu perspectives.
- 6.2 Objectives of the rural infrastructure related activities are:
- Creation of productive employments
 - Extending irrigation facilities to small and marginal farmers
 - Development of rural infrastructure (roads and associated structures) and growth centers/markets for convenient marketing of local agro-products
 - Socio-economic upliftment of destitute women through the establishment of rural road maintenance system
- Justifiably, it can be said that rural infrastructure development is integrally linked with the improvement of the financial status of the mass rural poor or said differently, it principally aims to reduce the extent rural poverty.
- 6.3 Rural Infrastructure Development aspects of UPs are integrally linked to its development functions. The relevant ordinance says that the development functions of UPs are:
- A UP shall be responsible for agricultural, industrial and community development in the union, and may, for that purpose, perform such functions as may be prescribed;

- A UP may, for the purpose of rural development, adopt such measures and perform such functions as may be prescribed.
- 6.4 Along the road to implement rural infrastructure undertakings, the selection of schemes for improvement has a number of facets. Importantly the overall strategy in identification and selection of schemes has to be basically pro-poor. However, in physical terms, the ones that need to be considered and adhered to, while prioritizing for development are:
- Existing roads/embankments (widening, raising and paving, etc)
 - Rural roads connecting Upazila HQ and Upazila roads (FRB)
 - Roads providing linkage between and among markets and UP HQ
 - Roads that provide for probable increase in vehicular traffic
 - Roads that promise increased freight and transportation of goods
 - Exclude roads that are included in other development program and as well, loop roads
 - In the face of stringency, to select roads with high scores in the priority list prepared by UP
- 6.5 Factors that would work as the yardstick for selection of road and associated schemes include the parameters related to technical, socio-economic, traffic volume, environmental and importantly public opinion aspects inclusive of the views of elected representatives of the locality.

7. Participation/Contribution & Constraints in Fund Generation

- 7.1 Against the backdrop of previous failures that were experienced with the 'blue print' approach to development (more so 'top down' approach), the latest of and evidently successful one stands to be the 'beneficiary first and last' approach. This warrants involvement and participation of the target beneficiaries in the entire gamut spanning planning to O&M. It goes without saying that **development of ownership** is an imperative for sustainability of a service created through building of a facility.
- 7.2 The issue of contribution and down the road, putting in place some kind of strong participation of the LGI (UP) in the development process, has become a very loud thinking and consequently, put in practice on quite a few rural development areas.
- 7.3 To enable such 'participation through contribution' put to practice, the World Bank-funded RRMIMP 2 (Rural Road Improvement and Maintenance Project) included a component 'SRR' (structure on rural roads). Quite a substantial aggregate length of structures on rural roads, that were felt to be urgent as advocated by relevant UPs within the project area, has already been implemented. Under this, 20% of the total cost are mobilized and generated by the concerning UPs.
- 7.4 Similar efforts have been and are being made in quite a few other rural infrastructure development projects of LGED. Under the





SDC-funded RDP 22 of LGED, provision is there for LDF (Local Development Fund) wherein 20% fund is generated by the local beneficiaries (in many a case, UPs are involved) and the remaining 80% is provided by the project. These funds are mostly used for infrastructure development inclusive of roads, bridges/culverts, drains, service sheds, etc. However, there is a limit to such investment in a single scheme that has to be adhered to.

- 7.5 The issue of UP vis a vis beneficiary contribution and consequent contribution has been installed in the CARE-RMP program (it was a LGED – implemented program at one time point). Under this, the maintenance expenses of UP-controlled roads are partially mobilized by UPs i.e. to a tune of 10%. In the process, not only ownership is established regarding the investment and well-keeping of the road(s), but as well, the objective of reducing the poverty of destitute women stand to be addressed through their engagement in rural road maintenance.
- 7.6 One of the observed constraints of a tall order is the resource inadequacy of the LGIs, especially UPs. While most UPs would profoundly appreciate participation and the rationale of participation in rural infrastructure development, often it becomes difficult for them to generate their share of the total fund requirement. As stated earlier, resource generation/mobilization therefore becomes an imperative for the UPs to extend required services to their clientele. This requires the UPs to expand their income-net (a separate section on Local resource Mobilization may be looked into later in the report).
- 7.6 All said, the stated examples (refer sec 7.1-7.6) show that the issue of ‘contribution’ and consequent ‘participation’ in the rural infrastructure development maintenance process is not new. But their wide-scale adoption and diffusion remains a national agenda to be pursued.
- 7.7 One particular aspect is that, while participation and contribution by the beneficiaries in any development project or program is somewhat time-based, that of ‘maintenance’ has to be seen from perpetuity standpoints. The very aspect of Union level infrastructures that the UPs have to share in and are eventually destined to do the O&M of, largely relates to maintenance. And to get them or keep them (UPs) motivated to this maintenance aspect needs to be ensured. This would only be possible through developing in these entities a deep sense of ownership towards the ‘lack luster’ or somewhat ‘not visible’ good maintenance façade of rural infrastructure.

8. Resource Mobilization of Union Parishads

- 8.1 Now, in order to be able to effectively run the entity and address all specified areas including the all important rural infrastructure development and maintenance, resources are to be mobilized in time and in right quantum. So justifiably, resource mobilization is one of the most significant and key issues in the agenda of UPs.

- 8.2 In accordance with the relevant clause of UP Ordinance, 1983, a 'Union Fund' stands to be created for each UP. This stipulates all income stemming from the following are to be deposited to the stated fund (partially reiterated here in addition to that mentioned in an earlier section):
- All the money in the UP fund prior to the date of effectiveness of the amended Ordinance/Act (i.e. 1983);
 - All rates, fees, taxes and other recoverables as permitted under the Act;
 - Profits or rents accruable from the property vested to or operated by the UP;
 - Money that stand recoverable under the Ordinance or any other temporary law/rule(s);
 - Fund received from individual contributor, institution or any other local authority;
 - Money that are accrued from Trusts run by the UP;
 - All grants from GoB or any other Authority;
 - Profits/dividends from UP investments; and
 - Income from sources decided by GoB
- 8.3 The biggest source of UP income is apparently taxes/rates on household. In this regard, the UPs, under the currently effective Ordinance, have been empowered (or they are to) reassess such taxes/rates once every 5 years. The spelled out practice is that the annual 'value' of households needs to be fixed, based on which the taxes/rates are to be assessed. On preparation of the 'valuation list', it is to be accepted by the Parishad in a meeting and sent to the DC for his approval/concurrence.
- 8.4 Now while the sources of UP income has been largely identified, extent of realization remains relatively poor, albeit depending on the efforts of individual UP Chairman /members, some area could show better performance over the rest. The overall picture, however, remains dismal.
- 8.5 Over the years, the development thinkers advocated expansion of the resource base of UPs to cope up with the increased demand of their clientele, more to say to address the ever-expanding service demands. Along this line, attempts are being made to bring about a horizontal and vertical change in the in-place tax schedule and evolve a time-appropriate Model Tax Schedule.
- 8.6 One important issue is that in such effort of arriving at the model rates, a pragmatic consideration of the economic condition of the rural residents, the equity and gender contexts underlining the socio-economic milieu of the rural setting, need to be profoundly considered so as not make it a burden on the people. Some of the suggestions i.e. areas in this regard (somewhat on a cursory basis) are made in this paper. Incidentally, most of these areas are not new, rather a change in the pattern of taxes are felt essential. Pragmatically they could be:
- Raising of taxes on buildings and land (excluding those used for religious purpose but may include those, despite religious linkage, are used for commercial purposes)





- Raising /introducing rates / taxes for the persons/entities who, in the commercial contexts (contractors, suppliers, etc) stand to work with or within the UP confines.
 - Raising/introducing taxes/fees on advertisements (signboards, hoardings, etc).
 - Raising/introducing rates/taxes on service oriented enterprises.
 - Raising UP share of the leasing of markets, hats, water bodies, etc
 - Raising taxes on audiovisual (entertainment) services (shall exclude academic and education efforts).
 - Raising/introducing rates/taxes on different kinds of exhibitions/congregations (religious ones excluded).
 - Raising/introducing taxes on all kinds of motorized/non-motorized transports operating within or based in UP periphery (excludes those which are nationally or regionally registered or taxed accordingly)
- 8.7 The exigent need, however, is that the resource base of the UPs has to unflinchingly be revamped and raised should development of rural Bangladesh and its infrastructural improvement and its resultant poverty reduction aspirations are expected to be met.

9. Interaction/Relationship between Local & Central Planning

- 9.1 The very process of decentralization of planning to give full autonomy has been a loud thinking of GoB and its development partners for quite some time. Some progress have surely been made albeit, much still remains to be achieved. Specifically, in UP context, these entities now can draw and implement their plans. But they are still dependents on the GoB administrative set up. But having said that, the practice has now been established to include UP personnel in the process of project/program conceptualization, implementation and O&M activities.
- 9.2 Involvement of the UP Chairman and members though getting them involved in the project committees of infrastructure (mostly roads and structures) as a part of the central level planning has brought about very good results. Salient benefits so harvested include: a] commitment through being able to participate, resulting in some kind of ownership of the services so built through their scope for getting involved which they see as a matter of dignity; b] sorting out local problems inclusive of land requirement for infrastructure expansion where land acquisition provisions are absent or minimal; c] incorporation of destitutes and local poor, especially women in the construction and maintenance facade of development interventions and thereby addressing the poverty reduction aspects and certain other rural development frontiers.
- 9.3 Now having said them all, the present level of interactions between the local level and national planning levels warrant more intensification, to be more intimate and to be more frequent to bring about a sustainable development, especially in the pro-poor infrastructural facets of the rural Bangladesh.

10. Salient Issues, Observation and Views of Future Direction

- 10.1 There is an evident shortfall in the capacity level of the personnel working with the UP. The provisions made in the set up in accordance with the UP ordinance do not apparently meet the qualitative and quantitative requirement of the UPs, especially in executing all the jobs and responsibilities the UPs are assigned to.
- 10.2 The weakest areas are technical and financial management of the LGIs. The kind of involvement, especially in construction related areas the UPs have to deal with, requires a good-level technical expertise which the entity do not have. It is a strong feeling that each UP is to at least have one Sub-Asstt Engineer to cater to its technical needs. This would certainly help the entity in dealing with its physical infrastructure components.
- 10.3 Book keeping and maintenance of the prescribed finance and accounting related registers requires personnel with the right professional and academic background. This not only helps in doing things the right way, as well it would prevent any kind of anarchy in relevant context.
- 10.4 Training/capacity development is a frontier of extreme necessity. Its expanse ought to include all - right from the Chairman down to the MLSS. Skill development and awareness raising efforts can greatly help in the UPs' delivering a better level of service to their clientele.
- 10.5 The resource base (stated in reiteration) has to be expanded on an imperative basis for the UPs to extend desired/better services to the union dwellers. The stated Model Tax schedule, reflecting the pragmatic needs to expand the coverage may be brought out at the earliest.
- 10.6 Efforts (which is somewhat lagging) to realize/recover area taxes may be given which would could solve, at least partially, the fund-starved state of the UPs.

PLANNING AND BUDGETING SYSTEM IMPROVEMENT IN THAI SUB-DISTRICT INFRASTRUCTURE DEVELOPMENT

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ABSTRACT:

Decentralization in Thailand is now been implemented right at the lowest sub-district level, the Tambol Administration Organization (TAO). The planning and budgeting system of infrastructure development is one of the key functions of the local governments therein. The main aim of such a system being in place is to facilitate people's accessibility to public goods and services. Due to limited resources at the TAO level, it is necessary to optimize the utilization of such available resources. In line with the above-mentioned, this study initiates an improvement of the current planning and budgeting system. The research methodology is in three stages; problem identification and classification by focus group interview, problem examination by case study, and review of the planning and budgeting improvement system development by focus group interview. Five key problems were identified as operational problems, functional problems, knowledge competency problems, public participation problems, and government related problems. These key problems come from five major factors, namely process factor, functional factor, knowledge competency factor, public participation factor and cooperation strengthening factor respectively. These are further regrouped into four concepts affecting the improvement process: knowledge competency concept, quality management concept, good governance concept and public participation concept. These improvement concepts, through the focus group interview, are reviewed and updated by chosen major stakeholders of the TAO until a satisfactory improvement process is achieved. The final improvement process shows the most effective procedures and duties and responsibilities of the major stakeholders therein. Each procedure clearly defines the process of quality management and checklist by knowledge competency, good governance and public participation.

Keywords:

Sub-district Local Government, Infrastructure Development, Planning and Budget Allocation System, Effectiveness Improvement



Introduction

Public sector decentralization is undertaken mainly in pursuit of a wide range of development policies and goals. The actual process is complex and subject to diverse interests inline with the objectives of decentralization such as improvement of income and living. The process is also dependent on policies. Not only democratic countries, but socialist countries such as China and Russia also applied the decentralization system (Serda, 2001). The implementations of decentralization programs have been initiated in the West, and later it has been applied in the East, especially in Asia including Thailand. Some countries, such as India and the Philippines have already had substantial experience over the years and are currently building on past efforts. However, decentralized systems will not succeed without support from the central and state governments regarding it as the mandate of the country. Such efforts, without an adequate national commitment has been a key factor predictably leading to unsatisfactory results (Paul, 2000). Initiated in 1992, Thailand's decentralization became an active policy issue and later contributed to major substantial changes in the new constitution of 1997. This change effected the incorporation of decentralization in at least eight sections therein and clearly addressed that the state shall decentralize powers to localities and provide such localities the right to formulate their own self-governing bodies (Thai constitution, 1997).

Infrastructure plays a role in economic development work through its contributions to economic growth, poverty alleviation, and environmental sustainability (Christine and Gregory, 1997). However, in order to sustain the well being of local communities, a huge budget is needed for the infrastructure development. It was found from many studies, that planning and budgeting processes have the deficiency of ensuring the effectiveness of allocated budgets (Tinakorn and Sussangkarn, 1996; UN ESCAP, 2000). The planning and budgetary processes therefore, have to be strengthened to ensure that the scarce public funds are allocated effectively to those areas likely to have the maximum intended impact in terms of public service delivery. The allocation process must be aware of past performances and this used as an input for consideration, which could lead to better outcomes (World Bank, 2001).

In order to empower people at the grass root level, a new form of local government was set up to carry out community development. The smallest local government called the "Sub-district (Tambol) Administrative Organization" (TAO) was first established in 1995. The by-laws outlining regulations and responsibilities of TAO are aimed at improving the well being of people in each TAO area by developing their communities in accordance with the National Development Plan.

The developmental plan of the local governments of Thailand, including TAO, follows the central government policy guidelines when defining its strategic plan, five-year plan and annual plan. The strategic plan states in detail, the means of achieving the vision and mission and the five-year plan serves as a general framework within which the annual budgetary plan is prepared. Generally, the TAO personnel plan their expenditures based on their expected revenues from four (4) main sources: taxes, central



government subsidies, properties and enterprises, and loans. However, in reality, the collected taxes are underestimated and the transfer of supported revenue from the central government is greatly delayed. This results in an ineffective planning and budgeting plan with uncertain expenditures (Suwanmala, 2002).

Top-down planning of a budgeting allocation system in rural infrastructure projects without involvement of the beneficiary communities and parties has often proven to be ineffective and a waste of resources. The development of rural infrastructure projects ought to address the real needs of local people and optimize the use of local resources based on the cost perspective in the planning and budget allocation system, all coupled with community participation (Chris, 2003). Planning and budget allocation, especially for project development, would be more effective if the local people or their representatives influenced project selection by providing information and participating in the selection process. Participation via dialogues results in fruitful outcomes leading to effective management of the Local Government through empowering people in budgetary decision-making (Victoria, 1998; Cohen and Uphoff, 1980; Pongquan, 1992).

Since the early National Economic and Social Development Plan left many problems regarding infrastructure inadequacy in the rural areas, the main goal of TAO was to improve the accessibility of infrastructure services, which heavily require capital investment. However, TAO's income, generated from taxes and contributions by the central government is quite limited in contrast to the expected expenditure to cover TAO's service areas and the household demand for infrastructure improvement. To lessen this problem, effective utilization of the limited budget is very important and crucial. Accordingly, the most difficult challenge faced by public managers is having effective budgeting procedures that can allocate financial resources annually and consequently increasing the people's satisfaction (Roberta, 1998).

Problems of the planning and budgeting system in infrastructure development

After being established in 1995, TAO personnel carried out their duties and responsibilities in developing the community under their laws and regulations. Since the past, development had left many problems of infrastructure inadequacy in the rural area and thus, a huge portion of the budget was required for such infrastructure development. The TAO performance review, over five years of operations, had proved that TAO management could not meet majority of the development targets set by the five years development plan (Prince Dumrong-Rajanuphap Institute, 2001). Recent reports showed that there were three significant problems associated with the above-mentioned deficiency. Firstly, the budget for infrastructure development was mostly allocated to areas in which the interest of management's personnel interest lied. Secondly, projects not conforming to the development plan were implemented without prior consultation and participation from the people of the community. Lastly, TAO key personnel were incompetent and had inadequate knowledge of techniques, management, and government regulations, which resulted in their inefficiency and convictions for wrongdoings.

As discussed earlier, it is obvious that with the lack of systematic processes and procedures in planning and budget allocation, especially for infrastructure development, such allocations would not be fair, justifiable, and transparent. This would inevitably lead to conflicts and debates amongst people of the community. An effective planning and budget allocation system should be developed within budget limits and it should be able to guide TAO management in justifying priorities and choice of necessary infrastructure projects to be invested in.

Objectives

Undoubtedly, an effective planning and budget allocation for infrastructure development is considered to be one of the most important functions TAO management has to accomplish. This study, therefore, attempts to search for a systematic process facilitating effective planning and budget allocation. In order to accomplish the major objective, the following sub-objectives will be considered:

- To identify major problems causing ineffective planning and budget allocation with a focus on its procedures and public participation perspectives.
- To restructure the existing planning and budget allocation process to show operational interactions amongst the responsible persons at various stages, so that problems can be identified, systematically captured, and set out for actually restructuring.
- To search for better processes able to eliminate problems and improve the planning and budget allocation procedure with the aim of meeting the TAO development mission by strengthening the participatory approach among the various parties in the community.

Research Methodology

Improving the current planning and budget allocation system is the objective of this research and was reached in a stepwise manner as shown in Figure 1. Initially, the factors contributing to effective infrastructure development were identified from literature review and thereafter, focus group interviews were carried out to identify and classify the significant root cause of such problems. On recognizing and defining the main factors and factor-related problems, the existing planning and budget allocation process was then analyzed and modeled in steps of occurrence, such that problems could be appropriately and accurately identified at each step. Finally, the means of improvement for the entire system was proposed in a similar step-wise format.

Since this study requires many types and forms of data to attain each research objective, various methods of data collection were used where appropriate. Case studies were used for in-depth investigation in order to determine the factors, problems and also the relationships among them (Gay, 1990). Also used were focus group interviews, an information collection approach in which, group dynamics is used to explore ideas, thoughts and experiences on specific topics related to the study (Cooper and Schindler, 2001; and Stewart and Shamdasani, 1991).

Figure 1: Research Methodology

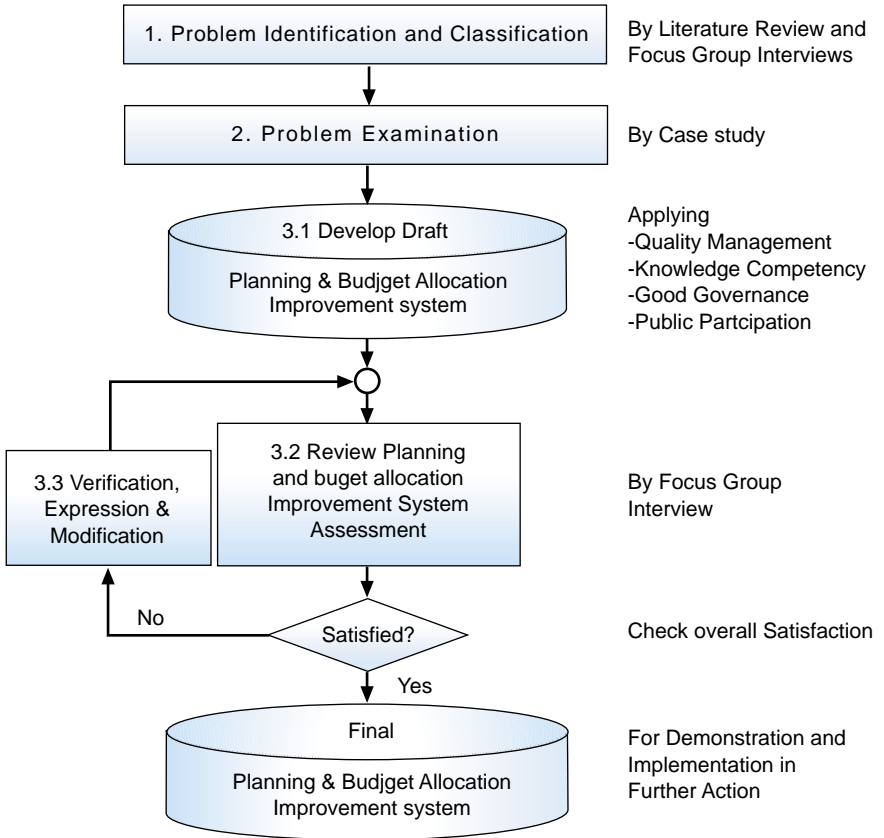


Figure 2: Factors for Effective Infrastructure Development

Effective Infrastructure Development	Effective of Development Assistance
Engineering aspect	Socioeconomic aspect
Environmental systems factors Site condition Infrastructure Political/Legal Economic/Sociological Technology	Achievements factors Strong commitment Participatory process Governance concern Poverty information and knowledge base Technical and financial support
Project scope factors Operational requirement Structural complexity Structural scale Budget Time line	Poverty reduction factors Economic growth Income distribution Health and education
Information and communication factors Documentation Transmission Interpretation	Improvement factors Stronger quality management Sharper country focus Tighter social and environment standards Improved fiduciary performance
Resources factors Material Manpower Planning Equipment	Success factors Focus on result Responsiveness to client needs Cost effectiveness Innovation Availability improvement Affordability Entrepreneurial capacity creation Ownership and trust Beneficiary participation Cooperation strengthening
Process and method factors Planning Design Procurement Construction Maintenance	
Controls factors Quality assurance Quality control Cost control Schedule control Productivity measurement	
Innovation factors Prompt awareness Recognition of need Stimulation Encouragement	
Knowledge competency Technical competency Management competency Government regulation competency	

Source: Modified from Hudson et al. (1997)

Source: Modified from World Bank (2002)

Figure 3: Problems, and its relationship to factors as obtained from focus group interview

Internal factors	
Operational problems	Process factors
<ul style="list-style-type: none"> - Inappropriateness of some methods and processes in TAO environment - Limited land area for construction - Conflicts amongst people and executive members on planning and budget allocation - Considerable differences in designs cost estimation and actual cost of construction 	<ul style="list-style-type: none"> - Operational requirement factor - Project scope factor - Governance factor - Cost controls factors
Functional problems	Functional factors
<ul style="list-style-type: none"> - Nonconformity to the duties of TAO personnel work - Decision-making by executive members based on their own interests - Underutilization of local construction materials - Nonconformity to community needs in terms of project selection - Having conflict of interests among executive members 	<ul style="list-style-type: none"> - Functional factor - Governance factor - Resources factors - Responsiveness to client need - Governance factor
Knowledge competencies in technical, management and government regulation problems	Knowledge competency factors
<ul style="list-style-type: none"> - Key personnel's lack of technical know-how in design, estimation, and supervision - Unqualified public work personnel in knowledge competency - Key personnel's lack of planning, monitoring, controlling and evaluation of the system - Key personnel's lack of understanding and following government regulations 	<ul style="list-style-type: none"> - Technical factor - Technical factor - Management factor - Legal factor
External factors	
Public participation problems	Public participation factors
<ul style="list-style-type: none"> - Lack of public involvement such as constructive suggestions, problem solving and decision-making - Too many official procedures to adhere to - Lack of public participation in most activities - Local mafia problem - TAO personnel's reluctance to have people participation - TAO planning without appropriate public participation - Lack of public relations and creating awareness of planning and budget allocation - Lack of labour-based technology in construction 	<ul style="list-style-type: none"> - Public Participation factor - Public Participation factor - Public Participation factor - Influencing factor - Governance factor - Ownership and trust factor - Communication factor - Income distribution factor
Related government agency problems	Cooperation Strengthening factors
<ul style="list-style-type: none"> - District officers' ignorance of the significance of TAO - Conflict of interests among related government agencies - Lack of cooperation among related government agencies - Influence from higher local government members - Influences from parliament members 	<ul style="list-style-type: none"> - Strong commitment factor - Governance Factor - Cooperation factor - Influencing factor - Political factor

1. Problem Identification and Classification

Problem identification is one of the keys required to comprehensively capture the attributes of the TAO operating system and problems therein. These problems were captured from focus group interviews and systematically structured thereafter. In the case of the particular problems examined here, Schermerhorn (1999) regards the factors related to the organization as internal factors and its environment as external factors. Figure 2 tabulates the factors as extracted from literature in which, Hudson et al. (1997) and World Bank (2002) were used as a guideline to classify the engineering factors and socioeconomic factors contributing to effective infrastructure development. Engineering factors are categorized into eight (8) major groups: 1) environmental system factors, 2) Project scope factors, 3) information and communication factors, 4) resources factors, 5) Process and method factors, 6) control factors, 7) innovation factors, and 8) knowledge competency factors. Socioeconomic factors are categorized into four (4) major groups: 1) achievement factors, 2) poverty reduction factors, 3) improvement factors, and 4) success factors. On identifying and classifying these major factors, focus group interviews were conducted to explore the relationships with actual problems in infrastructure development, as shown in Figure 3. These problems are categorized under two main factors: internal factors and external factors. The internal key factors; process factors, functional factors and knowledge competency factors, are directly related to the TAO key problems: functional problems, operational problems and knowledge competency problems respectively. The external key factors; public participation factors and cooperation strengthening factors, are directly related to public participation problems and related government problems of the TAO.

