

Report of the Working Group  
on  
Democratic Decentralisation & PRIs

Planning Commission
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Ministry of Panchayati Raj
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**November 2006**

## ***Executive Summary of Recommendations of the Working Group***

### **A. Brief Review of Panchayati Raj Legislations**

#### **1. Sizes of Panchayats:**

- (a) States may re-examine Panchayat delimitation so as to aim for more optimal size for service delivery. While undertaking any such re-organisation, the provisions of PESA will need to be complied with and terrain and isolation considered.
- (b) At Village Panchayat level, even if formal delimitation is not practicable, steps may be taken to ensure that wherever necessary, clustering is attempted so as to achieve an optimum size for accounting or administrative purposes.
- (c) Different services might have different optimum scales for efficient delivery. Therefore, leeway must be permitted through appropriate amendments in State Panchayati Raj legislations, for Panchayats to form groups or associations and work out arrangements between themselves to deliver services that are more efficiently undertaken collectively.

#### **2. Panchayat Electoral Reform:**

- (a) **Standardisation in the assignment of functions to State Election Commissions:**  
All state governments may amend their legislations to align complete responsibilities with the State Election Commission, in respect of the following activities:

<i>preparation of electoral rolls</i>	<i>delimitation of constituencies</i>	<i>reservations and rotations</i>
<i>qualifications of candidates</i>	<i>conduct of elections</i>	<i>functioning as the first stage of adjudication in election disputes</i>

(b) **Common electoral rolls:**

All elections including those to Panchayat and Municipalities ought to be based on a common electoral roll in accordance with the recent of a constitutional bench of the Supreme Court, mandating the same.

(c) **Status of State Election Commissioners:**

State governments may amend their provisions to accord State Election Commissions the status and privileges equivalent to Judges of High Courts.

(d) **Use of EVMs:**

States may also amend laws wherever necessary, to use EVMs in local body elections and to provide funds for the purchase of EVMs.

(e) **Conduct of DPC elections by State Election Commissions**

Elections to DPCs might also be brought within the purview of SECs.

### **3. Democratising panchayat functioning.**

#### **(a) Indirect elections of panchayat leaders.**

*A single chain of accountability, where the Panch is accountable to the people and the chairperson is accountable to the Panchs is best achieved by having the village Pradhan elected from the Panchayat members. States may consider adopting such systems.*

#### **(b) Two elected representatives representing identical constituencies, but in different Panchayat levels:**

*in order to avoid tensions that weaken the Panchayat system and cause inefficiency, States may avoid such delimitation which results in representatives of Panchayats being elected to different bodies from identical (or nearly identical constituencies),*

#### **(c) Not promoting consensus for its own sake.**

*States must avoid actively promoting consensus through financial incentives and allow democracy to prevail in Panchayats.*

*(d) The following steps may be undertaken to ensure that Panchayats function democratically:*

- (i) Procedures for conduct of meetings have to be laid down meticulously. There must be a strict quorum requirement.*
- (ii) Votes must always be recorded along with mandatory disclosure of resolutions along with the record of members voting for or against them.*
- (iii) Panchayats should be made collectively responsible for their actions, to induce meaningful participation.*
- (iv) The process of decision-making in Panchayats should be opened up to observation.*
- (v) There must be full disclosure of facts in meetings, so that reasoned decisions can be taken. Prior circulation of the agenda for a meeting and allowing one meeting to intervene before a decision is made are good design features.*

## **B. Deepening Peoples' Participation**

### **1. Gram Sabhas:**

*(a) In order to deepen the opportunity for more participation, States may consider establishing Ward Sabhas at the level of each Ward, through appropriate legislative changes.*

*(b) The date, time and location for Gram Sabha meetings should be convenient for all to participate. There should be enough publicity for Gram Sabha meetings through local media and local communication methods. People attending Gram Sabha meetings should be encouraged to express their opinion freely, so that no single group dominates the*

*proceedings. NGOs may be encouraged to promote awareness and peoples' participation.*

*(c) To sustain interest in Gram Sabha meetings, agendas must be circulated in advance. The Gram Sabha can be preceded with meetings of common interest groups, such as SHGs etc. Full disclosures of budgets and resources available for planning and implementation must be made.*

*(d) The GP Chairperson should be responsible for convening Gram Sabhas, with punitive measures of being disqualified in case of non-compliance. Relevant officers must be directed to attend Gram Sabha meetings without fail through administrative instructions.*

*(e) State governments should bring out policies and rules for conduct of social audit. Voluntary council of experts and eminent citizens can be constituted by Gram Sabhas or higher levels to evaluate the work carried out by Panchayats.*

***(f) CBOs to report to Gram Sabhas:***

*The practice of various community based organisations working at the village level placing their reports before Gram Sabhas must be promoted.*

***(g) Standardising Gram Sabha roles in CSS guidelines:***

*All Central Ministries must include in their CSS guidelines mandatory measures of reporting plans, progress and social audit to Gram Sabhas convened by the Panchayat. Care should be taken in these instructions to position Gram Sabhas as institutions for holding Panchayats (particularly Village Panchayats) to account for their performance, through approval of plans, selection of beneficiaries and review of progress. Positioning of Gram Sabhas as a collection of petitioners, who only need to be , shall be avoided. Treating the Gram Sabha as an executive body that can be entrusted tasks by higher levels bypassing the Panchayat should be avoided.*

***(h) BPL listing to be reconceptualised as a Multi Purpose Household Survey:***

*BPL surveys ought to be re-conceptualised as a Village Panchayat level multipurpose household survey, supervised and managed by GP members.*

## ***2. Interface between Panchayats and NGOs:***

*(a) Setting up parallel bodies in the functional domain of Panchayats through executive orders pose a serious threat to the full emergence of Panchayats as institutions of local self-Government. Parallel institutions created through scheme guidelines and by individual central ministries must be dismantled prior to the commencement of the Eleventh Plan.*

*(b) Any system designed for improving rural development delivery should be made accountable to the local community through the Panchayat. These bodies must, as a rule,*

*be sub-committees of the local Panchayats so that they can draw up and implement need based local level plans.*

### **C. Activity Mapping**

#### **1. Assignment of Functions to Panchayats through Activity Mapping**

*(a) As indicated in the district planning guidelines issued by the Planning Commission on 25-8-06, activity mapping should be undertaken in a time-bound manner by all State Governments and Central Ministries to ensure that the powers assigned to different tiers in respect of different subjects is clear, before the commencement of the Eleventh Plan. Activity mapping should also cover planning, budgeting and provisioning of finances.*

*(b) Central Ministries, particularly those dealing with flagship programmes and Bharat Nirman will need to modify guidelines accordingly.*

*(c) The following steps may be taken in the interest of smooth completion of activity mapping at both State and Central levels:*

- (i) Undertake participatory exercises to promote consensus between Panchayats and Line Departments,*
- (ii) Prioritising different subjects for stepwise Activity Mapping,*
- (iii) Strict adherence to objective principles while undertaking activity mapping*
- (iv) Simultaneously linking Activity Mapping with (a) mapping of capacity building, (b) financial requirements and (c) administrative requirements,*
- (v) Encouraging legislative sanction for Activity Mapping, in the interest of certainty and stability.*

#### **2. Administrative control of the PRIs over functionaries dealing with entrusted activities:**

*The Recommendations of the V. Ramachandran Expert Group on devolution of functionaries are endorsed as given below:*

- (i) Panchayat cadres must be created through administrative and legislative measures,*
- (ii) Deputation of government employees to Panchayats shall be considered as a transitional arrangement.*

(iii) *While moving from deputations to local cadres, cross-departmental movement of staff may be facilitated.*

(d) *In order to ensure that decentralised recruitment into local cadres does not limit exposure, arrangements may be made for staff exchange through inter-Panchayat deputations,*

(iv) *An independent board may be set up at the State level to promote Panchayat staff, with posts to be reserved for direct recruitment above certain levels, with the option for those within or outside the government to apply.*

(v) *Panchayats may be permitted to secure services of qualified technical personnel to undertake their works.*

(vi) *Attendance and work of important field level functionaries may be monitored by Village Panchayats. Where officials have jurisdictions larger than that of an individual Village Panchayats, the Intermediate Panchayat could monitor attendance. During the Eleventh Plan, all States may progressively ensure that salaries to field level departmental functionaries are paid through Village Panchayats.*

(vii) *A minimum full time staffing must be provided at the Village Panchayat level, namely,, a full time Panchayat Secretary, a Field Assistant and an Office Assistant cum Accountant. Additionally, a pool of common staff typically located at Resource Centres may be created as suggested by the Ministry of Panchayati Raj (MoPR) in the Gram Swaraj programme, prepared by it. More details shall be worked out, based on detailed consultations with States and financial support provided to States for providing the minimum staff required on a yearly diminishing basis, over the five year period of the 11<sup>th</sup> Five Year Plan.*

(viii) *The gender imbalance in Panchayat staff needs to be corrected and more women recruited to Panchayat level posts.*

*The above recommendations must be fully implemented in a time bound fashion over the 11<sup>th</sup> Five year Plan period. Performance of States will need to be reviewed regularly in this regard. Separate provision for the same will need to be provided through funding.*

## **D. Reforms in Fiscal Devolution**

### **1. Improving own revenues of Panchayats:**

*Effective steps must be taken to improve local revenues of Panchayats through the following measures:*

#### **Policy Measures at the State level:**

- (a) *A database must be prepared and maintained on local revenue collection by Panchayats, preferably by the Fiscal Cell to be set up in each State, in accordance with the recommendations of the 12<sup>th</sup> Finance Commission.*
- (b) *All existing policies and legislations at the State level on local taxation may be re-examined,, with a view to removing anomalies and practices undermining the system. This will require removal of upper limits on tax and restrictions on Panchayats on how to spend the money collected.*
- (c) *States shall closely watch that local taxes are reviewed and collected in time by Panchayats through adopting a campaign mode for the same. Omission or under-valuation of properties, which renders much lower the effective property tax rates, should be addressed. .*
- (d) *States shall train Panchayat elected representatives and officials in all aspects of tax estimation and collection*
- (e) *States must refrain from giving exemptions from local taxes imposed by Panchayats, without consultation with them.*
- (f) *Incentives for taxation must be given to Panchayats, if required in novel ways, such as prize schemes and matching funds. Such approaches recommended by State Finance Commissions should be seriously considered.*

*States might also examine the possibility of assignment of land revenue to rural local bodies to help them improve their finances.*

*Reform will also need to address non-tax revenues, such as user charges for water supply. There must be strict monitoring of progress on the recommendation of the 12<sup>th</sup> Finance Commission that by the end of 2010, at least 50 percent of the cost of supply of water should be met from user charges.*

### **2. Constructing a better system of unconditional transfers:**

*During the Eleventh Plan period, SFCs must be strengthened to ensure that they make meaningful recommendations. The Working Group fully endorses the recommendations of the 12<sup>th</sup> Finance Commission in this regard, which are elaborated below as follows:*

- (a) States should avoid delays in SFC constitution, their phased constitution, frequent reconstitution, delayed submission of reports and tabling of ATRs in the legislature. SFCs may be constituted at least two years before the required date of submitting their recommendations and these deadlines should allow State governments at least three months' time for tabling the ATR, preferably along with the budget for the ensuing financial year.*
- (b) SFC reports should be readily available to the Central Finance Commission, so that an assessment of the state's need could be made by the Central Finance Commission on the basis of uniform principles. As the periodicity of constitution of the Central Finance Commission is predictable, the States should time the constitution of their SFCs suitably.*
- (c) SFCs must be constituted with people of eminence and competence with qualification and experience in the relevant fields.*
- (d) The convention established at the national level of accepting the principal recommendations of the Finance Commission without modification should be followed at the State level in respect of SFC reports.*
- (e) SFCs must clearly identify issues requiring action by the central government to augment the consolidated fund of the State and list them out in a separate chapter for the consideration of the Central Finance Commission.*
- (f) SFCs may follow the procedure adopted by the Central Finance Commission for transfer of resources from the Centre to the States in respect of resources transfers from State Governments to local bodies. SFC reports should contain an estimation and analysis of the finances of the State government as well as the local bodies at the pre and post transfer stages along with a qualification of the revenues that could be generated additionally by the local bodies by adopting the measures recommended therein. Gaps that may still remain would then constitute the basis for the measures to be recommended by the Central Finance Commission.*
- (g) While estimating the resources of the local bodies, SFCs should follow a normative approach in the assessment of revenues and expenditure rather than make forecasts based on historical trends.*
- (h) A permanent SFC cell may be created in State finance departments of State governments to collect data constantly and make them available to the SFC as and when constituted.*



*The Group particularly emphasises the need for States to align the appointment of SFCs so as to ensure that their reports are in time and therefore relevant, for the consideration of the 13<sup>th</sup> Central Finance Commission.*

*In addition, while the actual modalities of the transfer should be left to the SFCs in different States, it is important that State governments take necessary initiatives to compile basic information relating to fiscal, demographic and economic variables at Village, Intermediate and District Panchayat levels.*

**3. *The approach with the Central Finance Commission;***

*MoPR must use the experience gained to good effect in preparing the memorandum for Panchayats, when the 13<sup>th</sup> Finance Commission is constituted. Apart from other nuances regarding central fiscal transfers, the aim must be to get more funds to Panchayats. A mere 4 percent of the central transfers to Panchayats, as recommended by the 12<sup>th</sup> Finance Commission, is too meagre.*

**4. *Specific Purpose Transfers:***

*Schematic fund transfers relating to specific functions transferred to Panchayats may be consolidated into block transfers to the Panchayats on the lines recommended in the Expert Group report on Planning at the Grassroots Level. There may also be some specific schemes aligned to the above under the state sector, which may be consolidated function-wise.*

**5. *Ensuring Transfers to Panchayats without delay or diversion:***

(a) *The number of layers through which funds pass should be reduced. While funds to District and Intermediate Panchayats may be transferred through treasuries considering their small numbers, direct transfer of funds from State governments through bank or post office accounts to Village Panchayats are desirable for speed and efficiency. The mechanism suggested by the Task Force of the MoPR on Direct Transfer of Funds to Panchayats through Banks may be adopted for the purpose.*

(b) *While funds are transferred to Panchayats through treasuries, care may be taken to ensure that Panchayats do not suffer due to the ways and means problems of the State. Panchayats ought to be transferred funds on a monthly basis, or at the least every quarter and not be subject to ill timed expenditure cuts without notice.*

**6. *Working out a mechanism for linking Central assistance to States with progress on empowerment of PRIs.***

*A fund of at least Rs. 2000 crore to begin with may be provided in the Eleventh Plan for an incentive fund aimed at (a) incentivising Panchayat empowerment by States and (b) Panchayat performance of devolved functions. Since funds will be released only on forward movement of States on the devolution index, expenditure under it would depend upon the speed with which States and Panchayats reach the benchmarks prescribed.*

## **E. Building Capability of Panchayats**

### **1. Capacity Building:**

- (a) *The Working Group endorses fully the comprehensive approach of the Ministry as contained in the National Capability Building Framework (NCBF) and recommends that the funding requirement for the programme should be fully met during the Eleventh Plan.*
- (b) *A National mechanism may be established to guide and monitor the planning & implementation of the NCBF. A National Task Force may be set up in the Ministry of Panchayati Raj for the purpose.*
- (c) *State level Task Forces may be set up in the Departments of Panchayati Raj for the planning, monitoring and supporting implementation of the strategy at the state level.*
- (d) *Implementation at district/state levels should be based on mapping of available capacities as per plans made by State Task Forces & approved by the National Task Force*
- (e) *The National Institute for Rural Development (NIRD) could be the Apex body to manage the NCBF.*
- (f) *Separate resources will need to be earmarked from major CSSs for investment on implementing the NCBF.*
- (g) *Implementation of PESA requires special attention within the NCBF,*

### **2. Providing other support to Panchayats:**

#### **(a) Improving infrastructure at Panchayat level;**

*The requirement of Panchayats for Panchayat office space and other physical infrastructure tailored to suit their particular requirements, should be met in full from a basket of funding options including Central support.*

#### **(b) e-Governance for all Panchayats:**

*The following activities need to be supported:*

- (i) *Development of appropriate software for Panchayat activities and maintenance of a repository of software, including source codes,*
- (ii) *Capacity building of elected Panchayat representatives and officials on IT use,*

- (iii) *Building a vibrant net-community of Panchayats using the National Panchayat Portal*
- (iv) *Content management for back-end and for respective State Panchayat Portals as a part of the National Panchayat Portal,*
- (v) *Undertaking process re-engineering in consonance with activity mapping for functions transferred to Panchayats, for IT enabling,*
- (vi) *Strengthening the National Panchayat Portal*
- (vii) *IT based internal management and decision-making support systems for Panchayats, including the following:*
  - *Accounts Computerisation, management of Panchayats' internal processes, Data collection on citizens natural resources and biodiversity. Panchayat members and staffing details. availability of government and private infrastructure and village habitat planning.*
  - *Data sharing from existing databases at higher levels, such as the census, health related data, education related data etc., censuses, with the Panchayats.*
  - *Computerisation of local taxation and user charge collection systems in Panchayats.*
- (viii) *Enabling Panchayats to better deliver its mandated services to its citizens through IT would include licencing and No objection certificates, house related services, grievances and petitions on civic services, implementation of schemes entrusted to the Panchayats,*
- (ix) *Using IT for (a) electronic tagging and tracking of funds transferred to Panchayats through banks and treasuries from higher levels and (b) expenditures of Panchayats*
- (x) *Putting in place a simple e-procurement system in Panchayats, attuned to locally applicable laws and rules in this regard.*
- (xi) *Interventions should be designed to enable States to choose from a menu of options to suit their specific requirements. Panchayats could either purchase stand-alone computers either on an outright basis or on a regular annuity payment spread over 5 years. Outsourcing of e-Governance work by Panchayats is a suitable option for those Panchayats with smaller populations, which could enter into a service agreement with*

*a CSC/HPTC/ Knowledge Centre and outsource its e-Governance requirements to it.*

**F. *Reviewing PESA Implementation in States with Schedule V areas***

*(1) The recommendations of the V. Ramachandran Expert Group on Grassroots level Planning in this regard are endorsed, as follows:*

- (i) MoPR should finalize and issue guidelines for PESA implementation and suggest specific State related provisions and guidelines for implementation within a definite time frame. These may be reviewed at the time of State plan finalization, for dovetailing into the Eleventh Five Year Plan.*
- (ii) The Government of India should issue specific under proviso 3 of part A of the Fifth Schedule, if required.*
- (iii) Since amendments to existing laws by States to conform to PESA may take some time, Government of India may enact Union legislation if necessary.*
- (iv) A forum must be established at the Central level to prevent violation of PESA provisions, highlight deviations and apply necessary correctives. The Planning Commission may work out the details of composition and functions of the Forum.*
- (v) The practice of regular annual reports from Governors as required under Schedule V must be given due importance. Such reports should be published promptly and placed in the public domain. The Ministry of Panchayati Raj should check the current status in this regard and take steps to activate this important measure in 2006-07.*
- (vi) Special steps need to be taken to ensure that women participate fully in tribal governance. To prevent marginalisation of women in Gram Sabha meetings, provisions in PESA rules and related guidelines should provide a minimum 33% quorum for women in Gram Sabha meetings.*
- (vii) For better compliance to legislation and protection of rights of tribal people, women and development of scheduled areas, Grassroots administration must be trained and attuned towards PESA objectives. Each State needs to constitute a group to look into strengthening of the administrative machinery in Schedule V areas. Separate cadres may be created for tribal areas. Various enunciations in tribal policies of the government of India may be adopted for this purpose, such as provision of hardship pay or other incentives. This must be done before the commencement of the Eleventh plan and all expenditure in this regard*

