# TWELFTH FIVE YEAR PLAN [2012-2017]

## WORKING GROUP
## ON
## ADMINISTRATIVE REFORMS
## AND
## PLAN IMPLEMENTATION

# REPORT

## STATE PLANNING BOARD
## GOVERNMENT OF KERALA

### OCTOBER 2011

# PREFACE

The Working Group on Administrative Reforms and Plan Implementation for the Twelfth Five Year Plan was constituted by the State Planning Board of Government of Kerala as one among the forty eight working groups. The working group held four sessions, the outcome of which is submitted herewith as a Report of Recommendations. I thank Shri. K.M. Chandrasekhar IAS, Vice-Chairman, Kerala State Planning Board and Shri. Subrata Biswas IAS, Member Secretary, Kerala State Planning Board for entrusting this task to our team under my Chairmanship. I am very much thankful for the team effort and co-operation extended by all the members of this group during the deliberations and preparation of the Report.

**Sd/-**
**S.M.VIJAYANAND**

CONTENT

# Working Group – Its Constitution and Terms of References

1. The State Planning Board of Government of Kerala has constituted forty eight Working Groups as part of exercise of Twelfth Five Year Plan of the State for giving recommendations to the Board.

2. The Working Group on Administrative Reforms and Plan Implementation is one among them constituted vide Order No. 5564/2011/EV/WG/AR/SPB dated     18.08.2011 and revised on 31.8.2011.

3. The working Group consist of seven members.

   1. **Sri. S.M.Vijayanand IAS** *Chairman*
      Additional Chief Secretary, Government of Kerala
      & Director, Institute of Management in Government
      Thiruvananthapuram.

   2. **Lt. General  S.K.Pillai (Rtd)** *Member*
      Kottakkal Veedu,
      A/1 A, Jawahar Nagar, Kawadiar P.O,
      Thiruvananthapuram.

   3. **Shri**. **P. Rajendra Prasad** *Member*
      Mangalathuveedu, Kovoor,
      Arinaloor P.O,
      Kollam.

   4. **Dr. N. Ramalingam** *Member*
      Associate Professor,
      Gulati Institute of Finance and Taxation
      An Autonomous Institution of Government of Kerala
      Pappanamcode P.O.,
      Thiruvananthapuram

   5. **Dr. V.A. Domini** *Member*
      Associate Professor,
      Pavanatma college,
      Murickasseri P.O.,
      Idukki.

6. **Dr. V.Vijayakumar**                                          *Convener*
   Chief,
   Evaluation Division,
   State Planning Board,
   Government of Kerala,
   Thiruvananthapuram.

7. **Shri. J. Venugopalan Pillai**.                          *Joint Convener*
   Joint Director,
   Evaluation Division,
   State Planning Board,
   Government of Kerala,
   Thiruvananthapuram.

4. Terms of Reference of the Working Group are:

   ➢ To review the functioning of administrative machinery in the State.

   ➢ To suggest measures to improve the efficiency of administrative machinery in the formulation and execution of plans.

   ➢ To suggest measures for effective co-ordination between different departments for implementation of plans.

   ➢ To examine the efficiency of government spending.

   ➢ To suggest measures for better service delivery.

5. The working group convened four meetings via 27th August, 5th & 22nd September, and 4th October, 2011. During the four meetings, detailed discussion were held on administrative reforms and plan implementation as part of formulation of Twelfth Five Year Plan and suggested reforms under eight sub-heads viz, planning and budgeting, improving citizen participation, improvement of services, implementation, staff matters, training, good governance and e-governance.

**Recommendations of the Working Group on**
**Administrative Reforms and Plan Implementation for**
**Twelfth Five Year Plan**
**[2012 – 2017]**

## I.    Planning and Budgeting

1.    Zero Base Budgeting (ZBB) is recommended to be taken up jointly by the State Planning Board and the departments concerned at the beginning of the Twelfth Five Year Plan. This is recommended for all the spill-over projects having commitments of more than ₹ 1 crore in the funds allotted for the Twelfth Plan as per a clear completion schedule.

2.    While preparing plans for different departments at the State level, it is recommended that they have formal consultations with and consider suggestions from the District Planning Committees.  This is particularly essential for projects related to productive sectors Irrigation, Roads, Health, Social Welfare, Water Supply, Power distribution, Education, etc.