Internal factors

Operational problems

The means through which organizations transform resource inputs into goods or services (output) is termed as operations. Effective operations can utilize minimal limited resources to produce optimal outputs. This is much needed in the Local Government areas. In line with this, the current TAO operational situations with its myriads of problems call for snappy improvements. Due to constraints of the TAO such as area size and diversity of people in such communities, some of the planning and budget allocation methods and processes are not appropriate to the TAO environment. Although some infrastructure projects have an adequately allocated budget, they couldn't be constructed due to limitations of inadequate land space. Another frequently arising problem is the underestimation of actual construction costs. As a result, and due to the limited budget, a lot of conflicts between the people and executive members occur during the planning and budget allocation process. These problems may be traced back to the ineffective utilization of the power of the management tasks of planning and controlling. As such, working procedures are not clearly defined.

Functional problems

Given the numerous and diverse duties, responsibilities, and experiences of TAO personnel, some of such crucial roles were found to have a highly



negative impact on the planning and budget allocation system. Some respondents pointed out that TAO executives do not conform to their duties but rather heed to personal interests during the allocation process. Designers made considerable effort in the design yet without consideration and use of locally available materials, which could not only reduce overhead costs but also patronize and publicize local products. During the process of project planning and ultimately, planning and budget allocation, some of TAO personnel's decisions did not conform to the community requirements. Majority of the executive personnel selected projects based on their own interests. Inevitably, executives, amongst themselves had conflict of interests underlying some of the selected projects in planning and budget allocation. The root cause of all the above-mentioned problems lies in the roles, duties and responsibilities of TAO personnel not being well defined.

Inadequate knowledge in technical, management, and government regulations

For day-to-day TAO operations, TAO personnel should have a minimum of the basic technical knowledge. This ensures a systematic progress of working in synergy to enhance the living conditions of people in the society. Simultaneously, they must follow regulations of the central and local governments together, in order to enhance developmental integration. In reality, technical staff or the civil work personnel are normally assigned to design jobs, cost estimations, preparation of schedules and supervision of engineering works. Ironically, the required qualification for TAO civil work personnel is the completion of vocational school. With such know-how, it is worth to probe into the standard and quality of engineering works. Experience is not considered as a requirement for employment of practicing engineers in different fields. Thus, it is evident that civil work staff lacks technical know-how in aspects such as engineering design, cost estimation and construction supervision. It can be generally concluded that they are not qualified to work in such environment.

Management knowledge and skills are much required for operating allocated budgets and simultaneously optimizing organization's profits and goals at minimum cost. The study results indicated that key personnel lack sufficient knowledge in project management, which is required to facilitate achieving project objectives and setting up a planning system to allocate resources such as time, people, materials, machines and money fairly and yet strategically. The monitoring and controlling system should be established in such a way to ensure that plans are implemented accordingly and drawbacks identified. An effective control system can thus identify and check deviations and detractions from the planned, and as such, corrective measures may be taken accordingly. Regular project assessment is required to evaluate all aspects of operations in order to achieve set out objectives, optimize resources and maintain continual improvement.

It was found that although the planning and budget allocation had to be set up in accordance with government regulations and procedures, TAO key personnel were not too conversant with such regulations and inevitably, were ignorant of the main objective of the regulations. They operated and worked without any reference and guidance of existing regulations. As such, their requests were denied and not approved by the TAO council thus de-motivating TAO personnel. Occasionally, certain clauses of the law are



incongruent with prevailing situations. In conclusion, lack of TAO personnel's knowledge in technical and management aspects as well as government regulations can be root causes of several problems.

External factors

Public participation problems

One of the key factors of success in planning and budget allocation is satisfying the local community via public participation. TAO personnel have to work, based on the requirements of the public for whom they work. The local people or their representatives ought to take part in TAO activities and contribute through suggestions and problem solving techniques, which could also include decision-making for their community development. This gesture automatically creates a sense of belonging. However, in reality, it was found that most of the TAO personnel were reluctant to have local participation in the planning and budget allocation process. However, on certain occasions, people in higher authority made demands for public participation. In order to dodge and yet meet these demands, TAO personnel set up highly bureaucratic and very formal processes for the public with the aim of frustrating such participants. Some projects were actually set up and budgets allocated by TAO personnel without prior public relations activities and creating awareness to the people in the community. In some areas, construction project works create jobs for local people and which financially supported them for their survival. TAO personnel were however not concerned with the labor market. With certain arising situations, the local people sometimes overruled and forced the TAO to give heed to their requests, thus creating the critical problem of the local Mafia. Thus, in summary, the lack of a well laid out system that encompasses the entire TAO leads to inefficiency of public participation

Government related problems

The central government's policies are focused on the need to empower local people by giving them the means to voice out opinions and thus work for a common good. To facilitate this, the provincial government was set up to balance and audit such authorities. Many problems of the TAO could be traced to the fact that the role of the district officer, who was assigned to check and balance the power, was taken for granted. Some of them had conflicts of interest related to approvals. Related government agencies also initiate many problems, as they are involved in supporting and helping the TAO to develop certain specific tasks. Nevertheless, influence from higher local government officials and people involved in national politics is a crucial factor affecting the working processes within small local government systems as the TAO.

In order to develop an improvement process for effective infrastructure development, it is necessary to map out the factors and problems in terms of their interrelationships. In other words, the factors required for the improvement process is determined based on the causal factors related to the problems. Four key factors for improvement were obtained from the factors related to the problems. The knowledge competency factor is an entirely internal problem comprising of the technical competency factor, management competency factor and legal factor. The quality management factor on the other hand, addresses numerous problems arising from both

internal and external factors: control factors, resources factors, process factors, functional factors, governance factor and cooperation strengthening factors. Governance factor is derived from the governance factors of the internal external factors. Lastly, public participation factor is derived from only external factors: political factor, communication factor and own public participation factor. The entire mapping is illustrated in Figure 4.

2. Problem Examination

The above-mentioned factors and their related problems were studied in detail through case studies. Project cases gathered up from TAO were analyzed to map-out, as shown in Figure 4, the procedure followed by TAO in planning and budget allocation and corresponding problems therein. The process of the existing TAO planning and budget allocation system was established and a flowchart was drawn up accordingly. Each step in the planning and budget allocation process was identified starting with the identification and selection of TAO.



Figure 4: Existing planning and budget allocation system and its problems

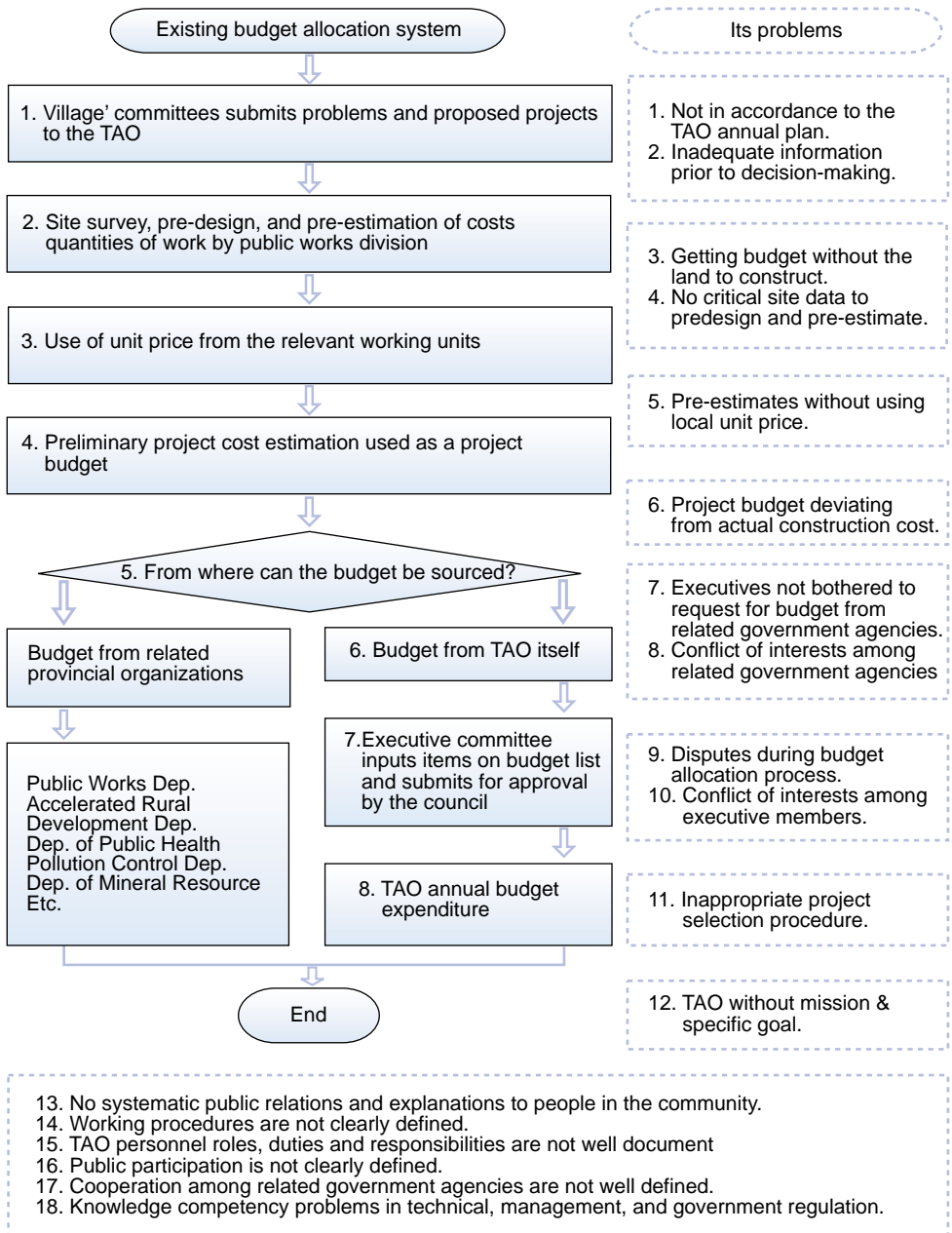
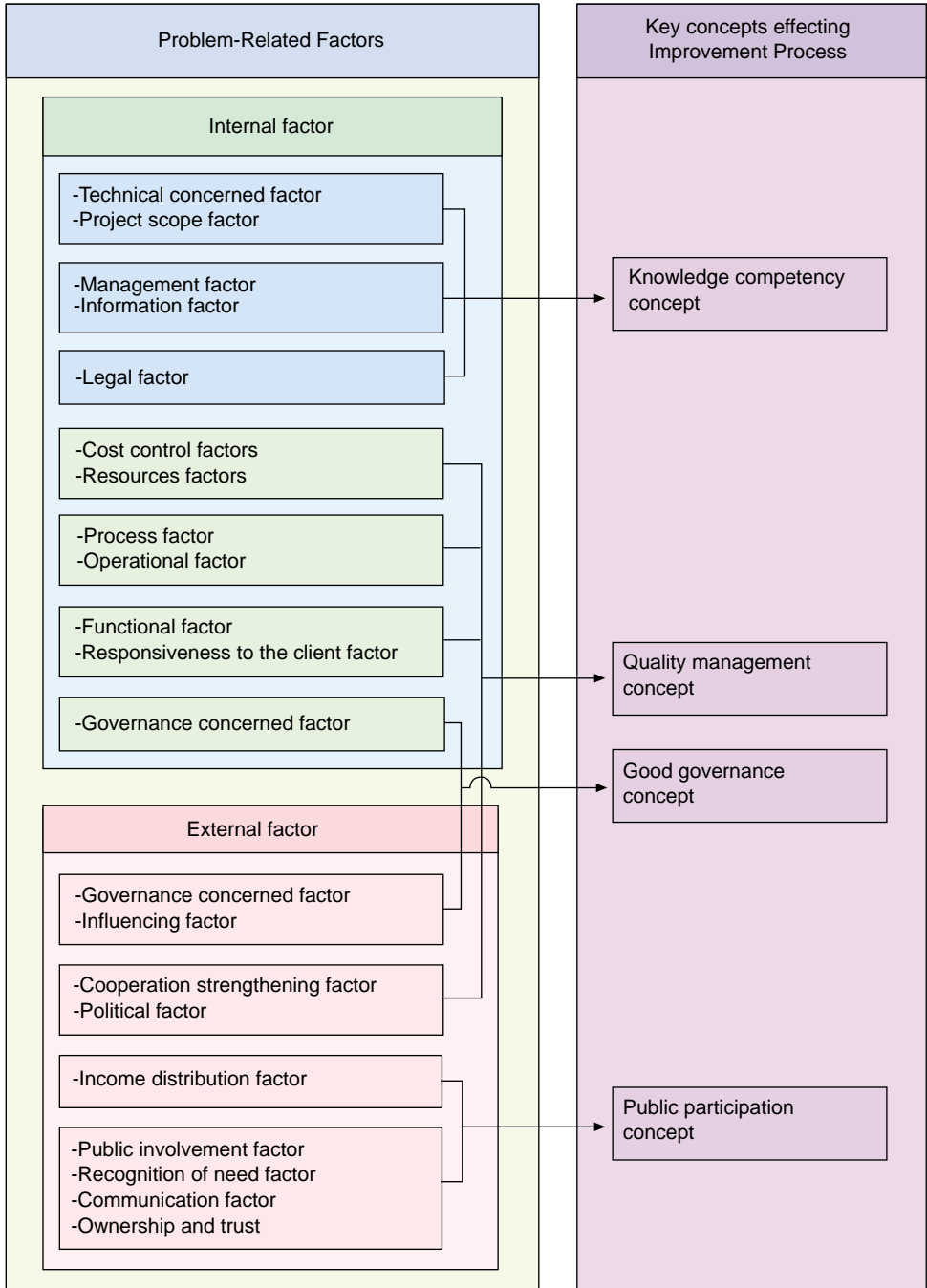


Figure 5: Problems and related factors from case study

No.	Procedures	Problems	Related Factors
1	Village committee submits problems and projects to the TAO	1. TAO annual plan is not adhered to.	- Responsiveness to client needs
		2. Inadequate information prior to making decision.	- Information factor
2	Site survey, pre-design and pre-estimation quantity of work	3. Getting budget without the land to construct.	- Project scope factor
		4. No critical site investigation data prior to design and estimates.	- Technical competency
3	Use of unit prices from the relevant working units	5. Pre-estimate without using local unit prices.	- Cost control factor
4	Preliminary project cost estimation	6. Projected budget varies with actual construction cost.	- Cost control factor
5	Where can the budget be sourced?	7. Executive not bothered with sourcing for budget from related government agencies.	- Functional factor
		8. Conflicts of interests among related government agencies.	- Governance factor
6 7	Budget from TAO. Executive committee adds onto the budget list and submits for approval	9. Many disputes during planning and budget allocation process.	- Public participation factor
		10. Conflict of interests among executive members.	- Governance factor
		11. Inappropriate project selection procedures	- Recognition of need
8	TAO annual budget expenditure	12. TAO work without mission and specific goal.	- Management factor
	Some working procedure	13. No systematic public relations and explanation.	- Public participation factor
	The whole working process	14. Working procedures are not clearly defined.	- Process factor
	The whole working process	15. TAO personnel roles, duties, and responsibilities are not well defined.	- Functional factor
	The whole working process	16. Public participation are not clearly defined.	- Public participation factor
	The whole working process	17. Cooperation among related government agencies are not well defined.	- Cooperation strengthening factor
	The whole working process	18. Knowledge competency problems in technical, management, and government regulation.	- Knowledge competency factor

Figure 6: Consolidated Key concepts effecting Improvement Process





Project up to the approval of the budget by the TAO council and subsequently, the declaration of the TAO annual budget expenditure.

Problems encountered by the TAO in each step of the process were unique and these were identified one by one. Most of these were quite close to those that had been discussed during the problem identification stage. Some problems from the previous stage were expatiated upon at this stage. As each of the problems was analyzed, a set of related factors for further improvement were inferred. Steps of the planning and budget allocation procedure, problems therein and the related factors for each problem are tabulated in Figure 5.

The method to improve the effectiveness of infrastructure development was developed by grouping the concerned factors and their specifically related problems into four key concepts. The knowledge competency concept is grouped from the technical competency factor, management competency factor and government regulation factor. The quality management concept is grouped from the cost control factors, resources factors, process factors, operational factors, functional factors, responsiveness to the client factors, political factors and cooperation strengthening factors. Governance concept centers on governance related factors from both the internal and external organization factors and influencing factors. lastly, the public participation concept is grouped from the income distribution factor, recognition of need factor, owner ship and trust factor, communication factor and public involvement factor. This is illustrated in Figure 6.

4.1 The Development of Planning and Budget Allocation Improvement System

The development of planning and budget allocation improvement system, which used appropriate general approaches to search for effective solutions, was tested against the improvement objectives mentioned in the same context. The planning and budget allocation procedure, its problems, related factors and key concepts affecting the improvement process, were used as a guideline to develop the improvement system. The improvement system is modeled applying the concepts of quality management, knowledge competency, good governance and public participation as shown in Figure 7. The proceeding sections elaborate and discuss each concept in details.

Quality Management concept

A quality system is defined in BS 4778: Part 1 (1987) (ISO 8402, 1986) as “the organization structure, responsibilities, procedures, processes, and resources for implementing quality management.” The purpose of a quality system is to establish a framework of references and guidelines to ensure that each time a process is performed, the same information, methods, skills and controls are applied and enforced consistently (Dale, 1994).

Applying the quality system concept with some modifications, the TAO improvement process is divided into three parts: TAO quality policy and concept, process and procedure manual, and work instruction. The TAO quality policy and concept will provide a concise summary of TAO policies, objectives and the general concept and purpose of the manual. The process

and procedure manual will describe, in a stepwise manner, the main functions, structure and responsibilities of each TAO stakeholder and the relationships and communication channels amongst them in the system. The TAO stakeholders include district officers, council chairmen, executive chairmen, TAO permanent staff, people in the community and related government agencies. The work instructions, on the other hand, will describe the activities in each phase of the system by elaborating on the step-by-step tasks.