*should be treated as charged expenditure under Article 275 of the Constitution.*

(2) *The following recommendations are emphasised:*

**(a) State Government level:**

- (i) *State laws require thorough analysis and harmonisation with PESA.*
- (ii) *Annual Status Reports must be prepared by each State that has PESA, on the current status of implementation.*
- (iii) *Programmes such as the Backward Regions Grant Fund, which base themselves on local planning and implementation through Panchayats, should be used to catalyze the full implementation of PESA in States.*

**(b) Central Government Level:**

- (i) *The Ministry of Panchayati Raj could provide a format for Governor's report from each State.*
- (i) *Changes may be incorporated into the Tribal Rights Bill to further strengthen implementation of PESA. This will require creating a special institutional mechanism for coordination between the Ministry of Panchayati Raj and Tribal Welfare Ministry.*
- (ii) *A Task Force led by the Planning Commission, serviced by MoPR can coordinate the monitoring of PESA implementation.*
- (iii) *Budgetary support may be provided to PESA States for a cell to monitor implementation.*
- (v) *As part of the larger exercise directed by the Cabinet Secretary that all Ministries/Departments ought to review and recast their CSSs to harmonise them with Panchayati Raj, a more co-ordinated and inclusive effort may be made to bring all CSSs and Central Schemes within the PESA framework. Suitable guideline changes for all such schemes need to be brought out before the Eleventh Plan.*

**3. Reforms in the implementation of TSP:**

*In order to ensure effective implementation of the Tribal sub-Plan, the V. Ramachandran Expert Group's recommendations are endorsed as follows:*

- (a) *State and District/Block level Monitoring Committees prescribed by the Planning Commission to monitor TSP implementation ought to have a close linkage with*

*Panchayats. The Standing Committees for social justice mandated under State Panchayati Raj legislations can be entrusted with the specific task of TSP implementation. Any special interests, including NGOs may be co-opted into such Committees.*

- (b) *State Nodal departments for TSP implementation ought to undertake an activity mapping exercise assigning responsibilities to each Panchayat level for TSP implementation.*
- (c) *Regular independent evaluation of the impact of economic development and social justice programmes implemented by Panchayats ought to be undertaken and such information ought to be made public..*
- (d) *Central support to TSP should be allocated to districts on the basis of tribal population and area.*
- (e) *Special support may be provided for primitive tribes, for which a certain percentage of funds could be retained at the State level.*

### **G. A framework for preparing and projectisation of local plans**

(1) *Much ground has been covered by MoPR and the Planning Commission in ensuring that the Eleventh plan is based on the foundation of district planning. The challenge is now to ensure that the processes are followed up and district plans are indeed prepared in accordance with the Planning Commission guidelines. The following gaps that still might exist in the policy and implementation framework need to be addressed:*

- (a) *Detailed guidelines may be prepared on urban-rural consolidation of plans by expediting the report of the task force constituted by MoPR with the Ministry of Urban Development. Its recommendations when ready, may be considered by the Planning Commission to further elaborate upon the guidelines already issued on district planning*
- (b) *A repository of district plans may be created to document local initiatives and best practices, through a combined effort of the Planning Commission, MoPR and Ministry of Urban Development.*

## Preface

### **The Working Group on Democratic Decentralisation and Panchayati Raj Institutions.**

Through its Official Memorandum No. M-12018/1/2005-RD dated 7.3.2006, the Planning Commission set up a Working Group for the formulation of the Eleventh Five Year Plan on “Democratic Decentralization and Panchayati Raj Institutions” under the Chairpersonship of Secretary, Panchayati Raj, The composition and the Terms of Reference of the Working Group are placed at Annexe 1. The Working Group in its first meeting on 6.4.2006 discussed the Terms of Reference assigned by the Planning Commission and restated them as follows:

#### **Revised Terms of Reference (TORs):**

1. Brief Review of Panchayati Raj legislations:
  - (a) To analyze the provisions of State Panchayati Raj Acts and suggest modifications in view of the experience of the last 10 years with regard to different aspects of the Panchayati Raj set up, such as the mode of elections of chairpersons at various levels, rotational policy, powers of State Election Commissions and other related policy aspects,
  - (b) To review progress in the assignment of functions and expenditures to Panchayats through legislation and executive orders by States, with a view to highlight critical areas of concern that need to be addressed in the Eleventh Plan.
2. To examine powers given to Gram Sabhas and suggest modalities aimed at strengthening downward accountability of Gram Panchayats to Gram Sabhas,
3. To lay down guidelines for interface between PRIs, Non-Governmental Organisations and other Community Based Organisations working in a Panchayat area keeping in view the responsibilities entrusted to these organizations,
4. Clarifying functional assignments to Panchayats through activity mapping,
5. Suggest fiscal reforms including inter-government fiscal transfer system and improving revenues of PRIs, necessary to make them effective institutions.
6. To examine state budgets in order to ascertain the extent to which they ensure that budgetary outlays are assigned to the Panchayat sector in accordance with the devolution of functions to the Panchayats.
7. Efficient use of financial resources by Panchayats:

- (a) To analyze the capabilities of PRIs at different levels to absorb the financial allocations made to them under different Schemes including the Twelfth Finance Commission and to examine reports of State Finance Commissions with a view to analyze trends, highlight shortcomings and make suggestions so as to improve the quality of SFC reports.
- (b) Suggest modalities to ensure fiscal discipline and financial accountability at different levels.
- 8) Assess the training requirements during the Eleventh Five Year Plan and suggest training modules and training patterns for elected PRI functionaries and Government officials.
- 9) Review the implementation of the provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 in the States with Scheduled V areas.

Based on the revised Terms of Reference, the following scheme of chapterisation has been followed:

	<b>Name of Chapter</b>	<b>TORs dealt with in the Chapter</b>
Chapter 1	Introduction	
Chapter 2	Brief Review of Panchayati Raj Legislations	<b>TOR 1(a)</b> Brief Review of Panchayati Raj legislations: Analyze provisions and suggest modifications to State PR Acts in light of last 10 years' experience
Chapter 3	Deepening Peoples' participation	<b>TOR 2:</b> Examine Gram Sabha powers and suggest modalities of strengthening the accountability of GPs to Gram Sabhas.
		<b>TOR 3.</b> Lay down guidelines for interface between PRIs, NGO & CBOs
Chapter 4	Assignment of Functions to Panchayats through Activity Mapping	<b>TOR 1 (b):</b> Review progress in functional and expenditure assignments to Panchayats by States, to highlight the critical areas to be addressed in the Eleventh Plan.
		<b>TOR 4:</b> Clarify Activity Mapping to Panchayats.
Chapter 5	Reforms in Fiscal Devolution	<b>TOR 5:</b> Suggest fiscal reforms including inter-government transfer systems and improving revenues of PRIs,
		<b>TOR 6:</b> Examine State budgets to ascertain extent to which they ensure that budgetary outlays are assigned to the Panchayat sector in accordance with the devolution of functions.
		<b>TOR 7:</b> Efficient Use of Financial Resources by Panchayats.



Chapter 6	Building Capability Panchayats	of	<b>TOR 8:</b> Assess training requirements during the Eleventh Five Year Plan and suggest training modules and training patterns for elected PRI functionaries and Government officials.
Chapter 7	Implementation of PESA		<b>TOR 9:</b> Review implementation of PESA in States with Schedule V areas.
Chapter 8	Operationalising Decentralised planning		

## **Chapter 1: Introduction**

1.1 The 73<sup>rd</sup> Constitutional Amendment Act 1993 gave constitutional status to Panchayats at the District, Intermediate and Village levels, through the insertion of Part IX in the Constitution. In the thirteen years following the enactment of the Amendment, in nearly all States and Union Territories to which Part IX of the Constitution applies except Jharkhand, two rounds of elections have been completed and in several of them, three. Today, more than 27 lakh representatives stand elected to the three levels of Panchayats, of whom more than 36.5 percent are women, 16 percent belong to Scheduled Castes and 11 percent to the Scheduled Tribes. The Panchayats today provide a diverse, widespread and strong political foundation for inclusive and participative growth. However, beyond being instruments for political empowerment, if they are to function as institutions of self-government in rural areas in keeping with the letter and spirit of Part IX of the Constitution, the Panchayats will require clear functions and responsibilities, matching financial transfers, powers to raise their own finances and their own functionaries. Finally, a framework will also be needed for holding Panchayats accountable to their constituents for the performance of functions that have been devolved to them.

1.2. In compliance with the Constitutional pattern, while all States and UTs to which Part IX applies have passed strong and sweeping enabling legislations for the devolution of powers and functions listed in the Eleventh Schedule to Panchayats, formal transfer of functions has not been matched by the concomitant transfer of funds and functionaries for effectively performing these devolved functions. There has also been very little change in the first decade after the 73<sup>rd</sup> Amendment in the design of Central ministries programmes dealing with the mandates of Panchayats. When Central ministries, which send down substantial funds for implementation of Centrally Sponsored Schemes, ignore Panchayats, it leaves very little incentive for States to go ahead with real devolution.

1.3. The timing of the Eleventh Plan comes at a critical juncture – it coincides with the thrust on second-generation reforms in Panchayati Raj, aimed to close the gap between the constitutional mandate and effective functional transfer to Panchayats. Operationally, reforms at this juncture would focus on (a) building mechanisms for increased people's participation in decision making to ensure greater allocative and technical efficiency and accountability, (b) streamlining fiscal systems to match Panchayats' functions and finances, (c) improve Panchayat functioning and (d) strengthening administrative mechanisms to enhance Panchayat efficiency and capability. Both States and the Centre will need to work in tandem. In particular, the Central Government cannot be a bystander observing the growth of Panchayati Raj from afar, since it has the plenary responsibility for ensuring the implementation of Part IX of the Constitution and empowering Panchayats as institutions of local self-government, in true letter and spirit. The period of the Eleventh Plan could be when Panchayats finally are truly empowered in the letter and spirit of the constitutional provisions. The Working Group has focused on making specific recommendations so as to ensure that the reforms are fully achieved in the Eleventh Plan Period.

## Chapter 2: Brief Review of Panchayati Raj Legislations

### 2.1. Introduction:

While the Constitutional provisions outline the broad contours of the Panchayati Raj pattern nationwide, concrete shape is given to it through State legislations, which cover the size and scale of Panchayats, the election system, the assignment of functions, their inter-se relationship, regulatory powers of the Government and safeguards and accountability mechanisms. The Working Group has focused in this chapter on those aspects not covered more elaborately in subsequent chapters, namely, (a) the size and scale of Panchayats, (b) reforms in the election system and (c) checks and balances in Panchayat internal functioning and decision making.

### 2.2. Sizes of Panchayats:

2.21. Under Article 243 B of the Constitution, all States and Union Territories to which Part IX of the Constitution applies shall constitute Panchayats at the District, Intermediate and Village levels. However, States or UTs with populations less than 20 lakhs may dispense with the Intermediate Panchayat. The Constitution does not stipulate any size range for Panchayats, either in terms of population or area. The details of Panchayats as constituted in States and UTs are given in Table 1 below:

**Table 1:**

	State	Rural Population (2001 Census)	No of Panchayats			Average population per Panchayat		
			District	Intermediate	Village	District	Intermediate	Village
1	Andhra Pradesh	55401067	22	1095	21913	2518230	50595	2528
2	Arunachal Pradesh	870087	14	136	1639	62149	6398	531
3	Assam*	21524440	21	203	2487	1195802	106032	8655
4	Bihar	74316709	38	531	8463	1955703	139956	8773
5	Chattisgarh	16648056	16	146	9820	1040504	114028	1695
6	Goa	677091	2		189	338546		3582
7	Gujarat	31740767	25	224	13819	1269631	141700	2297
8	Haryana	15029260	19	119	6187	791014	126296	2429
9	Himachal	5482319	12	75	3243	456860	73098	1691
10	Jharkhand	20952088	22	211	3746	952368	99299	5593
11	Karnataka	34889033	27	176	5652	1292186	198233	6173
12	Kerala	23574449	14	152	999	1683889	155095	23598
13	Madhya Pradesh	44380878	48	313	23051	924602	141792	1925
14	Maharashtra	55777647	33	351	27918	1690232	158911	1998

15	Orissa	31287422	4		165	397705		9641
16	Punjab	16096488	30	314	6234	1042914	99641	5019
17	Rajasthan	43292813	17	140	12443	946852	114975	1294
18	Sikkim	480981	32	237	9188	1352900	182670	4712
19	Tamilnadu	34921681	4		166	120245		2897
20	Uttar Pradesh	131658339	29	385	12618	1204196	90706	2768
21	Uttaranchal	6310275	4	23	513	663363	115368	5172
22	West Bengal	57748946	70	820	52000	1880833	160559	2532

Details for Tripura and Manipur are not included in these tables, because districts in both States include extensive areas that are placed outside the purview of Part IX of the Constitution. In the absence of details of the exact population living in such areas, calculation of the average population living in each GP level would be misleadingly high. \*In the case of Assam, the population of those districts covered by the Sixth Schedule have been excluded from the calculation in Table 1 above.

2.22. It can be seen that the average sizes of Panchayats vary from State to State. The classification of States on the basis of average Gram Panchayat size is given in Table 2 below:

**Table 2:**

<b>Tiny Gram Panchayats (Population below 2000)</b>	<b>Small Gram Panchayats (Population between 2000 and 5000)</b>	<b>Medium sized Gram Panchayats (Population between 5000 and 10,000)</b>	<b>Large Gram Panchayats (Population above 10,000)</b>
Arunachal Pradesh (531)	Gujarat (2297)	Orissa (5019)	West Bengal (17218)
Uttaranchal(873)	Haryana (2429)	Tripura (5172)	Kerala (23598)
Punjab (1294)	Andhra Pradesh (2528)	Jharkhand (5593)	
Himachal (1691)	Uttar Pradesh (2532)	Karnataka (6173)	
Chhattisgarh (1695)	Tamilnadu (2768)	Assam (8655)	
Madhya Pradesh (1925)	Sikkim (2897)	Bihar (8773)	
Maharashtra (1998)	Goa (3582)		
	Rajasthan (4712)		

**Table 3:**

<b>Tiny Intermediate Panchayats (Population below 55000)</b>	<b>Small Intermediate Panchayats (Population between 55000)</b>	<b>Medium sized Intermediate Panchayats (Population between 100000)</b>	<b>Large Intermediate Panchayats (Population above 150,000)</b>

	<b>and 100000)</b>	<b>and 150,000)</b>	
Arunachal Pradesh (6398)	Uttaranchal (66424)	Assam (106032)	Kerala (155095)
Andhra Pradesh (50595)	Himachal (73098)	Punjab (114975)	Maharashtra (158911)
	Tamilnadu (90706)	Chhattisgarh (114028)	Uttar Pradesh (160559)
	Jharkhand (99299)	Haryana (126296)	West Bengal (169352)
	Orissa (99641)	Bihar (139956)	Rajasthan (182670)
		Gujarat (141700)	Karnataka (198233)
		Madhya Pradesh (141792)	

### **2.23. Recommendation of the Working Group:**

- (a) The Working Group suggests that States may re-examine Panchayat delimitation so as to aim for more optimal size for service delivery. Though gains can be expected when Village Panchayats are clustered, the trade-off could be in terms of larger Gram Sabhas. While undertaking any such re-organisation, the provisions of PESA in those States and districts to which they apply will need to be complied with, so that the Gram Sabhas have primacy and tribal communities are not disrupted by any such attempt at delimitation. Terrain and isolation, particularly in sparsely populated areas would also be a significant factor in determining whether re-organisation can be attempted or otherwise.
- (b) At the level of Village Panchayats, even if formal delimitation is not practicable, steps may be taken to ensure that wherever necessary, clustering is attempted so as to achieve an optimum size for accounting or administrative purposes.
- (c) Different services might have different optimum scales for efficient delivery. Therefore, leeway must be permitted through appropriate amendments in State Panchayati Raj legislations, which permit Panchayats to form groups or associations and work out arrangements between themselves to deliver services that are more efficiently undertaken collectively.

### **2.3. Panchayat Electoral Reform:**

2.31. Effective Panchayati Raj rests on regular and systematic conduct of elections every five years. Article 243K of the Constitution provides that the superintendence, direction and control of the preparation of electoral rolls for, and the conduct of all elections to the Panchayats shall be vested in a State Election Commission (SEC) consisting of a State Election Commissioner to be appointed by the Governor. It also states that subject to State law in this regard, the Governor may by rule determine the conditions of service and tenure of office of the SEC. It also provides that the SEC shall not be removed except in like manner and on like grounds as a High Court Judge and that

SEC conditions of service shall not be varied to his disadvantage after his/her appointment.

### 2.32. Implementation by States:

The experience since the enactment of the 73<sup>rd</sup> Amendment regarding the conduct of Panchayat elections is that after initial delays, there has been more regularity. In earlier years, public interest litigations by concerned citizens were required to force several States to conduct elections, without resorting to alibis. However, consultations among State Election Commissions reveal several continuing infirmities.

2.33. The conduct of elections encompasses several activities as follows:

- a. Preparation of electoral rolls,
- b. Delimitation of constituencies
- c. Assignment of reservations for elected representatives,
- d. Assignment of reservations for leadership positions in Panchayats,
- e. Determining qualifications of candidates to contest,
- f. Conduct of elections,
- g. Disqualification of sitting members and trying of election disputes

A major infirmity is that State Panchayat election related legislations may not vest all these activities with SECs and instead retain some of them with the Government or its executive authorities such as the District Election Officers (DEO) or Collectors. A comparison of where these responsibilities lie is given in Table 4 below:

**Table 4(a):  
Comparison of Powers of State Election Commissions:**

Activity related to elections	Where the responsibility lies	
	State Government	SEC
<b>Reservation and Rotation of Reserved Constituencies</b>	Madhya Pradesh	Maharashtra
	Rajasthan	Gujarat
	Andhra Pradesh	
	Uttar Pradesh	Kerala
	Tamil Nadu	
	Haryana	West Bengal
	Punjab	
	Karnataka (for DPs & IPs)	Karnataka (for GPs)
<b>Delimitation and Preparation of electoral rolls</b>	Andhra Pradesh	West Bengal
	Haryana	
	Himachal Pradesh	
	Karnataka	
	Punjab	Maharashtra
	Rajasthan	
	Tamil Nadu	
	Uttar Pradesh	

**Table 4(b): Notification of Election:**

SEC issuing election notification on its own	SEC issuing notification in consultation with State Government	State Government issuing notification on recommendation of the SEC.
Assam	Goa	Uttar Pradesh
Andhra Pradesh		Rajasthan
Gujarat		West Bengal
Madhya Pradesh	Haryana	Kerala
Maharashtra		Orissa
Karnataka		Rajasthan (DEO issues notification as per SEC schedule)

**2.33. Common Electoral Rolls:**

In many States, two different sets of electoral rolls are prepared; one by the Election Commission of India for assembly and parliamentary elections, and the other by the SEC for Panchayat and municipality elections.