3.    A single plan showing the flow of resources from all the sources, that is from the Local, State and Central Governments is recommended to be prepared for  sectors like Agriculture, Animal Husbandry, Dairy Development, Social Welfare, Scheduled Castes and Scheduled Tribes Departments. At the implementation stage, the different components are to be followed as per the respective guidelines.  This would to a greater extent avoid duplication and ensure synergy.

4.    From the first year of the Twelfth Five Year Plan, Result Based Framework (RBF) may be adopted.  RBF means every plan proposal would unambiguously indicate the objectives, activities, targets, costs, milestones, risks and mitigation measures, outputs and outcomes.  To start with, Agriculture, Animal Husbandry, Dairy Development, Soil Conservation, Fisheries, Public Works Department, Irrigation, Water Supply and Urban Development departments may be taken up.

5.	If the RBF is adopted, it would be possible to approve the budget proposals meaningfully before the beginning of the financial year. RBF would also obviate the need for separate administrative sanction in most cases. Therefore, at least from the second year of the Twelfth Five Year Plan onwards, action may be initiated to prepare and present the budget in such a way that the discussion on the demands could be completed sufficiently early and the budget is passed before 1$^{st}$ April.

6.	There is a need for greater budget transparency especially regarding development schemes.  Hence it is recommended that in the case of continuous infrastructure projects costing more than ₹ one crore there should be provisions to indicate the original cost and the original implementation period as well as the current estimated cost and the time period of completion.

## II.	Improving Citizen Participation

1.	It is recommended that the Grama Sabhas and Ward Sabhas need to be activated. A State-wide campaign may be launched for this purpose.  The rights and duties of the members of such forum may be issued as in the form of a Government Order and sent to every household with a covering letter from the elected heads of the Local Governments / concerned.  To make this forum effective in rural areas, sub systems may be put in place consisting of Neighborhood Groups of 30 to 40 families on the lines of Resident Associations which exist in urban areas. Facilitators may be trained (at least 50 % women) for organising and conducting of Grama Sabha/ Ward Sabha meetings. [*One person per 50 families in rural areas and 100 families in urban areas]*. Grama sabha Kendras may be constructed in all Wards of Village Panchayats.

2.	Special Neighbourhood Groups covering tribal habitats may be organised through female members of families.  These groups may be given focused training. Also educated youth may be properly equipped to function as social animators.

3. In order to foster a sense of community among the differently-abled, Self Help Groups of such people may be organised. This would facilitate advocacy, demand for development, extension and feedback. In the case of mentally challenged persons who cannot participate directly, their guardians may be associated.

4. A new campaign to inculcate civic culture may be launched in participation with Local Self-Governments and Kudumbashree.

5. Civil defense may be revived

## III. Improvement of Services

1. The proposed Service Delivery Bill which has been approved in principle may be strengthened to include the key features of the Service Delivery Policy of the State which was approved by the Government during 2003, like Citizen Charters, Planning for service delivery, Public assessment of performance, etc.

2. All Hospitals and offices of the Revenue, Civil Supplies, Registration and Police departments may be directed to prepare service delivery plans after consultation with stakeholders.

3. Citizen Charters may be revised and reformulated by all Local Governments and all departments that provide public services.

4. Citizens Score Card System to evaluate public perception of services may be introduced in respect of hospital services, water supply, electricity supply roads and schools at the Panchayat and Municipal levels.

5. Benchmarks may be developed for key services (to be identified) and performance indicators developed.

6.  SEVOTTAM concept may be introduced in selected service delivery institutions. Based on experience, it may be extended to cover all major public service delivery institutions.

7.  Social Audit is recommended to be  mandatory for all projects for which an independent system may be put in place directly under the Chief Minister

## IV.    Implementation

1.  The recommendations of the High Power Committee to Expedite Projects set up under the Chairmanship of Shri. V Ramachandran may be immediately implemented.

2.  It is recommended that for all works costing ₹ 50 lakh and above it should be a mandatory to develop Project Evaluation Review Technique (PERT) charts using appropriate project management software which is to be put in the public domain.

3.  Government may empanel institutions as well as experts whose services may be utilised for specialised technical functions like architecture, structural design, etc.

4.   Minimum standards and specifications may be developed for facilities and services of Anganwadies, schools and hospitals.

5.  Pay Clinics may be started in Taluk and District Hospitals as recommended by the Third Kerala Administrative Reforms Committee.