Figure 7: Improvement process in planning and budget allocation system

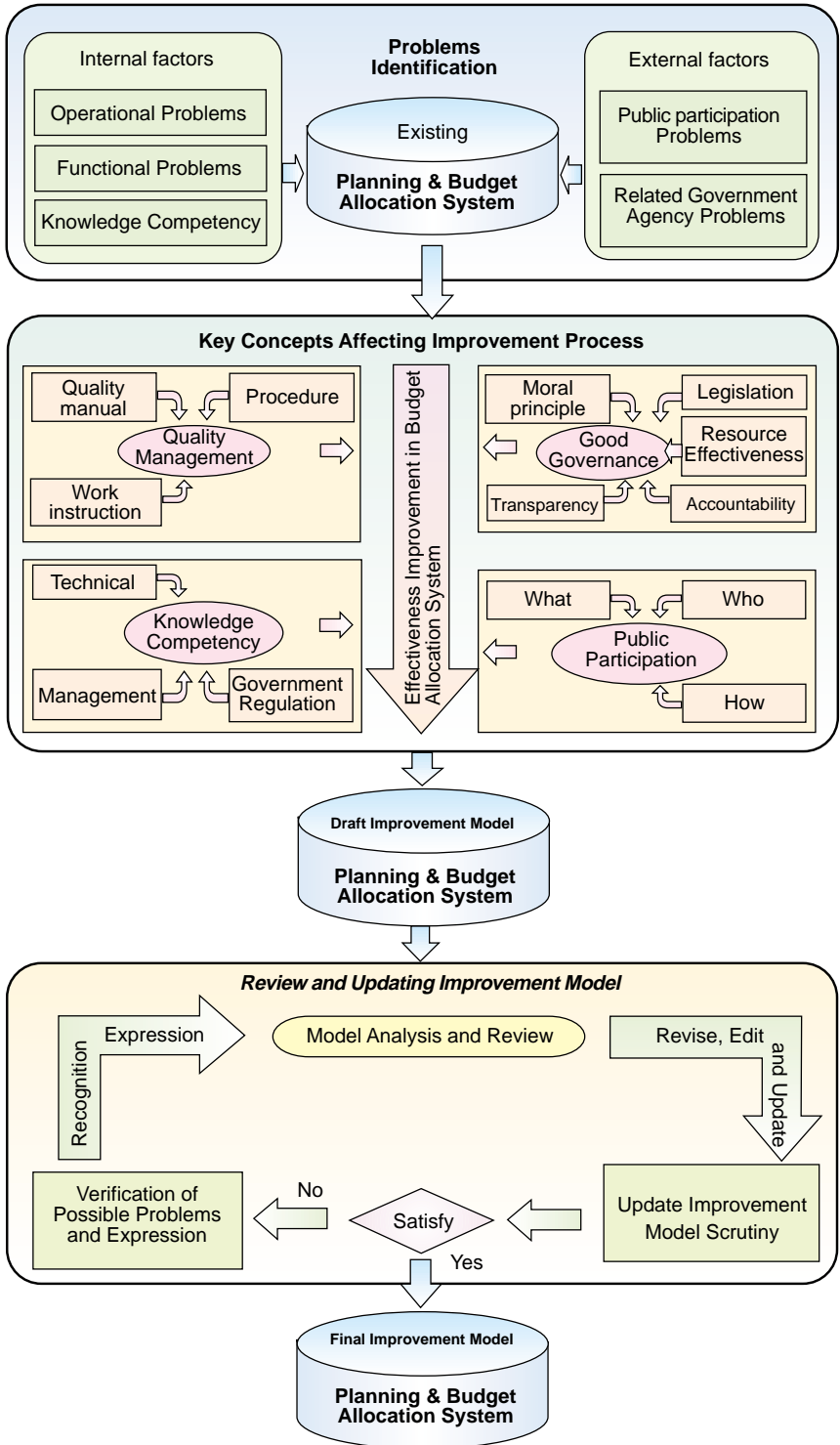


Figure 8. Public Participation System in Planning and budget allocation System

1. What		3. How	
Participation Level	Decision Making Suggestion Information Provider Acknowledgement	Degree of Participation	Free Participation - Spontaneous - Induced Forced Participation Customary Participation
Implementation	Resource Contribution Administration and Coordination Enlistment	Basic of Participation	Impetus Incentives
Benefit Consequences	Material Social Value Personal Satisfaction	Form of Participation	Level of Organization - Single People - Groups of People Way of Involvement - Direct Participation - Indirect Participation
Evaluation	At Input Stage At Process Stage At Output Stage At Outcome Stage	Extent of Participation	Time Involved - Complete Participation - Partial Participation Range of Activities - Limited Activities - Unlimited Activities
2. Who		Degree of Effectiveness	Effective Participation - Complete Effectiveness - Partial Effectiveness Ineffective Participation
Local Resident (Representative)	Household Village Community Sub-district Community District Community New Elected Sub-district Council member	Type of Participation	Official Unofficial
Local Leader	Senior People Village Committee Community Organization Village Leader		
External Personnel	Sub-district Leader Specialist NGOs Local Business People Foreign Personnel		
Government Personnel	Academicians Technical Officer Central Government Provincial Government Sub-district Government Provincial & District Officer		

Source: Modified from Cohen and Uphoff , 1979; Dusseldorp, 1981; Pongquan, 1992



Knowledge competency concept

Knowledge competency encompasses technical competency, management competency and government regulation competency. Technical competency embraces knowledge and skills to perform and evaluate the work of an organization. These skills require a clear understanding of one's work environment and its impact on the organization. . Successful TAO personnel must demonstrate competence in relevant skills and have the ability to measure and maintain work outputs. The qualities demonstrating a personnel's technical competency are grouped into six elements: 1) a display of knowledge and skills necessary to perform assigned duties, 2) understanding of processes, procedures, standards, methods and technologies related to the assignment, 3) demonstration of functional and technical literacy, 4) measuring the outcomes of work, 5) acquaintance with new developments in the field of expertise, and 6) effective utilization of available technology.

Management competency represents the knowledge, skill and behavioral requirements of professionals in pursuing the organization's goal. Richard (1997) breaks management into four parts namely planning, organizing, directing and controlling. It is necessary for TAO personnel not only to know and understand these fundamental management functions but also to have a good grasp of human resources management, operations management, customer relationship management, leadership skills, not-for-profit organization management and strategic management.

Government regulation competency refers to the ability to understand legal rights and responsibilities as well as the power of authority to make legal decisions. The TAO laws and regulations are directed at fairly and justly guiding TAO executives in their duties. However, most of the TAO executives are locals, not familiar with or having difficulty in understanding such regulations. As a result, such TAO executives having low confidence levels faces difficulty in running the organization and thereby relies on the TAO clerk to carry out most of their work. One way to improve TAO effectiveness is to first ensure that executives therein are not only familiar with government regulations but are also empowered to exercise their legal authority. This will assure conformance to regulations.

Good governance concept

The International Monetary Fund (IMF, 1997) and O. Sopchokchai from the Thai Development Research Institute (TDRI, 1998) suggested the introduction of good governance at all stages of project development. Good governance plays an important role in infrastructure development, particularly at the planning and budget allocation stage. Transparency and accountability of the local government during budget formulation and prioritization are essential elements in avoiding community conflicts as well as addressing corruption which subsequently plays an important role in promoting the well being of the grass root community. The moral principles and the concerned legislation are however, proactive approaches in advocating policies and developing administrative systems. This eliminates the opportunity for bribery, corruption and fraudulent activities in the development of public services. The last element, the effectiveness in public resources management including administrative procedures, will

however enhance the capacity of services rendered to satisfy needs of the local community.

Public participation concept

Public participation is a process of activities comprising people's involvement in contributing to developmental efforts, equitable sharing of benefits derived therein and decision-making with respect to setting goals, formulating policies and planning, and implementing economic and social development programs (United Nations Economic and Council resolution, 1929; United Nations Research Institute of Social Development (UNRISD), 1975). The public participation framework for this study is a modified form derived from Uphoff and Cohen (1979), Van Dusseldrop (1981), and Pongquan (1992) concepts. Uphoff and Cohen classified the basic framework for describing and analyzing rural development participation based on three categories: what, who, and how. It also shows details of dimensions and context. Van Dusseldrop, on the other hand, set the classification principles and type of participation into: degree of voluntaries, way of involvement, time of involvement, level of organization, intensity of participatory activities, range of activities, degree of effectiveness, participants, and objectives and style of participation. Pongquan also develop the public participation into the Thai context. "The Participation and Civic Engagement Group, Social Development Department of World Bank introduced the participatory approaches to public expenditure management by using four key elements: budget formulation, budget review and analysis, budget expenditure tracking and performance monitoring. In the presence of limited resources, utilization of what is available must be optimal. Thus, budget prioritization is added as another element in the public participation improvement model.

The concept of the public participation system adopted for this study is as illustrated in the framework in Figure 7. This study also modifies the concept of Uphoff, Van Dusseldrop, and Pongquan by redefining that related government agencies have to provide information and cooperation to the TAO planning and budget allocation committee (both executive and council members). It also specifies the role of the community representative: participating in the process of the TAO annual plan formulation, providing basic information during pre-design, unofficial draft of annual planning and budget allocation, project prioritization and information gathering, as shown in Figure 8. As shown in Figure 9, each public participation procedure specifies 'what' phase and stage needs participation, 'who' participates, and 'how' participation will be carried out. The "what" function is further divided into four sub-functions namely participation level, implementation, consequent benefits and evaluation. The "who" function is also divided into four sub-functions namely local resident representative, local leader, external personnel and government personnel. Lastly, the "how" function is divided into six sub-functions: degree of voluntaries, basics of participation, form of participation, extent of participation, degree of effectiveness and type of participation.

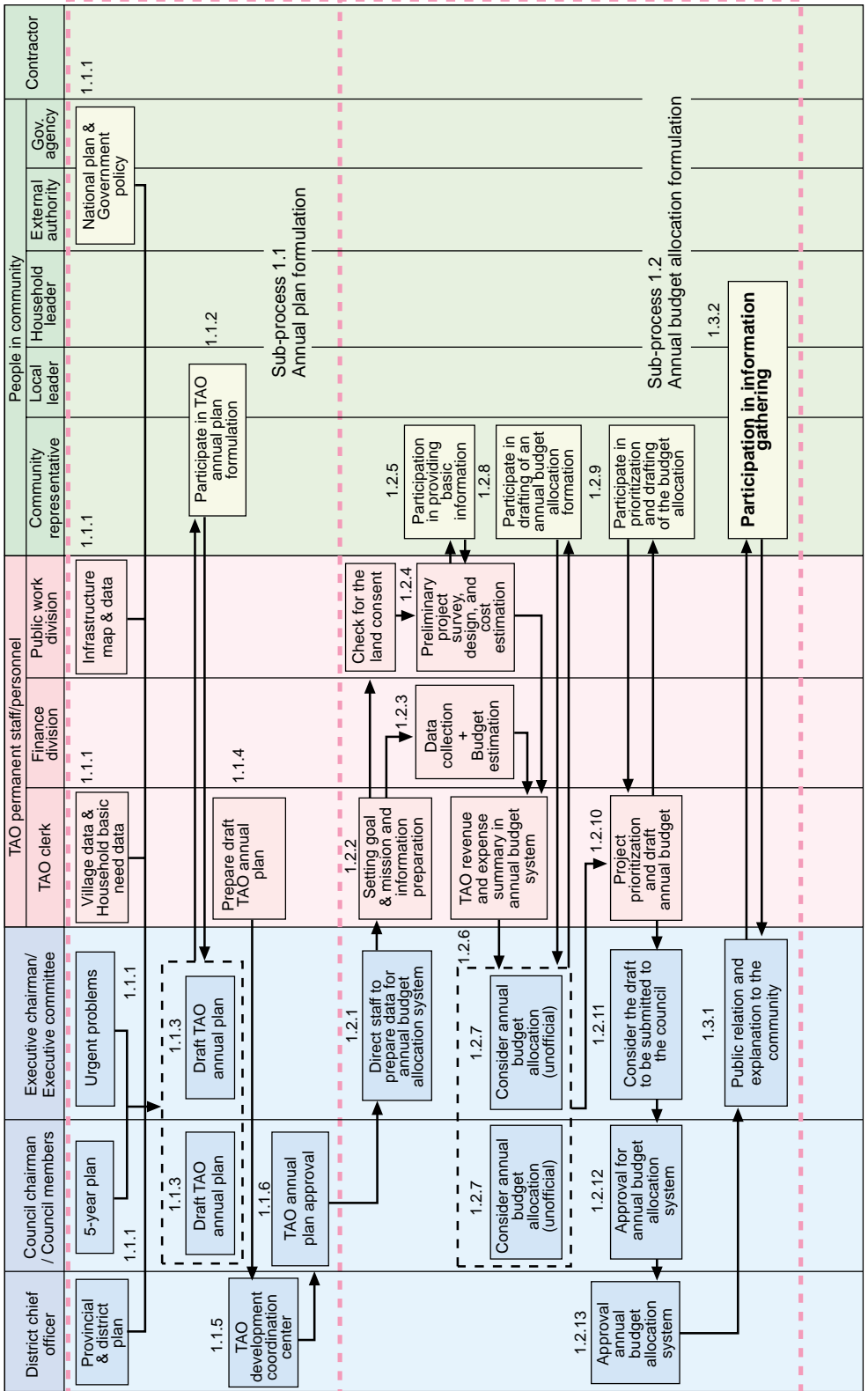
4.2 Review and updating of Planning and budget allocation Improvement System

A focus group interview was employed to check the pertinence of the improvement concept. Major stakeholders from twenty-four (24) TAO offices emanating from various parts of the country were selected to review the budget improvement process. Such major stakeholders include the executive chairman and executive members, council chairman and vice chairman, permanent staffs, village representatives, local leaders and the community organization leaders.

The process of the focus group started with an introduction to the project and its benefit to the communities. This was followed by an illustration of budgeting improvement system including the detailed procedures of the entire process. This system shows the working process, stakeholder duties and responsibilities, knowledge competency, good governance and public participation checks. The stakeholders, standing as panelists were encouraged by the moderator to analyze, discuss and express their perceptions on the tabled improvement process. They were given the freedom of providing recommendations and modifications until an acceptable improvement system, as shown in Figure 9, was reached. Suggestions raised were then effectively verified and further modified where necessary prior to its final adoption in the study. This assessment process was repeated at the selected TAO offices until all respondents were satisfied with the improvement system.



Figure 9: Effectiveness improvement in planning and budget allocation system working process



Conclusions

Decentralization in Thailand for the sub-district level had been initiated since 1997. Through this process, 6,744 (2002) TAOs were empowered as local government authorities. However, major stakeholders of the TAO, most from the rural areas, are unfamiliar with the bureaucratic system of operations. Infrastructure development, accessibility improvement and effective utilization of allocated budget were noted as substantial key success elements in providing a better quality of life for the society. Since ineffectiveness in infrastructure development was identified as one of the main problems in developing the community, an improved process that eliminates such problem and optimize limited budgets are needed to improve the fulfillment of community satisfaction. On the whole, in developing such a planning and budget allocation improvement process, thirty-five (35) engineering factors and twenty two (22) socioeconomic factors were studied. Of these, twenty-one (21) factors from both groups were keyed out as being directly related to planning and budget allocation problems at the TAO level. They were then re-grouped into four key concepts affecting the improvement process: quality management, knowledge competency, good governance and public participation.

Quality management tends to be a major contributing factor for an improved planning and budget allocation process. The improvement system was developed based on the application of three key functions of any quality system namely, quality policy and concept, process and procedures manual and work instruction. The TAO quality policy and concept consists of TAO duties and responsibilities, infrastructure development objectives, planning and budget allocation objectives and its general organization. The process and procedure manual is a step-by-step structured guideline of planning and budget allocation functions and the responsibilities of each major stakeholder. Work instruction on the other hand gives specific details of the tasks of each process and procedure as well as specifications for measuring performance of activities.

The quality management concept governs the process factors, operational factors, functional factors, client' response factors, cost control factors, resources factors, cooperation-strengthening factors and political factors. The process and procedure manual controls the processes and operational factors, which proactively lessens the degree of problems therein. These problems arise as a result of illdefined and inappropriate of methods and processes in TAO environment. The procedure manual on its own, controls functional factors as well as responsiveness to clients needs. These in turn solves problems related to TAO personnel' roles, duties, and responsibilities which are not well defined, nonconformity to duties of TAO personnel work, nonconformity of project selection to community needs, non-compliance to TAO annual plan and the inability of executives to generate budgets from related government agencies. Furthermore, the procedure manual can also control the cooperation-strengthening factor and political factor, which, in turn solves problems related to the lack mechanisms of cooperation among related government agencies and the influence of parliament members. The work instructions influences the cost control factor and resources factor which addresses the concerns of pre-estimates being made without using local unit prices, the wide gap between project

budgets or design costs and actual construction costs and the inefficient utilization of local materials in construction.

The knowledge competency concept was found to significantly affect budgeting effectiveness. It can be incorporated into the procedure manual as a validation checklist to ensure that the procedures for an operation have been adhered to. The checklists were used not only in auditing the whole system itself but also the products of work. Knowledge competency was divided into three main functions: technical, management and government regulation. The technical function is further divided into knowledge and skill as well as processes that include methods and related technologies and, functional and technical literacy. The management function comprises of human resources management, operations management, customer relationship management, leadership and public service management. Lastly, government regulation encompasses to issues relating to constitution, law and regulation. The knowledge competency concept can control the technical related factor and project scope factor, management competency factor and information factor, and government regulation competency factor. Technical knowledge competency controls technical related factors and project scope factors. It thus is required to solve technical related problems such as the allocation of budgets for construction projects with limited land, lack of site investigation data for pre-designs and pre-estimates and key personnel's lack of technical capability in design, estimation and supervision. Similarly, the management knowledge competency can control management and information factors leading to the solution of management problems such as the lack of mission and specific goals to guide TAO work, insufficient information prior decision making, and key personnel's lack of planning, monitoring, controlling, and evaluating systems. Lastly, government regulations can control the related legal factors, which can solve government regulation competency problems like the key personnel's lack of understanding of government regulations and the absence of consultation of rules and regulations prior to decision-making.

The good governance concept has quite a great significance, consequence and value at all stages of development at any government level in each country. This concept aims at promoting public sector transparency and accountability, effective public resources management and establishing a morally principled and legislative environment. The good governance concept can control governance related factors as well as other influencing factors. Transparency and accountability controls governance related factors which in return, solves the problems of conflicting interest among executive members and related government agencies, TAO personnel's reluctance to public participation and the fatal effects of decision making based on personal interests of executive members. The moral principle and legislative aspect can control influencing factors, which solves the problems of local mafia and influences from higher local government authority members and parliament members.

The public participation concept adopted in this study was applied in its empirical context. The main purpose is to build a sense of belonging to the people in the community in order to encourage them to make suggestions and be involved in any decision-making activities. World Bank, 2002 stated



government spending on unprofitable goods and service as a budget formulation and prioritization problems; resources failing to reach service providers or users as expenditure tracking problems; weak incentives for effective services delivery as a monitoring problem; and inability of resources to deliver results and services to benefit the poor as budget analysis and review problems. This study also introduces the public participation component by specifying what, who and how to apply public involvement in attaining an effectiveness. Public participation concept can control the public involvement factor, recognition of need factor, communication factor, ownership and trust factor and income distribution factor. The major elements of the what-who-how function can control public involvement factors causing problems such as unclear public participation process, disputes arising during the planning and budget allocation process and lack of public involvement. The “what” function controls ownership and trust factors, thus solving problems of TAO planning without appropriate public participation. The recognition of need factors, which can solve inappropriate project selection procedure. The income distribution factor can solve the issue of inattention to labor based technologies in construction. The “how” function controls the communication factor that solves problems relating to lack of public relations and poor information dissemination. The public involvement factors that solve unclear defined public participation procedure. The “Who” function can define the stakeholder who will participate in a specific procedure.

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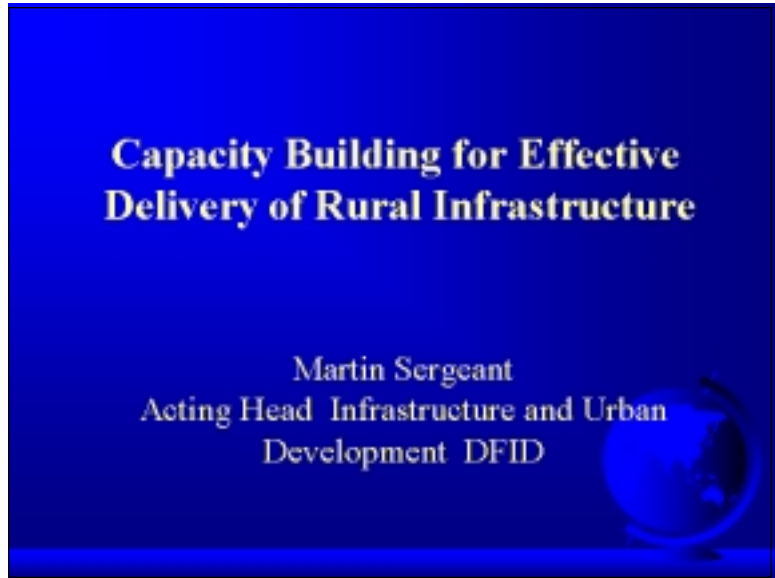
Papers on Capacity Building for Effective Delivery

PRESENTATION

CAPACITY BUILDING FOR EFFECTIVE DELIVERY OF RURAL INFRASTRUCTURE

By **Martin Sergeant**

Acting Head Infrastructure and Urban Development DFID



Delivery of Rural Infrastructure?

- Delivery of Sustainable Rural Infrastructure Services
 - Why Sustainable?
 - Includes suitability for purpose, operation, maintenance and funding
 - Why Services?
 - Because this is what the poor use.
 - Need to reinforce this message to decision makers.
- Importance to Local Institutions?
 - Essential pre-requisite for capacity building.



Decentralisation

- Lot of work has been done on issues of decentralisation
- Advantages (have to be worked for) include
 - Greater local control and greater responsiveness to local needs
- Disadvantages (very real) include
 - Lack of human capacity and funding are strongly linked.
- Reality often far from theory
- Penalty of failure.
 - Poorer infrastructure services



Capacity Problems

- Human Resource Development
 - Central and local level
 - Community level
- Systems
- Local investment planning.
- Private Sector

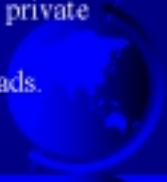


Scaling Up


- The pilot project conundrum!
 - Well resourced, donor led, pilot projects succeed.
 - Scaling up can be almost impossible.
 - Need an approach that that is long term and holistic.