**2.34. Use of Electronic Voting Machines (EVMs) for Panchayat elections:**

EVMs have not been used for Panchayat elections, except in certain pockets, so far. Though capital cost of procuring EVMs may be initially high, it would result in reduction of election costs for Panchayat elections.

**2.35. Status of State Election Commissions**

The tenure and conditions of service of State Election Commissions vary greatly across states as given in Table 5 below:

**Table 5:**

State	Tenure	Age limit	Qualifications	Status
Assam	4 years	62 Years	A minimum 25 years of service in administrative, judicial or legal service of State or Central Government.	<b>Status:</b> Equal to that of the Chairman, Public Service Commission. <b>Pay Scale:</b> Last pay drawn in the Government minus pension
Bihar	3 years	62 Years	Not below rank of GOI Additional Secretary or equivalent post	<b>Salary:</b> Same as in Government service minus pension.
Haryana	5 years	Between 55 & 65 Years	A Judge of High Court or a person who has served Government in rank of a Commissioner for 5 years.	<b>Salary:</b> Same as in government service minus pension
Himachal Pradesh	5 years	65 Years	Not below the rank of Additional Chief Secretary or equivalent position	<b>Salary:</b> Judge of a High Court minus pension
Karnataka	5	62 Years	No qualification prescribed	<b>Salary:</b> Same as in the

State	Tenure	Age limit	Qualifications	Status
	years			Government <b>Pay Scale:</b> At time of appointment as SEC or Rs.6500/- per month whichever is higher minus pension.
Kerala	4 years	62 Years	No qualification prescribed.	<b>Status:</b> Equal to State Chief Secretary. <b>Salary:</b> Rs. 8000/- per month (old scale) minus pension.
Madhya Pradesh	6 years	62 Years	Not below rank of GOI Additional Secretary or equivalent post in the State Government.	<b>Salary:</b> Rs. 8000/- per month minus pension.
Maharashtra	5 years		Not below rank of Principal Secretary to the State Government.	<b>Salary:</b> Rs. 7600/- p.m. (also a provision of pay protection)
Orissa	5 years	62 Years	Retired High Court Judge, or retired District Judge or a serving civil servant.	<b>Salary:</b> Rs, 20,450/- per month minus pension or last salary drawn, which ever is higher, Facilities as available to Chairman, State PSC.
Punjab	5 years	64 Years	Serving or a retired High Court judge, or service of at least 2 years as Financial Commissioner or Principal Secretary to State Government	<b>Salary:</b> equal to that of a High Court Judge.
Tamil Nadu	2 years (may be reappointed for two successive terms)	62 Years	Not below the rank of Secretary to Government.	<b>Salary:</b> As admissible to a Serving Judge of a High Court



State	Tenure	Age limit	Qualifications	Status
Uttar Pradesh	5 years	65 Years	Not below rank of Joint Secretary in GOI or must have held the post of District Magistrate or Divisional Commissioner and a senior Secretariat administrative post.	<b>Salary:</b> As admissible to him in his parent department.
West Bengal	5 years	65 Years	Sufficient experience in the affairs of Union or any State Government in an administrative post	<b>Salary:</b> Rs. 8000/- (old scale) minus pension.

## 2.4. Recommendations of the Working Group;

### 2.41. Standardisation in the assignment of functions to State Election Commissions:

All state governments may amend their legislations to align complete responsibilities with the State Election Commission, as has been done in Maharashtra and West Bengal in respect of the following activities

- (a) preparation of electoral rolls;
- (b) delimitation of constituencies;
- (c) reservations and rotations;
- (d) qualifications of candidates;
- (e) conduct of elections; and
- (f) functioning as the first stage of adjudication in election disputes,

This is also in line with the recommendations of the sixth Round Table Conference of Ministers-in-charge of Panchayati Raj, Guwahati, November 27-28, 2004.

### 2.42. Common electoral rolls:

In order to reduce inconsistencies and costs all elections including those to Panchayat and Municipalities ought to be based on a common electoral roll. The recent of a constitutional bench of the Supreme Court, mandating this unity of electoral rolls will need to be implemented in a time bound fashion. This may entail changes in the legislative provisions of some states as well as the system of defining wards by Election Commission of India.

### 2.43. Status of State Election Commissioners:

The National Commission to Review the Working of the Constitution (NCRWC) had recommended in 2002 that State Election Commissions should be accorded the status of the Judge of High Court in the same manner as Commissioners in Election Commission of India are accorded the status of Judge of the Supreme Court. State governments may amend their provisions to accord State Election Commissions the status and privileges equivalent to Judges of High Courts

**2.44. Use of EVMs:**

Now that the use of EVMs in Parliamentary and Assembly elections has become the norm, they must be put to use in local body elections too. States may also be persuaded to amend the laws, wherever necessary, to use EVMs in local body elections and to provide funds for the purchase of EVMs.

**2.45. Conduct of DPC elections by State Election Commissions**

In order to ensure timely constitution of District Planning Committees, elections to the DPCs might also be brought within the purview of State Election Commissions to ensure full conformity with Constitutional provisions, as recommended in the Sixth Round Table, Guwahati.

**2.5. Democratising panchayat functioning.**

2.51. There are several design features in legislation and rules that open up and democratise the processes of decision making within PRIs. These are essentially in the nature of inherent checks and balances that ensure that decision making is not in the hands of a few individuals alone.

**2.52. Recommendations of the Working Group:****2.521. Indirect elections of panchayat leaders.**

Even after Gram Sabhas take decisions there must be a single chain of accountability, where the Panch is accountable to the people and the chairperson is accountable to the Panchs. This is best achieved by having the village Pradhan elected from the Panchayat members. States that are generally known to lead in Panchayati raj, such as Kerala, Karnataka, Maharashtra, Tripura and West Bengal, have this system. West Bengal has a well structured Standing Committee mechanism with checks and balances built into the legislation. A system of direct election of the Pradhan is a weak design, because there are two parallel lines of accountability, one for the Panchayat member to the people and another for the Pradhan to the people. This mechanism is seen in all States except those named above.

**2.522. Two elected representatives representing identical constituencies, but in different Panchayat levels:**

When representatives of Panchayats are elected to different bodies from identical (or nearly identical constituencies) tensions arise between them as they tend to vie with each other to serve their constituencies. For instance, in Andhra Pradesh, there is much friction between the Mandal Panchayat Territorial Constituency Representative and the Gram Panchayat Pradhan, both of whom get elected to different bodies, but from nearly identical electorates. The problem is further exacerbated in the absence of Activity Mapping, or when both members end up sitting in the same body. For instance, in Uttaranchal, both the Panchayat Samiti elected representative and the Gram Panchayat Pradhan (both of whom have nearly identical constituencies) are members of the Panchayat Samiti – the former elected and the latter ex-officio. Such internecine tensions weaken the Panchayat system and cause inefficiency.

**2.523. Not promoting consensus for its own sake.**

Actively promoting consensus through financial incentives is a weak design. While consensus is desirable, an unnecessary emphasis on consensus stunts democracy in two ways. First, in a consensus, the strongest voices prevail automatically. Reservations in favour of women and the socially disadvantaged do not make much sense in a consensus situation because one can just as easily silence the poor. Second, elected representatives can hide behind a consensus decision to avoid responsibility and accountability to their voters.

2.524. There are five linked aspects of ensuring that Gram Panchayats work more democratically as described below.

- (a) Procedures for conduct of meetings have to be laid down meticulously. Making provision for a secret ballot requirement in the rules is necessary, in order to ensure that those who fear articulating their concerns in an open meeting can still make their presence felt in decision-making.
- (b) There must be a strict quorum requirement. votes must always be recorded. There must be mandatory public display of resolutions along with the record of members voting for or against them, thus enabling the Gram Sabha to know what their members are doing for them.
- (c) It must be ensured that the Gram Panchayat is collectively responsible for its actions. Once a member knows that his position is also in jeopardy as he is also vicariously responsible for wrong acts of his colleague-members in the body, there is a greater price to be paid for being a passive spectator to the proceedings. Members will be induced to participate meaningfully and there will be peer pressure on each other not to take wrong decisions. meetings must be made transparent.
- (d) The process of decision-making should be opened up to observation. There must be full disclosure of facts in meetings, so that reasoned decisions can be taken. Prior circulation of the agenda for a meeting and if necessary, allowing one meeting to intervene before a decision is made is a good design feature.

## **Chapter 3**

### **Deepening Peoples' Participation**

#### **3.1. Introduction:**

3.11. Article 243A of the Constitution provides for the establishment of Gram Sabhas to exercise such powers and perform such functions at the village level as the Legislature of a State may, by law provide. Powers assigned to the Gram Sabha will therefore vary from State to State. Examination of State legislations indicate that functions assigned to the Gram Sabhas in most States include reviewing all development programmes of the village, selection of beneficiaries for beneficiary oriented programmes transferred to the Panchayati Raj Institutions (PRIs) and preparing plans for local development including minimum needs, welfare and production oriented programmes. In some States, Gram Sabhas also prepare lists of all able bodied persons to whom employment is to be provided under locally taken up wage employment schemes. In few States, Gram Sabhas consider annual statements of accounts, administration reports, audit notes and replies of Gram Panchayats. Gram Sabhas also monitor report submitted by GPs in respect of ongoing development programmes and approve programmes proposed to be undertaken. In some States, if the GP fails to convene the Gram Sabha, the Executive Officer of the intermediate Panchayat is mandated to convene the Gram Sabha.

3.12. At the First Round Table of State Ministers of Panchayati Raj held in Kolkata in July 2004, it was decided that State Governments may identify steps needed to be taken to ensure that the powers and functions mentioned in Article 243A are adequately incorporated in State Panchayati Raj laws. These include constitution of Sabhas below the Gram level such as Gram Sansad or Ward Sabha, periodicity of meetings of Gram Sabhas and Ward Sabhas, full consultation with special or disadvantaged categories of the population such as women, Scheduled Castes, Scheduled Tribes, landless labourers, provision for Mahila Sabha Meetings comprising the adult women of the ward/ Gram Panchayat Area and empowering the Gram Sabha with measures such as right to all information required to make the Panchayats truly answerable to the Gram Sabha, approval of plans prepared by the gram Panchayat, issue of utilisation certificates of funds allocated for the plans, programmes of the Panchayat and identification of beneficiaries.

#### **3.2 Functioning of Gram Sabhas:**

3.21. Though Gram Sabhas are mandated since over a decade in India, sample studies of the system show that their functioning is uneven. Gram Sabhas may not meet at all, may be thinly attended or may be vibrant and active. Commonly heard complaints are that attendance is thin, agendas are not circulated in advance and several activities, such as social audit etc. are only nominally carried out. Another common complaint heard is that officials concerned rarely attend Gram Sabhas. Disillusionment with Gram Sabhas also tends to snowball, with office bearers of Gram Panchayats also not keen to convene meetings as they find it inconvenient to face people without meeting their earlier demands.

### **3.22. Recommendations of the Working Group in respect of Gram Sabhas:**

3.221. While levels of Panchayats are organs of representative democracy, the Gram Sabha is an important forum for participatory democracy. On the matter of the constitutional and legal structure of the Gram Sabha, Article 243(b), defines a Gram Sabha as consisting of all persons registered as voters in the electoral roll relating to the village comprised within the area of the Panchayat at the village level. Panchayati Raj legislations will need to comply with this definition strictly. In order to deepen the opportunity for more participation, States may seriously consider establishing Ward Sabhas at the level of each Ward, through appropriate legislative changes. In this regard, the provisions of the Panchayats (Extension to Scheduled Areas) Act, 1996 extending the provisions of Part IX of the Constitution relating to the Panchayats to the Scheduled Areas provide that a village shall ordinarily consist of a habitation or a group of habitations or a hamlet or a group of hamlets comprising a community and managing its affairs in accordance with traditions and customs and that every village shall have a Gram Sabha consisting of persons whose names are included in the electoral rolls for the Panchayat at the village level. We suggest replicating this approach in all other areas too.

#### **3.223. Empowering of Gram Sabhas:**

Gram Sabhas must be empowered to ensure accountability of the GP through regular meetings in which open discussions are held on structured agenda matters. There are two aspects to this issue:

- (a) The practical aspects concerned with convening the Gram Sabha so as to ensure that interest is sustained
- (b) Legally empowering the Gram Sabha.

Procedural lacunae can be corrected through administrative instructions and periodic reviews to ensure strict compliance. The date, time and location for the Gram Sabha meeting should be convenient for all to participate. There should be enough publicity for Gram Sabha meeting through the local media and local communication methods such as wall posters, handbills, tom-tom, etc. People who attend Gram Sabha meetings should be encouraged to express their opinion freely, so that no single group dominates the proceedings. NGOs may be encouraged to promote awareness and peoples' participation.

To sustain interest in Gram Sabha meetings, agendas must be circulated in advance. The Gram Sabha can be preceded with meetings of common interest groups, such as SHGs etc. Full disclosures of budgets and resources available for planning and implementation should be provided, so that Gram Sabhas do not become petition collection meetings or wrangling matches between groups with high expectations and Panchayats that do not have the resources to meet them.

There must be a specific duty cast upon the Chairperson of the GP to convene Gram Sabhas as provided in State legislations without fail, with punitive measures of being disqualified in case of non-compliance. Similarly, relevant officers must be directed to attend Gram Sabha meetings without fail through administrative instructions prescribing stringent measures in case these are not complied with.

To ensure more effective social audit, State governments will need to bring out policies and rules for the conduct of social audit. Voluntary council of experts and eminent citizens can be constituted ideally by the Gram Sabhas themselves, or even at higher levels to encourage this practice initially, to evaluate the work carried out by Panchayats.

#### **3.224. CBOs to report to Gram Sabhas:**

The practice of various community based organisations working at the village level placing their reports before Gram Sabhas must be promoted. This will also greatly aid in their eventual integration into the Panchayats. These committees include the Watershed Development Committees, Village Water Supply and Sanitation Committees, Village Education Committees, Joint Forest Management Committees, etc. Even NGOs could make report to the Gram Sabha details of their own programmes.

#### **3.225. Standardising Gram Sabha roles in CSS guidelines:**

All Central Ministries must include in their CSS guidelines mandatory measures of reporting plans, progress and social audit to Gram Sabhas convened by the Panchayat. Care should be taken in these instructions to position Gram Sabhas as institutions for holding Panchayats (particularly Gram Panchayats) to account for their performance, through approval of plans, selection of beneficiaries and review of progress. Positioning of Gram Sabhas as a collection of petitioners, who may be, shall be avoided. Treating the Gram Sabha as an executive body that can be entrusted tasks by higher levels bypassing the Panchayat should be avoided.

#### **3.226. BPL listing to be reconceptualised as a Multi Purpose Household Survey:**

In order to strengthen Gram Sabhas for better identification and selection of beneficiaries, Gram Panchayats require specific data with names and faces. Therefore BPL surveys ought to be re-conceptualized as a Gram Panchayat level multi purpose household survey. Such surveys should be supervised and managed by Gram Panchayat Members and the survey formats should be user friendly, icon based formats so that even the illiterates can use them. Gram Panchayats can then compile the information available in these formats into Gram Panchayat/ward registers for use during selection of beneficiaries in Gram Sabhas.

### **3.3. Interface between Panchayats and NGOs:**

3.31. After the Seventh five-year plan officially recognised the contribution of Non Government Organisations (NGOs) in various development programmes, their involvement has burgeoned. However, the reaction of the NGO community to the Panchayati Raj system, has been mixed. While some have seized the opportunity to work with Panchayats on local development, others consider them as competitors.

3.32. The Second Round Table Conference of Ministers in charge of Panchayati Raj held at Mysore in August 2004 agreed that parallel bodies, which are set up to plan and execute development projects in areas that are in the functional domain of local Governments, should be brought into an organic, symbiotic relationship with Panchayats at the appropriate level. Thus must (a) be set up if at all, in consultation and with the collaboration of Panchayats at the appropriate level, (b) report periodically to the Gram Sabha and (c) should not undermine the constitutional authority of Panchayats, but work together with them.

### **3.33. Role of NGOs in Panchayati Raj:**

There are several roles that NGOs could play in Panchayati Raj. First, NGOs can help in building voter awareness for Panchayat elections. Second, they can take a lead role in capacity building of Panchayats, through training, exchange programmes, visits to successful panchayats, building networks and lobby bodies and information sharing. Third, NGOs can assist District Planning Committees established under Article 243ZD and Panchayats in undertaking village planning, resource mapping and identification of development schemes. Fourth, they can take up evaluation studies on panchayat performance and educate people periodically so that they can better hold their Panchayats to account. As a continuation of this approach, NGOs have a big role to play in mass movements and campaigns to ensure effective use of empowering legislations such as the Right to Information Act.

### **3.34. Role of Panchayats in promoting better NGO Panchayat interphase:**

Panchayats, in turn can undertake several initiatives to ensure a good NGO movement:

- (a) They can identify and nurture good local NGOs, and encourage them to directly disclose information to Gram Sabha meetings.
- (b) Panchayats could also entrust implementation of some of their development programmes and plans to NGOs. This is particularly useful in those areas where Panchayat involvement so far has been tentative, such as credit, agricultural marketing, dairy development etc.
- (c) Panchayats can provide sustainability to NGOs initiatives, by being associated with project plans from the very beginning and taking over maintenance of the assets created.

## **3.4. Interface between Panchayats and other community based organisations:**

3.41. Development strategies of the immediate past have created and relied on a multiplicity of institutions such as watershed development teams, water supply and sanitation committees, village education committees and joint forest management committees to implement them. However, there is a clear distinction between CBOs, SHGs and User Groups existing as autonomous social groups, augmenting social capital

and deepening democracy and government-organised groups for implementation of specific programmes like water supply, irrigation, watershed management or poverty reduction. The former are entitled to absolute freedom of action and can even challenge Panchayats through public action. But the latter, organised for specific purposes around using public development funds, have to be considered differently. These groups cannot be considered as substitutes for Panchayats, which are local governments performing a range of governance and development functions accountable to the entire population of a Panchayat and not just responsible to a small circle of beneficiaries for project implementation.

3.42. The myth that these bodies are in some way more efficient than Panchayats also needs to be addressed. There is little hard evidence to show that such groups are free of all the evils that are supposed to bedevil PRIs, such as politics, sharing of spoils, corruption and elite capture. There are also serious questions about the sustainability of such groups. People may be very active when there is fund flow and capacity building support, but tend to lose interest when faced with the more mundane tasks of maintenance of assets and collection of user charges.

3.43. On the positive side, CBOs can realise all the stated objectives besides enriching social capital if they are seen as thematic or sectoral sub-systems of Panchayats. CBOs should draw their powers and resources from PRIs, not in a relationship of subordination or agency-function but in a spirit of social contact. Thus the autonomy of CBOs would be well-protected even while being accountable to PRIs. Such an approach would strengthen both PRIs and CBOs and release synergies, paving the way for a symbiotic relationship.