6.  The schedule of rates for Central Public Works Department (CPWD) may be adopted for all centrally sponsored scheme, till such time the State is able to develop a cost sensitive Schedule of Rates (SOR).

7.  For all road works automatic five year maintenance should be built into the initial tender.

8.  Third party Quality Assurance System may be put in place for all infrastructure works costing ₹ 25 lakh and more.  For roads, the Quality Assurance System of Pradhan Mantri Gram Sadak Yojana (PMGSY) may be adopted.

9.  Government had come out with an Asset Management Policy (Appendix II).  This may be operationalised without delay.

10.  For speedy clearance of files in Government / Departments the Desk Officer System may be introduced at the level of the Section Officer/ Superintendent and it must be ensured that there is only one intermediate level before final approval.

11.  Financial Adviser System may be introduced in Secretariat departments as suggested by the Third Administrative Reforms Committee.

12.  Heads of development departments may be declared as ex-officio. Additional Secretaries with the power to directly route files to the Secretary and the Minister for appropriate decision.

## V.  Staff Matters

1.  There should be a Human Resource Planning Wing within the State Planning Board which can make projections of Human Resource requirements for different public jobs and analyse the availability of such people for the next five to ten years period. Such information may be put in public domain.

2.  State Civil Service as recommended by the Third Administrative Reforms Committee may be created.  This is absolutely essential for improving government performance and ensuring co-ordinated functioning of different departments.

3.      The scheme for placing Guest Officers from departments in the Secretariat to look after specialised tasks may be introduced.  This would not require creation of new posts and can be achieved through redeployment.

4.      Civil Services Act may be brought into effect on the lines recommended by the Third   Administrative Reforms Committee and the Second Administrative Reforms Commission of Government of India.

5.      The present system of conduct of work study is outdated.  Therefore, under the leadership of the Administrative Reforms Department, public agencies may be accredited and suitably oriented to carry out scientific work study which covers different aspects like simplification introduction of Information Technology (IT) based solutions, change of qualification of staff, outsourcing, etc in a holistic manner.

6.      It is recommended that a new executive cadre of higher caliber - Chief Development Officers may be created for each Local Government.  This service can seamlessly merge with the State Civil Service and later with the Indian Administrative Service.

7.      Strict placement norms should be introduced in all departments to ensure that backward areas like Wayanad, Idukki and Kasaragod, do not have unfilled vacancies. To ensure transparency, draft transfer orders should be put on the website and 10 days' period given before it is finalised.

8.      Considering the fact that there is difficulty in getting new recruits in the Health Services department, the retirement age of doctors is recommended to be raised to 60 years.  Also a programme for developing specialists who are willing to work in the Health Services for the remaining part of their career (minimum of 10 years) may be put in place.  A functional review of Secretariat and major Departments may be carried out, not to identify redundancy but to redefine roles and

responsibilities. This could be entrusted to special teams who could be trained by institutions like IIM, Bangalore.

9.     Government had come out with a policy on utilizing the services of Non-Governmental Organisations (NGOs) as per GO (Ms) No.64/2004/Plg dated 16 August 2004 (Appendix No. I). This may be given effect immediately.

10.    In the case of hostels and care institutions a policy decision may be taken to post qualified personnel (from social work and allied disciplines). For care institutions reputed NGOs may be hired on management contract after a transparent process of selection. Persons of repute may be appointed as honorary Wardens/ Managers in Hostels run by Scheduled Caste/Scheduled Tribe Departments and in Care Institutions in the Social Welfare Department. These institutions should also have Management Committees consisting of professionals and experts.

11.    For the posts of Tribal Extension Officers and Block Extension Officers, at least two-third of new posts should be earmarked for Post Graduates in Social Work and allied disciplines.

12.    For strengthening decentralised planning, District Planning Offices may be strengthened on the basis of number of Local Bodies. A separate monitoring unit in all District Planning Offices may be established for effective monitoring of plan/projects implementation under decentralised planning

## VI.    Training

1.     Mandatory training should be made compulsory for all incumbents at the induction stage as well as before each promotion.

2.     A training network may be set up under the leadership of Institute of Management in Government (IMG) linking all the Government Training Institutions so that everybody can be trained according to a Comprehensive Training Plan.

3. To start with one per cent of the plan may be set apart as Corpus Fund for training and distributed among various training institutions according to proposals. A high level committee consisting of Chief Secretary, Finance Secretary and Secretary in charge of training could approve the proposal.