Private Sector

- We'll leave it to the private sector!
 - But local contractors are often as poorly resourced as government.
 - Local government lack the skills and systems to work effectively with the private sector.
 - Any capacity building programme must establish a credible programme for the private sector
 - Private sector needs consistent workloads.
- 

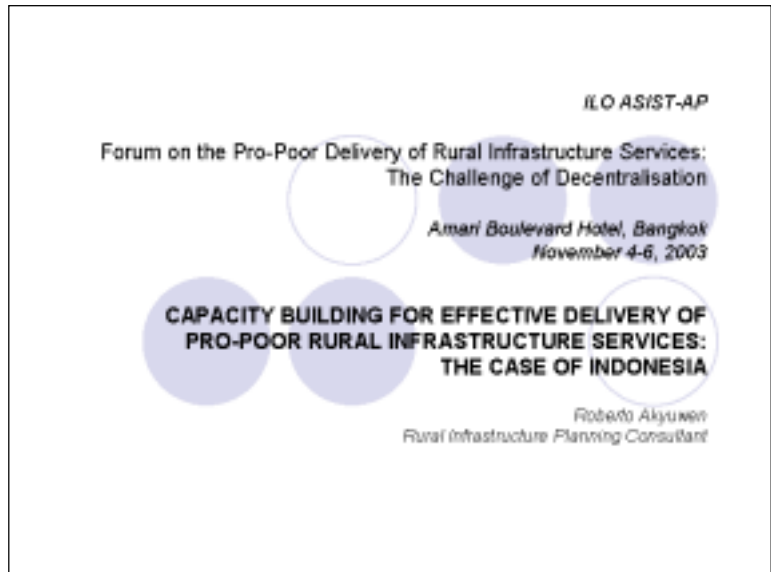
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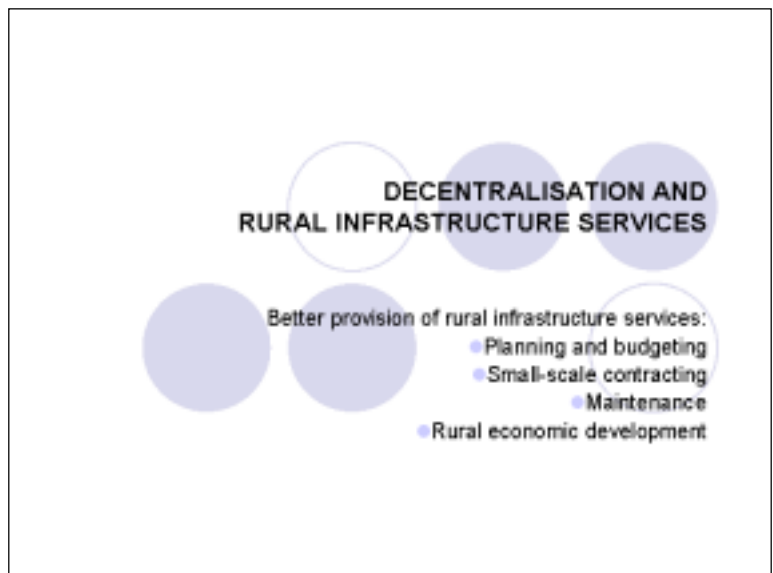
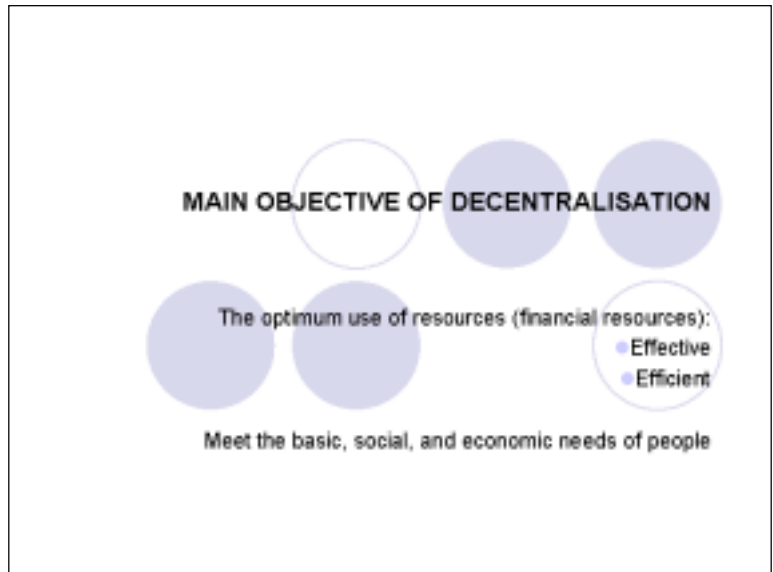
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 - Decentralisation - a challenge
 - Capacity Problems
 - Private Sector
 - Scaling up
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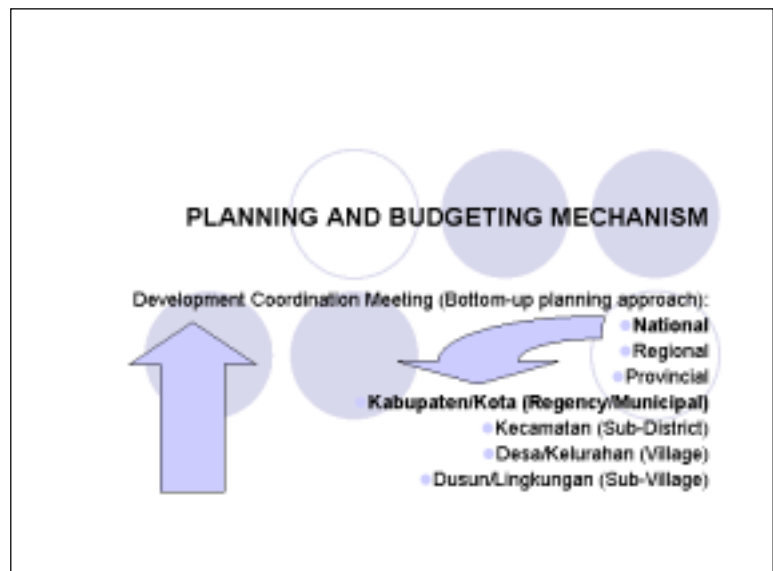
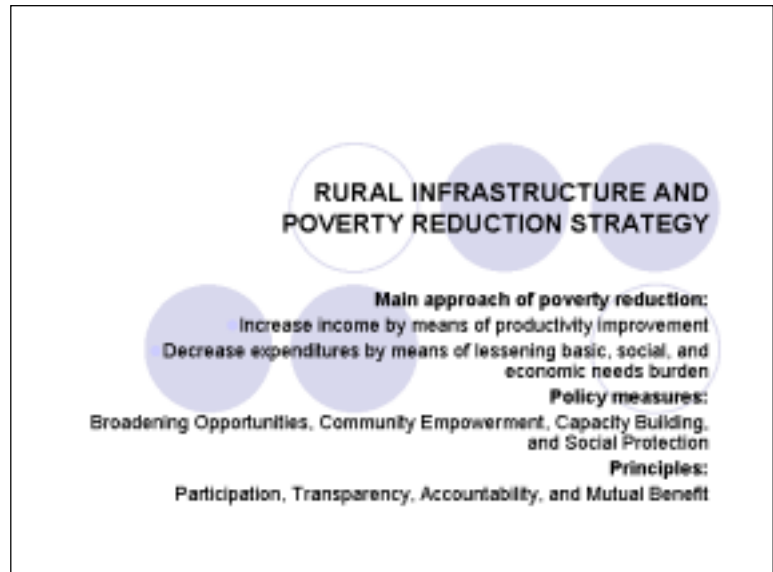
PRESENTATION CAPACITY BUILDING FOR EFFECTIVE DELIVERY OF PRO-POOR RURAL INFRASTRUCTURE SERVICES: THE CASE OF INDONESIA

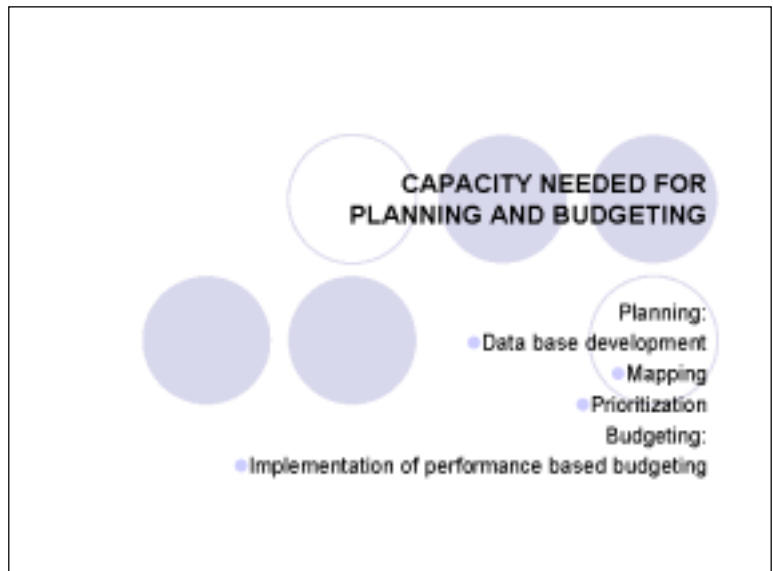
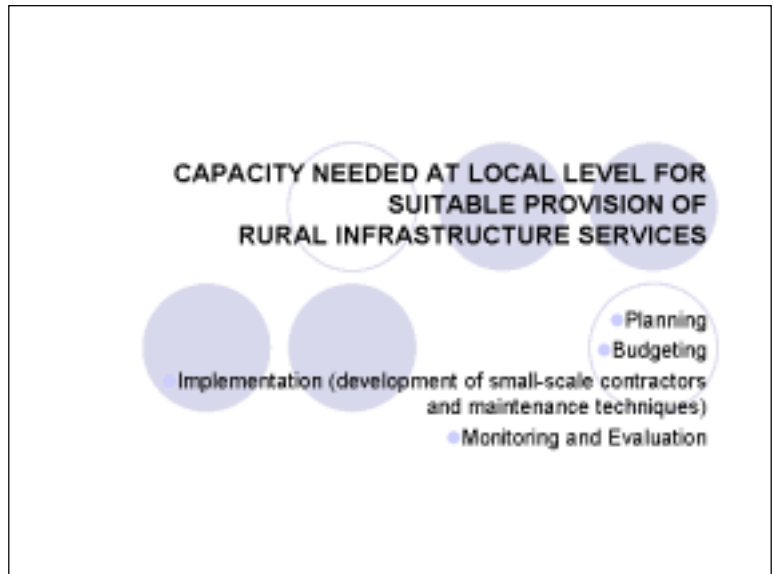
By **Roberto Akyuwen**

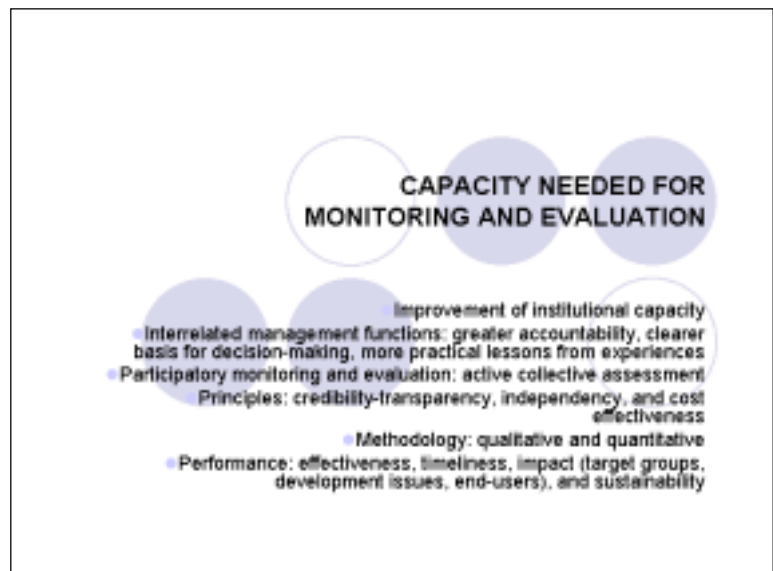
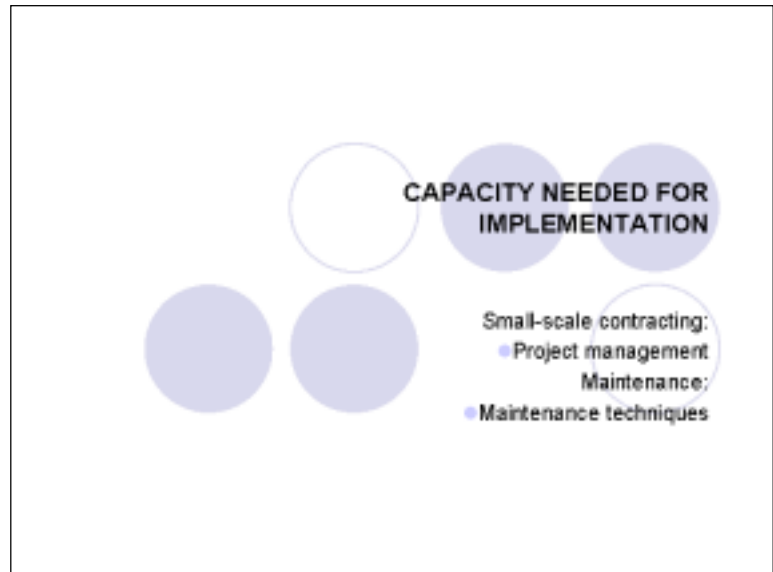
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Papers on Capacity Building for Effective Delivery of Infrastructure Services - Experience of ITDG - Sri Lanka

By Upali Pannilage²

Introduction

In Sri Lanka More than 35% of the population depend on government subsidies. Disparities in allocation of resources, gender inequity, low income and low access to essential services are the vital dimensions of poverty in the country. 75% of the population are living in the rural areas where poverty is significant. Although the number of people is less, poverty is becoming crucial in urban areas too. Most of these men and women lack access to basic services such as water, sanitation, energy, information and transport.

The civil war in the country during the last three decades -based on ethnic issues in the North & East, and on poverty issues in the southern parts of the country, shows that the aspirations of the civil society are not met adequately.

The country is still weak in providing services to the poor. Nearly 45% of the population in the country do not have access to grid electricity. The country mainly depends on hydro power for the provision of electricity. National grid is the main option as a provider of electricity, and grid extension to rural areas is not viable. From the total electricity supply more than 50%. is on hydro and balance on thermal (Diesel). Adequate emphasis has not been made to explore the decentralised energy options that can provide the energy needs of the poor communities. Recent initiatives by the private sector to promote mainly solar energy for rural electrification have not been, mainstreamed yet. Very few NGOs are working on promoting energy options to the poor and this is not adequate compared to the needs. Privatisation of Ceylon Electricity Board initiated recently will aim at improving efficiency of the current status of ciao within CEB, whether proposed restructuring will benefit consumers, especially rural poor is highly questionable. While the electricity demand in the country is increasing about 7%-8% per annum, the rural electrification policy document 2002, states that 20% of the rural households would not be connected to electricity from the main grid at least during the next 10 years.

When analysing the transport sector, there are about 100,000 km road network in the country. Only about 30% of this network is managed by the central and provincial government and balance of more than 2/3 of the road sector are unclassified and not enough attention paid to it, or to improve the access and mobility of the poor. Out of the 4.4 million vehicles in the country almost 50% are bicycles mainly used in the rural

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areas. Development thrust in the transport infrastructure services is mainly planning super highways, air ports, ports etc. along with traditional modes of motorised vehicles. The poor have low access to those, and access and mobility issues of the poor remain as problems. The government's main development strategy - "Regaining Sri Lanka ", and the poverty reduction strategy paper (PRSP), has mentioned about the necessity for linking rural poor to markets and other services.

About 45% of the country's population lives from agricultural pursuits, water is needed both for cultivation and drinking purposes. From the ancient time use of water in the country was democratic. The government administration system is responsible for managing main reservoirs and the water resources. Domestic water supply is also handled by the government. Interventions such as the community water supply and sanitation programme of the government made initiatives to address water needs of poor people in the country. Still about 30% of the country's population do not have clean drinking water. Through the controversial water policy which created much public reaction, the government is now planning to introduce a tax system from the farmers who obtain water from the main reservoirs for the agricultural purposes and for all drinking water systems.

The decentralised process and service delivery system in Sri Lanka

The service delivery mechanism in Sri Lanka is still dominating by the government. Since the centralised system failed to achieve the needs and aspirations of deferent communities in the country there are many attempts to decentralise the political and administrative process. The following three attempts were the main features when considering the devolution of political and administrative decision making process in the country.

- District Political Authority System -1973/74
- District Development Councils/District Minister System -1979/80
- Provincial Councils System -1987/88

The provincial councils

A Provincial Council is an autonomous body and is not under any Ministry, it derives its authority and power from the Constitution and Acts of Parliament. Provincial councils undertakes activities which had earlier been undertaken by the Central Government Ministries, Departments, Corporations and Statutory Authorities

There are **nine (9) provinces in Sri Lanka**. However, only **eight (8) Provincial Councils** were established because the Northern and Eastern provinces have been temporarily merged into one in terms of the Indo-Sri Lanka Accord. The North East Provincial Council however ceased to function in 1989 as its administration was taken over by the Government owing to the failure of the administrative machinery.

While central government is implementing its administrative system through out the country, certain proportion of administrative power has devolved to the provincial councils. As the central government the council members are appointed through the electoral process once in every four years.

The Provincial Council has power to pass a “statute” on any subject that is assigned to it under the Constitution subject to the condition that it should not violate the Constitution.

The institutional arrangements for planning, monitoring and progress review of development projects vary from Province to Province but the arrangements in general are:

- At Provincial Level -
 - Provincial Planning Office
 - Sector Ministry Planning Cells
- At Divisional Level -
 - Divisional Secretary’s Planning Cell.

The tasks undertaken by the Provincial Planning Office are:

- The formulation of appropriate long and medium term strategies for overall provincial development
- Identification of projects and preparation or needs-based development plans.
- Formulation of annual budget proposals taking into consideration development priorities Monitoring the progress of development projects

The tasks undertaken by Divisional Secretariat Cells are:

- Formulation of divisional investment proposals,
- Identification of viable projects, and
- Monitoring of the physical and financial progress in the implementation of the Annual Provincial Investment Plan.

The management and administrative power for certain areas like provincial education, transport and water supply lying with the provincial council administration system. However, even with in this decentralised system the central government has certain power over the provincial councils to build and maintain national highways, management of transport, energy and other service delivery systems and high education etc. Allocation of resources for service sector is mainly happening through the central government and provincial council system. Since the government has line ministries for deferent areas such as education, energy transport etc these ministries has power over provincial decentralised system in delivery of services. Provincial councils carry out development activities directly in their provinces as well as through the other local government and administrative systems.

Local government authorities

Apart from the central government and provincial council system there are about 309 local government authorities in the country. Implementation of Policies, Plans and Programmes in respective Provincial Councils and Local Government authorities are directly comes under the ministry of local government of central government.

The local authorities in urban areas named as urban councils (35) and municipalities (18) while the rural level local authorities call as Pradeshiya Sabas (256). These are the lowest level of political administrative system. Theoretically, Pradeshiya sabas are the main institutions which are responsible for delivery of services like construction and maintenance of roads, community

centres, supply of water etc. The rural and urban distinguishing is based on the Pradeshiya Sa bas (PSs) and urban or municipal councils. Based on this categorization more than 75% of country's population are still lives in rural areas and PSs are the responsible authorities who provide their service needs.

Generally, PSs resourced with minimum staff like a technical officer, community development officer and a Public health Inspector. Although they are responsible for maintaining large number of KM roads most of them have only one technical officer for whole these work and the other areas of technical work. The PSs have to depend on taxes of market places, shops and other avenues for their survival. Although, there are some allocation from government's decentralised budget and politician's allocation for general development work, it is well understood that almost all the PSs in the country are under funded and hardly no funds for the development activities either in the service providing sector or any other sectors. In year 1997 ITDG conducted a study to find out the constraints and difficulties which the PSs in Sri Lanka faces in construction and maintenance of rural roads. The study was conducted in six selected PSs and concluded with two key issues.

1. Lack of resources for construction and maintenance of rural roads. Generally, The PS officials have mentioned that they have money to maintain only less than 10%-15% road network out of which they have to maintain that particular year.
2. Lack of technical know-how and the technical staff for construction and maintenance of access roads. Five out of six PSs studied had mentioned that they have technical officers allocated but all of them have mentioned that they don't have enough technical know how to maintain their roads

District and divisional secretariat system

In addition to the political administrative system there is another system which considerable work areas of delivery of infrastructure services are managed by. This system is mainly governed by the ministry of public administration. Sri Lanka has divided in to 25 administrative districts and for each of the district a district secretary (formally known as Government Agent) has appointed. The districts then have divided in to several administrative divisions and Divisional Secretaries (formally known as Assistant Government Agent) have appointed for each of these divisions. In Sri Lanka there are about 256 divisional secretariat divisions and these divisional secretariat offices are resources with a divisional secretary, planning director, Officer together with staff members for housing, land, youth service, rural development, social services and censuses etc.

Divisional secretariats are also responsible for delivery of infrastructure services in their localities. Generally, the central government allocate funds for the divisional secretariats for the development activities through their decentralised budgets. In addition provincial councils also provide funding depend on the development programmes implements by them. Currently the government's main poverty alleviation programme "SAMURDHI" is implementing through the divisional secretariat system.

Although, there are no clear link between these district and divisional administrative system and provincial councils and PSs, for working purposes district development committees has sets up and they are suppose to discuss and prioritise the development activities of that particular district. Similarly divisional level development committees are also available with the leadership of divisional secretary.

Issues and constrains in the decentralised service delivery system of Sri Lanka.

Most of the policies and regulations in the country have developed to meet the needs of powerful people who are also involved in designing and implementing them. The needs and aspirations of poor and marginalized people are not reflecting enough in policies of the service sector. For examples the energy policy which has been developed to provide energy needs of the country in a cost effective way has resulted in giving electricity to the industries and urban rich people for commercial and other domestic needs. As a result the poor especially in remote rural areas have no access to such services. The transport policies in the country too, are more favourable in promoting highways, cars, buses, vans, etc. But there are no policies for the registration of bicycles which is the only vehicle available for the poor. There are some policies on providing subsidy in the service sector e.g. National Transport Commission is providing subsidy for bus companies who operate on un-economic routes, however the advantages of these do not reach the poor.

As discussed in the previous section although the power has devolved in theoretically, when it comes to the practice there are many issues and constrains which has negative effects for the development of rural infrastructure facilities in the country. Some of these constrains are:

- 1 Provincial councils lack power in certain areas of development activities such as land, water resources etc
- 2 Central government and its line ministries exercise power over ruling the decentralised development interventions
- 3 There is no clear link between divisional secretariat divisions and local government authorities therefore, development activities get messed up specially at rural level
- 4 Politicians play a major role in prioritising and implementation of development of infrastructure services irrespective of responsible authorities or institution

ITDG's experience in capacity building for decentralised service delivery

The private sector organisations and NGOs have also become popular in providing services in the recent past. There are about 3,000 NGOs working on providing different services.

ITDG office in Sri Lanka was established in 1989 and the works in the

service sector began from its inspection. Introduction of **micro hydro power** technology as an alternative for power needs of rural poor is one of the main initial interventions from the beginning of ITDG's work in Sri Lanka. There are about 1,500 potential sites in the country for micro hydro power generation. The demonstrated Off grid community managed technology systems by ITDG has contributed to install around 160 village level micro hydro power schemes giving electricity to about 6,000 families in four provinces of the country where grid connected electricity is far beyond the reach. As a result of this work capacities of local contractors, local authority officers, organizations and communities have been built on micro hydro power generation. By these institutions and individuals about 100 micro hydro plans have been established in country.

ITDG influenced the World Bank's energy service delivery project to incorporate community managed micro hydro as one of the options to provide electricity to rural households. This involvement directly helped to increase the number of micro hydro schemes in the country. ITDG has trained about 50 micro hydro power plant-designers and around 10 manufacturers of equipments and about four International training programmes on micro hydro for a number of interested persons from all over the world, mainly Asia. Out of four provincial councils which have potential for micro hydro power plants, two were linked with financial institutions to provide financial assistance to the communities to establish and manage micro hydro schemes.

Promotion of **bio gas** was initiated as another decentralised energy option for poor. After studying the results and impacts of attempts to promote biogas by other organisations, ITDG intervened and two models were adopted and promoted. ITDG contributed to the construction of over 500 bio gas units to increase demonstrations and build capacity of construction. We trained around 30 masons, 50 extension officers and 15 manufactures, who are involved in the manufacturing of biogas implements.