#### **3.44. Recommendations of the Working Group:**

(a) Parallel bodies in the functional domain of Panchayats pose a serious threat to the full emergence of Panchayats as institutions of local self-Government nearly 14 years after the enactment of the 73<sup>rd</sup> Constitutional Amendment Act. Their legality to exist is also open to question, particularly in the light of Article 243ZD of the Constitution. The Group recommends that parallel institutions created through scheme guidelines and by individual central ministries be dismantled prior to the commencement of the Eleventh Plan. Mandating the creation of such parallel structures through executive directions and their funding through Centrally Sponsored Schemes will need to be strictly eschewed starting from the Eleventh Five Year Plan.

(b) For improving rural development delivery, community based bodies entrusted the delivery of services must, as a rule, be sub-committees of the local Panchayats accountable to Gram Sabhas. As a rule, States must not continue to perform local government functions through CBOs. Line agencies must not by-pass elected PRIs and directly deal with CBOs. CBOs should not be utilising funds and performing functions in the legitimate sphere of PRIs or utilising public funds or natural resources of the locality, without the knowledge of Panchayats. CBOs also cannot be nurtured as developmental substitutes of PRIs through generous infusion of funds even while starving the PRIs of resources.



## Chapter 4

### Assignment of Functions to Panchayats through Activity Mapping

#### 4.1. Activity Mapping:

4.11. The key objective of Article 243G of the Constitution is to ensure that Panchayats at all levels function as institutions of self-government rather than as implementing agencies. This is to be done through devolution of functions, funds and functionaries, which must eventually comprise the entire range of subjects in the Eleventh Schedule of the Constitution. Most States have already assigned responsibility for the most important of these services to the three levels of Panchayats and several States have devolved all 29 subjects through legislation. However, such legislative devolution has been incomplete. Devolving a large number of functions does not necessarily signify a greater extent of devolution. Though States assign responsibilities to local governments, they often leave the performance of key activities and sub-activities necessary to deliver such devolved services with state line agencies. There is often little rational thinking concerning which of the disaggregated activities ought to be devolved, based on considerations of economies of scale, efficiency, capacity, enforceability and proximity. This has led to most devolved subjects ending up in a kind of concurrent list, with different tiers of government sharing responsibility, which seriously undermines accountability. Consequently, the *extent* of devolution could vastly differ even when a function is devolved formally. To improve the position it is essential to undertake activity mapping relating to devolved functions, with a view to attributing each activity to the appropriate level of Panchayat, keeping in mind the principle of subsidiarity. This will hopefully answer two specific questions, **first**, which level of government will be responsible for what and, **second**, which arrangements between governments are likely to work for better service delivery. These questions are relevant for a number of sectors that have been (or are to be) devolved to Panchayats, namely, rural education (basic, continuing and literacy), rural health (curative, immunisation, nutrition, vector control, pre-natal care, etc.), the primary sector (agriculture, fishery, horticulture, forestry, sericulture, animal husbandry, watershed management), water and sanitation; and anti-poverty programs (SGSY and SGRY).

#### 4.2. Review of Activity Mapping:

4.21. Activity Mapping can become a trigger for ensuring that Panchayats are on a sound footing. When Panchayats are assigned clear tasks, devolved funds and made accountable for their performance of these newly assigned responsibilities, they have a big incentive to demand the capacity required for effective performance. Thus role clarity catalyses capacity building from being supply driven to being demand driven. Empowered Panchayats with clear roles assigned through activity mapping would begin to also demand the staff required for effective performance. Therefore Activity Mapping can spur appropriate placement of functionaries for better service delivery.

4.22. The Central Government has a significant influence on the devolution of functions and funds upon Panchayats, because of the large fiscal transfers it undertakes to

States in the functional domain of the Panchayats, mainly through Centrally Sponsored Schemes (CSSs), Central Schemes and Additional Central Assistance (ACAs). The Ministry of Panchayati Raj has been examining guidelines of old and new CSSs and suggesting changes to make them compatible with the functional assignment to Panchayats. However, at the conceptual stage itself, Ministries will need to undertake Activity Mapping delineating what is to be done at the Central, State and Panchayat levels.

4.23. It was agreed during the First Round Table of State Ministers of Panchayati Raj in Kolkata that all States and UTs would undertake activity mapping by the end of 2004-05, using the activity mapping model as evolved in the Ministry of Rural Development in the Report of the Task Force on Devolution of Powers and Functions upon Panchayati Raj Institutions (August 2001). Though this target has not been achieved in all States, there has been considerable progress. Please see Table 6 below:

**Table 6:**

<b>State</b>	<b>Transfer of Subjects through Legislation</b>	<b>Subjects Covered under Activity Mapping</b>	<b>Latest Position</b>
<b>Andhra Pradesh</b>	17 subjects	9 Subjects	A Task Force constituted under the Special Chief Secretary for Activity Mapping has prepared detailed formulations. Draft Government Orders incorporating activity mapping in accordance with the recommendations of the Committee are under the consideration of a Group of Ministers for finalisation. After the completion of these discussions, departments have been directed to finalise the Government orders for issue.
<b>Assam</b>	29 subjects	29 subjects	Assam claims that it has done activity- mapping more than 3 years back. However, individual departments have not operationalised this order through executive orders transferring funds and functionaries. However, after the recent visit of the Minister Panchayati Raj to Assam, the State has renewed its efforts at activity mapping. It has now set out a road map for undertaking activity mapping in the current year and matching it with fiscal devolution by the time of the supplementary estimates to the States' budget for 2007-08.
<b>Arunachal Pradesh</b>		3 subjects	The State government has engaged one of its officers to carry out activity mapping with assistance from the NGO, PRIA. This Officer has submitted his report on Activity Mapping to the State Government in May 2006. It has now promised that work on Activity Mapping will be expedited. Currently, only selection of beneficiaries in respect of RD, Agriculture and Horticulture programmes has been

			devolved to the Panchayats.
<b>Bihar</b>	25 subjects	25 subjects	Bihar had earlier undertaken activity mapping in 2001. However, these orders were not operationalised. Therefore, the State has again undertaken a detailed exercise in Activity Mapping with the assistance of an NGO, PRIA. Currently, a Committee chaired by the Commissioner and Principal Secretary Rural Development and Panchayati Raj is undertaking a detailed exercise on Activity Mapping, This exercise will also include devolution of finances and functionaries also. In respect of finances, a separate Committee headed by the Finance Commissioner has been constituted to address the modalities on creation of a Panchayat Sector Window in the budget.
<b>Chhattisgarh</b>	29 subjects	27 subjects, except forests and drinking water supply	Although activity mapping has been completed for 27 subjects, the requisite executive orders have not been issued so far.
<b>Goa</b>	6 subjects	18 subjects	18 functions have been devolved to village Panchayats and to 6 ZPs. Goa needs to follow up with fiscal devolution.
<b>Gujarat</b>	15 subjects	14 subjects	Activity mapping has been done for 14 subjects. 5 subjects have been partially devolved. Activities are yet to be devolved with respect to 10 functions. A matrix for Activity Mapping has been prepared by the State.
<b>Haryana</b>	29 subjects	10 subjects	Activity mapping in respect of 10 subjects was released on 17-2-2006 in the joint presence of the Chief Minister, Haryana and the Union Minister for Panchayati Raj.
<b>Himachal Pradesh</b>	26 subjects		15 departments had issued orders delegating powers to Panchayats. But no activity- mapping has been attempted in the formal model matrix as suggested by MoPR.
<b>Karnataka</b>	29 subjects	29 subjects	Activity mapping has been completed in respect of all 29 items in August 2003, followed by devolution of funds through the State Budget in October 2004.
<b>Kerala</b>	26 subjects	26 subjects	Activity mapping was completed in the form of a responsibility mapping. Now the State is revisiting this responsibility mapping by preparing a new activity mapping matrix that also covers Municipalities. Untied funds are also being devolved to Panchayats for the devolved functions.
<b>Madhya Pradesh</b>	23 subjects	23 subjects	Activity mapping for undertaken in two stages—first, 7 subjects were covered, with assistance from an NGO, Samarthan. This NGO has now completed Activity Maps for the remaining 16 more matters that have been devolved. These are under discussions with the line departments

			concerned.
<b>Maharashtra</b>	18 subjects		There has not been much progress on activity mapping in the State. The State has recently decided to review the progress in this regard.
<b>Manipur</b>	22 functions	22 subjects	Earlier, Activity mapping of 22 subjects were said to have been completed. However, since these were not operationalised, the state has reviewed matters once again and issued a notification for activity mapping for 16 subjects in January 2006. This is now being operationalised.
<b>Orissa</b>	25 subjects	7 Subjects	Activity mapping in progress in respect of 9 subjects has been issued in the joint presence of the Union Minister for Panchayati Raj and the Chief Minister. The state is now undertaking fiscal devolution to the Panchayats and aims to complete the same by the next financial year.
<b>Punjab</b>	7 subjects		Draft activity mapping has been prepared for all departments in a detailed fashion. Significant work is being undertaken in certain sectors such as Health and Education. The matrix has been discussed with the Ministry of Panchayati Raj and is ready for notification.
<b>Rajasthan</b>	29 subjects	12 subjects	The activity-mapping exercise was started for 18 departments and has now been completed for 12. A Cabinet sub-committee was constituted in August 2004 to recommend measures to strengthen PRIs. Its report recommends full devolution by 2007, when the Eleventh Plan starts.
<b>Sikkim</b>	28 functions		Activity mapping has started and is expected to be announced in October 2006.
<b>Tamil Nadu</b>	29 subjects		Tamil Nadu claims to have issued instructions for devolving all subjects to Panchayati Raj but these remain on paper. Subjects relating to rural roads, water supply, sanitation and rural housing schemes are now being taken up for discussion in respect of activity mapping.
<b>Tripura</b>	29 subjects	21 subjects	In 1994 orders were issued for devolving 21 subjects. With respect to 8 subjects, orders are awaited because of operational problems related to the 6 <sup>th</sup> Schedule. The activity mapping exercise is underway.
<b>Uttar Pradesh</b>	12 subjects		Activity mapping was completed in respect of 32 departments as part of the recommendations of a committee (Bholanath Tiwari report). However, this report has not been implemented.
<b>Uttaranchal</b>	14 subjects	9 subjects	Activity mapping in respect of 9 departments has been completed and is under consideration of the Government.
<b>West Bengal</b>	29 subjects	15 subjects	Activity mapping has been completed and orders issued in respect of 15 subjects on 7-11-2005.

**Union Territories:**

<b>Union Territory</b>	<b>Transfer of Subjects through Legislation</b>	<b>Subjects Covered under Activity Mapping</b>	<b>Latest Position</b>
<b>Dadra and Nagar Haveli</b>	29 subjects	29 subjects	Activity mapping has been completed in respect of all 29 matters in the Eleventh Schedule through amendments to the Dadra and Nagar Haveli Village Panchayat (Amendment) Regulation, 1994, notified in 2002.
<b>Daman and Diu</b>	18 subjects	18 subjects	The Ministry of Home Affairs set up the Finance Commission to study and recommend for devolution of powers and functions to Panchayats. After approval of the Ministry of Home Affairs, Activities and Schemes have been transferred to the Panchayats in respect of 18 subjects, in 2001.
<b>Andaman and Nicobar Islands</b>	8 subjects	8 subjects	Activity mapping has been completed for 8 subjects. Included in these are marine fisheries, poverty alleviation programmes, disaster management and rural electrification.
<b>Lakshadweep Islands</b>	25 subjects	25 subjects	Following the visit of the Minister, Panchayati Raj to Lakshadweep in January 2006, a team from the Ministry of Panchayati Raj and Kerala have completed Activity mapping for the UT, which has since been notified by the Administration.
<b>Chandigarh</b>			Activity mapping has not been done. Since Chandigarh is going to absorb its villages into the urban area, Activity Mapping has been deemed to be unnecessary.

4.24. It may be seen that only Kerala, Karnataka and West Bengal have completed activity-mapping in the full sense of the term. Haryana and Orissa have also undertaken the exercise in respect of a limited number of matters and issued notifications in this respect. Maharashtra and Gujarat are States with a long history of devolution of powers to Panchayats and they claim that they have delineated the functions clearly in the Panchayati Raj legislation itself. They are also joined by Goa, which has detailed provisions in the law that spell out the functions of each level of Panchayat. In Manipur, Uttaranchal, Assam, Chhattisgarh, Andhra Pradesh, Rajasthan, Sikkim, Himachal Pradesh and Punjab, the basic ground level work for a detailed activity mapping to give life to their strong Panchayati Raj legislation has been undertaken and what is required is its acceptance at the highest level.

In Madhya Pradesh and Uttar Pradesh, strong action taken in the past though excellent reports recommending changes is still under the consideration of the Government.

Tripura is going slow in the matter as they have a mix of Sixth Schedule areas and areas covered by Panchayati Raj, which therefore require a judicious approach when devolving activities and responsibilities. Bihar and Arunachal Pradesh are States that have woken up after a long period of dormancy and are working towards preparing the activity- mapping framework. In the case of Tamil Nadu, reforms in this direction have reportedly commenced after the completion of the Panchayat elections in October 2006.

### **4.3. Activity Mapping: Practice**

4.31. Good Activity Mapping has to conform to certain objective principles. Activity Mapping does not mean that subjects are devolved wholesale – they need to be unbundled into activities and assigned to different levels of government at the level of such disaggregation. Activity Mapping ought not to be unduly influenced by the way budget items or schemes are arranged. Schemes may specifically relate to one activity or sub-activities, or might comprise of several activities, but Activity Mapping must be undertaken in accordance with an objective standard. Certain activities, such as beneficiary selection, can span different budget line items. Different yardsticks cannot be applied to the assignment of the same activity on a scheme-wise basis. There is no gain or loss of power through Activity Mapping; just role clarity. Activity Mapping can actually increase the role of higher level governments, though they would not be doing the same things that they were doing before.

4.32. The first step in Activity Mapping would be to unbundle each functional sector to a level of disaggregation that is consistent with devolution. For instance, basic education could be unbundled to sub activities such as monitoring teacher attendance, repairing schools, procuring equipment, recruiting or firing teachers, etc. Horticulture might be unbundled into seed supply, nurseries production, technical assistance, pest control, providing price and marketing information and post harvesting support etc. These unbundled activities can be classified under five categories of activities as follows:

- Setting standards,
- Planning,
- Asset creation,
- Implementation & Management,
- Monitoring and evaluation

4.33. Once activities are unbundled, the next step is to assign them to the levels where they are more efficiently performed. Economies of scale tend to push the service towards higher levels of government. Conversely, if some activity is scale neutral in implementation, it may be preferable to push it down to the lowest level for implementation. Closely related is the issue of economies of scope. Some services may be linked in ways that makes it more efficient for one tier of government to provide all of them more efficiently, when bundled together. A good example is that of multi village water supply projects, which can be managed by higher level local governments (such as ZPs in Maharashtra) or undertaken by associations of local governments (such as in the

proposal to run multi village water supply through Gram Panchayat associations in Karnataka) or contracting out to regional providers.

**Externalities:** If the undertaking of a particular activity in a particular jurisdiction has a wide ranging effect on other jurisdictions, (i.e., spillover externalities), then such activities ought to be undertaken at a higher level. For instance, culling poultry to contain bird flu has to be managed at a higher level than Gram Panchayats, because the vector does not respect Gram Panchayat boundaries.

**Equity:** Sometimes a particular activity can be indeed undertaken efficiently at the local level, and has no externalities, but in the interests of equity, a uniform growth pattern across jurisdictions is desirable. Such activities, for the purposes of equity, have to be dealt with at a higher level.

**Heterogeneity:** The more heterogeneous the nuances of the activity, the lower down it ought to be performed. For instance, the constitution of midday meals varies widely across states, because of local food habits. Therefore, it is better performed at the lowest level

The third set of principles that guide where an activity ought to be slotted, are those of public accountability. The following questions would arise in this regard:

- Is the activity discretionary? If so, it is best performed lower down, to enable transparency.
- Is it transaction intensive? If so, again it is best performed lower down.
- Who can best judge performance? If performance appraisal requires technical skills, then it could be pushed higher up.

With the above criteria, one can create a logical framework for unbundling and analysing each activity with a view to devolving it to an appropriate level of government. It is also not ruled out that some activities tested by these criteria are suited for being placed below the Panchayat, provided that the entire system functions as a harmonious whole.

#### **4.4. Recommendations of the Working Group on Activity Mapping:**

4.41. The Working Group recommends that Activity Mapping should be undertaken with serious intent and in a time-bound manner by all State Governments and Central Ministries to ensure that the powers assigned to different tiers in respect of different subjects is specifically and unambiguously known, before the commencement of the Eleventh Plan. Activity Mapping has to take into account all the subjects listed in the Eleventh Schedule, including subjects/schemes being dealt with by the Central Government. This has also been indicated in the district planning guidelines issued by the Planning Commission on 25-8-06. All that needs to be said about it has been done – now

is the time to go ahead and complete the process. Activity mapping should also cover planning, budgeting and provisioning of finances.

4.42. Central Ministries will also need to modify their guidelines to specifically indicate this assignment of activities at different levels. In particular, we give priority to the Activity Mapping for flagship programmes, (i.e., the National Rural Employment Guarantee Programme, Sarva Shiksha Abhiyan, Midday Meals Programme, Drinking Water Mission, Total Sanitation Campaign, National Rural Health Mission, Integrated Child Development Services and the National Urban Renewal Mission) and Bharat Nirman, in order to enable convergence at the level of the Panchayat.

4.43. In order to ensure the smooth completion of activity mapping at both State and Central levels, there is a need to avoid misunderstanding and misinterpretation of the exercise. Care must be taken to avoid activity mapping to be (a) either construed as a 'sharing of the spoils' exercise, or an exercise 'disempowering' line departments. The following approaches may dispel any misgivings in this regard:

- (a) Undertaking extensive participatory exercises to bring Panchayats and Line departments together to arrive at a consensus as to what activities should be devolved to Panchayats,
- (b) Ensuring transparency in the process and developing trusts among different stakeholders,
- (c) Considering the capacities of Panchayats, prioritising different subjects for stepwise Activity mapping,
- (d) Strict adherence to the objective principles described in this paper, while approaching the matter of activity mapping,
- (e) Simultaneously linking activity mapping with (a) mapping of capacity building, (b) financial requirements and (c) administrative requirements, so that there is a smooth transition and activity mapping can be immediately operationalised,
- (f) Encouraging for reasons of stability, legislative sanction for activity mapping, by eventually including it as part of the law.