4. A Centre for Good Governance may be set up in IMG on the lines of Centre for Good Governance (CGG), Hyderabad with focus on renewal of public system.

5. A panel of Chartered Trainers may be created through vigorous selection process. These trainers-on-call could be utilized by different training institutions.

6. A pool of experts/trainers may be created in the state-of-art project preparation and evaluation of Government projects from among officials of the departments, training institutions, technocrats, academic scholars and professionals.

## VII. Good Governance

1. All Local Governments and Government Departments should have a disclosure policy, stating the items which would be proactively brought into the public domain in the prescribed disclosure format. As part of this, the list of beneficiaries of public programmes should be published. Also, every payment in works costing more than ₹ 5 lakh should be put on the web at least 5 days before actual payment.

2. Queue System may be ensured in all cases where public file applications for getting certificates, licenses and other services from Government or Local Governments. This should be promptly exhibited and tear-away receipts should be given when applications are submitted, indicating the queue number and probable date of issue. Whereever possible software based approvals may be given. This is particularly relevant for Building Rules. This is recommended to be introduced in all the Corporations, Municipalities. The Public Distribution System (PDS) system may be fully computerised up to the ration card holder whose bio metric identity could

be linked to the PDS outlet to track off take. Best practices of Tamil Nadu and Chhattisgarh in this regard may be suitably adapted in the State.

3. Planning Board may set apart one per cent of the Plan as Good Governance. Fund to be given for proposals from departments and Local Governments which are path breaking in respect of Good Governance.

4. As recommended by the Second Administrative Reforms Commission a Vigilance Commission may be set up in the State Government.

5. A Law may be enacted as in Bihar for empowering Government to seize ill gotten gains of public servants including elected officials obtained through corrupt means.

## VIII. e-Governance

1. All public assets may be mapped on Geographic Information System (GIS) and placed in the public domain with photographs, dimensions, year of construction and other relevant details.

2. E-District Programme, now being piloted in two districts may be extended to all fourteen districts.

3. Asset mapping done by Bhaskaracharya Institute for Space Applications and Geo-Informatics (BISAG) in Gujarat on GIS, a Government of Gujarat organization, may be adapted.

4. Real time Expenditure Monitoring system may be operationalised by modifying the software deployed in Treasuries on the lines of the Central Plan Scheme Monitoring System. Only data related to their department need be accessible to the Heads of Departments and Secretaries concerned.

5. E-Tendering may be made mandatory for all works costing ₹ 50 lakh and more covering all sectors.

6. E-Procurement may be introduced in all departments for purchases other than local purchases. To start with five major purchasers of goods in Government may be included.

7. For computerisation in Local Governments, National Informatics Centre (NIC) should be involved to work as formal partners of Information Kerala Mission (IKM) with defined roles and responsibilities.

8. Grievance Redressal Software may be introduced in all districts, cities, corporations and major service delivery departments at the Government level. This would enable e-filing of complaints/ grievances which would automatically be directed to the responsible officer. The software would bring it to the notice of the higher officer after a specified number of days if no action is taken. In this manner it can be taken up to the higher level. This would be a great boon to the senior officers to ensure timeliness, and the public to track their complaints.

9. An Enquiry Counter should be opened in all offices having public dealings at the Taluk level and above. All departments may be directed to analyse the type of grievances received and streamline their procedure for grievance redressal. Just like Information Officers Notified Grievance Redressal Officers at appropriate levels need to be designated.

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GOVERNMENT OF KERALA

Abstract

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT-ALL INDIA CONFERENCE ON THE ROLE OF VOLUNTARY SECTOR IN NATIONAL DEVELOPMENT HELD ON 20TH APRIL 2002 AT NEW DELHI-IMPLEMENTATION OF RECOMMENDATIONS- ORDERS ISSUED

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PLANNING AND ECONOMIC AFFAIRS (A) DEPARTMENT

G. O. (Ms.) No. 64/2004/Plg.          *Dated, Thiruvananthapuram 16th August, 2004.*

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*Read:- D.* O. Lr. No. M-99/l0 (6)/2002- VAC. dated 18-7-2002 from the Secretary,
Planning Commission, New Delhi

ORDER

The Planning Commission organised a meeting of all States on the 20th April, 2002 at New Delhi to discuss the role of Voluntary Sector in National Development and forwarded the recommendations for implementation in the State so as to create an enabling environment for the voluntary sector to function actively.