Work in the **transport sector** begun with pilot demonstration activities of **cycle based transport** modes. Under this project, two innovations to improve the load carrying capacities of bicycles were developed and introduced. The project has trained around 40 small scale manufacturers on manufacturing of new transport modes and they have done several modifications to improve their designs. At the later stage the project has adopted a promotional approach, to promote the cycle trailers and extended bicycles through NGOs, cycle sales shops and manufacturers, establishing a revolving credit fund to obtain transport modes on credit, to those who can not afford to pay the total cost at once. During the five years of project period ITDG disseminated around 400 cycle based transport modes and this work has handed over to partners in 1998.

Based on the rural transport policy study conducted by ITDG in collaboration with two universities and transport ministry of Sri Lanka, the transport programme has expanded its activities in to areas such as village **roads development, promotion of intermediate transport modes and advocacy** for favourable policies and regulations for poor people mainly in the rural areas. ITDG pilot tested the community based roads construction and maintenance system using labour intensive methods. This work has now

come to a stage where other NGOs and government ministries are keen to promote the tested approach and technology. Formation of three transport networks, The Lanka Forum on Rural Transport Development (LFRTD), GAMANA and Intermediate Modes of Transport (IMT) manufacturers network, have helped to generate and share knowledge on transport needs of poor people. Advocacy with LFRTD was highly successful with achievements such as incorporation of separate section on rural transport in the national transport policy document and government strategies to promote IMTs.

Early this year we initiate a programme with Ministry of local government to develop the capacities of local government authorities in construction and maintenance of rural roads. As the first step the work has initiated with 22 local government authorities in two provinces of the country. The technical skills of the Technical Officers (*TOs*) were developed through the training and practical exposure activities. Apart from the training for *TOs* community mobilisation and participatory methodology training were given to the community development officers of local government authorities. The project initiated with the awareness for the chair persons of local government authorities and provincial council high ranking officials. To develop the capacity of local government authorities on practical aspects, at least one road will be constructed within each local government area with the contributions from the communities, local government and ITDG.

PRESENTATION

BUILDING SUFFICIENT CAPACITY AT THE LOCAL LEVEL. HOW DO WE GET THERE?

Maria Margarita Nunez
Transport Specialist. The World Bank

ILO ASIST-AP
Forum on the Pro Poor Delivery of Rural Infrastructure Services:
The Challenge of Decentralization

**Building Sufficient Capacity at
the Local Level. How Do We
Get There?**

Maria Margarita Nunez
Transport Specialist. The World Bank

Bangkok, November 4-6, 2003

How do we get there?

- People involved
- Objectives
- Needs
- Framework design
- Evaluation
- Sustainability

Stakeholders

- People in area of influence
- Central, provincial, district and community level governments
- Line departments
- Private sector
- Mass organizations
- Donors
- Press
- Neighboring communities / villages

Question

Is there a need for local councils to be equipped with engineers, financial specialists, social scientists, technicians, and artisans to build and maintain basic infrastructure?

Objective of Capacity Building

Enable staff to perform assigned tasks efficiently and effectively and be accountable to assist and provide safe, quality constructed infrastructure

Capacity Building Needs Identification

What would be the appropriate staff to secure maintenance of local infrastructure?

Capacity Building Framework Design

Through extensive consultative processes, including holding and facilitating workshops at the provincial, district and village levels; the strategic framework, a medium term business case and action plans could be developed

Guidelines for Evaluation Procedures

How to build up a credible provincial, district or community administration which will have sufficient trust from central government and donors to take full control of funds for development works?

Sustainability

Depends on reliable sources of funding
both for on-going human resource
development and for rural
infrastructure works

Papers on Sustaining the Created Assets

LAO PEOPLE DEMOCRATIC REPUBLIC FORUM ON THE PRO-POOR DELIVERY OF RURAL INFRASTRUCTURE SERVICES: THE CHALLENGE OF DECENTRALISATION

SESSION 4 SUSTAINING THE CREATED ASSETS

By: ***Ounheuang Siriamphone***, Lao PDR

Introduction

In 1999, the Lao Government issued a decree on decentralisation. The objectives were to restructure the administrative system in order to let the line ministries perform properly their role as macro management, the province as the strategic unit, the district as the planning and finance unit, and the village as a base of implementing unit. Immense efforts are required to see the full development of this directive take place (PM Decree, 1999).

According to this decentralization, the Department of Roads under The Ministry of Communication Transport Post and Construction (MCTPC) intended to hand over the responsibility to the provincial level in term of national road maintenance and Local road construction and maintenance.

Road Network in Lao PRD

In Lao PDR, the road network is divided into 6 categories such as:

Table: The Lao Road Network

Road Class	Road Surface			Total	%
	Paved	Gravel	Earth	Total	of Total
National	3704	2272	1139	7115	22
Provincial	292	3804	5086	9182	28
District	96	1251	5175	6522	20
Urban	273	789	428	1490	5
Rural	15	883	6791	7689	24
Special	34	213	237	484	1
Total	4414	9212	18886	32482	100



Investment for Road sector

Since 1975, the Government of Lao had received the Assistance from the different donor under Loan and Grant Fund for the development of Road Network in the country. The main donors to the road sector directly and indirectly as follow:

World Bank, Asian Development Bank, Sida, OPEC, JICA, JBIC, AFD, IFAT, GTZ ect.....

The amount of Fund (2002/03) is 385,360 Millionkips

The investment for the Ministry of Communication Transport Post and Construction is covered 43% of GDP in the fiscal year 2002/03 and the road sector covered 90% of the Ministry budget.

Road Maintenance

The GoL give priority to the road maintenance.

Road Maintenance Fund (RMF) has been established and the fund is collected from Fuel levy, Toll road, overload charge, ect...

Fiscal year 2001-02 , RMF has collected totally 142,850 million kips and in 2002-03 increased to 235,151 million kips. The fund contributes 10% to the Local road network.

The World Bank is still the main donor for maintenance fund to National and Local roads. Swedish International Development Agency (Sida) provided fund for local roads construction and maintenance and created the road maintenance committee.

Ownership and responsibility

In order to achieve the task, Department of Roads need to develop the institution to responsible the whole road network in the country.

Department of Roads (DOR) in the Ministry of Communication Transport Post and Construction is responsible for planning, implementation and monitoring all road network in Lao PDR.

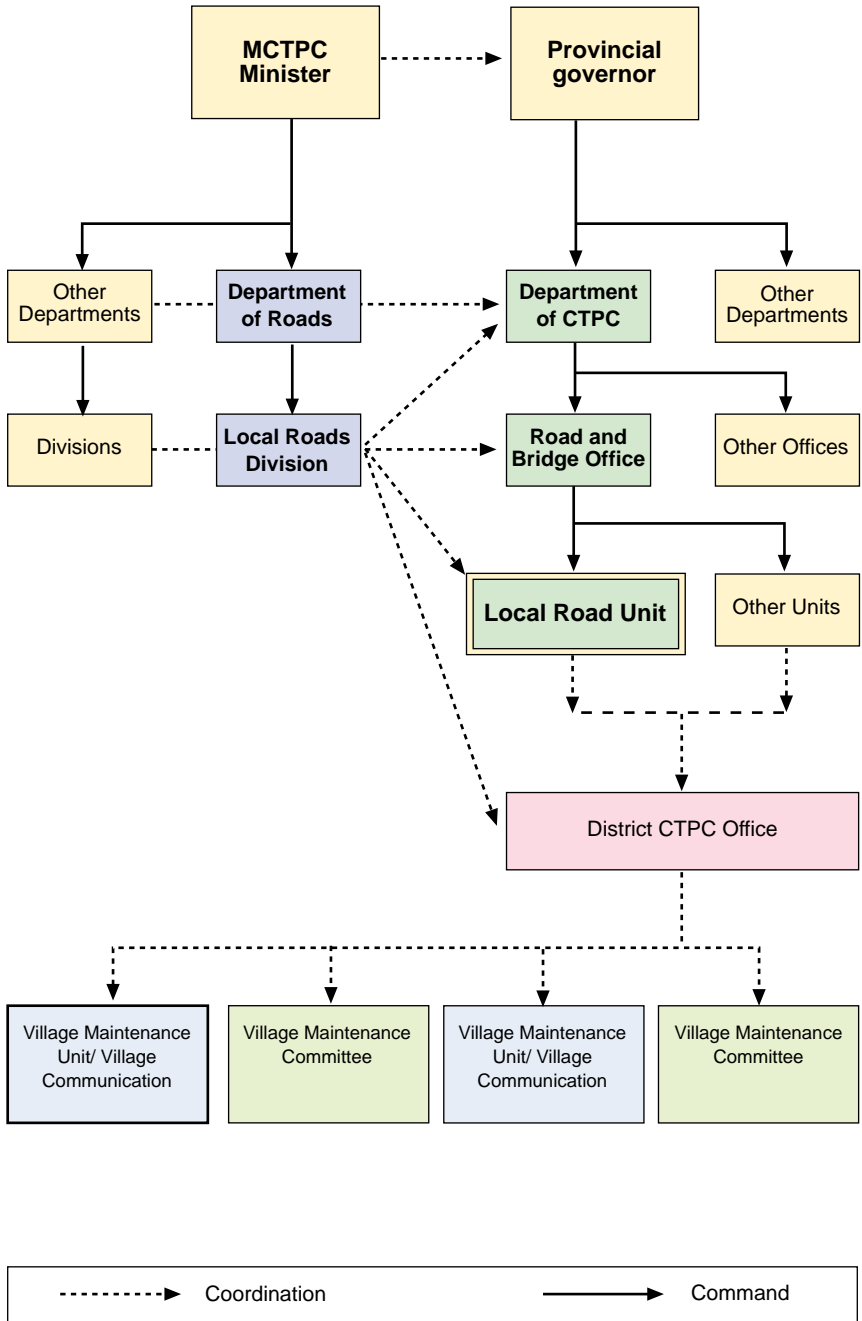
Road Administration Division (RAD) is responsible for management of National Road Network maintenance.

Local Roads Division (LRD) is responsible for management of Provincial, District and Rural road Network.

DCTPC to the province is responsible for implementation of National Road Maintenance and development of management for Local road network in their province (all category of the road except National road).

Communication Transport Post and Construction (CTPC) Office to the District is responsible for implementation of District road network and supervise the village maintenance committees.

Organizational structure





Role of Local Roads Unit under Road and Bridge Office, Provincial DCTPC

Local Roads Unit (LRU) is one Unit, which has role as a secretariat of Communication Office as well Provincial Department of Communication Transport Post and Construction in the management and government administration of Road and Bridge Office. Its task is to set up planning for managing district roads and community roads for construction and maintenance.

The tasks of Local Roads Unit:

1. Summary district roads and rural roads in the province as statistics and information and to assist district DCTPC Office in setting up short and medium term plans to submit to Provincial Road and Bridge Office and DCTPC.
2. Liaise and collaboration with other Units under Provincial Road and Bridge Office, District CTPC and rural road development projects to apply appropriated techniques and technologies that suit with project monitoring system.
3. Train district staff and villagers for district roads and rural road construction and maintenance using Labor Base Equipment Support Technology.
4. Assist Road and Bridge Office as well DCTPC for monitoring rural roads projects in the province.
5. Liaise and cooperation with districts DCTPC on monitoring and support Village Maintenance Unit for rural road maintenance.
6. Assist in other concerned activities as directed by superiors.

Personnel:

This unit composes of one or two staff.
District staff is assistants.

Role of Village Maintenance Committee (VMC)

Village Maintenance Committee (VMC) is one organization that gathers group of villagers who are village's representatives living in road catchment areas. Its tasks is to implement rural road maintenance under supervision of District CTPC.

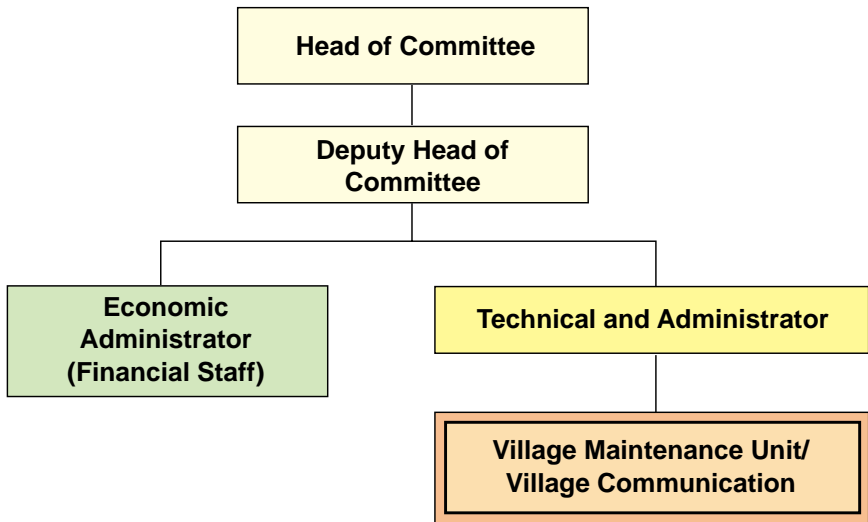
The tasks of Village Maintenance Committee:

1. To be a key body in rehabilitation and maintenance of responsible roads.
2. Implementation road maintenance as planned.
3. Collaboration with district CTPC office to carry out technical survey.
4. Contacting agreement with individual, community and groups of contractors.
5. Organization of the activities and villagers participation.
6. Following up and record the participation of villagers(Social labour, pay...etc)
7. Report implementation progress to district DCTPC
8. Monthly report on road condition inventory to district DCTPC

Personnel:

The Village Maintenance Committee staff consists of one Head of (VMC), number of Deputies (if necessary), economic administrator (accountant) and Technical staff (included recording labor/workers participation). Overall number of staff is 5 to 8 (based on the appropriateness).

Organizational Structure of Village Maintenance Committee



Role of Village Maintenance Unit (VMU)

Village Maintenance Unit (VMU) is one organization of the village. Its tasks is to implement the road construction and maintenance using the village labor.

The tasks of Village Maintenance Unit:

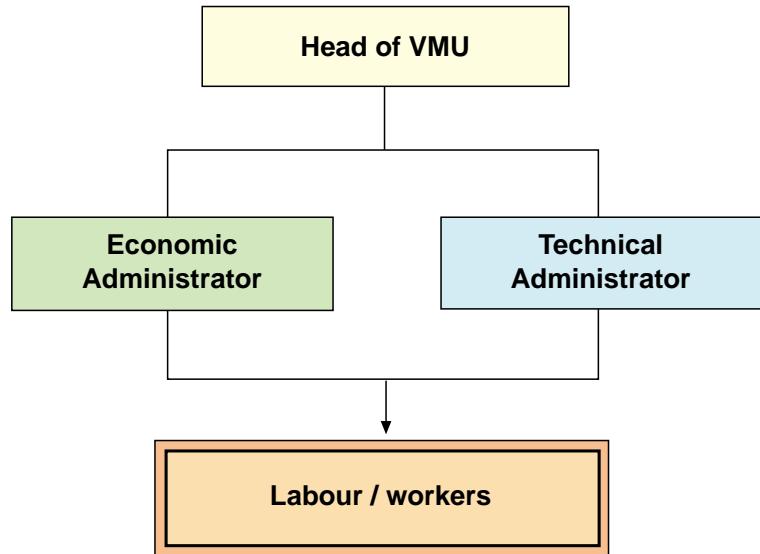
1. Record and list of labor in the village participation for road maintenance. Based on their responsibility.
2. Record and list of vehicles, equipment and tools to use for construction and maintenance activities.
3. Contracting and obligating with concerned organization.
4. Organize and plan activities to allocate to villagers.
5. Attend the training on road construction and maintenance courses.
6. Report monthly to district DCTPC office on road condition inventory as their responsibility.
7. Conduct village meeting to evaluate the implementation.

Personnel:

The Village Maintenance Unit consists of the Head of Unit, economic administrator and technical staff. The Unit has overall staff approximately 3 to 5 staff as needed.



Organizational structure of Village Maintenance Unit

Responsibility Matrix (Community managed - and owned roads)³

Sequence	Central (LRD/MCTPC)	Provincial (DCTPC)	District (CTPC)	Community (Village)
Planning Application/ request Screening	Provide guidelines Adhere to national priorities	Ascertain adherence to guide Adhere to provincial priorities	Process request Adhere to district priorities	To file the initial request Awareness to community
Programming Prioritisation Funding	Provide guidelines Make request	Prioritise Budget/ allocate funds	Prioritise/ inform community Compile/ process budget	Await decision Community contributions
Preparation Project Proposal Training	Provide guidelines Provide training & materials	Training of district staff Training of district trainers	Help prepare Proposal Training of villagers	Prepare Project Proposal Participate in training
Implementation Constr.,rehab., impl Maintenance	Provide design standards, etc Provide suitable model	Train/support district staff Support when necessary	Supervision (labour-based) Support when necessary	Implement works Implement works

³ The assumption being that the private sector would also have a significant role in managing and financing local roads in future – this is not reflected in this table



Cost sharing and labour cost (Three kind of system)

1/ Road Maintenance Costs and Subsidies (LSRSP III/ Sida)

Routine maintenance Group 1, (normal manual routine maintenance including 10-15% emergency maintenance).

The cost per km for routine maintenance of local roads is estimated as in the table below (same table as in Section 3.1). The cost includes clearing culverts, spot clearing of ditches, filling of potholes, bush cutting, and minor emergency maintenance to a standard as described in Section 4.2.

Routine Maintenance costs (group 1)(Manual works incl. Minor emergency works)

All motorised vehicles	Nos	0-100	100-300	300-500
Cars and bigger	Nos	0-10	10-30	30-50
Hilly-mountainous terrain	USD/ km	57	69	86
Flat-rolling terrain	USD/ km	28	39	50

Routine Maintenance Group 2, (Maintenance of Camber and Ditches).

The second part of the routine maintenance involves restoring of the camber and the ditches of the road. As this is a more difficult operation to organise and implement it is proposed that this part is made optional. If the VMC manages to maintain the camber and the ditches, a percentage of the sums in the table below is paid. To promote the use of labour based methods a higher percentage is proposed for these works.

Routine Maintenance costs (group 2), (Restoring of camber and ditches)

All motorised vehicles	Nos	0-100	100-300	300-500
Cars and bigger	Nos	0-10	10-30	30-50
Hilly-mountainous terrain	USD/ km	42	58	100
Flat-rolling terrain	USD/ km	37	50	85



2/ Community contribute their own (Prodesa/ AFD)

VMC collect from the road users in the village as per family without any vehicle 5000 kips and then they will pay additionally as per type of vehicle below.

Unit in kips

Type of vehicle	User charge	Total cost
No any	5000	5000
Motobyke		
Hand tractor	5000+25000	30000
Midium tractor	5000+50000	55000
Big tractor	5000+75000	80000
Truck	5000+125000	130000





The labour cost will pay per month as agreed in the contract is 300,000 kips.

Before paying the labour, the VMC will check all the work to be done if the work is completed 100% or not. If there is some unfinished work the VMC and worker will note together for next time checking. If the work is not able to do good job after three time, the VMC in cooperation with Head of the village will elect the new worker to replace him.

3/ Un-paid system

After organizing the meeting with the community, the community should responsible their roads (private road) for maintenance. This kind of road maintenance is to keep the road good condition and make it long life because this road offered the profit to the beneficiary. The CTPC Office staff will supervise the work to be done by the community according to Maintenance Activity Code. The head of the village is responsible for arranging the group worker to carry out the maintenance. Each family need to contribute their labour force to road routine maintenance.

This methods has been apply in the Lao Swedish Roads Sector Project (LSRSP).

The concept is to follow the Lao Government policy to delegate the responsibility to the community on community road maintenance (routine maintenance) and it is followed up the work by District CTPC staff.

STRENGTHENING CAPACITY OF PANCHAYATI RAJ INSTITUTIONS FOR MAINTENANCE OF RURAL ROAD ASSETS IN INDIA: MEETING THE CHALLENGE

By **D. P. Gupta**

National Consultant Coordinator, India

1. Introduction

1.1 Network: Roads are considered an infrastructure critical to economic growth and social development of the country. Practically, 60 percent of freight and 80 percent of passenger travel is dependent upon roads. The total road network in India today stands at around 3.2 million km of which 2.7 million km comprise rural roads. This includes around 1.0 million km of earth tracks constructed under various employment and poverty alleviation programmes. About 72 per cent of total population live in villages. Keeping rural roads in serviceable condition is crucial to the agricultural growth and affording means of access to millions of rural people to social facilities viz medical, education as also to market. The current replacement value of the existing rural road network is estimated at Rs. 1800 billion (US\$40 billion). These are huge assets and need to be preserved.

1.2 Impact of Poor Maintenance: An investment of about Rs. 300 billion (US\$6.8 billion) has been made so far in construction of rural roads since the beginning of the first Five-Year Plan in 1951. Annual expenditure in the range of Rs. 50-60 billion (US\$1.2 billion) is now envisaged for connectivity by all-weather roads including the PMGSY programme. There is danger of rural roads falling into disuse because of poor maintenance. The resulting loss in value of road assets would be as high as Rs. 100 billion per year, equivalent of 50000 km of roads being eroded every year. Besides this, rural roads often become impassable during the rainy season and agriculture output is affected. More working time is lost in travel and transport of people and agriculture produce to market. A large backlog of deferred maintenance is caused, resulting in 3 to 4 times the cost in restoration and rehabilitation. The health of vehicles, both motorised and non-motorised, is also affected adversely.

1.3 Guidelines: With the undertaking of Pradhan Mantri Gram Sadak Yojana (PMGSY) that envisages provision of all-weather roads to all habitations above 1000 population by the year 2003 and to habitations with population above 500 by the year 2007, further expansion of the network would take place. This will increase the additional requirement of maintenance. The guidelines issued by the Government of India make it clear that the rural roads constructed under this programme will be maintained by the concerned Panchayati Raj Institution (PRI) at the local level. State authorities are required to give an undertaking that they would remit the requisite cost of maintenance out of the state government funds to the PRI. A unique feature of the PMGSY is the understanding between the Government of India and the concerned state government to provide for 5-year

maintenance along with construction of these all-weather roads by the same contractor. The state government picks up the bill for maintenance.