#### **4.5. Administrative control of the PRIs over functionaries dealing with entrusted activities:**

4.51. Once Activity Mapping is completed, Panchayats must be provided with capacity to perform them. A key component of capacity is the devolution of staff to Panchayats, or enabling them to secure their own staff. The V. Ramachandran Expert Group recommended several measures aimed at Panchayats having administrative control over functionaries, as follows:



- (a) The creation of local cadres through administrative and legislative measures is essential so that Panchayats can function effectively, execute schemes and are accountable to the people. This would also reduce staff costs.
- (b) Deputation of government employees to Panchayats can be considered as a transitional arrangement. However, this will have to be given up eventually.
- (c) While moving from a system of deputation to one of local cadres, the compartmentalisation of Government into departments could also be re-examined, so that this is maintained only to the extent required to undertake specialized departmental responsibilities. There is an opportunity for facilitating cross-departmental movement of staff.
- (d) In order to ensure that decentralised recruitment into local cadres does not limit exposure, arrangements can be made for staff to be exchanged through a process of deputations between Districts, thus ensuring that staff gets opportunities to appreciate newer ideas and learn from new experiences. While creating local cadres, a system of transfers that ensure a prescribed mandatory level of cross-district experience should be introduced.
- (e) While designing local cadres, it may be ensured that opportunities are provided for the good to rise to higher levels. Doing so through time bound and routine promotions reduce the incentive to perform well. An independent board that works like the Public Enterprises Recruitment Board of the Government of India may be established. Above certain levels, posts can be reserved only for direct recruitment, with the option for those within or outside the government to apply.
- (f) With greater devolution of functions, powers and responsibilities to PRIs, technical guidance support to Panchayats ought to be broad based. Panchayats at all levels ought to be provided the leeway to secure the services of qualified technical personnel to undertake their works.
- (g) Attendance and work of important field level functionaries whose work touches the lives of almost every person in the village, such as Teachers, Doctors, ANMs, Anganwadi Workers, Agricultural Assistants, Veterinary Doctors and Electricity department linemen should be monitored by Gram Panchayats, regardless of the tier to which they answer. It may be provided that such officials need to get attendance certificates issued by the Gram Panchayat concerned before they can draw their salaries. Where officials have jurisdictions larger than that of an individual Gram Panchayat, the Intermediate Panchayat could monitor attendance. During the Eleventh Plan, all States may progressively ensure that salaries to such departmental functionaries are paid through Gram Panchayats..
- (h) In most States, the staff at the Gram Panchayat level is skeletal. In some States Panchayats have at best, one Secretary per Panchayat. In most States 3 to 6 Panchayats share the services of one Secretary (For example, UP, Uttaranchal and Bihar). In other

States, the Secretary is a part time official shared with the Revenue Department (For instance, Andhra Pradesh and Gujarat). There is a need to provide a minimum full time staffing at the Gram Panchayat level, which could include eventually, a full time Panchayat Secretary, a Field Assistant and an Office Assistant cum Accountant. All will need to have a minimum knowledge of computer operation and e-governance at the Gram Panchayat level. In addition, there is also a need to create a pool of common staff that can be used by the Gram Panchayats, which could be typically located in Resource Centres that function under the administrative control of the Intermediate Panchayat. These could be provided either through re-deployment or Gram Panchayats could be given powers to recruit such staff on contract basis.

(i) Currently, though almost 40 percent of Panchayat members are women, there are hardly any women posted to executive jobs, such as secretaries of Gram Panchayats, in most States. This imbalance results in gender insensitivity in the preparation of decentralised plans and their execution and needs to be corrected through an emphasis in recruitment of women to such posts.

#### **4.5. Recommendations of the Working Group on the devolution of functionaries to Panchayats:**

4.51. The Working Group fully accepts and endorses the suggestions of the V. Ramachandran Expert Group and suggests their implementation in a time bound fashion over the period of the 11<sup>th</sup> Five year Plan. Performance of States will need to be reviewed regularly in this regard. Separate provision for the same will need to be provided through funding. This is described more fully in the chapter on capacity building.

4.52. The Ministry of Panchayati Raj has conceived of a programme on comprehensive capability building, Gram Swaraj, which inter-alia aims to provide capacity in the measure suggested above. It is possible that some of the staff requirement could be met through allocations provided under other schemes. For instance funds provided under the administrative cost provisions of NREGA, an Assistant is proposed to be provided in each Gram Panchayat. As regards the provision of other staff (one Field Assistant), State Governments have been providing them from schemes as also from Non-Plan funds. The Working Group suggests that more details should be worked out based on detailed consultations with States and financial support provided to States for providing the minimum staff required as above noted, on a yearly diminishing basis, so as to ensure that the support on this count tapers off and is withdrawn over the five year period of the 11<sup>th</sup> Five Year Plan. All recruitments on this account would be of computer knowing personnel and recruitment of simple graduates and non-skilled staff would be avoided on account of efficiency burden such staff imposes.

## **Chapter 5**

### **Reforms in Fiscal Devolution**

#### **5.1. Introduction:**

5.11. Efficient Panchayati Raj involves devolution of functions, functionaries and finances. The ambit of functional assignments is indicated in the 11<sup>th</sup> schedule to the constitution. Accordingly States have undertaken varying degrees of devolution through their Panchayati Raj legislations. In addition all of them are in varying degrees engaged in activity mapping, which is absolutely necessary to estimate expenditure requirements of local governments.

5.12. To improve the provision of public services at the local level, there needs to be (a) a clear activity mapping based on comparative advantage in implementing expenditures and devolution of functions to the panchayats on that basis; (b) provision of appropriate revenue handles to Panchayats; (c) guidance of Panchayats to raise taxes, particularly on land and property, and efficiently provide public services, (d) unbundling of state sector schemes and consolidating central sector schemes to enable greater flexibility and autonomy to panchayats in implementation; (e) professionalisation of SFCs and reforms in the state transfers to make them adequate, rule based, equitable and incentive compatible; (f) an up to date information system comprising of fiscal, demographic, geographical and economic data for the village, block and district panchayat jurisdictions.

5.13. Effective fiscal decentralization demands that finances should follow functional assignments. This necessitates looking at both (a) raising of ones own revenue and (b) devolution of funds from higher levels of government by local bodies. Ideally speaking, revenues raised locally ought to cover the provisioning of services by Panchayats - only this can fully ensure efficiency as well as direct accountability in the provision of local services. However, in practice, revenue bases assigned to Panchayats for collection and appropriation are inadequate to meet their expenditure requirements, for two reasons. First, while Panchayats may have a comparative advantage in implementing local service delivery due to their lower transaction costs, they have a comparative disadvantage in raising revenues as all broad based, mobile and redistributive taxes can be effectively levied only by higher-level governments. Second, there are significant differences between different local bodies in their capacity to raise revenues and costs of providing public services. Therefore, it is essential that such vertical and horizontal fiscal imbalances are offset through a system of intergovernmental transfers.

5.14. Ideally, the design of an inter-governmental fiscal transfer system must work at the margin, by first estimating the fiscal requirements that cannot be covered by Panchayats with their own sources of revenue. However, the approach so far has been completely the opposite – the endeavour being, to get to transfer more funds to Panchayats, with hardly any emphasis on local revenues. Apart from establishing the importance of own revenues, a sound and well-designed system of fiscal decentralization must ensure a clear linkage between revenue and expenditure decisions at the local level and in particular address the following imperatives:

- (a) Such transfers have to be ideally unconditional to enable Panchayats to provide a normative standard of public services at a stipulated revenue raising effort.
- (b) Additionally, in order to ensure prescribed standards of basic services to nationally set standards in essential activities of national concern such as poverty alleviation, basic education, healthcare, housing, water supply, sanitation, nutrition and child development, specific purpose grants will have to be provided to Panchayats, which have comparative advantage in implementing all these services at lower transaction costs.

5.15. While creating an appropriate mix of unconditional and specific purpose transfers as described above, two pitfalls will also need to be avoided:

- (a) Unconditional transfers must not create disincentives for resource mobilisation nor encourage fiscal profligacy.
- (b) Conditional transfers should not constrain the capacity and initiative of local governments and deny them flexibility to enable efficient service provision.

5.16. Seen from the perspective of these cardinal principles of good design, the prevailing system of fiscal transfers is in urgent need of reform. The following ought to be the areas of focus during the Eleventh Plan:

- (a) Own revenues of Panchayats should begin to contribute much more to Panchayati Raj finances,
- (b) The design of specific purpose fiscal transfers must be simple and create the right incentives for good local expenditure,
- (c) There must be a substantial corpus of untied block transfers in the fiscal transfer system,

## **5.2. Improving own revenues of Panchayats:**

5.21. Assigning revenue bases to Panchayats and providing them adequate powers to effectively enforce powers to tax has been neglected immensely, resulting in abysmally low volume of revenues raised by Panchayats at all three levels – just 0.07 per cent of GDP or 0.36 per cent of the total revenues collected in the country in 2002-03, as noted by the Twelfth Finance Commission (TFC). (See Table 7 below)

### **Revenue and Expenditure Decentralization in India – 2002-03**

**Table 7**

Level of Government	Rev Raised	Rev accrual	Expend itures	Per cent of Own Revenues	Per cent of Revenue Accrual	Per cent of Total Expenditure
	Per Cent of GDP			Per Cent of Total		
Centre	11.96	8.14	13.66	60.83	38.69	44.55
States	6.97	10.43	15.45	35.45	49.57	50.39
Local	0.36	0.99	1.55	1.83	4.71	5.06
Urban	0.3	0.51	0.57	1.53	2.42	1.86
Rural	0.07	0.97	0.98	0.36	4.61	3.20
Total	19.66	21.04	30.66	100.00	100.00	100.00

Source: 1. Public Finance Statistics, Ministry of Finance, Government of India.

2. Report of the Twelfth Finance Commission, Government of India. 2005.

Panchayats alone are not to blame for this pathetic situation. In fact, the onus is on States to undertake policy reform and other steps to vitalise own revenue collection at the Panchayat level.

#### 5.22. Revenue assignments to Panchayats by States:

The common pattern of revenue assignments made by States to Panchayats is as follows:

- (a) Tax assignments systems are weighted heavily in favour of Village Panchayats. District and Intermediate Panchayats are generally not assigned worthwhile own revenue sources and at best, can only raise meagre revenues from rents on their own buildings.
- (b) Major revenue raising powers assigned to the village panchayats comprise of (i) tax on land and buildings not subject to agricultural assessment; (ii) entertainment taxes excluding those on cinematograph shows, (iii) vehicle taxes on non-motorised vehicles, (iv) advertisement and hoarding taxes, (v) pilgrim fees, (vi) market fees; (vii) cattle registration fees (viii) parking fees, (ix) grazing fee. None of these, except property tax is significant as either the tax base is negligible or local bodies do not have the capacity to administer them.
- (c) In respect of taxes on land and buildings too, States often impose ceiling rates, restricting flexibility,
- (d) States, sometime give tax concessions without consulting Panchayats exempting otherwise lucrative tax sources, such as large industries in rural areas, from being taxed by Panchayats.
- (e) States hardly invest anything in training of Panchayat elected representatives or staff s in tax estimation or tax collection.
- (f) Worse, in some States, Panchayats do not have unrestricted freedom to utilise the taxes they collect – they are compelled to obtain hierarchical approvals to spend money that is their own, which is a strong disincentive for tax collection.

- (g) Most local governments do not have enforcement capacity. Providing guidance in the design and implementation of property tax which is presumptive yet realistic and buoyant and building capacity and powers to enforce the tax are critical for enhancing own revenues of Panchayats.
- (h) Finally, recommendations by State Finance Commissions to strongly incentivise tax collections are routinely ignored by States.

Most such policy shortcomings arise from persistent wrong attitudes and notions. First, local taxation is not considered a priority for reform. Second, there is a feeling that this is politically inadvisable – that the poor would suffer. Moreover, the fact that they have been given taxation powers does not stir in Panchayats any constructive response – all but the most active among them would much rather spend funds devolved from above than collect their own, particularly from ignorance and partly the apprehension that own revenues would impose upon them greater demands for accountability.

### **5.23. Recommendations of the Working Group:**

During the Eleventh Plan, effective steps must be taken to ensure that both Panchayats and States wake up from their deep slumber on local revenues. The Working Group suggests the following measures in this regard:

#### **Policy Measures at the State level:**

- (a) There has to be a good database on local revenue collection by Panchayats. Compilation of data on local revenues, however dismal they might be, gives important pointers as to the relative importance of each assigned tax and the existence of hitherto unidentified champions who have indeed been collecting taxes, even in adverse circumstances. The preparation and maintenance of these databases may be undertaken by the Fiscal Cell to be set up in each State, in accordance with the recommendations of the 12<sup>th</sup> Finance Commission.
- (b) There must be a close examination of all existing policies at the State level on local taxation, with a view to removing anomalies and practices that undermine the system. This might even require examination of the legislation and certainly removal of upper limits on tax and removal of restrictions on Panchayats on how to spend the money collected.
- (c) States shall closely watch that local taxes are reviewed and collected in time by Panchayats. Adopting a campaign mode for the same is recommended. Particularly, omission or under-valuation of properties, which renders much lower the effective property tax rates, will need to be addressed.
- (d) States will need to train Panchayat elected representatives and officials in all aspects of tax estimation and collection,

- (e) States must refrain from giving exemptions from local taxes imposed by Panchayats, without consultation with them.
- (f) Incentives must be given to Panchayats, if required in novel ways, such as prize schemes and matching funds. Such approaches recommended by State Finance Commissions should be seriously considered.

States might also examine the possibility of assignment of land revenue to rural local bodies to help them improve their finances. Since the tax base of the tax is not mobile, it also satisfies the efficiency consideration as an appropriate tax handle to be given to rural local governments. This would enable the local governments to levy taxes on all properties in rural areas. This would however, entail a proper co-ordination of maintenance of land records with collection of land revenue at the local body level.

Reform will also need to address non-tax revenues, the most important of which at the village panchayat level are user charges for water supply. There must be strict monitoring and tracking of progress in States on the recommendation of the 12<sup>th</sup> Finance Commission that by the end of 2010, at least 50 percent of the cost of supply of water should be met from user charges.

### **5.3. Constructing a better system of unconditional transfers:**

5.31. The key instrument provided under the Constitution, which can be best used to design a system of unconditional transfers are the State and the Central Finance Commissions.

#### **5.32. State Finance Commissions:**

5.321. Ideally, every State Finance Commission (SFC) should :

- (a) Assess the expenditure requirements of Panchayats for carrying out the functions devolved to them at all the three levels using Activity Mapping as a guide,
- (b) Assess the capacity of Panchayats to raise revenues from the sources assigned to them and
- (c) Recommend grants to meet the remaining requirements for the five years under their consideration.

This effort of State Finance Commissions are to be supplemented with grants from the central government, based on the recommendations of the Central Finance Commission, which, inter-alia, are to make recommendation on the “measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats in the State on the basis of the recommendations made by the Finance Commission of the State”.

5.322. However, the functioning of SFCs, the nature and quality of recommendations made by them and States’ attitude in implementation does not bring much cheer. Details

of the status of constitution of SFCs, submission of reports and action taken thereon are given below in Table 8: (details to be updated):

**Table 8:**

Sl. No.	State	Date of Constitution of SFC	Date of submission of SFC report	Date of submission of ATCR	Period covered by SFC
1	2	3	4	5	6
1	Andhra Pr.	8.12.1998	19.08.2002	31.3.2003	2000-01 to 04-05
2	Arunachal Pr.	Not Constituted			
3	Assam	18.4.2001	18.08.2003	Not submitted	2001-02 to 05-06
4	Bihar	June, 1999	RLB-Sep. 2001 ULB-Jan.2003	Not submitted Not submitted	
5	Chattisgarh	Not Constituted			
6	Goa	Not Constituted			
7	Gujarat	19.11.2003	Not submitted		2005-06 to 09-10
8	Haryana	6.9.2000	Not submitted		2001-02 to 05-06
9	Himachal Pr.	25.5.1998	24.10.2002	24.06.2003	2002-03 to 06-07
10	Jharkhand	Not Constituted			
11	Karnataka	Oct. 2000	Dec. 2002	Accepted.	2003-04 to 07-08
12	Kerala	23.06.1999	Jan. 2001	Not submitted	2000-01 to 05-06
13	Madhya Pr.	17.06.1999	July, 2003	Not submitted	2001-02 to 05-06
14	Maharashtra	22.06.1999	30.03.2003	Not submitted	2001-02 to 05-06
15	Manipur	03.01.2003	Submitted	Not submitted	2001-02 to 05-06
16	Orissa	5.06.2003	25.10.2003	Not submitted	2005-06 to 09-10
17	Punjab	Sep.,2000	15.2.2002	08.06.2002	2001-02 to 05-06
18	Rajasthan	07.05.1999	30.08.2001	26.03.2002	2000-01 to 04-05
19	Sikkim	July, 2003	Not submitted		*
20	Tamil Nadu	2.12.1999	21.5.2001	08.05.2002	2002-03 to 06-07
21	Tripura	29.10.1999	10.4.2003	Not submitted	2003-04 to 07-08
22	Uttar Pradesh	Feb., 2000	June, 2002	30.04.2004	2001-02 to 05-06
23	Uttaranchal	Not Constituted			
24	West Bengal	14.7.2000	6.2.2002	Not submitted	2001-02 to 05-06
Constitution of 3rd SFCs					
	Andhra Pr.	16-01-2003	Not submitted	-----	2005-06 to 09-10
	Kerala	20-09-2004	Submitted	-----	2006-07 to 11-12
	Punjab		Not submitted		
	Karnataka		details awaited		

As can be seen from the table, several States have not constituted SFCs or ignored their reports, or delayed submission of Action Taken Reports (ATRs). SFCs have also not



submitted their reports on time. The healthy tradition of the Union Government accepting the report of the Central Finance Commission has not permeated to the State level.

3.323. However, States have often, good reasons for not accepting these reports. SFCs often do not have enough expert members. Many SFCs make their recommendations without collecting and analysing basic data on panchayat revenues and expenditures and much analysis of the capacities and expenditure needs of Panchayats in the absence of clear activity mapping. To be fair to the SFCs, there is very little such analysis available in official or academic literature too.

3.324. Consequently, in most States, general purpose unconditional transfers are not very significant and where they exist, they are not given on the basis of a properly designed formula, to either (a) take account of expenditure requirements of the Panchayats not covered by their own revenues, or (b) address differential cost of delivery of services to the required standards, across different local circumstances and environments. They are basically given out to appease rising demands from Panchayats and aim at keeping at bay further demands, by encouraging a system of sharing of spoils.

### **3.325. Recommendations of the Working Group:**

During the Eleventh Plan period, SFCs must be strengthened to ensure that they make meaningful recommendations. The Working Group fully endorses the recommendations of the 12<sup>th</sup> Finance Commission in this regard, which are elaborated below as follows:

- (a) States should avoid delays in SFC constitution, their phased constitution, frequent reconstitution, delayed submission of reports and tabling of ATRs in the legislature. SFCs maybe constituted at least two years before the required date of submitting their recommendations and these deadlines should allow State governments at least three months' time for tabling the ATR, preferably along with the budget for the ensuing financial year.
- (b) SFC reports should be readily available to the Central Finance Commission, so that an assessment of the state's need could be made by the Central Finance Commission on the basis of uniform principles. As the periodicity of constitution of the Central Finance Commission is predictable, the States should time the constitution of their SFCs suitably.
- (c) SFCs must be constituted with people of eminence and competence with qualification and experience in the relevant fields.
- (d) The convention established at the national level of accepting the principal recommendations of the Finance Commission without modification should be followed at the State level in respect of SFC reports.

- (e) SFCs must clearly identify issues requiring action by the central government to augment the consolidated fund of the State and list them out in a separate chapter for the consideration of the Central Finance Commission.
- (f) SFCs may follow the procedure adopted by the Central Finance Commission for transfer of resources from the Centre to the States in respect of resources transfers from State Governments to local bodies.
- (g) The SFC reports should contain an estimation and analysis of the finances of the State government as well as the local bodies at the pre and post transfer stages along with a qualification of the revenues that could be generated additionally by the local bodies by adopting the measures recommended therein. Gaps that may still remain would then constitute the basis for the measures to be recommended by the Central Finance Commission.
- (h) While estimating the resources of the local bodies, SFCs should follow a normative approach in the assessment of revenues and expenditure rather than make forecasts based on historical trends.
- (i) A permanent SFC cell may be created in State finance departments of State governments to collect data constantly and make them available to the SFC as and when constituted.