2. Government have examined the recommendations in details and are pleased to approve the detailed course of action(s) for implementation of the recommendations of the National Conference as given below:-

I. (i) As part of the campaign to institutionalize decentralization, Voluntary Organisations will be involved in two activities viz., strengthening of Grarna Sabha and conduct of Social Audit.

(ii)     While designing the capacity building programmes for Local Government leaders and officials,     expert Non-Governmental Organizations will be included in the training network.

(iii)  The Non-Governmental Organizations will be utilized for field level monitoring of Local Government plans.

(IV) The Non-Governmental Organizations will be formally associated  in the watershed management programmes, particularly under  Integrated Wasteland Development Programme, Western Ghat  Development Programme and Decentralized Plan Programmes.

(v)  Permission will be granted to Non-Governmental Organizations for running of Care institutions for the children, disabled, aged etc.

(vi)   With   regard   to   education   of   tribal   children,   the   Non-Governmental Organizations will be involved in extending support to the dropouts from weaker and marginalised families.

(vii) The Planning and Economic Affairs Department will, in conjunction with Local Self Government Department, draw up a basic frame work for assistance to Local Self Government Institutions with regard to items in Schedule XI and XII of the Constitution which list out subjects assigned to Panchayats and Municipalities. A workshop will be held to draw up guidelines for Voluntary Agencies for properly assisting the Local Self Government institutions. Their interventions should not result in marginalisation of disempowerment of the Panchayats and Municipalities.

II. (i) The Planning and Economic Affairs Department will be given a new subject called "Approval/Accreditation of Voluntary Agencies". The Planning and Economic Affairs Department will "approve" or "accredit" the Voluntary Agency following a transparent procedure to be evolved for the purpose. Appropriate amendments in the Rules of business will be made accordingly.

(ii)     Co-ordination with the respective Voluntary Agency will be done by the respective Administrative Department in Government.

(iii) A State Level Co-ordination machinery will be set up with the following Composition:

Chief Minister  (Chairman)

Minister for Finance

Minister for Social Welfare

Minister for Rural Development

Minister for Health

Minister for Local Self Government

Minister for Welfare of Backward and Scheduled Communities

Minister for Industries

Minister for Agriculture

Vice-Chairman, State Planning Board

Chief Secretary

Principal Secretary (Finance)

Agriculture Production Commissioner

Principal Secretary (Industries)

Principal Secretary (Rural Development)

Secretary (Modernizing Government Programme)

Secretary (Local Self Government-Rural)

Secretary (Local Self Government-Urban)

Secretary (Social Welfare)

Secretary (Scheduled Caste/Scheduled Tribe Development)

Executive Director (Kudumbashree)

Five Representatives of Voluntary Organizations

Secretary (Planning and Economic Affairs)-Convener

The terms of reference of the State Level Committee will be-

(I) Identity specific roles for the voluntary sector in the development of the State and suggest enabling policy environment and procedural system for ensuring that role effectively.

(2) Serve as a forum for obtaining the views of the voluntary sector on the development of the State.

(3) Identify development programmes where Voluntary Organizations could play a formal role in planning, implementation and/or monitoring.

(4) Sort out problems faced by the voluntary sector in playing their assigned roles.

The State Committee will meet twice a year.

(iv) A District Level Committee will be set up with the following composition:--

Chairperson, District Planning Committee-Chairperson

District Planning Officer

Principal Agricultural Officer

General Manager, District Industries Centre

District Social Welfare Officer

District Medical Officer

District Development Officer for Scheduled Castes

Project Officer, Integrated Tribal Development Project

One Representative of Municipal Chairmen's Chamber

One Representative of Block Panchayat Association

Two Representatives of Village Panchayat Association

Project Director, Poverty Alleviation Unit, District Panchayat

District Mission Co-ordinator, Kudurnbashree

Representatives of three Non-Governmental Organizations active in the district to be selected by this Committee for a period of three years.

District Collector--Convener

The terms of reference of the District Level Committee will be:-

(1) Co-ordinate the activities of Voluntary Organizations in the District.

(2) Bring about a partnership between Voluntary Organizations at Local Governments.

(3) Sort out problems faced by the Voluntary Organizations in the interaction with Government/Local Governments and other Government Agencies.