- 1.4 **Financing Gap:** Availability of funds is one of the major constraints in preserving the existing rural road assets. Large network built over years is becoming a victim of neglect because of the financing gap between what is needed and what is allocated for maintenance. An amount of only Rs. 20 billion, against the estimated requirement of around Rs. 80 billion, was made available for the year 2002-03. Obviously, the states are not able to attend to both the routine and periodic maintenance requirements to the desired extent.
- 1.5 **Expectation from States:** Once the road is constructed, it must be maintained to a minimum level of acceptable serviceability. However, the current policies seem to favour construction over maintenance. Because of the neglect in maintenance, the same roads are being constructed over and over again. As a result, the geographic spread of network gets constrained. The focus needs to change in favour of achieving a balance between road building and road maintenance. In fact, the total road network should be determined by the ability to finance and capacity to execute maintenance work.
- 1.6 **Major Issues:** Among several issues to be addressed in regard to maintenance, the most critical are:
 - **Government Commitment:** A firm commitment of the government in the states to maintain the rural roads to serviceable levels all the year round. Preservation of existing road assets has become a matter of critical importance.
 - **Dedicated Funds:** A dependable and adequate flow of funds on continuous basis to enable the road agencies to effectively plan and implement their maintenance programmes.
 - **Maintenance Backlog:** Finding ways and means of phased removal of the backlog of periodic maintenance.
 - **Maintenance Management System:** Improving maintenance planning and accountability through creation of database and setting up simplified maintenance management systems so as to optimize use of allocated funds and prioritize maintenance interventions, with first charge on the core road network.
 - **Panchayati Raj Institutions:** Building up the capacity and capability of Panchayati Raj Institutions (PRIs) to undertake the maintenance of rural roads. Strengthening institutional arrangements, training of personnel including gang labour to improve local skills and productivity.

The rest of this paper deals with organizational aspects and emerging issues in undertaking maintenance through the decentralized system of Panchayati Raj Institutions.

2. Current Organisational Scenario

- 2.1 **Organisational Aspects:** A summary of current situation on key organisational and procedural issues based on data available from some states is given in Annex 1. The following observations can be made:

- (a) **Multiple Agencies:** Main agencies concerned with rural roads are the Public Works Departments and Rural Engineering Organisations. Other agencies include Mandi Boards, Forest Departments, etc. Some states, for example Gujarat, Karnataka and Meghalaya have unified single agencies handling the work of rural roads. Another unique feature of Gujarat is that the Chief Engineer (Panchayat) functions under the Roads and Buildings Department. This enables availability of technical support at all levels in the Panchayati Raj Institutions (PRIs) in the State. The multiple road agencies in charge of rural roads in the states are working independently. There is no single nodal agency responsible for planning, programming and integrating the various sources of funds for rural roads.
- (b) **Planning:** There is virtual absence of an efficient planning and management system for rural roads, which can identify and prioritize the maintenance needs for the core network and the balance roads.
- (c) **Funds:** The Panchayati Raj Institutions are not raising any funds for maintenance. Although, they may decide on requirements and priorities, yet they depend upon the funds of the state government.
- (d) **User Involvement:** By and large, the users do not play any role in the maintenance except through their elected representatives as MLAs, MPs or as members of the PRIs.
- (e) **Training:** Arrangements for training of personnel are weak. States like Andhra Pradesh, Gujarat, Karnataka and Orissa have their own arrangements. Arunachal Pradesh, Bihar, Haryana, Himachal Pradesh, Jharkhand, Meghalaya and Tamil Nadu depend upon National Institute of Training for Highway Engineers (NITHE) and Central Road Research Institute (CRRI) for training.
- (f) **Execution:** Work of maintenance is being done departmentally and through contractors. Usually, routine maintenance is done through gang labour and periodic maintenance through contractors. The states of Jharkhand, Karnataka and Rajasthan do not have any gang labour for rural roads maintenance. Entire work is done through contractors on piece-work or tender basis.
- (g) **Gang Labour:** A large percentage of available funds is spent on labour gangs and their productivity is on the decline. Currently, the strength of gang labour in Uttar Pradesh is 40 per 100 km. Corresponding figures for Tamil Nadu, Gujarat and Andhra Pradesh are 23, 16 and 7. However, most states have put a ban on recruitment of gang labour.
- (h) **Audit:** The financial audits are undertaken by the Accountant General in the states. As regards technical audit, there is no firm and formal arrangement in place. Usually senior level technical officers inspect the roads.

3. Panchayati Raj System

- 3.1 **Constitutional Amendment:** Panchayati Raj Institutions, as units of local self-government, have been in existence in the country for a long time. However, the 73rd Amendment to the Constitution of India passed in 1992 granted constitutional status to the Panchayati Raj Institutions in the country and is an attempt to bring about uniformity in decentralization of powers and responsibilities at the district level.
- 3.2 **Structure and Functions:** As per this Act, the district level planning and

development works are to be the responsibility of the autonomous agencies like Zilla Parishad (ZP) at district level and Panchayat Samiti (PS) at block level comprising elected local representatives. The state governments have been enacting their own Panchayati Raj Act in conformance with the provisions of the Constitution (73rd Amendment) Act, 1992. Table 1 provides a broad typical structure of PRI in Haryana – one of the states in the country.

Table 1: Panchayati Raj Institution in Haryana
(The Haryana Panchayat Raj Act, 1994) Structure and Functions

Level of local self government	Structure	Powers and responsibilities	Duties of government functionaries
Village level	Gram Panchayat (GP) (consists of Gram Sabha – village with population above 500 from among its voters elect Sarpanch, 6 to 20 Panches from wards in the Panchayat area)	(i) Identification of schemes for economic development and social justice for inclusion in Action Plan and implementation which also includes maintenance of rural roads. (ii) Prepare annual budget (iii) Gram Sabha monitors development activities and budget implementation. Village Development Committees (VDCs) are constituted with not less than seven members of the Gram Panchayat.	Gram Sachiv: He assists the Gram Panchayat in discharging its power and responsibilities (It has recently been decided to replace Gram Sachiv by appointing a local person to be called Gram Vikas Sevak preferably a graduate for assisting the old age pensioners, widows and keep records of GP.)
Block level	Panchayat Samiti (PS) – 10-30 members through direct elections from each ward (population 4,000-5,000) – Sarpanches equal to one-fifth of total seats by rotation and lots for a period of one year. – MLAs as ex-officio members – Chairman, Vice Chairman elected from amongst elected members only. – Two-thirds of total seats to be elected.	(i) Advise, supervise and control over performance of GP in its functioning and rendering technical and financial assistance. (ii) Formulation and execution of community development programmes financed by grants/loans. (iii) Constitute Committees when required with minimum six members.	Block Development and Panchayat Officer (BDPO). Ex-officio Executive Officer of PS for assisting in discharging its powers and responsibilities.
District level	Zilla Parishad (ZP) – 10-30 members through direct elections from each ward (population 40,000) – Chairman of all PS as ex-officio members. – MPs as ex-officio members. – President and Vice President elected by and from amongst the elected members only. – Two-thirds of total seats to be elected.	(i) Advise, supervise and coordinate the functions of PS. (ii) Identification of developmental schemes for inclusion in Action Plan and its approval. (iii) Secure execution of approved plans and projects. (iv) Advise government on work distribution to the PSs. (v) Examine and approve the budget of PSs. (vi) Constitute Committees as and when required.	– Additional Deputy Commissioner (ADC) ex-officio Chief Executive Officer (CEO) of Zilla Parishad for assisting in discharging its powers and responsibilities. – District Development and Panchayat Officer (DDPO). He acts as Dy. CEO cum Secretary for the Zilla Parishad.

It may be pointed out that the State Government of Haryana has created a dedicated fund known as Haryana Rural Development Fund (HRDF) by levy of cess equal to one per cent on sale value of agricultural produce from the farm to market. The fund is contributed entirely by the farmers and used primarily for improving the rural infrastructure including inter alia construction and improvement of village roads. The fund is managed by DRDAs (District Rural Development Agencies). The DRDA is a district level governing body comprising local MPs, MLAs, President of ZP, Heads of District Development Departments and representatives of disadvantaged sections of society. The HRDF has proved to be a good financial source for socio-economic upliftment of rural people in the state.

4. Challenges

- 4.1 **Funds:** As pointed out earlier, funds allocated for maintenance of rural roads are highly inadequate. Shortfall is 70 to 80 per cent compared to needs. Some financial burden can perhaps be reduced if Panchayats can come forward and take the responsibility of cleanliness of road and drains passing through their village proper. In some states, local people contribute 10 to 15 per cent of the requirements and the balance comes from state governments. It needs to be realised that without adequate financial means, these institutions cannot fulfill their responsibilities. Of course, this needs to accompany a set of effective financial procedures for adoption at the local level. Funds also need to reach them in time to honour the contractual commitments. An effective audit system has also to be in place.
- 4.2 **Capacity:** Capacity of these local bodies is the key issue in their ability to discharge the mandate. There are several aspects that need deliberation in relation to rural road maintenance, particularly:
- (i) *Preparation of annual programme:* Simple procedures for condition rating and importance of road are to be in place at both block and zilla level and prioritization decided keeping in view the available funds. This would be better than the present ad hoc system of subjective decisions of the funding agencies and political directions.
 - (ii) *Gang labour:* There is surplus gang labour available with many of the state PWDs, but the PRIs have been generally reluctant to accept their transfer to them in absence of assured availability of funds and technical supervisory personnel. For routine maintenance, labour inputs are a must. Some countries have been successful in converting their gang labour into micro enterprises with proper training and some support by the government. There is need to address this issue. Perhaps section labour contractors or length-men can be appointed by village panchayats. Some pilot projects based on good and promising international practices can and should be taken up in a few regions of the country.
 - (iii) *Technical support:* Except where rural engineering organisations have been established even the original works are being undertaken by the Zilla Parishads through the District Rural Development Agencies who have normally a Junior Engineer level person to supervise works.

It is necessary to provide adequate technical support to the PRIs to enable them to carry out the tasks entrusted to (or expected from) them. Works need to be supervised and monitored through periodic inspection and payments released only after obtaining satisfactory outcomes. This would also involve building up the local capacity for undertaking small works on contract. This in turn means that we need to have effective and transparent contract procedures and contract documents.

- (iv) *Training:* The local authorities, the engineers of the rural engineering organisations, etc. and the small contractors need support through regular and periodic training arrangements. Local contractors need training both in technical execution and keeping of accounts and management of business. The local contractors would need to develop skills in supervision of labour and equipment operators and maintenance of tools and equipment and scheduling of materials and manpower. And, local authorities need to be exposed to sound contract administration and management practices.

5. Way Forward

It should be useful to compile a set of lessons learnt from decentralization of powers and responsibilities experienced in various states in the country and abroad and define the role of each level of local administration viz. Gram Panchayat (GP), Panchayat Samiti (PS) and Zilla Parishad (ZP) for the range of activities involved in maintenance of rural roads. Issues such as the identification of maintenance interventions, persons responsible for them and identification of sources of funds need to be addressed. In the beginning, special and concerted efforts are required but once the system gets established based on successfully tested practices, it becomes a routine. Therefore, building up the capacity through training and making available set of documents on procedures (technical and financial) and manuals on execution of various maintenance activities would go a long way in improving efficiency in delivery of maintenance programmes and strengthening the Panchayati Raj Institutions.

Section 3: Participants Presentations

Forum on the Pro-poor Delivery of Rural Infrastructure Services: The Challenge of Decentralisation

Organisational and Procedural Issues in Maintenance of Rural Roads

Issue	Andhra Pradesh	Arunachal Pradesh	Bihar	Gujarat	Haryana	Himachal Pradesh	Jharkhand	Karnataka	Meghalaya	Orissa	Rajasthan	Tamil Nadu
Agencies responsible	i) Panchayat Raj Engineering Dept ii) R & B Dept	Public Works Dept Rural Works Dept	i) PWD REO District Boards	Roads & Building Dept through Panchayat Raj Institution	PWD Agriculture Marketing Board	PWD Forests Dept.	Rural Engineering Organisation (REO)	Rural Development Engineering Department	Public Works (Roads) Department.	i) R. D. Dept. ii) P. R. Dept. iii) Irrigation Dept. iv) Forest Dept.	i) PWD ii) Agriculture Marketing Board iii) Irrigation Dept. iv) Forest Dept.	PWD PRI
Name of coordinating agency in the State	Both the agencies work independently (No coordination)	No coordination	No coordination	Single Agency	No coordination	No coordination	Single Agency	Single Agency	Single Agency	No coordination	No coordination	No coordination
Role of Panchayati Raj Institutions (PRI)	Roads approved for maintenance at Zilla Parishad level based on importance and priority of roads. Block level officers are consulted in identifying such roads	There is no Panchayat Raj Institution	Roads maintained by REO on the recommendation of Zilla Parishad at District level, Head of Block Panchayat is member of Zilla Parishad.	District Panchayat decides for routine maintenance. Special repairs are decided based on technical requirement and MLA's recommendations	PRI for only internal roads within the village	No role at present	REO is the engineering organisation of the PRIs. At district level, each Zilla Parishad has an Executive Engineer.	Action Plan for maintenance is prepared and approved by Zilla Panchayat Engineering Divisions at District level and by Taluka Panchayat at Block level.	There is no Panchayat Raj Institution in the State.	Panchayat samities maintain roads under their control	Zilla Parishad recommends at PWD. The PRI are authorised to inspect the works and forward suggestions/complaints to PWD.	Zilla Parishad Gangmen recommended at PWD. The PRI are authorised to inspect the works and forward suggestions/complaints to PWD.
Whether PRI raise funds for maintenance	No	Does not arise	No	No	No. But, rural development fund exists	No	No	No	Does not arise	No	No	No
Whether Community or user play any role in maintenance	No	No	Only through their elected representative	Village people elect Members of Block and District Panchayat. They make request for routine maintenance	No role	No	No. Only through elected representatives	No	No	No	No	No
Arrangements for training of staff and engineers	i) HRD cell of the PRED ii) Training programmes also depend upon	No arrangements for training depend upon	No specific arrangement available.	Technical staff are deputed to PRI by the state PWD and they	CRR, NITHE	A few training programmes arranged	Practically no arrangement for training.	Training imparted by Karnataka Engineering	No arrangements for training in the State.	Training imparted by office of Chief	Workshops are organised at SE level.	No arrangements for training

Issue	Andhra Pradesh	Arunachal Pradesh	Bihar	Gujarat	Haryana	Himachal Pradesh	Jharkhand	Karnataka	Meghalaya	Orissa	Rajasthan	Tamil Nadu
undertaken through Project Management and Technical Assistance of the World Bank	Andhra Pradesh	Arunachal Pradesh	Bihar	Gujarat	Haryana	Himachal Pradesh	Jharkhand	Karnataka	Meghalaya	Orissa	Rajasthan	Tamil Nadu
How is work of maintenance carried out	Budget grant distributed to districts based on length. Preference given to BT roads. Maintenance works entrusted to contractors.	Work done by department	Work done through contractors	Work of routine maintenance is carried out by the Department and in some cases on piece-work basis. Periodic Renewal is undertaken through contractors.	Routine maintenance by gang labour, periodic maintenance by contract	Maintenance by department and contractors	Gang labour abolished long back. Emergency repairs and patchwork done through piece works through petty contractors	Work done by contractor on piece-work basis or on tender basis	Routine Maintenance by Department and Periodic Maintenance by contractors	Work done by both contractors and the Department	Work done through contractors	Routine maintenance by gang labour and periodic maintenance through contractors
Proportion of work done through department	Nil for R & B Dept. 14 per cent for PRED roads	100 per cent	Nil	About 90 per cent	Routine maintenance	Varies		Nil	About 90 per cent	20 per cent	Nil	About 88 per cent
Proportion of work done through contractor	100 per cent for R & B roads. 86 per cent for PRED roads.	Nil	100 per cent	About 10 per cent	Routine maintenance	Varies		100 per cent	About 10 per cent	80 per cent	100 per cent	About 12 per cent
Strength of gang labour	2881	N.A.	Nil	14000	5644	44141		Nil	3100	1796	Nil	885
Policy for gang system	No fresh recruitment for gang labour	No Policy	--	No fresh recruitment for gang labour	No policy, system not very efficient	No fresh recruitment	No gang system for rural roads	No gang system for rural roads	No Policy	No Policy	No gang system for rural roads	--
Arrangements for financial audit	AG audit – R & B Dept Local fund audit for PRED	AG Audit	AG Audit	AG Audit	AG Audit	AG Audit	AG Audit	Accts. Staff of the Ex. Engineer office	AG Audit	AG Audit	Preaudit at Divisional level. AG Audit also	i) AG audit ii) Local fund audit
Arrangements for technical audit	Vigilance and Quality Control Wing. Quality Control by Adviser (QC) of Government	Inspection at higher level SE, ACE and CE	Inspection by SE and above	Technical set up in Districts and supervise the maintenance works	Separate quality control and vigilance wing	Inspection through departmental officers	Works monitored at EE/SE level.	Assistant Engineer of the Ex. Engineer office	No provision for technical audit but works monitored at EE/SE/CE level.	Inspection by higher officers.	Inspection at various levels. separate audit for maintenance	No separate audit for maintenance

Papers on Impact of Decentralisation: What works, what does not?

PHILIPPINES' DEPARTMENT OF AGRICULTURE EXPERIENCE IN DEVOLUTION OF RURAL INFRASTRUCTURES

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A. The Local Government Code (LGC) of 1991 (R.A. 7160)

The LGC introduced major changes in the governance structure of the Philippines, offering new opportunities for more area-focused and integrated participatory development. Under the LGC, local government units (LGUs) are charged with a series of devolved functions. These include rural infrastructure concerns such as (i) construction, repair/rehabilitation and maintenance of village, municipal and provincial roads and bridges, small landing facilities, and fish ports, communal irrigation and small water impoundment schemes, intervillage irrigation, dikes, and drainage; and (ii) wells and spring development, water supply, and sanitation projects.

As a result of decentralization, basic services delivery is becoming more integrated, more focused on local priorities, and more efficient and cost effective. While devolution moves project identification and implementation closer to beneficiaries, it also introduces new challenges, particularly with regard to LGU commitment and capability. Further, although LGUs have been given many key responsibilities, capital expenditures at this level are low due to a lack of financial resources. To balance underfinanced LGUs, the Government provides grants to LGUs with cost-sharing arrangements based on their income class. Without these Government grants, many of the poorest municipal LGUs would not be able to invest in local infrastructure.

B. Government Policies and Plans

It is recognized that there has been substantial underinvestment in the agriculture sector and LGUs have been unable to provide the necessary agricultural services and infrastructure on their own. Republic Act 8425 of 1997, otherwise known as the Agriculture and Fisheries Modernization Act (AFMA), therefore, emphasizes the need for partnership and, in some cases, transitional arrangements, between LGUs and the concerned National Government Agencies. These are necessary to ensure that the required technical and managerial expertise, in addition to financial and other resources are made available, while resolving issues related to the flow of foreign loans and grants to LGUs. In the case of irrigation, the AFMA specifies that National Irrigation Administration (NIA) should continue to be responsible for the major irrigation structures of national irrigation systems (NISs), while it should gradually turn over the secondary canals

and on-farm facilities of NISs to irrigators' associations (IAs). The planning, design, and management of communal irrigation systems (CISs) and communal irrigation projects (CIPs) are to be devolved to the LGUs. Likewise, the budget for construction, operation, and maintenance of CISs and CIPs should be prepared by and routed through LGUs. NIA should continue to provide technical assistance as long as necessary. LGUs are also mandated to make rural roads a priority investment and provide at least 10 percent of project cost, subject to their internal revenue allotment⁴ (IRA) level.

The Department, in pursuit of the LGC, and taking cognizance of the limited technical and financial capabilities of the LGUs for needed infrastructures that are vital for increased rural production and productivity, have partnered with the municipal mayors and provincial governors in the provision of these agriculture related facilities. Over the years, it has accumulated experiences vital for improved project planning, execution and operation and maintenance. A beneficiary of these lessons is the ADB-assisted Infrastructure for Rural Productivity Enhancement Sector (InfRES) Project. (See attached brochure).

C. Lessons from DA-LGU Partnership in Implementing Rural Infrastructure Projects as Incorporated in the InfRES Project

1. Strong LGU commitment and capacity for project implementation and maintenance.

Under the LGC, greater responsibilities for rural development have been devolved to LGUs. With LGU-led implementation arrangements and a fully decentralized funds flow mechanism, the Project will advance the implementation of the LGC, particularly the devolution of responsibilities for rural development to municipal-level LGUs. Under the InfRES Project, LGUs will be directly responsible for identifying, appraising, implementing, and monitoring infrastructure subprojects while DA will focus on providing overall guidance and policy support. LGU eligibility criteria, supported by the demand-driven structure, will ensure that the participating LGUs have strong commitment and adequate institutional and financial capacity to implement, maintain, and monitor the subprojects.

To gain strong ownership by LGUs of rural infrastructure provided under the Project, the participating LGUs will be required to share a specific portion of the investment cost. This will be in addition to the equity provided by the community-beneficiaries.

To ensure that LGUs are equipped with adequate institutional and technical capabilities, the Project will train LGU staff in participatory project planning and implementation, contract supervision and procurement procedures, and participatory project benefit monitoring and evaluation.

2. Greater Participation and Transparency in Project Planning and Implementation

⁴ IRAs are support funds from the National Government. Amount of IRA provided to the LGU is dependent on several factors that include LGUs' population, land area and income level.

The Project is designed to ensure that participatory approaches are applied at all stages of project implementation. As a precondition to project support, LGUs will be required to demonstrate that a subproject is identified through a community consultation process. To ensure that sub-projects proposed by LGUs reflect the needs and priorities of the communities, the Project has adopted the ILO-developed Integrated Rural Accessibility Planning procedure (IRAP), a local level planning tool which facilitates identification and prioritization of basic needs of the communities. Likewise, the procedure promotes community participation and optimum use of local resources. Participating communities will also be directly involved in designing the subprojects, supervising construction, and operating and maintaining the facilities. To nurture strong ownership from the communities, beneficiaries will be contributing a portion of investment costs for CIS, CIP and/or potable water supply facilities in cash or in-kind. This arrangement will promote beneficiaries' right to participate in sub-project development and will foster greater commitment to O&M of the facilities. Willingness of the communities to provide cash or in-kind contributions was confirmed through extensive beneficiary consultations during project preparation.

To promote greater transparency in project implementation, the Project will establish an independent participatory project performance monitoring system for each subproject, called the sub project monitoring boards (SPMBs)⁵. The system will allow beneficiary communities to systematically provide feedback on the progress of subproject implementation and the effectiveness and impact of subproject activities. This concept is based on the infra monitoring and advisory group that was used successfully in the island of Mindanao to increase accountability, speed project implementation, and reduce funds diversion on large government projects.

3. Decentralized and participatory Operation and Maintenance (O & M) / cost recovery arrangements

Inadequate O&M and poor cost recovery are among the major reasons for the failure of many rural infrastructure projects. The Government has been trying to improve O&M performance in rural infrastructure by devolving major O&M responsibilities to LGUs and beneficiaries. Lessons learned demonstrate that O&M improves when LGUs and beneficiary communities have been involved in identifying, conceptualizing, designing and implementing rural infrastructure projects.

The Project is designed to improve O&M of rural infrastructure by promoting decentralized and participatory O&M and cost-recovery arrangements. In line with the LGC, municipal LGUs and beneficiaries will be fully responsible for O&M of infrastructure facilities provided under the Project. For CISs and CIPs, LGUs will ensure that irrigators' associations (IAs) assume responsibility for routine O&M works and recover full costs of O&M from their members through user charges and labor contribution. For potable water supply facilities, LGUs will work with village waterworks and sanitation associations (VWSAs) in collecting user

⁵ *SPMBs will have memberships from the LGU communities, private sector, local NGOs/ People's Organizations (POs), contractors, beneficiaries and other stakeholders.*

charges and in conducting O&M of the systems. Similarly, where possible, mechanisms such as user's fees will be introduced for access infrastructure to contribute to O&M costs.