The Working Group particularly wishes to emphasise the need for States to align the appointment of SFCs so as to ensure that their reports are in time and therefore relevant, for the consideration of the 13<sup>th</sup> Central Finance Commission. In addition, while the actual modalities of the transfer should be left to the SFCs in different States, it is important that State governments take necessary initiatives to compile basic information relating to fiscal, demographic and economic variables at Gram, block and district panchayat levels.

### **3.3. The approach with the Central Finance Commission;**

Experience at the Central Finance Commission level has also been evolving. Though the 12<sup>th</sup> Finance Commission recommended Rs. 20,000 crore as block grants to Panchayats for 2005-10, which represented a quantum jump over the Rs. 8,000 crore recommended by the Eleventh Finance Commission, it still constitutes an exercise in tokenism. In 2002-03, expenditures incurred at local body level were just about 1.8 per cent of GDP and constituted about 5 per cent of total government expenditures in the country. Moreover, the 12<sup>th</sup> Finance Commission did not really recommend these transfers as unconditional, stating that these are to be preferably used for water supply and sanitation.

#### **3.32. Recommendations of the Working Group:**

The Working Group recommends that these aspects and the experience gained by the Ministry of Panchayati Raj will need to be put into good effect in preparing the memorandum for Panchayats, when the 13<sup>th</sup> Finance Commission is constituted. Apart

from other nuances regarding central fiscal transfers, the aim must be to get more funds to Panchayats. A mere 4 percent of the central transfers to Panchayats, as recommended by the 12<sup>th</sup> Finance Commission, is just too meagre for them.

#### **5.4. Specific Purpose Transfers:**

5.41. In the current dismal state of affairs regarding both local revenues and untied funds to Panchayats, specific purpose transfers continue to constitute the bulk of funding that goes to them. In addition to the State schemes transferred to Panchayats, several central schemes including those on poverty alleviation, education and nutrition, health, water supply and sanitation, women and child development, rural housing, rural roads and rural electrification pass on to the Panchayats for implementation. The Working Group notes with relative satisfaction recent reforms in CSS design, concerning major CSSs dealing with matters listed in the eleventh Schedule, which ensure the centrality of Panchayats in planning and implementation.

#### **5.42. Recommendations of the Working Group on specific purpose transfers:**

In the light of the fact that specific functions have been transferred to Panchayats, schematic fund transfers to implement them are unavoidable. In respect of these schemes, it is necessary to consolidate them and make block transfers to the Panchayats on the lines recommended in the Expert Group report on Planning at the Grassroots Level. There may also be some specific schemes aligned to the above under the state sector, which may be consolidated function-wise.

#### **5.5. Ensuring Transfers to Panchayats without delay or diversion:**

5.51. The direct transfer of funds to some of the central schemes without passing through the consolidated funds of States can create serious problems. Besides upholding the federal principle, transferring funds to the panchayats through the states' consolidated funds are desirable from the view point of comprehensiveness of the State budgets. This will also enable the state governments to plan their own share in schemes involving them, to make matching contributions and to provide comprehensive information on the spending on various activities supported through such schemes.

#### **5.52. Recommendations of the Working Group on streamlining transfer of funds to Panchayats:**

5.521. Undertaking the speedy transfer of funds to Panchayats at all tiers is of paramount important. There is a need to reduce the number of layers through which funds pass. While funds to district and block panchayats may be transferred through treasuries considering their small numbers, direct transfer of funds from the State government through bank or post office accounts to village panchayats are desirable for speed and efficiency. The mechanism suggested by the Task Force on Direct Transfer of Funds to Panchayats through Banks may be adopted for the purpose.

5.522. While funds are transferred to Panchayats through treasuries, there is a paramount need to ensure that they do not suffer due to the ways and means problems of the State. Often Panchayats are the first victims of state austerity measures, as their expenditure is easily compressed through States acting through the treasuries. It is important to ensure that Panchayats are transferred funds on a monthly basis, or at the least every quarter and they are not subject to ill timed expenditure cuts without notice.

## **5.6. Working out a mechanism for linking Central assistance to States with progress on empowerment of PRIs.**

5.61 It is widely recognised that the process of devolution upon Panchayats is incomplete and requires further facilitation. The Central Government has the plenary responsibility for ensuring the implementation of Part IX of the Constitution and empowering Panchayats as institutions of local self-government. In order to do so, the State Governments inter-alia have to devolve functions, functionaries and finances to Panchayats and make Panchayats central to planning and implementing of plans for economic development and social justice on matters listed in the Eleventh Schedule of the Constitution, empower Gram Sabhas to ensure a transparent, responsive and accountable grass-roots democracy and ensure formulation of plans through the institution of DPCs. Concurrently, Panchayats will need to use their newly acquired powers to perform their devolved functions better.

5.62. The Group noted that in order to facilitate implementation of provisions of the 73<sup>rd</sup> Amendment, Ministry of Panchayati Raj has initiated a proposal for a Panchayat Empowerment and Accountability Incentive Scheme. The Scheme had been approved for implementation in 2005-06 as a pilot with an allocation of Rs. 5 crores, A budget allocation of Rs. 10 crore has been earmarked for the said Scheme in 2006-07, based on a more comprehensive devolution index, which has been constructed by the National Council for Applied Economic Research (NCAER).

5.63. The incentivisation approach carries great merit and should be pursued in the Eleventh Plan. The Group endorses the Ministry's approach of basing incentive grant release of on a more comprehensive set of conditionalities concerning the gamut of Panchayati Raj captured in a Devolution Index. It must be particularly ensured that Panchayats achieve standards that meet norms set out for public accountability including public financial accountability, both upward as well as downward to the people. This would particularly cover responsibilities and obligations under various legislations such as those relating to Right to Information, Social Audit, and Fiscal Responsibility.

5.64. The approach of the Ministry to reward incremental forward change by basing the quantum of incentivisation to the improvement in performance rather than the level of performance recorded on the devolution index is endorsed. It is also suggested that the large proportion of the incentive funds would not remain in the States' coffers but would reach the Panchayats in the shape of untied block grants.

**5.65. Recommendation of the Working Group on creation of an Incentive Fund:**

The Working Group suggests that at least Rs. 2000 crore to begin with may be provided in the Eleventh Plan for the incentive fund. Since funds will be released only on forward movement of States on the devolution index, expenditure under it would depend upon the speed with which States and Panchayats reach the benchmarks prescribed.

## Chapter 6

### Building Capability of Panchayats

6.1. Effective implementation of the provisions of Part IX of the Constitution will require building of the capability of Panchayats encompassing training, provision of adequate functionaries, technical assistance and other support to Panchayats. The absence of training continues to be used as an alibi for non-devolution or dis-empowering Panchayats, despite the well-grounded fact that the exercise of responsibilities is, in itself, the optimal mode of building capacity. The Working Group noted that the Ministry of Panchayati Raj has already prepared a “National Capability Building Framework” (NCBF), based on the action points of the Seventh Round Table of State Ministers of Panchayati Raj held at Jaipur in December 2004 relating to training and capacity building of Panchayat elected representatives, office bearers, chairpersons of Standing Committees and officials. The framework aims to break through the deadlock of whether capacity building should precede devolution of functions, funds and functionaries.

6.2. The framework aims to touch every stakeholder in Panchayati Raj, particularly elected representatives and officials, who would be enabled to upgrade their knowledge and skills to better perform their responsibilities, such as implementing programmes equitably, enabling them to think in terms of concrete actions they can take or facilitate and equipping them with the skills required for day-to-day performance of executive duties. Training is treated as a continuous and sustained process aimed at long term transformation and development. The framework aims at dovetailing all efforts in training into a comprehensive continuous effort, using a variety of means to reach out to the participants. The programme envisages maximum initial coverage within a limited period of time, so that all stakeholders can quickly settle down in to playing their roles and commence their work.

6.3. A detailed training content has been prepared under the framework, which is detailed below in Table 9:

**Table 9:**

	<b>Theme</b>	<b>Description of the manner of interaction</b>	<b>Area covered, in brief</b>	<b>Category covered</b>	<b>Duration</b>	<b>Time line for completion</b>
<b>Part I</b>	<b>Building the right mindset for implementation of Panchayati Raj and learning</b>	<b>Course 1(a):</b> Foundation Course	<b>Overview of Panchayati Raj</b>	Elected Panchayat representatives: about 22 lakh  Panchayati Raj Officials: about 8 lakh	<b>4 days, in toto</b>	Within 20 weeks of election

	<b>basic functions</b>	<b>Course 1(b):</b> Basic Functional Course	Internal Housekeeping, including understanding of accounts, Social Audit, Right to information, Panchayat revenues	Elected leaders of Panchayats at all levels and Chairpersons of Standing Committees (5 per Panchayat-about 10 lakh)  Panchayati Raj Officials; about 5 lakh	<b>4 days</b>	Within 20 weeks of election. (Including foundational course, each office bearer would undergo 8 days of training)
		<b>Course 1(c):</b> Functional Literacy Course	Give those who need to an exposure to functional literacy	Illiterate of semi-literate elected representatives (about 8 lakh people)	One month, or as required, preferably at the village level itself.	<b>6 months</b>
<b>Part II</b>	<b>Basic skill building for planning and implementation</b>	<b>Course II(a):</b> Sectorally focused training programme	Coverage of core functions of Panchayats aimed at improving capacities to deliver services and development programmes,	Elected Panchayat representatives: about 22 lakh  Officials associated with Panchayati Raj: about 8 lakh	At least 6 days (2 phases of 3 days each)	Within 40 weeks of election
		<b>Course II(b):</b> Computer Training	Training in basic computer skills and selected software for Panchayat level training	At least 2 persons per Panchayat: about 5 lakh.	At least 6 days, with local handholding from the resource centre	Within 52 weeks.
<b>Part III</b>	<b>Consolidation through interaction and networking</b>	<b>III(a):</b> Gram Sabha level Campaigns	Awareness creation	Gram Sabhas, NGOs, SHGs and CBOs	At least 3 days a week	Coverage of all Gram Panchayats at least once a year
		<b>III(b):</b> Panchayati Raj TV channel and radio programmes		People at large	At least 3 days a week	All-India coverage

	<b>III(c):</b> Panchayati Raj Newsletter		Panchayati Raj members and individual subscribers	Once a month	All Panchayats
	<b>III(d):</b> Formation of networks of Panchayat elected representati ves	Experience sharing	Elected Panchayat representatives: about 22 lakh		Within the first year after election
	<b>III(e):</b> Yearly refresher course		Elected Panchayat representatives: about 22 lakh	At least 4 days	Once a year for remaining 4 years
	<b>III(f):</b> Visits to identified 'beacon' Panchayats	<b>On the site training</b>	At least 10 lakh elected leaders of Panchayats	At least one full day each, excluding travel	At least two exposure visits every year
	<b>III(g):</b> Intermediate Panchayat level Resource Centers	Daily assistance to support Panchayat level planning and implementation	Elected Panchayat representatives: about 22 lakh	Every working day	To commence by 20 weeks, when members have finished Part I training .
	<b>III(h):</b> Helplines			16 hours a day, every working day	
	<b>III(I):</b> Certificate courses	More intensive and academic study	Interested stakeholders	6 month course	For about 100 persons per State.

6.4. The framework suggests that a training backbone of satellite training facilities ought to be established for covering all trainees within 6 months at the most, in the initial burst of training. Combining a distance mode, based on common films and presentation alternated with local discussions, interactive sessions and followed by question and answer sessions over satellite is preferred as:

- (a) it allows broad standardisation of content, at the state specific level,
- (b) It allows for wide dissemination and rapid coverage,



- (c) Local interaction can adapt the message conveyed over the introductory satellite based session into locally relevant lessons and exercises,
- (d) Sharing of problems through the interactive mode builds a feeling of community among participants even though they are not face to face.
- (e) With satellite training costs are also kept low, as Panchayat members do not have to travel very far to the site of training.

6.5. Training in mixed groups is advocated to ensure that stakeholders together build relationships between themselves in a non-threatening and informal atmosphere

6.6. Following a general saturation training, the framework advocates dovetailing of sectoral training into the programme. This would cover programme planning and implementation, with an added emphasis on service delivery. The role of Panchayats as local self-governments central to planning and implementation would be a cross-cutting theme. While all matters listed in the Eleventh Schedule can be ideally included, it is proposed to prioritise major sectors and Centrally Sponsored schemes pertaining to the core functions undertaken by Panchayats. An initial listing of these Schemes and the sectors that could be covered is as given below in Table 10:

**Table 10:**

Sector		Scheme	Central Ministry/ Department
Elementary Education	1	Sarva Shiksha Abhiyan	Department of Elementary Education
	2	Mid-day Meal Scheme	
Adult Education	3	Total Literacy Campaign	
Public Health	4	Drinking Water Mission	Department of Drinking Water Supply
	5	Total Sanitation Campaign	
Health	6	National Rural Health Mission	Ministry of Health
Child Welfare	7	Integrated Child Development Services	Ministry of HRD, Department of Women and Child Welfare
Poverty Alleviation	8	National Rural Employment Guarantee Scheme (including SGRY)	Ministry of Rural Development
	9	Swarnajayanti Grameen Swarozgar Yojana (SGSY)	
Rural Housing	10	Indira Awas Yojana (IAY)	
Rural Roads	11	Pradhan Mantri Gram Sadak Yojana (PMGSY)	
Rural Electrification	12	Rajiv Gandhi Grameen Vidyutikaran Yojana	Ministry of Power
	13	Remote Village Electrification Programme	Ministry of Non Conventional Energy

Tribal Development	14	Tribal Sub-plan	Ministry of Tribal Welfare
Natural Resource Management	15	Haryali	Ministry of Rural Development
	16	Watershed Schemes of Agriculture Ministry	Ministry of Agriculture
Industry & Rural Business Hubs	17	Various Schemes	Ministry of Food processing
			Ministry of Textiles
			SSI and Agro & Rural Industries
Disaster Management			

6.7. Planning, implementation, supervision and monitoring, disclosure and accounting will be explained with reference to service delivery. The need for PRIs to function in concert for efficient implementation of schemes will also be explained. The core curriculum for sectoral purposes aims to cover the following aspects as given in Table 11:

**Table 11 (a):**

<b>(a): Planning</b>					
1	Broad overview of scheme guidelines or legislation concerned	2	Preparing a participative plan for the service concerned	3	Prioritising list of projects at Panchayat level
4	Scrutiny of the Panchayat plan and obtaining of approvals	5	Examples of how to converge different programmes	6	Preparation and updating a shelf of works
		7	Consolidation of Panchayat level Plans into the district level plans		

**Table 11(b):**

<b>(b): Implementation</b>					
1	Beneficiary selection	2	muster roll maintenance	3	Payment of wages

**Table 11(c):**

<b>(c): Supervision and monitoring</b>					
1	Measurement of Work	2	Quality control	3	Certification of work undertaken
		4	Preparation of Annual Reports		

**Table 11(d):**

<b>(d): Disclosure</b>					
1	Meeting obligations under Right to Information	2	Public display of details of works	3	Conduct of social audit
		4	Grievance Redressal		

**Table 11(e):**

<b>(e): Accounting</b>					
1	Overview of Panchayat accounting	2	Maintenance of Statutory registers	3	Management of Panchayat funds
4	Treasury procedures	5	Bank procedures	6	Conduct of audit

6.8. Particularly in sectoral training, there is an emphasis on engaging District and sub-district line department Staff as resource persons. There is a separate training course envisaged for equipping at least two people per Panchayat with computing skills.

6.9. The last part of the Framework is aimed at strengthening and consolidation of capability through interaction and networking. Continuous interaction so as to retain the momentum and providing Panchayat members additional support when they are confronted with issues and decisions at the ground level are envisaged. These include:

- (a) Campaigns at the Gram Sabha level aimed at motivating people to improve the functioning of Gram Sabhas. NGOs and CBOs would be involved in a big way both in spreading the message of participation as also in Gram Sabha level interactions such as beneficiary selection, social audit etc.
- (b) Setting up TV channels for Panchayati Raj,
- (c) Formation of networks of Panchayat elected representatives through the Panchayat Mahila Shakti Abhiyan and Panchayat Yuva Shakti Abhiyan and use of community radio,
- (d) A yearly Refresher Course,
- (e) Visits to identified 'beacon' Panchayats

#### **6.10. Setting up intermediate Panchayat level Extension and Resource Centers:**

The Ministry has recommended the setting up of at least one extension centre at the level of each Intermediate Panchayat, so as to cater to the training requirements of all Panchayats within that area. Each Extension Training Centre would provide a space for training activities, hosting Field Resource Persons and for Panchayat members to conduct mutual consultations and networking. The Satellite training reception facility can be physically located at the Extension Resource Centre. Panchayat members would be

facilitated for congregating at these resource centers for smaller level meetings and mutual support. Each Extension Centre would be staffed with a few resource persons who would provide technical support to the Panchayats, as follows:

- (a) An engineer to technically review Panchayat level infrastructure construction projects and provide support for preparation of estimates, procure tenders and monitor quality,
- (b) An accountant to assist Gram Panchayats to follow prescribed financial guidelines, to provide assistance where needed, and to collate Panchayat accounts at the block level for transfer to the district,
- (c) A social specialist, to assist Panchayats in conducting decentralized participatory processes for planning, mobilize the poorest and vulnerable groups to attend Gram Sabhas and Ward Sabhas.

Running of the resource centers could be organized either through (a) the district or Intermediate Panchayat (b) the SIRD, supported by the district or intermediate Panchayat (c) a collective of the Panchayat members themselves, wherever such networks have been created and are strong (d) an NGO, associated with the Panchayat member network or Panchayat representatives.

6.11. Telephone helplines are also proposed to be set up to provide a speedy channel of clarification and information, to trained persons and link help seekers with providers.

#### **6.12. Formal Certification courses in Panchayati Raj:**

The Framework includes a more formal training system to provide formal certification of courses for training can be set up. Training programmes shall be designed especially for the secretarial and technical staff working with Panchayats through institutions such as IGNOU. Other stakeholders, including interested Panchayat elected representatives will also be assisted to undertake this course. Such training programmes will lead to formal certification on achieving prescribed standards of learning.

6.13. The Framework has calculated in detail the requirements of resource persons, the modalities of their identification and recruitment, the means of training evaluation and the costs for implementation.

