

## Proceedings of Government of Karnataka

- Sub** : Gram Swaraj - Karnataka Panchayath Strengthening Project – Phase II, IBRD funding through the World Bank (Revised)– reg.
- Read** :
- i) Approval of the cabinet vide no: 1:301/2014, dated 13-06-2014.
  - ii) Eleventh Implementation Support Mission. March 17-21, 2014 Aide Memoire.
  - iii) Minutes of the 40<sup>th</sup> Screening Committee meeting held on 28-02-2014 at DEA, MoF, New Delhi.
  - iv) Acting Country Director, India, World Bank letter dated 07-11-2014,
  - v) Letter No. FD 8 PMU 2014 (P1), dated 20-07-2016 and
  - vi) Letter No. FD 8 PMU 2014 (P1), dated 16-12-2016.
  - vii) Note on the File No.81(1) FD439 Exp-6/2013/RDP/541/2016 dated 17-12-2016
  - viii) Government Order No.RDP 81(1) GSP.2103, Bangalore, dated 10-08-2016

### Preamble:

The Achievement and positive impact experienced in the 39 most backward taluks under Gram Swaraj Project Phase-I, resulted in launching the Gram Swaraj Project Phase - II for further development of the 39 most backward and 40 more backward taluks as identified by Dr. D. M. Nanjundappa's High Power Committee report on Redressal of Regional Imbalances of the State.

The Gram Swaraj Phase - II Project fundamentally aimed at generation of higher source of revenue by the Gram Panchayath along with optimum utilization of project funds for increasing their capacity to provide efficient services to the local population. The Scope of the project has been expanded to engage not only at Gram Panchayath level but also at cluster level to supervise and monitor to serve as a link between taluks and Gram Panchayats. To cater these needs of the Panchayath eighty eight percent (INR 1765.50 Crore) of the project cost to 2790 Gram Panchayath (1465 GPs of 39 the most backward taluks and 1325 GPs related to more backward 40 taluks) for creation of assets and the residue balance of INR 234.50 crore is to be spent for the entire State for capacity building, staff strengthening, enhancement of training programmes, strengthening of state level institutions and monitoring of the project. The project period for its implementation is for 6 - 8 years from the commencement of the project.

The mechanism of transfer of funds to Gram Panchayath in the form of loan is in accordance with Karnataka Gram Swaraj and Panchayat Raj Act 1993 under Section 214, Karnataka Fiscal Responsibility Act and Guidelines for availing back to back loans. Out of the total of Rs.1765.50 crore as Block Fund, the share of World Bank in the form of Block Fund amounts to Rs. 1322.73 crore which will be in the form of Loan to Gram Panchayath

for 6 years, which is repayable by the Gram Panchayath both principal and interest amount with the rate of 0.25 per cent interest annually. The repayment period is 19 years and this will be commenced from the year 2024 onwards. Further provisions of section 301 of Karnataka Gram Swaraj and Panchayat Raj Act 1993 are also applicable in case default in the repayment of principal and interest by the Gram Panchayath.

The Cabinet has approved the proposal vide No.301/2014, dated: 13-06-2014. The Honorable Chief Minister in his budget speech of 2016-17 announced the implementation of World Bank aided Gram Swaraj - Karnataka Panchayath Strengthening Project Phase-II. As per the decision of the cabinet it is decided to launch the Phase II Project with total cost of Rs.2000.00 crore out of which Rs.1400.00 crore will be World Bank loan and State Government share will be Rs.600.00 crore. Hence this order issued in concurrence with Finance Department vide No. FD 8 PMU 2014 (P1) dated 20-07-2016 and No. FD 8 PMU 2014 (P1), dated 17.12.2016.

**Government Order No.RDP.81(1).GSP.2013, Bangalore, Dated: 07.01.2017** (Revised)

In the above said circumstances the Government is pleased to issue the following order:

1. Implementation of Gram Swaraj - Karnataka Panchayath Strengthening Project Phase - II, with the World Bank credit of INR 1400 crore and State Government share would be INR 600 crore, the total project cost is INR 2000 crore over a period of 8 years from 2016-17 to 2023-24.
2. The Project Appraisal Document (PAD) of Gram Swaraj Project and its terms and conditions specified there in is applicable.
3. RDPR Department is the Implementing Nodal Agency. The RDPR Department will be entering into a loan agreement with each Gram Panchayath, which will encompass all loan repayment conditions and repayment mechanism. RDPR Department is responsible for modalities and separate head of account would be created at State level for repayment of loans by Gram Panchayats.
4. Project Monitoring Unit (PMU) at State level which is established for Phase-I project will be continued in the Rural Development and Panchayat Raj Department and is responsible for day-to-day project management, overall project implementation, and financial management, recovery of loans and maintenance of accounts with regard to loan to GPs under Gram Swaraj Phase II Project.
5. Decentralization Analysis Cell (DAC) which is established in Phase-I Project will be continued in the Rural Development and Panchayat Raj Department and is

responsible for basic analysis, evaluation, monitoring of fiscal flows to panchayath, own revenues and service delivery and development of the intergovernmental fiscal system, tracking of other socio-economic data, and will support Gram Panchayt block fund transfers by evaluating, analyzing the formula and proposing adjustments for better achievement of the project objectives.

6. The budgeted amount released to the Gram Panchayath will be in Project Bank Account and transferred to Gram Panchayath designated Bank Account.
7. The mechanism of transfer of funds to GPs in the form of loan is in accordance with Karnataka Gram.Swaraj and Panchayat Raj Act 1993 Section 214, Karnataka Fiscal Responsibility Act and Guidelines for availing Back to Back loans.
8. Repayment of loan is as per section 214 of Karnataka Gram Swaraj and Panchayat Raj Act 1993 read with rule 97-Form a Sinking Fund in the prescribed manner for the repayment of Loan.
9. If a Gram Panchayath defaults in the repayment of loan installments or interest due to the Government, the Government may issue an order complying with section 301 of Karnataka Gram Swaraj and Panchayat Raj Act 1993
10. Sinking Fund Register shall be maintained in Form No.43 Rule 97 of the Karnataka Gram Swaraj and Panchayat Raj Act 1993 -GPs Budget and Account (B&R) Rules 2006.
11. Register of Loan shall be maintained by the GPs in Form 42 Rule 96 of the Karnataka Gram Swaraj and Panchayat Raj Act 1993 -GPs (B&A) Rules 2006.
12. To incur expenditure on the project for start-up expenses allowable under the project funding norms of World Bank-IBRD.

This order issued with the concurrence of Finance Department vide No.FD 8 PMU 2014 (P1), dated 17-12-2016.

By Order and in the Name of  
Governor of Karnataka.

  
(T.V. Arun Kumar)  
Deputy Director

& Ex-Officio Under Secretary to Government,  
Rural Development and Panchayath Raj Department.

**Copy to:**

1. The Accountant General in Karnataka - Bangalore.
2. The Chief Secretary to Government of Karnataka - Bangalore.

3. The Additional Chief Secretary and Development Commissioner, Government of Karnataka - Bangalore.
4. The Additional Chief Secretary, Finance Department, Government of Karnataka Bangalore.
5. The Principal Secretary, RD&PR, Government of Karnataka, Bangalore.
6. The Principal Secretary, Planning Department, Government of Karnataka, Bangalore.
7. The Secretary (B&R), Finance Department, Government of Karnataka, Bangalore
8. The Secretary (Panchayat Raj) Dept of RDPR, Government of Karnataka, Bangalore and Chairperson, SLSC, Bangalore.
9. All the Directors Rural Development & Panchayat Raj Department, Government of Karnataka.
10. The P.S. to Hon'ble Minister for Rural Development and Panchayat Raj Department, Government of Karnataka
11. All the Chief Executive Officers of Zilla Panchayats, Government of Karnataka
12. Director General, Administrative Training Institute, Government of Karnataka, Mysore.
13. Additional Secretary to Government (FR) PMU - Finance Department, Bangalore.
14. The Director, ANSSIRD, Government of Karnataka, Mysore.
15. Director, e-Governance, Rural Development & Panchayat Raj Department for R D & P R Department website.
16. Cabinet Section (no: 1:301/2014, dated 13-06-2014), Vidhana Soudha, Government of Karnataka, Bangalore.
17. All the Deputy Commissioners of the Districts, Government of Karnataka
18. The Chief, Gram Swaraj Project, Rural Development and Panchayat Raj Department, Government of Karnataka, Bangalore.
19. The Chief, Decentralization Analysis Cell, Rural Development and Panchayat Raj Department, Government of Karnataka, Bangalore.
20. The Country Director, The World Bank, 70-Lodi Estate, New Delhi -110003.
21. Internal Finance Adviser, Rural Development & Panchayat Raj Department.
22. Chief Editor, Karnataka Vikasa, Rural Development & Panchayat Raj Department for publication.
23. Spare copies.