To ensure strong commitment from LGUs and beneficiary organizations (i.e., IAs and VWSAs) and taking into account lessons learned from previous projects, the conclusion of relevant implementation agreements, specifying O&M responsibilities of LGUs and beneficiary organizations, is a precondition of support to all subprojects. Failure on the part of LGUs to comply with this agreement will result in a heavy financial penalty, including converting Government grant into a LGU loan from MDF. Furthermore, LGUs that fail to properly maintain the facilities will be disqualified from similar assistance from the Government and foreign funding sources. To promote improved O&M, the Project will provide relevant training to LGUs and beneficiary organizations on technical requirements for routine O&M and cost recovery mechanisms.

Likewise, the Project has adopted the use of ILO's labour-based equipment supported (LBES) method in the construction, operations and maintenance of access infrastructure particularly rural roads. The technology utilizes local resources (e.g. manpower and materials) so that the investments are used to create local employment and put money into the rural economy.

This scheme comes after a successful pilot test under Loan 1332-PHI⁶. Rather than employing traditional mechanized road maintenance techniques alone (e.g., graders), under the scheme, village-based road maintenance crews are mobilized to undertake regular labor-intensive road maintenance on sections of road within the village. These crews are provided with hand tools and paid by the municipal LGUs.

A matrix of lessons learnt and corresponding InfRES Project design incorporating these learnings are included in this paper.

The Way Ahead

The most important problem that has been noted, whether the projects involve rural roads, communal irrigation, or water supply, is the failure to ensure the sustainable operation and continued maintenance of the facilities created. This was generally due to (i) the lack of involvement and participation of the communities that were the supposed beneficiaries of the project, and (ii) the lack of LGU involvement and committed counterpart funds for O&M. It is therefore important that (i) targeted beneficiaries and potential users be organized and involved from the very beginning of the project cycle, from project identification and site selection through project design and implementation; and (ii) LGUs and end-users have clearly defined responsibilities for O&M of facilities that are agreed upon in advance. A participatory, community-based approach to project planning and implementation is a major prerequisite for ensuring the quality and sustainability of small-scale infrastructure in rural areas. Such an approach will also make the project less susceptible to changes in political leadership and development priorities.

⁶ *Rural Infrastructure Development Project, 1994-2002*

More than just the beneficiary communities themselves, the concerned LGUs should be actively involved in the process and committed to the provision of O&M. They should not merely be consulted, but be the lead implementers of projects. The LGC recognizes the difficulties inherent in having rural infrastructure projects provided and maintained by the national government. While NGAs should continue to provide policy guidance and technical support, the concerned LGU should coordinate with all participating agencies and be solely responsible for the project's outcome. As much as possible, the LGUs should also, whether singly or as a group, take the initiative in prioritizing their needs and securing the financing to meet these needs.

SUMMARY OF DA's MAJOR LESSONS LEARNED FROM PAST AND ONGOING
PROJECTS INVOLVING RURAL INFRASTRUCTURE

Lessons Learned

Incorporation of Lessons Learned

A. Capacity of Community Organizations

- Establishment of effective beneficiary organizations is critical to ensure that the facilities built under the project lead the intended impact (Loans 528/529[SF]-PHI: Palawan Integrated Area Development).
- Sufficient inputs need to be provided for developing beneficiary organizations to effectively manage facilities (Loan 802-PHI: Highland Agriculture Development).
- Forming community-level water users associations and building capacity for improving their skills should precede the actual construction of the facility. (Loan 1052[SF]-PHI: Second Island Province Rural Water Supply Sector).

B. Beneficiary Participation

- Involvement of the potential beneficiaries in designing irrigation structures is essential to generate a sense of ownership and to benefit from their experience and knowledge of local geotechnical conditions (Loan 466-PHI: Second Laguna de Bay Irrigation).
- Beneficiary participation in the planning and design of project components can improve the relevance of project-supplied facilities to the needs of the beneficiaries (Loan 802-PHI: Highland Agriculture Development).
- The process of site selection needs to be more demand-driven. The process of consultations with local communities and local government unites should be strengthened and structured (Loan 812-PHI: Island Province Rural Water Supply Sector).

C. Operation and Maintenance

- To promote improved O&M of the facilities created, the project should ensure that (i) targeted beneficiaries and potential users are organized and actively involved from the very beginning of the project cycle; and (ii) LGUs and end users have clearly defined responsibilities for O&M of facilities and that the responsibilities are agreed upon in advance

- i. To ensure that sufficient organizational capacity is in place at the community level, participating local government units (LGUs) will be required to demonstrate that
 - (i) effective community organizations are established prior to project planning, and
 - (ii) community organizations have agreements with the LGU concerning roles and responsibilities and financing arrangements for contributions to both investment and maintenance costs.
- ii. The project will support strengthening community organizations' capacity for undertaking operation and maintenance (O&M) and for promoting cost recovery.

- i. To ensure that participatory approaches are applied at all stages of project implementation, LGUs will be required to demonstrate, as a precondition to project support, that a subproject is identified through a community consultation process. Participating communities will also be directly involved in designing the subprojects, supervising construction, and operating and maintaining the facilities.
- ii. To ensure that subprojects proposed by LGUs reflect the needs and priorities of the respective communities, the Project had adopted the ILO-developed Integrated Rural Accessibility Planning procedure, in the identification of sub-project of local government units (LGUs) who will avail of the financial support from the Project... In addition, as part of the capacity building program supported under the Project, LGUs will be trained in project management using participatory planning tools and techniques.

- i. The Project is designed to improve O&M of rural infrastructure by promoting decentralized and participatory O&M and cost-recovery arrangements. For communal irrigation and potable water supply facilities, LGUs will ensure that community organizations (such as irrigators associations [IAs], and village waterworks and sanitation associations [VWSA]) will assume

Lessons Learned	Incorporation of Lessons Learned
<p>(Loans 341/727-PHI: Allah River Irrigation; Loan 915-PHI: Sorsogon Integrated Area Development; 1332[Sf]-PHI: Rural Infrastructure Development; and Loans 1365/66[Sf]: Second Irrigation System Improvement).</p> <ul style="list-style-type: none"> • The tariff collection should be regular and the level should (i) be set according to the level of service, and (ii) cover expenses for regular and periodic maintenance. (Loan 1052[Sf]-PHI: Second Island Province Rural Water Supply Sector Project). 	<p>responsibility for routine O&M works, and recover full costs of O&M from their members through user charges and labor contribution. Detailed responsibilities and procedures for O&M and cost-recovery arrangements will be specified in memorandums of agreement between the community organizations (IAs and VWSAs) and LGUs.</p> <ul style="list-style-type: none"> ii. The details of O&M arrangements will be specified in the subproject implementation agreements between the LGU concerned and the Department of Agriculture (DA). If an LGU fails to comply with this agreement, the Government grant will be converted into an LGU loan from the Municipal Development Fund Office. iii. Adoption of labour-based equipment supported (LBES) method as another tool to address resources constraints in operations and maintenance.

D. Monitoring and Evaluation

- The performance of contractors for infrastructure and compliance with design standards (construction supervision) must be closely monitored (Loans 341/727-PHI: Allah River Irrigation; Loan 580-PHI: Third Davao del Norte Irrigation; Loan 597-PHI: Third Road Improvement; and Loan 801-PHI: Fourth Road Improvement).
 - Constant monitoring of project benefits (including social and environmental) should be provided during project implementation (Loan 545-PHI: Water Supply Sector; and Loan 580-PHI: Third Davao del Norte Irrigation).
- i. To ensure transparency and accountability, multisectoral subproject monitoring boards will be established for each subproject. These will be composed of representatives from the LGU, local NGOs and peoples' organizations, contractors, beneficiaries, and other stakeholders. The boards will be responsible for monitoring project bidding, construction quality and progress, etc.
 - ii. The Project will establish an independent participatory project performance monitoring system for each subproject. The system will allow beneficiary communities to systematically provide feedback on the progress of subproject implementation and the effectiveness and impact of subproject activities.

CAPACITIES OF TAOS IN PROVIDING COMMUNITY INFRASTRUCTURE SERVICES A CASE STUDY ON DECENTRALIZATION IN THAILAND

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Introduction

Decentralized governing system in Thailand is carried out through regional administrations by central government as well as by local administrations. Regional administrative bodies of the central movement are classified into 4 level: Province (Chang Wat), District (Amphoe), Subdistrict (Tambol) and Village (Moo Baan). These bodies are headed by a Governor and affiliated to the Ministry of Interior. Municipalities which are the first form of local government administrating urban areas at the district level have been in existence for almost 70 years. The municipalities are also affiliated to the Ministry of Interior (MOI) and overseen by the Governor. It is estimated that about 30% of the nation population live in the area under municipality administrations^[1].

Initiated in 1992, Thailand decentralization policy became an active issue and later contributed to major changes in new constitution of 1997. This constitution clearly address that the state shall decentralize powers to localities at the grass root level and provide such localities the right to formulated their own self-governing bodies. To achieve this goal, a new form of local administrative boding called Tambol Administrative Organization (TAO) was first established in 1995 to function as local government for areas in the subdistrict and village level outside municipalities. There are now about 7900 TAOs all over the nation with administrative areas lived by the rest 70% of the population. The TAOS are also afflicted to the MOI and overseen by the Governor similarly to municipalities.

Organization Structures

The elected body of a TAO (TAO Council) composed of 2 elected representatives from each village. There are normally about 6-9 villages in a TAO with population in the order of a few hundreds in each village. The TAO council elects three of its member to act in the role of TAO executive committee. Head of the committee assumes the TAO President title. Election term of both the Councils and executive committee is 4 years.

Administrative staffs of a TAO headed by a TAO clerk are classified into 4 subdivisions: Clerk Office, Financial Division, and Public Health Division. Appointment of these staffs are under the responsibilities of a committee Chair by the Governor and consisting of members who are central government officers and representatives from a number of TAO Councils. The Governor also has the role of overseeing that the TAO council or President is exercising the power within their constitutional right. In



the case where constitution laws are breached, the Governor has the power to dissolve the Council or remove the President from office and order for new election.

Revenues

The TAO revenues can be derived from 4 different sources as followings:

- 1) The TAOS are empowered to collect certain taxes by themselves. Example of these are land and properties tax, business tax, billboard tax. The TAOS are also empowered to pass on regulations to impose tax or levied on certain activities within frameworks of constitutional laws.
- 2) Certain taxes are collected by central government distributed to the TAOS at certain fixed percentages stated by law Example of these are land transport taxes, land transfer taxes, cigarette/alcohol taxes, etc.
- 3) A general subsidiary fund is to be made provision by the central government to each TAO base on the TAO population.
- 4) The TAOS are also entitled to earn income from managing their fixed asset utilization

The total of approximately 7900 TAOs can be classified into 5 level according to the size of their revenue as shown in table 1.

Table 1: TAO Classification

Level	Number	Revenue (Mil. US\$)
I	(1%)	> 0.5 74
II	78 (2%)	0.30 – 0.50
III	205 (3%)	0.15 – 0.30
IV	843 (13%)	0.07 – 0.15
V	6745 (82%)	< 0.07

Those level 1 TAOs with revenue over us\$ 0.5 million are usually densely populated similarly with a municipality and have many business establishments contributing to their tax revenue. Majorities of the TAOs are, however, in level 5 with revenue less than US\$ 0.1 million. These of course are smaller TAOs in rural areas. Such low revenue of most TAOs limit what they can do on their own and have to rely on central government assistance in providing infrastructure service.

Budgeting Procedure

The TAO Clerk and his assistances are responsible in preparing the budget plan. The TAO President normally plays influential roles in directing the budget compositions. The budget plan is submitted for the Council hearing through the President. It is also a duty of the president to submit the budget plan approved by the Council for acknowledgement by the Governor. The Governor can refuse to acknowledge the budget plan only if he sees that the budget composition do not comply to laws.

A TAO revenue is to be budgeted for administrative expenses as well as for social and infrastructure development projects. The budget revenue is plan by forecasting income bases on previous years performances. Requirements

submitted by village committee are used as basis for formulating development project.

Infrastructure Projects

Up until now, infrastructure projects responsible by the TAOS are typically either component of roads and drainage or irrigation channels. The works are mostly improvement or replacement of existing structures and, thus, make the planning tasks simplified. Concrete is a common construction material in most projects because of the readily availability of cement and skill masonry workers in most parts of the country.

Table 2 illustrates characteristics, construction budget and duration of typical infrastructures implemented by TAOs. Note that there is a tendency to split construction work into a number of small projects. One reason for this practice is so that the project budgets are under the limit set for autonomous implementation by the President executive power. The other reason is to have adequate number of projects to be shared by various electorate groups. This practice has, of course, led to extra administrative burdens in implementing the development plan.

Table2: Characteristics of Infrastructure Projects

Characteristics	Cost (US\$)	Duration (months)
Road Pavements: 4-6 m. wide, 50-1000 m. long, mostly concrete	2,500 - 50,000	1 - 3
Bridges: 4-7 m. wide 10-20 m. long, reinforced concrete	20,000 - 40,000	4 - 6
Road Drainages: concrete lined side ditch up to 0.5 m. wide, concrete pipe or box culverts up to 3 m. wide 2 m. deep.	1,000 - 15,000	1 - 3
Irrigation/Drainage Channel Improvement: concrete lining, up to 3 m. wide 2 m, deep	1,500 - 5,000	2 - 4
Weirs: 10-20 m. wide, 3-4 m. high, reinforced concrete	30,000 - 40,000	8
Public Buildings: up to 500m ² functional area, reinforced concrete structures with infilled brick walls	2,500 - 20,000	4 - 8

Proportion of spending on infrastructure project from the TAOs own revenue normally range up to 20%. This is quite a small amount for most TAOs. Therefore dependence on special project subsidiary budget from line agencies of central government is still crucial.

Project Procurement Procedure

Depending on the total project cost, three following methods of procurement can be used

- *Price Negotiation:* for project cost less than 100,000 baht.
- *Price Enquir :* for project cost between 100,000-2,000,000 baht.
- *Price Bidding:* for project cost more than 2,000,000 baht.

In the *Price Negotiation* method, the *President* can selectively negotiate contract with potential contractors and have the power to authorize the procurement and contract payments after work completion on the own. In the *Price Inquiries* method, invitations for price offering has to be openly announced on public announcement board at the district office and by mailing relevant documents to as many potential contractors as possible. A committee of 5 persons is to be set up to accept the price offering documents, evaluate the bids and making decision on the winning bid. Three members of the committee are the TAO own staff appointed by the *President* and the other two members are village representatives appointed by the *Council*. Another committee will be set up to perform the task of inspecting the construction works and approving payments. This second committee has the same structure but with different persons from the first committee.

In the *Price Bidding* method, the bidding has to be publicly announced by public media (radio, newspaper, etc.) in addition to other means employed in the *Price Enquiries* method. A further difference is that there will be two different committees for accepting the bidding documents and for making decision on winning bid. Structures of the committees are however the same.

Approximate proportions of the various methods of procurement procedure employed by the TAOs were found to be as following:

Price Negotiation method	45%
Price inquiry method	45%
Price bidding method	10%

The process of accepting price offering of bidding documents is to be carried out openly in publicly accessible room such as in a community hall. The bidding prices and conditions of all submitted bids are announced and listed on board for public viewing.

Information on *official estimated project price* is to be given as part of attachment of bidding invitation documents. In many cases, detail break down of work items and quantities (Bill of Quantities, BOQ) are also given. A successful bidding price is allowed to higher than the *official estimated project price* by not more than 10%. And in the case where the lowest bidding price is lower than the *official estimated price* by more than 15%, a confirmation letter is required from the bidder to explain reasons for the *abnormally low price*.

In the *Price Bidding* and *Price Inquiries* method, qualified contractors are normally required to have working experience in similar type of construction project having values not less than 50% of the project being bid for. In the case where there is only one qualified bidder, the bidding will be cancelled. The project details will be then reviewed and adjusted if necessary for re bidding.

Construction Contracts

Lump sum contracts are normally adopted by the TAOs to engage contractors. The contractors have the whole responsibility in delivering the work



completed according to drawings and specifications stated or included as part of contract documents within a given time and a fixed cost. Provisions are given in the contract document to allow for extending of contract duration or adjusting contract prices in case of unexpected events that can not be responsible the contractors. These provisions, however, are rarely applied in small construction projects implemented by the TAOs because of administrative length. Clauses on decent practices in regarding with laborer protections and work safety are also included. These are however rarely being observed in real practices.

For some special project budget lines that had a specific objective in creating rural employment, a different form of construction management have been applied. The TAOs had whole responsibilities in work organization and supervisions. Villagers were engaged by the TAOs as daily paid workers without contract signing. However, contracts for construction material procurement has to be signed with suppliers.

A special rural development program following the 1997 economic crisis had applied community contract procurement method in all of its infrastructure projects during the year 1998-2000. Community organizations engaged by the contract had the whole responsibility in design, investigation and project managements. External experts were engaged by the program to monitor work progress and approved payments of completed works.

Approximate proportions of the various methods of construction project execution are as following:

80-90%	by lump sum contracting
7-8%	by engaging daily wage labour
1-2%	by labour contract

At present, the practice of the community contracting is on longer applied.

As the results of the 1997 economic crisis, the government had installed a number of measures to assist contractors in resolving liquidating problems as following:

- A sum of up to 15% of overall contract prices is to be paid as advancement to the contractor after contract signing.
- Forfeiting contract payments to a third party can be officially certified by the TAOs. This measure has proven to have major effect in improving the contractor credits for construction material.
- Project collateral funds can be discharged to the contractors after one year of completion even though the project guarantee period is still kept at 2 years.

Contractor Profiles

Most Contractore work in TAO infrastructure projects are small scale and usually evolve from either one of the three following backgrounds:

- Owner of construction material supply agents
- Local politician.
- People with connections to politicians of local or national level.

The annual turn over of these contractors, when working in full capacities,

are around million US\$ 100,000 – 200,000. About 10-20 construction projects are responsible by a contractor each year. Majority of the project budgets vary between 0.1 to about 2-3 million bath.

Trained civil engineers or technicians are commonly available for employing as construction supervisors. The engineers are usually university graduates in civil engineering course, which is a 4 years study program after high school. The technicians received vocational training from technical college in the area of construction technology, which is a four years training program after secondary school.

The technicians are commonly employed as permanent staff on monthly payment (salary) basis. However, except for those relatively well established construction firms, most contractor firms do not employ engineers on permanent term. The engineer would be engaged on casual basis only to perform such tasks specified by contract document such as:

- Prepare and certify the construction plan required to be submitted before project startup.
- Prepare and certify as built drawings of specific project components.

There are two probable two explanations for very few engineers being employed by the contractors:

- The contractors feel that the infrastructure works responsible by the TAOs are relatively simple and can be successfully completed by experienced and skill workers and
- Most engineers, newly graduated or with work experience, do not see their future in this kind of simple construction.

On the administrative side, the contractors commonly operate in the form of family business. The number of office staff employed on salary basis apart from the family members is usually about 2-3. This would normally be 1 financial clerk and 1 to 2 general clerks. It is common for the owner or one of his relatives to perform the manager role and look after the procurement works.

Construction Management Practices

Most contractors use *labor subcontractors* in their work implementation. A *labor* subcontractor has the whole responsibility in work organization, site management apart from recruiting workers. The contractor will support the subcontractor in supplying of construction material and equipment in addition to the clerical work support.

In some situations the whole work (labor, material and equipment) is sub-contracted to a *lump sum subcontractor*. This will happen when a contractor is award with too many projects to be handled by their existing clerical staff. Any form of subcontracting is not recognized by the TAOs and considered to be internal work arrangement of the contractors. The contractors still have responsibilities to TAOs in managing, supervising and quality controlling of the project. Most subcontractors are not registered as commercial entities and thus no formal contract signing between the contractors and subcontractors.

A small gang of workers may be employed on daily work basis. This gang

of labour would be used to perform minor work such as repair and maintenance or to finish up works abandoned by other subcontractors. The average proportions of different methods of engaging workers by the contractors surveyed in this study is as following.

- Labour subcontractors 55%
- Daily wage labourers 25%
- Lump sum subcontractor 20%

A contractor could be working on a number of projects at the same time. The projects would be relatively small and owned by different TAOs and scattered in different places with the farthest distance between projects up to about 100 km. It can therefore be seen that the contractor must have tremendous managerial and organization skill to be able to satisfactorily deliver the projects.

Generally, there would be only 1 gang of worker on a construction site. Each gang would consist of about 8-11 workers of following categories: 1 - Gang leader, 2-3 Carpenters, 2-3 Masons and 3-4 Unskill Labours. Limited working space is usually a major problem for proper site organization of construction projects in village areas. This would cause problems in the attempt to properly organize work and control construction material consumption and has thus resulted in hidden overhead cost. Disturbance of private areas around the construction site is unavoidable in most cases. Due to this problem, local subcontractors in the area would have a better chance to satisfactorily complete the project subcontractors from outside the area.

In the case of *labour subcontracting*, hand tools used in the work are either provided by the subcontractor (hoe, shovel, buckets, ropes, etc.) or personal tools of the skill labourers (hammer, saw, masonry tools, etc.). Large tools and equipment, which are more expensive, are usually own by the contractor; for example: concrete mixers, light dump truck, concrete vibrators, formworks, Vibrating plate soil compactor, etc. Rarely would contractors own heavy equipment such as backhoe excavator, 10 wheel dump trucks, heavy rollers etc. These types of equipment would be hired when needed. Fleets of heavy equipment are plentifully available for rent in most large cities in Thailand.

Uses of construction control documents are at minimum level and are not seriously treated. *Project scheduling* and *daily progress reports* are prepared in all projects, as they are required by the contract. The rests are very rare. *Weekly and monthly progress reports* are considered not necessary because the majority of projects can be completed in less than one month. Owners of the firms who are usually responsible for the procurement of materials himself usually do not see the need to prepare proper *material stock reports*.

Reinforced Concrete Village Road Projects

Reinforced concrete village road construction projects could serve as an example of a few successful cases of decentralized responsibilities to local authorities in Thailand. Created in 1986 as part of the national rural income generation development program, the projects were implemented by the Public Work Depart (PWD) of MOI. With the prime objective in



providing dust free pavement surface in village dwelling zones, the project was designed to suit labour-based method (LBM) of construction as following:

- Existing roadbed to be act as subbase to avoid major earth works which need proper compaction.
- 10-15 cm. sand cushion is applied to adjust for surface irregularities of the existing road surface
- 15 cm. thick concrete surfacing with bamboo reinforcement
- 4-5 m. wide pavement surface with 0.50 m wide compacted laterite shoulders.
- Apply only to route that could be prevented from heavy truck loading.