6.14. The costs of implementation of the Framework comprises of Capital and revenue costs. Ideally speaking, capital costs are to be invested during the first year of the implementation. While training in the first year would give every stakeholder the basic minimum inputs required to operate the programme, experiences of the first year can substantially modify the training programme for the second year. Modules, training groups and training strategies etc, will change, leading to modifications in cost estimations. Some costs are incurred once in every few years, such as preparation of printed and audio-visual material. They are proposed to be paid for in the first year. For the above reasons, revenue costs would be different for the first year and for subsequent

years of training. The details of the components for which the costs are calculated are given below in Table 12:

**Table 12:**

Capital Costs (to be invested up-front in the first year)	Revenue Costs	
	Items to be covered in first year	Yearly items, from second year onwards
Satellite training facilities	Induction course for Master Resource Persons	Refresher Courses for Resource Persons.
Installation of Computer hardware in Panchayats	I(a): Foundation Course	III(e): Yearly Refresher Course
Intermediate Panchayat level Resource Centers Strengthening of NIRD	I(b): Basic Functional Course I(c): Functional Literacy Course	III(f): Visits to identified 'beacon' Panchayats III(a): Gram Sabha level Campaigns
Strengthening of SIRDs	II(a): Sectorally focused training programme	III(I): Certificate courses
	III(d): Formation of networks of Panchayat elected representatives	Monitoring of outcomes
	II(b): Building ICT Skills	
	Film and Electronic Material	action research
	Print material	
	Common items from first year onwards	
	III(b): Panchayati Raj TV channel and radio programmes	
	III(c): Panchayati Raj Newsletter	
	III(g): Intermediate Panchayat level Resource Centers	
	III(h): Helplines	
	Training Programme Management	

### **6.15. Recommendations of the Working Group on Training and Capacity Building:**

- (a) The Working Group endorses fully the comprehensive approach of the Ministry as contained in the National Capability Building Framework and recommends that the funding requirement for the programme should be fully met during the Eleventh Plan. A three-pronged approach may be adopted as follows:
- (i) Initial orientation for all elected representatives within first six months
  - (ii) Sectoral inputs on 8 flagships according to levels of roles
  - (iii) Ongoing support through Panchayat Resource Centres at block level

- (b) A National mechanism may be established to guide and monitor the planning & implementation of the National Capacity Building. A National Task Force may be set up in the Ministry of Panchayati Raj for the purpose.
- (c) Similarly, State level Task Force consisting inter-alia of Elected Representatives, Government Institutions, NGOs and Activists may also be set up in the Departments of Panchayati Raj for the planning, monitoring and supporting implementation of the Strategy at the state level
- (d) Implementation at district/state levels to be undertaken by a variety of institutions based on mapping of available capacities as per plans made by State Task Forces & approved by National Task Force
- (e) The Working Group suggests that the National Institute for Rural Development (NIRD) could be the Apex body to manage the NCBF.
- (f) Separate resources will need to be earmarked from the major Centrally Sponsored Schemes for investment on implementing the NCBF.
- (g) Implementation of PESA requires special attention within the NCBF, which would include an initial Orientation to all elected representatives within six months of being elected, orientation of line department officials about their 'new' roles and responsibilities to implement PESA in letter and spirit and an ongoing hand-holding & support system through Panchayat Resource Centres at the Intermediate Panchayat level or below.

## **6.2. Providing other support to Panchayats:**

6.21. While training is an important component of building up capability, it alone cannot improve Panchayat performance. Panchayats, particularly Gram Panchayats lack requisite physical infrastructure, connectivity including e-connectivity and adequate staff support, which along with capacity building for planning and implementation form a package of support for them. To this end, the Working Group was informed that the Ministry of Panchayati Raj have conceived of a comprehensive programme named 'Gram Swaraj' which aims to assist States in assuring the necessary physical infrastructure, administrative staff support and capacity building/training to enable Panchayats to effectively perform their duties as "institutions of self-government". The Group has already given its suggestions in respect of the aspect of strengthening of Staff support for Gram Panchayats, in Paragraph 4.51(h), Chapter 4, page 29. Its recommendations in respect of the other facets of the Gram Swaraj programme are as follows:

## **6.22. Recommendations of the Working Group on other aspects of improving capacity:**

6.221. The measures on training should be augmented, particularly at the Intermediate and Village Panchayat level through provision of core staffing, IT infrastructure and physical infrastructure

### **6.222. Improving infrastructure at Panchayat level;**

In most States, Gram Panchayats lack basic infrastructure in the form of office space. Increased responsibilities will require office space, meeting halls, storage godowns, record rooms, libraries, housing for the computer centre, and the Village Knowledge Centre (*Gyan Chaupal*) and Village Resource Centre recommended for establishment in every Gram Panchayat by the high-powered National Farmers Commission, etc. The Working Group recommends that this requirement of Panchayats should be met in full from a basket of funding options including Central support so as to enable Panchayats to develop their own plans for infrastructure upgradation, tailored to suit their particular requirements, in consonance with certain minimum standards and requirements prescribed.

### **6.223. e-Governance for all Panchayats:**

ICT (Information and Communication Technology) is a vital input of capacity for Panchayats, particularly for transparency, disclosure of information to citizens and social audit, better and convergent delivery of services to citizens, improving internal management and efficiency, capacity building of representatives and officials of the Panchayats, and e-Procurement. States are already undertaking their own initiatives in e-Governance for Panchayats. While these State specific solutions have a positive impact on the delivery of services by the Panchayats, standardization of the approach is necessary in the light of funds being sent to Gram Panchayats by the Centre for implementation of schemes and programmes. In order to achieve the objectives listed above, the following activities need to be supported:

- (a) Development of appropriate software for Panchayat activities and maintenance of a repository of software, including source codes, which can be used by all Panchayats for their activities.
- (b) Capacity building of elected Panchayat representatives and officials to make meaningful use of IT tools,
- (c) Building a vibrant net-community of Panchayats using NPP, through which they can network with each other as also with other entities engaged with them,
- (d) Content management for back-end and for respective Panchayat Portals as a part of the National Panchayat Portal,
- (e) Undertaking process re-engineering in consonance with activity mapping for functions transferred to Panchayats, so as to put in place IT enabled planning, decision making, implementation, service delivery, reporting and public disclosure, including information dissemination under the National Right to Information Act or State Right to Information Acts.

- (f) Strengthening the National Panchayat Portal to provide a single-window entry to Information and services provided by panchayats.

IT based internal management and decision-making support systems for Panchayats should particularly include the following:

- (a) Computerisation of Accounts of Panchayats.
- (b) Computer aided office management of Panchayats' internal processes, such as issue of meeting notices, preparation of agenda notes, recording minutes of Panchayat meetings and dissemination of such minutes and action taken reports. This would also cover similar activities of Standing Committees of Panchayats and meetings of Ward and Gram Sabhas.
- (c) Data collection on citizens undertaken by Panchayats such as family surveys, property lists, BPL lists, pensions, censuses etc and data related to Education, Health water and Sanitation.
- (d) Data collection by Panchayats on natural resources and biodiversity.
- (e) Databases on Panchayat members and staffing details.
- (f) Data collection by Panchayats on availability of government and private infrastructure and village habitat planning. This can be with or without GIS.
- (g) Data sharing from existing databases at higher levels, such as the census, health related data, education related data etc., censuses, with the Panchayats.
- (h) Computerisation of local taxation and user charge collection systems in Panchayats.
- (i) Simple analysis of such data, with a view to presenting it before the Panchayat concerned, its standing committees, the Gram Sabha and the Ward Sabhas, if any, so that they can take better informed decisions about themselves.

In enabling all Panchayats to use IT as a tool for transparency, disclosure of information to citizens and social audit, preparation of simple, easy to understand periodic reports on budgets, planning, Gram Panchayat decisions and action taken thereon, Ward and Gram Sabha decisions and action taken thereon, audit reports and social audit reports and action taken thereon, progress of works and outcomes of activities of Panchayats on human development should be IT enabled.

Enabling Panchayats to better deliver its mandated services to its citizens through IT would include:



- (a) **Licencing and No objection certificates**, for trade, running shops, hotels, industries or other establishments, cinematography,
- (b) **House related services**, such as licences for house construction or modification, house ownership records, property tax and related cesses, house or site allotment and change of land use.
- (c) **Grievances and petitions on civic services**, such as those relating to water supply repairs, streetlight repairs, road and drain cleaning and repairs and garbage disposal
- (d) **Implementation of schemes entrusted to the Panchayats**, such as PDS, ration cards, pensions, midday meals, school textbooks

Using IT for electronic tagging and tracking of funds transferred to Panchayats from higher level of governments, including rapid bank transfer of funds, tracking fund transfers to, and expenditures of Panchayats would include tracking Central Finance Commission devolutions to Panchayats, Central and State shares of Centrally Sponsored Schemes, State Finance Commission devolutions to Panchayats and other similar fund transfers. It would also include Developing and using IT based systems for tracking collection of own revenues and expenditures of the same, by Panchayats. Finally, it would include putting in place a simple e-procurement system in Panchayats, attuned to the locally applicable laws and rules in this regard.

Interventions should be designed to enable States to choose from a menu of options to suit their specific requirements. Panchayats could either purchase of stand-alone computers wherever required, either on an outright basis or on a regular annuity payment spread over 5 years. This approach is suitable for those Panchayats with larger populations, where enough work is generated for a full-time in-house computerized set up. Outsourcing of e-Governance work by Panchayats is a suitable option for those Panchayats with smaller populations where enough work is not generated to justify a full-time in-house computerized set up. Such Panchayats could enter into a service agreement with a CSC/HPTC/ Knowledge Centre and outsource its e-Governance requirements to it.

## **Chapter 7**

### **Reviewing the Implementation of PESA in States with Schedule V areas**

7.1. PESA extends Part IX of the Constitution to Fifth Schedule Areas, subject to certain exceptions and modifications. The following nine States have Fifth Schedule Areas:- (i) Andhra Pradesh (ii) Chhattisgarh (iii) Gujarat (iv) Himachal Pradesh (v) Jharkhand (vi) Madhya Pradesh (vii) Maharashtra (viii) Orissa and (ix) Rajasthan. The Act defines a village as ordinarily consisting of a habitation or a group of habitations or a hamlet or a group of hamlets comprising a community and managing its affairs in accordance with traditions and customs. It stipulates that every village will have a Gram Sabha, which will be competent to safeguard and preserve the traditions and customs of the people, their cultural identity, community resources and customary mode of dispute resolution. With respect to the manner of reservation of seats at each Panchayat level the Act stipulates that reservation for the Scheduled Tribes shall not be less than half of the total number of seats and that all seats of Chairpersons of Panchayats at all levels will be reserved for the Scheduled Tribes. It has also been provided that State Government would nominate persons belonging to such Scheduled Tribes as have no representation in the Panchayat at the intermediate level or the Panchayat at the district level, not exceeding one-tenth of the total members to be elected in that Panchayat.

7.2. Broadly, the following are the functions, powers and responsibilities spelt out in the Act in respect of Gram Sabha and Panchayats:

- (a) **Mandatory executive functions and responsibilities:**  
The Gram Sabha will approve plans, programmes and projects before they are taken up for implementation by the Panchayat at the village level, it would identify beneficiaries of poverty alleviation and other programmes and issue certification of utilization of funds by the Panchayat at the village level for the above programmes. Planning and management of minor water bodies will be done by the Panchayats.
- (b) **Mandatory consultation:**  
Before acquiring land in Vth Schedule Areas for development projects and before resettling rehabilitated persons affected by such projects, Gram Sabha or the Panchayat at the appropriate level shall be consulted.
- (c) **Mandatory recommendations:**  
The recommendation of the Gram Sabha or the Panchayat at the appropriate level is mandatory prior to grant of prospecting license or mining lease for minor minerals. Similarly, prior recommendation is required for grant of concession for the exploitation of minor minerals by auction.
- (d) A duty has been cast upon State Legislatures to ensure that Panchayats at the appropriate level and the Gram Sabha are endowed specifically with such powers

and authority as enable them to function as institutions of self government. These are as follows:

Enforcing prohibition	Ownership of minor forest produce	Preventing alienation of land	Manage village markets
Exercise control over money lending	Exercise control over institutions and functionaries in all social sectors	Control local plans and resources for such plans including tribal sub-plans.	

The Act prohibits Panchayats at the higher level to assume the powers and authority of any Panchayat at the lower level. It also provides that any provision of any law which is inconsistent with its provisions shall cease to be in force at the expiry of one year from the date on which the Act receives the assent of the President. (24.12.1996).

### 7.3 PESA in States

While all States have enacted requisite compliance legislations by amending the respective Panchayati Raj Acts, certain gaps continue to exist. Most States are also yet to amend the subject laws and rules, such as those relating to money lending, forest, mining and excise to harmonise with PESA. Though the provisions in such laws are legally invalid after December 12, 1997, they continue to be followed by departments and their functionaries for want of clear instructions and guidelines. Powers statutorily devolved upon the Gram Sabha and Panchayats are not matched by the concomitant transfer of funds and functionaries resulting in the non-exercise of such powers. States have, over the years, been repeatedly urged to expedite this process, but progress has been slow and often, only symbolic, with no real intention to operationalise the provisions in spirit.

### 7.4 PESA & Central Government

7.41. PESA derives its constitutional basis from Article 243 (m) (4) (b) and the Fifth Schedule. This Schedule provides an enabling framework for preventing the exploitation of tribal and for providing peace and good governance in the Schedule Areas. Since PESA is a Central legislation and a logical extension of the Fifth Schedule, a duty is cast upon the Central Government to see that the provisions are strictly implemented. As in the case of State Laws, a critical issue in the implementation of PESA is to harmonize its provisions with those of the Central legislations concerned and also recast relevant policies and schemes of Central Ministries/Departments. Among the laws which warrant particular attention are the following:

The Land Acquisition Act, 1894	Mines and Minerals (Development and Regulation) Act, 1957	The Indian Forest Act, 1927	The Forest Conservation Act, 1980	The Indian Registration Act
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In so far as Policies and CSSs/Central Schemes are concerned, policies pertaining to wastelands, water resources and extraction of minerals from lands in Schedule V Areas do not seem to reflect the intent and purpose of PESA. These policies, as interpreted and implemented, have given rise, on occasions, to confrontations between the tribal people and the administration. The National Policy on Resettlement and Rehabilitation of Project Affected Persons, 2003, National Water Policy, 2002, National Minerals Policy, 2003, National Forest Policy, 1988, Wild Life Conservation Strategy 2002 and National Draft Environment Policy, 2004 would require detailed examination from the viewpoint of ensuring compliance to the provisions of PESA.

#### **7.42. Ministry of Panchayati Raj and PESA**

7.421. In the Third Round Table Conference of Panchayati Raj Ministers in September, 2004 organised by Ministry of Panchayati Raj, the State Ministers agreed to enforce its provisions and also to undertake a wider consultation with other government departments so as to harmonize the provisions of concerned laws with the aims and objectives of PESA. The recommendations stressed the need to consult tribal communities and their elected representatives in evolving criteria for the constitution of Village Panchayats and Gram Sabhas in Schedule V Areas, to ensure the tribal communities, on the basis of ethnic identities, are constituted into different Gram Sabhas even within a Gram Panchayat area. It also highlighted the need to take steps to implement in a time-bound framework the provisions of PESA in respect of the rights of the Gram Sabhas in Schedule V Areas and to undertake wider consultation with other Government departments in order that the provisions of other legislation not compatible with the provisions of PESA are harmonized with the aims and objectives of PESA.

7.422. The Ministry of Panchayati Raj has also entrusted a task to Indian Law Institute to formulate appropriate amendments in the State laws concerned, with a view to assist State Governments to carrying out this exercise in consultation with their respective Departments of Law.

7.43. Regular communications to Chief Secretaries of States and interaction between officials of Central and State Governments are being undertaken with a view to ensure better implementation and to harmonise relevant subject laws in line with PESA provisions.

#### **7.5. Recommendations of the Working Group on PESA:**

7.51. The V. Ramachandran Expert Group thoroughly reviewed the implementation of PESA and made several suggestions regarding remedying the situation. It stated that Schedule V of the Constitution and PESA are powerful legislations, which give considerable power and responsibility to the Union Government. This fact has not been fully realized both by the Centre and States and old procedures continue despite not having legal validity. This situation has to be remedied urgently. In this direction, it made the following specific recommendations:

- (a) As a first step, the Ministry of Panchayati Raj should, on the basis of its analysis of State laws finalize and issue guidelines for implementation of PESA and suggest specific State related provisions and guidelines, which must be implemented by States within a definite time frame. Implementation of these guidelines may be reviewed at the time of State plan finalization, in order to ensure that the recommendations are dovetailed into the eleventh Five Year Plan.
- (b) If any State is not implementing the provisions of PESA in letter and spirit, the Government of India should not shy away from issuing specific directions in accordance with its power to issue directions under proviso 3 of part A of the Fifth Schedule.
- (c) Since amendments to existing laws by States, in order to conform to PESA may take some time. The Government of India should use its power to enact Union legislation in order to ensure that the situation does not worsen.
- (d) One of the ways in which implementation of PESA provisions can be ensured at the grass root level is to establish a forum at the Central level so that violation of the provisions of the enactment, could be brought before this forum and the deviations highlighted and necessary correctives applied. The Planning Commission may take the initiative to work out the details of composition and functions of the Forum.
- (e) Schedule V of the Constitution requires the Governor of every State to send an annual report. It is suggested that the practice of regular annual reports from Governors must be given due importance. Such reports should be published forthwith and placed in the public domain. the Ministry of Panchayati Raj should check the current status in this regard and take steps to activate this important measure in 2006-07.
- (f) Even though women are important participants in Panchayati Raj, in tribal areas, traditional tribal councils are predominantly male. Therefore special steps need to be taken to ensure that women participate fully in tribal governance. In order to ensure that women are not marginalized in meetings of Gram Sabha, provisions in PESA rules and related guidelines should ensure that for quorum of a meeting at least 33% of the Gram Sabha ought to consist of women.
- (g) For better compliance to legislation and protection of rights of tribal people or women or development of scheduled areas, the administration at the lower levels ought to be trained and attuned towards the objectives of PESA. Each State needs to constitute a group to look into strengthening of the administrative machinery in Schedule V areas. Separate cadres may be created for tribal areas. Various enunciations in tribal policies of the government of India may be adopted for this purpose, such as provision of hardship pay or other incentives in this regard. Some of the possibilities are providing for hardship pay, preferential treatment in accommodation and education. This is a matter that must be looked into urgently before the commencement of the Eleventh plan and all expenditure in this regard should be treated as charged expenditure under Article 275 of the Constitution – an Article that has remained uninvoked for decades.

The Working Group endorses these recommendations and support their immediate operationalisation. The following recommendations are emphasised:

**(a) State Government level:**

- (i) State laws require thorough analysis and harmonisation with PESA.
- (ii) Annual Status Reports must be prepared by each State that has PESA, on the current status of implementation.
- (iii) Programmes such as the Backward Regions Grant Fund, which base themselves on local planning and implementation through Panchayats, should be used to catalyze the full implementation of PESA in States.

**(b) Central Government Level:**

- (i) Issuing of specific directions to States for implementations of PESA in letter and spirit on the basis of Governor's report on Schedule V areas. Ministry of Panchayati Raj could provide a format for Governor's report from each State.
- (iv) Incorporation of suggested changes in Tribal Rights Bill to further strengthen implementation of PESA. This will require creating a special institutional mechanism for coordination between the Ministry of Panchayati Raj and Tribal Welfare Ministry.
- (v) Coordination of the monitoring of implementation of PESA and BRGF by a Task Force led by the Planning Commission, serviced by the Ministry of Panchayati Raj, Government of India
- (vi) PESA States to have a cell to monitor its implementation and provide support towards these, a small annual budget (Rs 5 Crore per annum in per state in states of (Andhra Pradesh, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Orissa and Rajasthan) should be allocated towards this end.
- (v) As part of the larger exercise directed by the Cabinet Secretary that all Ministries/Departments ought to review and recast their CSSs to harmonise them with Panchayati Raj, a more co-ordinated and inclusive effort may be made to bring all CSSs/ and Central Schemes within the framework of PESA, Suitable changes in the guidelines for all such schemes need to be brought out before the Eleventh Plan.