The District Committee will meet once in a quarter.

(v) The State Planning Board will prepare a report on possible role of Voluntary Organizations in the implementation and monitoring of development programmes, social audit and the creation of "demand" which have NGO and suggest the pattern and procedure for funding.

III (i) Kudumbashree will be entrusted with the task of setting up special community based organizations of tribals as substratum of their Community Development Societies set up.

(ii) Organizations of tribals interested in development will be identified and their capacity built up through a programme which can be co-ordinated by Kerala Institute for Local Administration and State Institute for Rural Development.

IV After Identifying the Non-Governmental Organizations, the training needs should be assessed by IMG and training arranged in the respective training institutions especially, Kerala Institute for Local Administration, State Institute for Rural Development, Center for Water Resources Development and Management, Kerala Forest Research Institute etc. Certain Non-Governmental Organizations like Peerrnedu Development Society, Malanad Development Society, Integrated Rural Technology Center, Mundoor, Mitra Niketan, Institutions functioning under the Social Welfare, Animal Husbandry and Dairy Development Departments etc., have their own training facilities. These facilities could also be used. On behalf of Government Peoples' Action for Development (Kerala) will help in co-ordinating capacity building programmes.

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V      The Service of the experts from Non-Governmental Organizations will be utilised in selected areas of Government functioning especially in poverty reduction, natural resources management, women and child development, social welfare etc. A formal system of identifying experts from Non-Governmental Organizations will be developed. Government officials will be allowed to go on deputation to Voluntary Organizations and the details worked out.

VI.    A system will be evolved in consultation with the Voluntary Organizations to accredit voluntary organizations and for monitoring their performance especially in relation to implementation of Government Funded Programmes.

VII. (i)    The Planning and Economic Affairs Department will prepare a directory of Voluntary Agencies working in the State and record their specific areas of expertise. While doing so the credentials of Voluntary Agencies will be cross checked with Council for Advancement of Peoples' Action and Rural Technology (CAPART) to ensure that black listed Non-Governmental Organizations/Voluntary Agencies are not allowed to gain an important role. These details will be given to departments concerned.

(ii)  Government supported organizations set up as part of different programmes and schemes of departments are excluded from the purview of the definition of Voluntary Organizations even if they are registered as Charitable Societies for the purpose of this order.

(iii)    While seeking to increase the involvement of Voluntary Organizations it should beensured that there is no creation of additional staff for the purpose.

By order of the Governor,

S. M. VIJAYANAND,
*Secretary to Government.*

The Principal Accountant General (Audit), Kerala, Thiruvananthapuram.

The Accountant General (A&E), Kerala, Thiruvananthapuram.

All Heads of Departments.

All Departments (all Sections) including Law and Finance Department of the Secretariat.

The Secretary, Kerala Public Service Commission, Thiruvananthapuram  (with C.L.).

The Registrar, High Court of Kerala, Ernakulam (with C.L.).

The Advocate General, Kerala, Ernakulam (with C.L.).

The Registrar, University of Kerala/Cochin/Calicut/Kannur (with C.L.).

The Registrar, Mahatma Gandhi University, Kottayam (with C.L.).

The Registrar, Sree Shankaracharya Sanskrit Uniiversity, Kalady (withC.L.)·

All District Collectors.

All Principal Secretaries/Secretaries/Additional Secretaries/Joint Secretaries/ Deputy Secretaries and Under Secretaries to Government

The Secretary to Governor, Raj Bhavan (with C. L.)

The Private Secretary to Speaker/Deputy Speaker

The Private Secretary to Leader of Opposition

The Private Secretaries to the Chief Minister and other Ministers.

The Additional Secretary to Chief Secretary.

The General Administration (SC) Department.

The Member Secretary, State Planning Board, Thiruvananthapuram.

The Director of Public Relations, Thiruvananthapurarn.

The Executive Director, Kudumbasree, Thiruvananthapuram.

The District Planning Officers.

The Principal Agricultural Officers in the Districts.

The General Manager, District Industries Centre.

The District Social Welfare Officers.

The District Medical Officers.

The District Development Officer for SCs.

All Project Officers, Integrated Tribal Development Project.

The Project Director, Poverty Alleviation Unit, District Panchayat.

The District Mission Co-ordinator, Kudumbasree.

The President, Municipal Chairmen's Chamber.

The President, Block Panchayat Association.