Being a rigid surface, the concrete pavements have been found to perform exceptionally well compare to other types of surface such as bituminous or interlocking block which are considered to be flexible. This is because most road section in village dwelling area have limited right of way and thus limited working space during construction phase. It therefore becomes relatively difficult to provide adequately compacted and freely drain roadbed for flexible type of surfacing. Using bamboo as reinforcement also help in creating an appealing effect in the sense of local resources utilization.

During the past 20 years following its initiation, the construction works have continually been applied on wider scale and well accepted by most communities. However, many developments have resulted in changes in both the designs and the way in which works are implemented. The TAOs are now responsible for planning, budgeting and implementing the project. The project becomes more mechanized by using ready mixed concrete due to relatively high labour cost. Bamboo has become scares in most areas and therefore is being replaced by steel as reinforcement. The works are mostly contract out to local contractors on lump sum basis.

Despite the various changes and deviations from original concepts, throughout the course of its development, the project have created significant impacts contributing to the decentralization efforts. Its construction standards and technique has become well acquainted to most village communities. A large number of small scale contractors able to carry out the construction without close supervision have been created. These factors would in the end lead to self-reliance of the local communities in conducting their own development works.

The Stake Holders

The three major stake holders in the process infrastructure services delivery are the TAOs, the contractors and the community member themselves. Several measures are still needed to ensure that these various parties can play their contributing roles effectively.

Community representatives are required to take parts as members of committees responsible for procuring and supervising a construction project to ensure transparency of the overall process. However, names are oftenly nominated as representative with out real consensus of the community and thus making community participation in the process of project implementation unreal.



The TAOs are also facing with several difficulties. Fluctuation in annual tax revenue and lacking in appropriate criteria for prioritizing development projects have been causing difficulties in annual budget plan preparation. Delays in the process of securing tax revenue have resulted in very little time left for implementing the planned infrastructure projects. Lacking in appropriate design/construction standards have been resulting in poorly performed or overly cost infrastructures. There is also confusion over who should be responsible for connected infrastructures of the various TAOs.

Because of the unglamorous nature of the TAO construction works, the contractors have difficulties in recruiting quality personnel to assist in overseeing the construction works. Further more, as a result of trying to maximize his profit, a contractor would in variably take on board several construction projects which are dispersed in wide area covered by a few TAOs in the same construction seasons. This of course leads to complications in the tasks of project management

Conclusions

To be able to move forward to an improved decentralization situation, following recommendations can be made in regarding with the TAOs operation:

- Strengthen community participation by making the process of acquiring villager representatives in committees responsible for procuring and supervising construction works transparent.
- Develop appropriate/clear/simplified design standards and work methods for using as implementation guidelines.
- Encourage building up of reserve funds to ensure smooth planning of development program.
- Encourage establishment of joint development plan for connected infrastructures of nearby TAOs.
- Facilitate development of smaller scale contractors in line with the size of construction projects implemented by TAOs.
- Establish training bodies to assist in the long term development of technical personnel in small scale contraction.

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INNOVATION AND FLEXIBILITY IN MANAGING THE DELIVERY OF INFRASTRUCTURE SERVICES IN THE LIGHT OF DECENTRALIZATION: THE CALBAYOG CITY CASE

By **Mel Sarmiento**, Mayor of Calbayog City

The Open Space

During the 2nd International Conference on Decentralization held in Manila last year, the Deputy Minister of Namibia's Ministry of Regional and Local Government and Housing, G. K. H. Totemeyer, reported that Namibia's decentralization policy has created a territorial space in which people can determine their existence. In his discussion of this concept of "open space", he made the following interesting remark: *"Open space is a challenge to those who occupy it. There are sufficient opportunities to fill open spaces."*

We find this insightful comment along the concept of "open space" relevant in many ways and replete with meaning, aside from that within the context of the Namibian experience. For us at the helm of local governance, we look at this "open space" not only as a territorial space to be collectively defined and shaped by the community, but likewise as the vacuum or omissions in the structural or institutional frameworks of decentralization which affect and challenge local governance. With the emerging problems in decentralization, we would like to look at this "open space" also as an area for initiative and innovation in the practice of good governance.

Along these extensions in the concept of "open space", we would like to share the Calbayog City experience, particularly with regard to the problem in the delivery of infrastructure services in the light of decentralization.

Calbayog lies along a coastal region in the northwestern part of Samar Island, the third largest island in the Philippines. It is the only city in the island of Samar, and one of the four cities in Region 8. It has a total land area of 90,300 hectares which is .301 percent of the archipelago's total land area, making it the country's third largest city. In contrast, it has a population of only 147,187, with a population density of 1.63 persons per hectare of land.

The city maintains a forest land of 6,327.91 hectares. Rubbing the southwest side of the city is the rich fishing ground of Samar Sea which provides a good deal of the daily food supply of Calbayog and sustains a fishing industry which together with agriculture serve as the backbone of the city's economy.

Calbayog started as a small settlement called Hibatang, during the 1600s. The city rose to political and religious prominence after the American era. On October 16, 1948, Republic Act No. 328 created the City of Calbayog. Cityhood however failed to accelerate Calbayog's development. Over the years, the city subsists in a listless economy intermittently stimulated by unexpected but short-lived economic gains.

The Development Space in Devolution

The passage of Republic Act No. 7160 or the Local Government Code in 1991, and made effective in 1992, provided the legislative framework for local government, as certain powers of central government like those pertaining to health, environment, social services, agriculture and social work, were devolved to local government units. The Code has also granted wider leeway for administration by local government units and enlarged their authority. It has also outlined the sharing of local government units in the proceeds of national tax and in the national wealth, enhanced local government taxation and other local revenue-raising capabilities. The introduction of other institutional and structural changes, including modifications in intergovernmental relations, completed the parameters for decentralization which I would like to characterize by using the explanation made by Sen. Aquilino Pimentel, the principal author of the Local Government Code:

“We view decentralization here as the transfer of certain powers from the central government to local governments but the former may still reverse activities done by the latter pursuant to decentralization. That is why in the local government the thrust is for devolution rather than just mere deconcentration. Under devolution, powers devolved from the central government to local governments are removed from the supervision and control of the central government.”

Enjoying autonomy in several aspects of governance, many local government units were able to accelerate and sustain their development. In general, the country has experienced an unprecedented burgeoning of local economies and emergence of new urban areas.

This form of decentralization has also animated the economy of Calbayog City. The progress it made over a short period of time has been astonishing, especially in the increase in number of business establishments and infrastructures built. Though this accelerated development is a headway we have never experienced in the past, the eventual failure to protect the gains and sustain the development achieved placed our city once again at the threshold of taking the path of short-lived progress and long-term lethargy.

When I assumed office as city mayor of Calbayog in 2001, I was dumbfounded by the ability of decentralization to facilitate the phenomenal growth and decline of our city in so short a period of time. I am also awed by the challenges and constraints in decentralization which we have been encountering in our effort to bring Calbayog to its feet and back to the path towards sustainable development.

Allow me to characterize the challenges to my administration by enumerating some of the problems of Calbayog City which my leadership has inherited. On top of everything, is our city's insolvency and the huge amount of loans and other unfulfilled financial obligations, unremitted taxes and payments to other government agencies, including a loan contracted by our city government with a bank using as collateral the money it has deposited in the same bank.

I have also inherited a bloated local bureaucracy which gobbles up almost one - third of our annual budget. Included in this expenditures on public services is a newly created office which has to be sustained by an annual operational expense of 20 million in order to carry out its task of collecting an average of 5 million income hardly generated by the several enterprises it maintains. I have also inherited a local government that depends heavily on its internal revenue allotment from the national government for its main source of revenue. That allotment constitute a little over 90% of the total revenue, while the remainder comes from other revenue sources.

May I also add to the scenario the prevailing culture of political partisanship that affects in many ways the activities we carry out and in our relationships in the community. This kind of political partisanship has divided our community for many years. Thus it is expected that when a local chief executive outlines the development course of the city, half of the community will be wishing for his success, while the other half will be praying for his failure so they can replace him with their own leader.

Paradigm Shift and Diminishing Allotment

The call made a few years back by the national government for a paradigm shift in the role of local government units, from service providers to facilitators of growth is undeniably in consonance to decentralization and its objective to accelerate economic growth. For us this shift is imperative and should be immediately undertaken, though the transformation would be harsh and taxing process, in view of the impact of decentralization to struggling local government units, particularly those dependent on the internal revenue allotment for their main source of revenue.

The proceeds of national tax and national wealth are divided as follows: 60 % goes to the national government, 40 % goes to the local government. Of the 40% share of the local governments, 23 % goes to the provinces, 34 % goes to the cities and 20% goes to the barangays. Revenues from natural resources are apportioned as follows: 20% goes to the provinces, 45% goes to the municipalities, 3% goes to the barangays. If found in the cities, 65 % goes to the cities and 35 goes to the barangays.

Dependence on IRA as main source of revenue will never be a comfortable option for any city. Cutbacks in internal revenue allotment will continue to happen as many municipalities around the country are now transforming into cities. The impact of the cutbacks in 1997 and 2001 has debilitated our city, almost placing in compromise the delivery of basic services.

The huge amount of expenditures in our bloated personal services, courtesy of additional leeway in administrative prerogative, cannot be immediately reduced due to the protection given to permanent employees under our civil service system.

In view of all these constraints, how then do we manage the delivery of our infrastructure services?

CDS 2 and GUG

At the very start of Calbayog's participation in the World Bank-sponsored City Development Strategy -2 program, that city has already espoused the belief that the exercise is not *just* a mere assembly of major stakeholders in development throughout the country, or the world, but an opportunity to affirm the basic mandate among those in government, to be ever mindful in contextualizing the development perspective and initiatives in such a manner as to effect sustainability and positive economic impact.

As a city located in one of the poorest regions in the Philippines and for long been abounded by development weaknesses rather than strengths, and threats rather than opportunities, CDS implementation has opened up new gateways to address the problems peculiar to Calbayog on different fronts. The CDS as an innovative instrument along development planning has helped the city define and delineate roles as development managers in the incessant search for humanization and equalization of the effects of development specifically to the less privileged. As a strategy, it has helped the city objectively confront development weaknesses, obstacles and threats so that they may be converted to strengths and opportunities.

Indeed, CDS is an elemental mechanism for all those in the mainstream of governance in order to arrive at a comprehensive understanding and contextualized implementation of all developmental theses as translated into programs, project and activities.

No amount of development interventions would truly effect positive impact in the lives of Calbayognons without such being anchored along some strategic doctrine. For this, the City of Calbayog has formulated a collective vision, a unified expression of what the city would like to become. The vision is a product of the community of ideas among the local functionaries and representatives of the various sectors in the city. The shared vision is:

“Calbayog City, developed and transformed into a sustainable agri-industrial community, serves as a trading and economic growth center in Region VIII.”

That is the city's translated ideals of what ought to be.

Complementing this vision statement is the mission statement which embraces the reason for being of Calbayog City:

“To uplift the quality of life of God-loving Calbayognons led by well-motivated and professional public officials and employees of integrity with a self-determining community.”

These are the statements that have guided our development thrust while the formulation of our strategies and orders of priorities are crafted along the lessons we have learned in CDS 2. Allow me again to cite as an example our recourse to earn more revenue and be weaned from IRA dependency which is one of the major concerns taken up during the CDS exercise. With the city's survival at stake, Calbayog has decided to implement immediately the strategies and programs formulated under the CDS,

namely: (1) creation of special committee to review the existing taxation policies and plans, (2) intensive information and tax collection campaign, (3) real property tax amnesty for tax payers, (4) establishment of one-stop shop and tax payers' lounge, (4) creation of land tiding task force, and (5) computerization program. Tax collection efficiency is atdi.65% as compared to 66.87% in 1997. The restructuring of financial obligations with local banking institutions has also enabled the city to effectively contain budget deficit and ensure liquidity in cash flow. As a result Calbayog was able to increase local revenue by 5.40%, a remarkable change in the declining trend from 1997 to 2001.

We have also been enjoying success in many of our efforts because we have learned to anchor our dedicated practice of good urban governance on realities in our community. Our initial success in promoting non-partisanship as complemented by our practice of participatory governance has fast-tracked the implementation of many development projects and programs. As a result, our local legislative body has become dynamic and responsive, our department heads have been working collectively, our non-government organizations have been forging links with us and the private sector has shown enthusiasm in our consultations and dialogues.

Innovation and Flexibility

The lessons we learn in the course of our participation in the City Development Strategy and our earnest adherence to the norms of Good Urban Governance provide parameters in our delivery of infrastructure services in the light of decentralization and our problem with fiscal resources.

Indeed, these given constraints force us to be discerning and meticulous in our planning and prioritizing of infrastructure projects. The factors we consider include the potential of the infrastructure to generate immediate revenues, its benefit to the people, and its contribution to our development goals.

As an example, may I point out our efforts in the management of our coastal waters of 1,198 sq. miles, in line with our thrust to protect and develop our fishing industry. Thus, we have initiated the "Calbayog Sea Conservation Program" and the campaign for strict observance and imposition of Fishery Laws. Another parallel program, the Delineating Coastal Waters for Commercial and Marginal Fishermen, was likewise implemented. One of its specific objectives is to reduce, if not totally stop illegal fishing in our territorial waters which has been responsible for the sharp decrease in the daily catch of our fisherfolks. To operationalize monitoring and safeguarding activities under the program, we were able to enter into an agreement with the barangays to share equally in the amount needed to purchase hand-held radios and in the cost required for the complementary communication structures. This program now in full swing and achieving its objectives, has won for our city first place in the annual League of City of the Philippines Best Practices Award 2003.

The communication facilities and infrastructures of this program, by the way, are also being utilized in other programs of our city government like Hotline 117, our emergency assistance center, and in other monitoring activities of our City Health Office.

We have also established a Calbayog Mariculture Zone and built a mariculture complex, complete with research, training and administration facilities. We expect the mariculture zone to generate additional revenues for our city and at the same time provide employment to those living along the coastal area. We are also looking forward to this project's to make a positive impact in the campaign to stop over fishing of our coastal waters.

In our development plan crafted under CDS2 we have identified the following proposed infrastructure and public work projects:

A) PROPOSED CALBA YOG SHOPPING MALL

- This is a 3126.00 sq.m. multi-level structure with a total floor area of 8594.00 sq.m. with an estimated cost of P145,000,000.00, which will not only provide employment opportunities but will likewise advance commerce and trade of the neighboring municipalities. Because of the huge amount involved in the construction of this mall, we have decide to pursue the project by issuing bonds to finance this self-liquidating, income producing project. This is one of the powers granted to a local government unit -to enter into credit and other financial transactions.

B) EXPANSION OF THE CITY AIRPORT

- The expansion and extension of our airport's runway has been one of our primary agenda. The cost involved in the project, including the relocation of residents affected by this project is staggering. But these constraints did not deter us from pushing through with the plan.
- As an innovative approach, during a personal trip to the United States, I went out of my way to convince a fellow Calbayognon, who is now permanently residing in that country, to donate several parcels of idle she owns in our city, to the city government for its relocation projects. I was able to convince her.

Portions of the land she has donated will now accommodate families dislocated by the extension of our airport's runway while the remaining portions will be utilized to meet our urban housing targets.

Our strategy to use lateral networking and informal conduits in accessing resources has yielded favorable results. In fact, in a vertical manner of networking, I have asked funding assistance from President Gloria Macapagal Arroyo, for the extension of our airport, hoping that our long established acquaintance and her awareness of our sincere effort to develop Calbayog would also generate the same positive response I previously got. We did received funding assistance from the president.

C) DEVELOPMENT OF CALBA YOG ROAD NETWORKS

- The construction of roads has always been the traditional yardstick for the performance of any leadership. Thus, most of the roads that are being constructed lead to voters, and rarely to development.

Our city has a master plan for its road network. There are several consideration we have in mind in setting our priorities along this area of development, aside from our present fiscal capacity. At the moment, the new roads that

are being opened are intended to expand our business center and provide a wider space for business establishments.

With respect to our plan of expanding the road network to potential agricultural area, we were able to achieve some gains courtesy of the recent JICA-financed rehabilitation of the Philippine-Japan Friendship Highway. When we found out that a new road will be constructed to traverse an area of our city which per our assessment and evaluation will be of no significant economic impact to us but instead will dislocate many families, we immediately conducted a consultation with the barangays affected. Later, we successfully lobbied for the diversion of the project to an area consistent with our road network masterplan.

D) RECLAMATION PROJECT

A 23,685-hectare proposed reclamation project in one of our barangays which will accommodate certain establishments such as warehouses, industrial subdivisions, storage facilities, terminals and housing components. Its estimated cost is ₱0.0,000.00. Our decision to push through with the plan is based on the fact that the reclamation project will not only generate income but it will also prevent siltation of our port which has to be dredged every now and then. We intend to realize this project BOT or the Build-Operate-Transfer Scheme, one of the powers given to local government units under the local government credit financing. This is a contractual arrangement whereby the contractor undertakes the construction, including financing, a given infrastructure facility over a fixed term during which it is allowed to charge facility users appropriate tolls, fees, rentals, charges sufficient to enable the contractor to recover its expenses plus reasonable rate. The contractor then transfers the facility to the government agency or local government unit.

Under this arrangement, that the Calbayog Sports Complex is now being built.

LESSONS

The immense power devolved to local government units can be janus-faced. It will accelerate development when properly put in use or debilitate a local government unit when wrongly used.

As we have illustrated, its effect on the delivery of infrastructure services or on any development effort, in general, will be harsh for any IRA-dependent local government unit, particularly in the light of the diminishing amount of allocation brought about by the creation of new cities. While the option of any struggling city is to be freed from dependency on IRA by pursuing income-generating programs and projects, the greater challenge however is to find resources for such revenue-generating programs and projects while sustaining the delivery of basic service.

Devolution has granted several powers to local government units along credit financing, like bond flotation and entering BOT agreements. These strategies will only work under the ambit of good governance. I would like to believe that the positive response we received from the private

sector is also a trust in our leadership and our earnest adherence to good governance.

The delivery of infrastructure services is a costly responsibility, even daunting to a struggling local government unit. We have proved that inspire of any fiscal constraint, it can still be properly managed through careful planning and rational priority setting. Networking and resource-sharing, either through personal or intergovernmental, are some of the few strategies we have explored and had some modest success. These are readily available options, but then again it requires trust and good governance.

SUSTAINING THE CREATED ASSETS SOLOMON ISLANDS

By **Mukesh Gupta**, CTA

Solomon Islands

**Sustaining the Created Assets
by Mukesh Gupta, C.T.A/ILO**

Solomon Islands

- group of many islands
- 29,800 sq.km land mass stretching over 1,300 km in Pacific Ocean
- tropical climate, high rainfall varying 3,500 - 7,000 mm / year
- located 1400 km east of north Australia or 2400 km north of New Zealand

Solomon Islands

- Suffering from aftermath of ethnic crisis of 1999
- most infrastructure got destroyed or vandalised
- government institutions failed to perform even the basic functions;
- law and order did not exist
- Townsville Peace Agreement signed in Oct. 2000
- There were thousands of unemployed youth and ex-combatants with arms potential threat to peace
- employment intensive infrastructure projects designed to employ these ex-combatants to contribute to peace building

Road Maintenance

- Huge Backlog of road maintenance on most roads
- Govt. institutions at central and provincial level are not able to deliver the required services.
- Most of the local engineers left the country during crisis
- most construction equipment vandalised
- What do we do??
- UNDP/ILO Community Infrastructure Rehabilitation Project (CIRP) successfully promoted employment intensive and equipment supported technology to provide immediate relief to road users, communities in terms of improved access to markets, education, health centres and creating employment for unemployed rural people.
- Ultimately contributed to Peace Building and re-integration of former fighters into civilian life

Road Maintenance

- Solomon Islands is a high rainfall country with annual rainfall of about 5000 mm. CIRP successfully used Bituminous Emulsions (cold mix) using labour methods
- Introduced Lengthman System of road maintenance
- CIRP is contributing to institutions capacity building at central and provincial level to continue using appropriate technology on sustainable basis.
- Sustainable systems of routine maintenance being introduced to be managed at provincial level
- In the National Economic and Recovery Development Plan, the Government has been urged to decentralise the planning, designing , execution and maintenance of infrastructure services



Tuesday 4th November

8.30 – 9.00	Registration	
9.00 –10.00	Welcome address	Mr. Hugh Odhams , Acting Director, ILO Regional Office for Asia and the Pacific
	Objectives of the Forum	Prof. John Howe , Forum Facilitator
	Setting the Scene	Dr. Geoff Edmonds , Programme Coordinator, ILO ASIST AP
10.00 – 10.30	Coffee Break	

Session 1 Decentralisation in Practice

11.00 – 13.00	Philippines	Reuben Reinoso , Head of Infrastructure, National Economic and Development Agency
	India	K.T. Chako , Principal Secretary to the Government of Madhya Pradesh
	Plenary Discussion	
13.00 – 14.00	Lunch	

Session 2 Planning, Budgeting and Finance

14.00 – 15.00	Cambodia	Ngy Chanphal , Under Secretary, Ministry of Rural Development
	India	Vijay Kumar , Joint Secretary, Ministry of Rural Development
	Bangladesh	Abdul Karim , Local Government Engineering Division
	Thailand	Narong Leungbootnak , Asian Institute of Technology
15.00 – 15.30	Coffee Break	
15.30 – 17.00	Plenary Discussion	

Wednesday 5th November

Session 3 Capacity Building for Effective Delivery

9.00 – 10.30	DFID Indonesia	Martin Sergeant, Acting Head of Profession. Roberto Akyuwen, Gadjah Mada University
	Sri Lanka	Upali Pannilage, ITDG South Asia
	World Bank	Margarita Nunez, Transport Specialist
10.30 – 11.00	Coffee Break	
11.00 – 12.30	Plenary Discussion and Sharing of Experience	
12.30 – 14.00	Lunch	

Session 4 Sustaining the Created Assets

14.00 – 15.00	Lao PDR Division, Ministry of Communication, Transport, Post and Construction	Ounheuang Siriamphone, Director of Local Roads
	India	D.P.Gupta
	Solomon Islands	Mukesh Gupta, ILO
15.00 - 15.30	Coffee Break	
15.30 – 17.00	Plenary Discussion and Sharing of Experience	

Thursday 6th November

Session 5 Impact of Decentralisation: What works, what does not?

9.00 – 10.30	Philippines	Nestor Estoesta, Programme Manager, Department of Agriculture
	Thailand	Aniruth Thongchai, Chiang Mai University
	Philippines	Mel Sarmiento, Mayor of Calbayong City
	Plenary Discussion	
10.30 – 11.00	Coffee Break	
11.00 – 12.30	Summary of the Issues Comments of the Participants	Prof. John Howe
	Closing remarks	Dr. Geoff Edmonds
12.30 – 14.00	Lunch	

Annex B: List of Participants

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