**7.6 Reforms in the implementation of TSP:**

7.61. The Prime Minister, while addressing the 51<sup>st</sup> meeting of the NDC held on 27-6-2005 specifically suggested that the Tribal sub-plan should be made non-divertible and non-lapsable, with the clear objective of bridging the gap in socio-economic development of the Scheduled Tribes, within a period of ten years. In order to ensure the achievement of this objective while complying with the provisions of PESA, the V. Ramachandran Expert Group made the following recommendations:

(a) State and District/Block level Monitoring Committees prescribed by the Planning Commission in their guidelines to monitor the implementation of TSP ought to have a close linkage with Panchayats. The Standing Committees for social justice mandated under most Panchayati Raj State legislations can be entrusted with the specific task of implementation of TSP. Any special interests, including NGOs may be co-opted into such Committees for a wider and more inclusive consultation in planning and implementation.

(b) Nodal departments established at the State level for the implementation of TSP ought to undertake an activity mapping exercise assigning responsibilities to each level of Panchayat for the implementation of TSP programmes. Unintended centralisation of programme implementation should not take place in earmarking funds especially for the welfare of STs.

(c) Regular independent evaluation of the impact of economic development and social justice programmes implemented by Panchayats ought to be undertaken and such information ought to be made public, so that comparisons can be made about performance in different districts and States.

(d) Central support to TSP should be allocated to districts on the basis of tribal population and area.

(e) There is a need to provide special support for primitive tribes, for which a certain percentage of funds could be retained at the State level for working out and financing the special schemes.

## **7.62. Recommendations of the Working Group on implementation of TSP:**

The Working Group endorses these recommendations of the V. Ramachandran Expert Group and suggests that these actions may be completed in time for the Eleventh Five-year plan.

## **Chapter 8**

### **A framework for preparing and projectisation of local plans**

**8.1.** The Second Round Table of State Ministers of Panchayati Raj held at Mysore on 28-29<sup>th</sup> August 2004 considered the issue of decentralised planning by Panchayats and a consolidation of such plans into draft development plans of districts by District Planning Committees, in terms of Article 243 ZD of the Constitution. The relevant resolutions of the Second Round Table are given below:

#### **8.11. Relevant resolutions pertaining to the States:**

- (a) DPCs to be constituted in every State, at the district level, by the end of the current financial year, in according with the procedure laid down in Article 243ZD (2).
- (b) All States to make provision, by law, for DPC's functions.
- (c) District planning to take into account the area's resource endowment, people's felt needs and their relative absorptive capacity.
- (d) Each level of Panchayat and Municipalities to prepare perspective Five Year Plan and Annual Plans as provided in the Constitution, which would be consolidated by the DPC.
- (e) States to specify institutions, organisations and individuals to assist Panchayats, Municipalities and DPCs in preparing plans in accordance Article 243ZD (3) (b).
- (f) States to indicate extent and type of available resources to each Panchayat level and Municipalities as per Article 243ZD, in order to facilitate planning.
- (g) States to provide to the extent possible, resources as untied funds to Panchayats and Municipalities. Where grants are scheme specific, to have broad and simple guidelines.
- (h) States to maintain a distinction between administrative grants and development grants in allotting financial resources to PRIs.

#### **8.12. Relevant resolutions pertaining to the Centre:**

- (a) The Planning Commission, in consultation with the Central Ministries concerned may work out appropriate arrangements for incorporating a Panchayat sector in each departmental budget within their budget.
- (b) The Planning Commission be requested to ensure that 11<sup>th</sup> Plan begins with and is founded on District Plans prepared in accordance with Part-IX and IXA .



In order to operationalise the recommendations of the Round Tables, the Ministry of Panchayati Raj appointed an Expert Group on grass root level planning in May 2005, which made several recommendations on the modalities of district planning in were accepted by the Ministry, which organised a Workshop on grass root level planning on 8 & 9 May 2006 in collaboration with the National Institute of Public Finance & Policy to discuss the roadmap for decentralised planning in consultation with the representatives of States so that planning from below becomes a reality during the 11<sup>th</sup> Plan Period. The Workshop identified the following action points relevant to planning on the part of Planning Commission, the Union Ministry of Panchayati Raj and the States:

### **8.13. Action Points by Planning Commission:**

(a) The Planning Commission's guidelines for the preparation of the Eleventh Plan will mandate the consolidation of district plans through DPCs. States will be informed that the DPC would be the sole body that is entrusted with the task of consolidating plans at the district level. These guidelines will also mandate that each State would in turn, issue detailed guidelines for decentralised planning by the DPC. These State guidelines will inter-alia include:

- (i) The mode of assessing of resources available at each panchayat level including an assessment of own resources,
- (ii) The total quantum of untied amounts available for local planning,
- (iii) The methodology for planning by DPC – both essential and desirable steps,
- (iv) Formats for presenting the summary of district plans in the State Five Year plan documents.

(b) A time frame will be specified within which States will need to issue detailed instructions covering the manner in which the DPC would perform its functions, for setting up the district planning cell and the provision of institutional support through universities and research institutions, both at the District and State level, for assisting the DPC in planning, monitoring and evaluation.

(c) The Planning Commission will take steps to provide the required support for DPCs, in similar terms as to the earlier support provided for district planning. In this regard it will examine the provision of support to DPCs by way of providing a lump sum allocation of Rs. 10 lakh per district as also for supporting the provision of at least five qualified persons per DPC for technical support.

(d) The Planning Commission will issue instructions that every district plan will be annexed to the Five Year Plan document prepared by the State and submitted to the Planning Commission.

(e) Detailed instructions will be issued to all Central Ministries prior to Eleventh plan discussions by the Planning Commission on decentralised planning at the grassroots level, inter alia specifying the sectors that are to be mandatorily included in each district

plan. These will also indicate the relevant CSSs that would be integrated into the process of district level planning, thereby ensuring that no separate planning cycle is needed for the same. The Planning Commission will also persuade the relevant Central ministries to issue instructions that the identified CSSs would be planned for by the DPC.

(f) The question of linking credit plans with the District Plans will be taken up with the RBI and the NABARD. Instructions will also be issued that Bank officers may be invited to participate as experts in DPCs.

(g) The Planning Commission will ensure that the role of PRIs/ULBs with reference to planning, implementation and monitoring with special focus on the CSS, relating to subjects in the 11<sup>th</sup> and 12<sup>th</sup> Schedules is introduced as a specific Term of Reference for all Working Groups and Steering Committees set up by it.

(h) Instructions will be issued to national level statistics organisations to share their data, including raw data collected at district levels and below, with State Planning Departments and DPCs. The National Informatics Centre and the Department of Science and Technology will be actively involved in the creation of databases for planning,

(i) A system of collecting information from the village level onwards will be instituted and the statistical cell within the DPC will be the nodal point for collection and maintenance of the database. To that end, existing data, to the extent possible, will be re-organised on a Panchayat wise basis and made available.

(j) Instructions will also be issued to central agencies such as like ICAR/CSIR Commodity Boards, national level institutions and ICSSR- supported institutions to participate proactively in providing technical support and essential data to District Planning Committees.

(k) In order to disseminate the importance of district plans, assist States in the preliminary steps and review progress in this matter, the Planning Commission will convene:

- (i) NDC meeting specifically for this purpose,
- (ii) A meeting of planning and PRI secretaries, to be held after the meeting of the Committee of Chief Secretaries of States at Bhubaneswar in June 2006,
- (iii) State level meetings by members and advisors of the Planning Commission.

(l) Representatives of the Panchayati Raj Ministry will be associated with the Annual plan discussions of States held by the Planning Commission, so as to review the decentralized planning process adopted. The Secretary Panchayati Raj will be associated with Plan discussions conducted with Ministries dealing with matters listed in the Eleventh Schedule.

#### **8.14. Action Points by the Union Ministry of Panchayati Raj**

(a) The Ministry of Panchayati Raj will provide technical support for activity mapping and the decentralized planning process in States. This will include:

- (i) Analysis of State budgets to ascertain the schemes and line items that ought to be placed in the Panchayat window of the budget, so as to match the devolution of functions to Panchayats, as manifested in the State Panchayati Raj legislation and Activity Mapping,
- ii) Collection of good practices in decentralised planning, particularly at the village level, for dissemination to all States,
- iii) Preparation of model rules and guidelines to guide the planning and implementation processes of participate plans in PESA areas.

(b) The Ministry will prepare a list of institutions to comprise a national pool of resource providers for grassroots level planning. In the first instance, the list of such institutions consolidated by the Rajiv Gandhi Foundation will form the core.

(c) The Ministry will prepare a training design for capacity building for Panchayat elected representatives and officials on grassroots level planning. This will provide for support to the State Institute of Rural Development for faculty and resource persons and exposure visits to other States for Panchayat members, trainers and officials.

(d) The Ministry will work closely with the C&AG, to ensure that the accounting system and formats prescribed for Panchayat accounting harmonises with and serve the purpose of decentralised planning.

(e) The Ministry, in collaboration with the UNDP's solution exchange, will create a space for experience sharing among practitioners in district level planning.

(f) The Ministry will undertake regional workshops in collaboration with the Planning Commission, on local level planning.

(g) The Ministry will work towards creating awareness among the youth and the student community, women, and elected representatives of the significance of Grassroots level planning.

#### **8.15. Action Points by States:**

(a) In States where District Planning Committees (DPCs) are not constituted, they will immediately be constituted in accordance with the provisions of Article 243 ZD of the Constitution, by 15 June 2006. In States that do not have legal provisions in place for the constitution of DPCs, they will be constituted immediately through executive orders, pending the enactment of statutory provisions in this regard.

(b) Provision will be made outlining the functions and procedures of DPCs, if not done already.

(c) Taking into account the imperative need to increase the professional competence of the DPCs so as to better equip them to consolidate and prepare draft development plan for the district as a whole, steps will be taken to specify the institutions and professionals that the DPC could access, in terms of Article 243 ZD (3)(b) of the Constitution.

(d) Steps will be taken to create, preferably within the District Panchayat, a separate cell headed by a full time professionally qualified District Planning Officer to service the District Planning Committee with five separate and distinct sections, namely, dealing with Municipal Plans, District Panchayat Plans, Intermediate Panchayat Plans, Village Panchayat Plans and one for maintenance of data and undertake research, with the necessary support in terms of IT and qualified research assistants.

(e) Guidelines will be issued for the preparation of perspective Five Year Plan and Annual Plans by each level of Panchayat and Municipalities, which would be consolidated by the DPC,

(f) Systems will be put in place for peoples' participation through strengthening of Gram Sabhas, so as to ensure a fully inclusive system that enables all, particularly women and SCs and STs in the planning process as a whole. This will incorporate the suggestions made by the Expert Group on Grassroots level planning, elaborated in Chapter 3 of its report.

(g) In respect of the Fifth Schedule areas, action will be taken to ensure full conformity with the provisions of Panchayats (Extension to Scheduled Areas) Act 1996 (PESA). Thrust areas will inter-alia include:

- (i) Issuance of rules that lay out the detailed processes to ensure effective implementation,
- (ii) Harmonisation of provisions of other legislations with PESA,
- (iii) Ensure that local planning and implementation processes conform with the provisions of PESA,
- (iv) Particularly ensure that the planning process is fully compliant with the special powers given to the Gram Sabha in PESA areas,

(h) With growing urbanisation of smaller and intermediate sized towns, there is need to especially draw in experts on municipal matters and the urban rural interface to assist the DPC in planning for local resource sharing, area planning, solid waste and sewage disposal and other such matters which call for close co-ordination between Panchayats and Municipalities, in terms of Article 243 ZD (3) (b) (i).

(i) Activity Mapping, aimed at effectively devolving functions, funds and functionaries to Panchayats based on the principle of subsidiarity, will be undertaken if not already done. The activity mapping undertaken in this regard will be the basis of

entrustment of the planning functions and implementation of schemes, including CSSs that will be entrusted to the PRIs.

(j) The States will have to ensure that planning at the Panchayat level does not become a mere collection of schemes and works. It will be ensured that the planning process will ensure inclusive participation of all. To this end, the following specific steps will be taken:

- (i) State governments will indicate at each Panchayat level the extent of funds allocated and receivable from (i) recommendations of the Twelfth Finance Commission, (ii) Backward Regions Grant Fund (BRGF), (iii) Centrally Sponsored Schemes, (iv) Different Development institutions at the Center and in the States like Scheduled Castes Commission, Women's Commission, etc., (v) Financial Institutions, (vi) Externally assisted schemes, and (vii) their own resources.
- (ii) For effectively performing the functions devolved to them through Activity Mapping, the Panchayats would need a matching transfer of funds in respect of the devolved functions. This will require the entrustment of all schemes pertaining to the activities devolved upon Panchayats to the respective levels. Steps will be taken by States to indicate the extent and type of available resources to each Panchayat level and Municipality in order to facilitate planning. Particular care will be taken to ensure that the allocation of funds to Panchayats matches the legislative devolution of functions to them, preferably through the creation of a Panchayat Sector in the State Budget. At least in respect of items dealing with minimum needs as listed below, the Annual Plan proposals have to indicate the detailed activities of the different levels of Panchayats:
  - Literacy (adult literacy) & elementary education
  - Primary health & sanitation
  - Rural Water Supply
  - Rural roads
  - Housing for the poor(rural & urban)
  - Nutrition, children & women & crèches
  - Livelihood & employment guarantee
  - Rural electrification
- (iii) The above detailed exercise in respect of items of minimum needs will be undertaken as a first step and a similar exercise in respect of the entire set of items to be implemented through/by PRIs as part of the Plan, will also be undertaken.
- (iv) The provisions of funds for the Tribal Sub-plans will also be indicated separately, Panchayat wise.
- (v) In undertaking the above, a distinction will be maintained between

administrative grants and development grants in allotting financial resources to PRIs.

- (vi) Recognising the importance of accounting & audit, dissemination & capacity building, States will endeavour to earmark four per cent of the untied block grants should be earmarked for strengthening these activities. Earmarking may be done for these activities in the Annual Plan Proposals.
  - (vii) In order to enable Panchayats at different levels to formulate and implement locally relevant schemes in respect of functions that have been devolved to them, States will work towards devolving to Panchayats a District Plan outlay of 30% of State Plan outlay and untied funds of 25% of the District Plan outlay.
- (k) State Governments will, if not already done, incorporate in their State laws provisions for Standing Committees in Panchayats for planning and implementation of allotted subjects, with an earmarked budget. Standing Committees could handle implementation from conception to approval, calling of tenders, finalisation of vendors; conducting supervision of on-going works and certifying issue of utilisation certificates,
- (l) Committees of the Gram Sabha dealing with matters such as education, health, midday meals, women and child welfare etc. will be worked out. This will at the minimum include ensuring that the accounts of such committees or user groups become a part of the Accounting process of the Panchayat concerned,
- (m) The Annual Plan Proposals submitted by the State will:
- (i) Indicate the detailed deployment of funds received from the above different sources for a specific subject in each of the districts of the State.
  - (ii) indicate the criteria followed by the State Government for allocating the resources for the above items, district-wise. The State Government may also indicate how the district allocation will be distributed between the district, block and gram Panchayat levels taking into account the conditions in the State.
  - (iii) Indicate the steps taken by the State to equip the PRIs with substantive financial power in order to generate adequate resources, as also the own resources expected to be raised by Panchayats for the plan,
- (n) For Panchayats to effectively plan and implement the functions that have been devolved upon them it is necessary that funds pertaining to these schemes are transferred to them without delay or diversion. As part of this process, the State Governments will put in place systems that are capable of tracking transfers of funds to panchayats, both through Banks and treasuries. The report of the Committee on rapid transfer of funds to Panchayats through banks will be used for guidance in devising this system

(o) For the effective implementation of plans prepared by Panchayats, State Governments will issue necessary instructions that the functionaries concerned with these functions are accountable to Panchayats.

8.2. The detailed conclusions of the Workshop as listed above were discussed and endorsed by the Empowered Sub- Committee of the National Development Council on Administrative and Financial Strengthening of Panchayati Raj Institutions in its meeting on 12 June 2006. Immediately following this endorsement, the matter was discussed with the States once more in the second meeting of the Council of State Ministers of Panchayati Raj, held at Bhubaneswar on 15 and 16 June, 2006.

8.3. The Planning Commission, as agreed upon in the workshop has since then issued detailed guidelines in district planning on 25 August 2006, substantially covering all action points that pertain to the Planning Commission. These guidelines also reiterate and enjoin upon States to immediately attend to action points pertaining to it, the most important of which are to constitute DPCs, issue guidelines for their functioning, nominate experts to them and indicate the amount of funds that is devolved to each district from major sources of funding.

#### **8.4. The Backward Regions Grant Fund:**

8.41. Concurrent with the issuance of the guidelines of the Planning Commission, the Central Government has instituted the Backward Regions Grant Fund, which is designed to redress regional imbalances in development. The fund will provide financial resources for supplementing and converging existing developmental inflows into identified districts, so as to:

- (a) Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,
- (b) Strengthen, to this end Panchayat and Municipality level governance with more appropriate capacity building, to facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs,
- (c) Provide professional support to local bodies for planning, implementation and monitoring their plans,
- (d) Improve the performance and delivery of critical functions assigned to Panchayats, and counter possible efficiency and equity losses on account of inadequate local capacity,

8.42. Panchayats and Municipalities will be the central bodies for planning and implementation of the BRGF. These guidelines have adopted in toto the process of planning as contained in the District Planning guidelines issued by the Planning

Commission on 25-8-06. The guidelines also stipulate that the setting up of District Planning Committees would be a precondition to the release of funds under the Scheme.

### **8.5. Recommendations of the Working Group:**

8.51. The Working Group note that much ground has been covered by the Ministry and the Planning Commission in ensuring that the Eleventh plan is based on a foundation of district planning. With the issuance of the guidelines of the Planning Commission on district planning the recommendations of the Expert Group on Grassroots level planning, supported by the views of the Empowered sub-Committee of the NDC and the consensus opinion of the State have been incorporated into policy. The challenge is now to ensure that the processes are followed up and district plans are indeed prepared in accordance with these guidelines. The Working Group makes the following recommendations to address a few gaps that still might exist in the policy and implementation framework:

- (a) There is a need for preparing detailed guidelines on urban-rural consolidation of plans. It is understood that the Ministry has already constituted a task force for undertaking such integration, with representation from the Ministry of Urban Development. It is suggested that this work be expedited and the recommendations may be considered by the Planning Commission to further elaborate upon the guidelines already issued on district planning
- (b) Need for a repository of district plans: With district planning through local bodies becoming the norm, we are likely to see a spurt in local initiative and best practices. It is imperative that through a combined effort of the Planning Commission the Ministry of Panchayati Raj and Ministry of Urban Development a common repository of district plans be created, for ready reference and use. Since the Ministry of Panchayati Raj is already creating such a repository in respect of district plans of BRGF districts, the same may be continued and strengthened.