The President, Village Panchayat Association.

The Stock File/Office Copy.

APPENDIX- II

# GOVERNMENT OF KERALA

Abstract

Finance Department – Asset Renewal Policy – Approved – Orders issued.

FINANCE (NODAL CENTRE) DEPARTMENT

G.O.(Ms)No.621/2002/Fin.                          Dated, Thiruvananthapuram, 10.10.2002.

## O R D E R

In the Budget Speech for the year 2002-2003  it was  announced that an Asset Renewal Fund would be set up and that as an initial corpus a sum  of Rs.25 crores (Rupees Twenty five crores only) had  been set apart for the purpose.  The setting up of the Asset Renewal Fund is to ensure that adequate investments are made for the maintenance of institutions that predominantly render services to the poor such as Primary Health Centres, Primary and Secondary Government Schools, Rural Water Supply systems, Panchayats, Village Offices and Anganwadi Buildings.

An Asset Renewal Policy has now been drawn up.  Government, after examining the matter in detail, are pleased to approve the Asset Renewal Policy as appended to this Order.

By Order of the Governor,
V.S. SENTHIL,
SECRETARY (FINANCE EXPENDITURE).

To

The Accountant General (Audit/A&E), Kerala, Thiruvananthapuram.
The Principal Secretary to the Chief Minister.
The Private Secretaries to all Ministers.
All Principal Secretaries/Secretaries to the Government.
The Director of Public Relations
The General Administration (SC) Department – vide Agenda Item No:1401 dated
08.10.2002.
Office Copy/Stock File.

Forwarded/By Order,

Section Officer.

# ASSET RENEWAL POLICY

Over the last several decades Kerala has created a reasonably good physical and social infrastructure. Though these assets have been created at a substantial cost both investment and opportunity cost, these assets have not been properly looked after due to meager maintenance provision in the budget as result of the fiscal stress faces by the State Government. Even the general desire to have a large plan size and the strict guidelines in force for the use of plan funds for new projects have while contributing to creation of new assets left behind the repair and renewal of old assets created. The net result had been that both the State Government and the local self government have accumulated an increasing maintenance deficit leading to sub optimal services from the assets created and in many cases premature failure/collapse of the assets.

Spreading thin the very meager budget resources earmarked for maintenance has resulted in many of the assets in need of renewal and upgradation.

Given the commitment of the State of Kerala for genuine decentralization, many of the assets regularly accessed by the public like schools, hospitals and water supply systems structures have been transferred to local self governments. Though one third of the State plan resources are transferred to local governments, the local governments do have a problem in not having adequate resources for upkeep of the assets transferred to them.

As of now the Government of Kerala does not have a clear policy on the issue of renewal of assets for preventing deterioration of quality, excessive maintenance cost and consequent breakdown of assets. The three main problems identified are:-

1). Absence of a methodology for renewal planning of assets in Government.
2). Strong traditional focus on minimizing capital cost with inadequate consideration for ongoing lifecycle cost.
3). Failure, often inherent in the planning and budgeting process to recognize the asset renewal.

Absence of such a policy at the Government level has reduced the value of society's assets built over time and often created demand for replacing them with new assets even when existing assets could have been subject to a renewal process.

It was in this context that the Finance Minister in the budget speech announced setting up of a Asset Renewal Fund to ensure that adequate investments are made for the maintenance of institutions that predominantly provide services to the poor such as Primary Health Centres, Primary and Secondary Government schools, Panchayats, Village Offices and Anganwadi buildings and set apart Rs. 25 crores for the initial corpus of the Asset Renewal Fund.

Before the Asset Renewal Fund is set up there is a crucial need to focus on asset renewal based on a clear policy. The Asset Renewal Policy would be more than a mere maintenance policy. It calls for a life cycle approach, which means that when an asset is conceived and planned for it should take into account the regular upkeeping in the future and its eventual replacement.

The policy must aim at selecting certain categories of assets for focused attention, earmarking sufficient resources including mobilization of additional resources from sources other than budget for the repair and renewal of assets while ensuring equitable application of these funds based on transparent norms and evolution of a sound and dynamic public asset management system for the future.

