

EXECUTIVE SUMMARY

Final Report on SOCIAL AUDIT OF RIDF PROJECTS FUNDED BY NABARD

A. Introduction

The trend in the last more than a decade indicate that government investments in productive infrastructure in rural areas - particularly in agriculture - are dwindling. At the same time, the State Governments have launched several infrastructure projects that remained incomplete for several years resulting in heavy cost escalation without the community realising any benefit. These represented sunk investments that hampered agricultural growth. With a view to reverse the trend and facilitate development through change of cropping pattern, better water management practices and improved rural communications, the Rural Infrastructure Development Fund (RIDF) was constituted and placed at the disposal of NABARD. This fund was made up out of the undisbursed allocations to the priority sectors by the nationalised commercial banks.

Three projects in Karnataka State out of the first batch of minor irrigation schemes financed from the 1995 RIDF allocation were chosen by NABARD for a detailed "social audit". The nine objectives of the study are spelt out to cover the pre-project & post project agricultural scenarios, an analysis of environmental impact, technical and administration processes and the community perceptions on the three RIDF projects. In short, the pilot study is an impact assessment on the different facets of the rural infrastructure projects under study. Two of the projects are for construction of new tanks with designated command areas of 100 acres each. They are at Achalu Forest, Ramanagaram taluk and another in Gopalanahalli in CN Halli taluk. The third is a bridge-cum-barrage project at Bhoj-Hunnargi in Chikkodi taluk with a 300 acres designated achkut.

The three projects envisage direct benefits to the designated command areas exceeding 100 acres in the two projects in Southern Karnataka and 300 acres in the third project located in Northern Karnataka.

B. Methodology

The study is designed as post facto impact analysis two years after the completion of the RIDF projects. The focus of the social audit are the three categories of stakeholders identified. They are:

1. Communities in the project command and catchment areas
2. The funding and executing agency i.e. the Government of Karnataka represented by the concerned development departments and the Minor Irrigation department, and
3. The financing agency i.e. NABARD representing the consortium of nationalised commercial banks.

The overall thrust of this pilot study is qualitative assessment of the perceptions of the stakeholders with the pre-project and post project agricultural scenarios constructed from the time series land use statistics (secondary data) obtained from the revenue department.

The study does not claim to make macro and micro estimates from the data interpreted. In view of the purposive sample assigned for the study, the conclusions drawn from the study cannot be generalised as representing the RIDF projects in the State.

C. Conclusions

1. This study shows that the budget allocations are spread too thin because of the constituency-wise obligations or political compulsions to allot the MI works through out the State with out prioritising on the efficiency criteria. . In this situation, the project reports appraised are not consistent with the results obtained in the field and also the community perceptions.
2. Except for utilising the RIDF fund in the Minor Irrigation Departmental projects, the institutional, administrative and technical processes agreed upon in the Aid memories of the appraisal document signed between the Government of Karnataka and NABARD have not been implemented.
3. Networking at the project level is necessary among the different development departments of the Government of Karnataka, the Zilla Panchayat administration and ultimately people as the beneficiaries of the investments on infrastructure.
4. Participation among the stakeholders:
 - a. The MI Department is responsible from project identification stage right through providing the completion certificate and had traditionally worked in isolation within the Karnataka government. As such, the technical and administrative procedures of the MI department are not transparent both within and outside the Karnataka government.
 - b. The water charges in the new achkut itself are not levied until five years after the project completion. This procedure forces the farmers to willy nilly adjust to the new situation thrust upon them.
5. The political intervention right from project identification to annual funds release in the MI department is rationalised as constituency-wise equity consideration at the cost of project efficiency.

The study shows that this state of affairs has much to do with the present day style of functioning of the government departments in a vertical hierarchy working in water tight compartments insulated even from the grass root level Zilla Parishad administration and the people.

D. Recommendations

In order to bring about the structural changes in the management of minor irrigation infrastructure, we propose:

1. Constitution of the project level committees is recommended to oversee the different phases of the project cycle and take timely corrective measures required. Its recommendations should constitute the basis for the High Power Committee deliberations.
2. The Water Users Committees (WUC) should be simultaneously constituted with the local stakeholders after collecting a betterment cess from the direct beneficiaries and the community. Ideally, the WUC should have a representation of the local Lead Bank also as a member.
3. The completion report should be a joint report by the project level committee and the water user's committee.
4. Minor irrigation project altering the water flows in the streams should be taken up on a watershed development basis wherever possible to avoid jurisdictional wranglings.

5. The water charges and maintenance charges are the responsibility of the water users committee with a lumpsum payable annually to the MI Department towards maintenance of head works and irrigation channels. These are payable from the time the joint completion report has been filed.
6. The project level committee should take steps for simultaneous planning for other infrastructure such as on-farm development by helping the direct and indirect beneficiaries of the project area in preparing bankable proposals.
7. A time limit of 6 months should be fixed for payment of compensation for land acquired for the project by the Revenue Department.
8. For minor irrigation barrage projects, provision of power supply should be considered as a part of the rural infrastructure being created.

The task of preparing the government departments to collectively handle bankable infrastructure projects with the local communities is indeed a formidable one. If this report can provide awareness of this fact among the different stakeholders, we feel that the social audit report had served its purpose.

E. NABARD: A Stakeholder in RIDF Projects

RIDF, for the purpose of this study, is construed as a new strategy of the GOI to leverage funding of public investment through NABARD. NABARD's role in the scheme of things goes beyond the role of a development banker though it does not take risk with the funds lent to the government as a Trustee of Nationalised banks.

NABARD is classified as a stakeholder in the RIDF projects for three reasons: a) the money it advances, b) for bringing in the structural changes in the organisation and methods to see through the projects to completion, and c) the fiscal discipline it provides while optimising the net asset value addition to the community.

The beneficiary-oriented development financing uses techniques of risk assessment and risk mitigation as prime tools of assessing bankable projects. But in the case of rural infrastructure financing, balancing of equity and efficiency criteria is equally important. In the absence of community involvement in the government investments in rural infrastructure, the equity considerations have become synonymous with the community-wise political considerations and the counterbalancing efficiency criteria seem to have been neglected.

As an administrator of trust funds on behalf of the nationalised commercial banks, NABARD's obligations include prudent lending to the most deserving communities striking a balance between the equity and efficiency. The aid memoirs had formed a basis for removing the deficiencies in the project management by the government. But, as the field investigations have revealed, none of these conditionalities have been adhered to.

In this situation, NABARD may have to redefine its role as a stakeholder in the RIDF projects. It has two options. It can treat the RIDF financing as another development banking function and concentrate on volume lending to make up the priority sector lending target for nationalised banks. Alternatively, it could treat this as a trust obligation towards the nationalised banks and insist on the conditionalities recommended in the previous section of this report before releasing funds under RIDF. Simultaneously, a consensus on balancing equity considerations with minimum efficiency levels may be worked out with the Karnataka Government to make the RIDF financing a success in the State.

F. POSTSCRIPT:

This study is based on the three projects started in 1995. The recommendations are therefore subject to upgrading based on the structural changes that could have been brought about in the RIDF project appraisal and implementation processes in the subsequent phases in the last three years. These are not taken into consideration in this report.