## SELECTION OF ASSETS

The assets, which are of relevance to the poor and where ordinary people frequent would be chosen for improving the delivery of social services and emphasis, would be given to geographic areas, which have higher incidence of poverty. Assets that would be taken up for renewal would include:-

1) Hospitals
2) Care Institutions
3) Anganwadies/balavadies
4) Schools
5) Community sanitation complexes
6) Veterinary institutions
7) Foot bridge in inaccessible areas
8) Rural water supply systems
9) Public offices frequented by poor and ordinary people, viz., Village Panchayat Office, Village Offices and Krishi Bhavans.

## PLANNING ASSET RENEWAL

An action plan for asset renewal will be finalised in twelve months. To begin with the Government and the local self –governments would prepare an inventory of assets identified. Based on this inventory asset renewal plans would be drawn up for each assets and such plan would be built on broad principles, viz.,

1) Assess the portfolio of assets owned by Government/local self governments
2) Estimate the worth of the portfolio of assets on the current replacement value (CRV)
3) Determine the current expenditure level on maintenance and renewal of existing assets.
4) Assess the conditions of the assets (this involves estimation of facility condition index) such an exercise will help in prioritization on maintenance expenditure. In addition to facility condition index, for specialized assets like

hospital equipments, an assessment of their technical conditions through developing technical conditions indices could be used.

5)  Estimate the remaining life service for enabling maintenance prioritization and determining the time when asset replacement should be initiated.

6)  Define consequent spending gaps and recommend strategies to ensure that the required expenditure level is achieved.

7)  Identification of the above leads to a priority list of assets for maintenance/ replacement.

The local community would be fully involved in drawing up of the asset renewal funds for local self-government for which at least 10% would be contributed by the beneficiaries / village panchayats / local self-governments.

## ASSET RENEWAL FUND

In order to provide adequate resources for asset renewal an Asset Renewal Fund would be set up at the State level. Asset Renewal Fund would be set up on the lines of Calamity Relief Fund in the in the Public account to which annual budget provision and funds from Externally supported projects and other ear marked funds would be credited. A Committee would administer the Fund, with Minister (Finance) as Chairman and Chief Secretary as Vice Chairman. The committee would consist of Principal Finance, Secretary Expenditure, Secretary Rural Development, Secretary Health, Secretary General Education and Secretary Planning.

On the basis of the requirement the funds would be placed at the disposal of the District Collectors who would make the payment on the bills submitted by the implementing agencies. Accountant General would make a special audit of the Fund every year. Annual statement on the performance of the fund and the assets renewed would be placed before the Legislative Assembly and published for public information.

## FACILITATORY SYSTEMS

In order to have a trouble free and regular asset renewal system the following facilitator arrangements would be made arrangements would be made.

1).  The Government and local self-government personnel would be given training in asset renewal plans including maintenance of asset renewal data on desktops and using graphic user interfaces (GUI) capabilities to allow data from them to be used for decision making.

2).  All heads of office would be delegated the power to carry out asset renewal according to the prescribed standards.

3).  The system of procurement of spares and consumables like medicine and their distribution would be rationalized and made through a transparent process.

4).     Maintenance contracts would be encouraged in the case of new assets and old assets through Build-Operation-Maintenance arrangements. For small assets accredited NGOs and CBOs would be given responsibility for proper upkeep.

1. Financial rules would be amended to ensure user charges and other local charges for maintenance and renewal of assets can flow back to the asset concerned to be used in its upkeep and upgradation.

2. Procedures would be put in place to enable individuals and institutions to adopt assets for life long or periodic upkeep.

3. An equitable system of co-financing asset renewal projects taken up by local governments would be introduced

4. In order to protect allocation for asset renewal "resource envelop" concept would be tried out. Departments would be indicated the total resources likely to be available and asked to prioritize quantify the staff commitments, recurring expense commitments, asset renewal commitments and new development commitments in that order.

## IMPLEMENTATION

Implementation of this policy would be carefully calibrated to the availability of funds and priority of assets in terms of utility and service delivery to the poor. The approach would be to avoid under financing and spreading resources thin.

## MONITORING

1).     The Committee would evolve the transparency norms for allocation of resources, their utilization and reporting.

2).     The Committee would arrange audit of the use of asset renewal fund on a regular basis preferably through Chartered Accountants apart from the statutory audit by Accountant General

3).     A fund tracking system would be put in place to ensure its free flow and its proper use.

4).     Third party verification of implementation would be arranged on a experimental basis through academic institutions and NGOs of outstanding credibility.

5).     Social audits would be conducted on a regular basis.