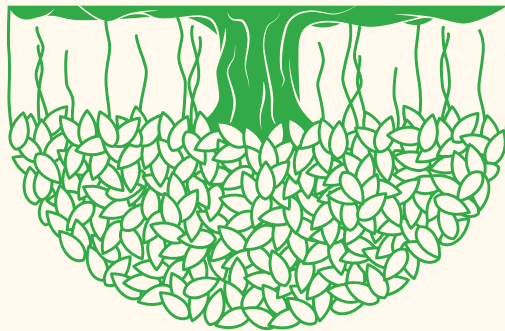




**INTEGRATING THE
THIRD TIER IN THE INDIAN
FEDERAL SYSTEM**

Two Decades of Rural Local Governance



ATUL SARMA • DEBABANI CHAKRAVARTY



Integrating the Third Tier in the Indian Federal System

Atul Sarma • Debabani Chakravarty

Integrating the Third Tier in the Indian Federal System

Two Decades of Rural Local
Governance

palgrave
macmillan

Atul Sarma
Dwarka, New Delhi, India

Debabani Chakravarty
DEFT Advisory and Research Pvt. Ltd.
New Delhi, India

ISBN 978-981-10-5624-6 ISBN 978-981-10-5625-3 (eBook)
<https://doi.org/10.1007/978-981-10-5625-3>

Library of Congress Control Number: 2017949728

© The Editor(s) (if applicable) and The Author(s) 2018

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, express or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Cover illustrations: Banyan Tree © Tanuj Abraham / Parliament House © DesignBite
Cover Design: Fatima Jamadar

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Springer Nature Singapore Pte Ltd.
The registered company address is: 152 Beach Road, #21-01/04 Gateway East, Singapore 189721, Singapore

Acknowledgements

I undertook this study when I was an Indian Council of Social Science Research (ICSSR) National Fellow (2010–12). Due to the intervention of several other pressing academic commitments, the completion of the study was greatly delayed.

The Institute for Human Development facilitated this study. I am grateful to Professor Alakh Narayan Sharma, Director, who ungrudgingly extended all help and support.

Dr Debabani Chakravarty provided me with a lot of research support. Dr V. N. Alok, IIPA, was always available for discussion. He also provided me with much research material. Dr Manish Gupta, National Institute of Public Finance and Policy (NIPFP), provided me with the books and journals I required. Dr Akhilesh Sharma was helpful in many ways. I offer my very sincere thanks to each of them.

Several staff of Institute for Human Development (IHD), Ms Jyoti Girish, Ms Priyanka Tyagi, Ms Rekha Aswal, Mr Shri Prakash Sharma, Mr P.K. Mishra and Vijay Kumar Lal, to name a few, helped me in one way or another. Thanks are due to them.

Atul Sarma

Contents

1	Introduction	1
2	Economics of Decentralization	11
3	Evolution of the Panchayati Raj in India	21
4	The Unique Institution of Local Self-Government in the North-East	45
5	Design of the Panchayati Raj	69
6	Two Decades of the Panchayati Raj	83
7	Third-Tier Government in the Inter-Governmental Fiscal Transfer Framework	123

8	Towards Integrating the Third Tier in the Indian Federal System	157
	Index	167

Abbreviations

ADC	Autonomous District Council
ASCI	Administrative Staff College of India
ATR	Action-taken Report
BP	Block Panchayat
BRGF	Backward Regions Grant Fund
CAA	Constitutional Amendment Acts
CD	Community Development
CEO	Chief Executive Officer
CPR	Centre for Policy Research
CSS	Centrally sponsored scheme
DC	Deputy Commissioner
DM	District Magistrate
DP	District Panchayat
DPC	District Planning Committee
DRDA	District Rural Development Agency
DRIST	Decentralised Rural Information Service and Technology
ECI	Election Commission of India
GOI	Government of India
GP	Gaon Panchayats
IIPA	Indian Institute of Public Administration
IT	Information Technology

x Abbreviations

MAPIT	Madhya Pradesh Agency for Promotion of Information Technology
NCAER	National Council of Applied Manpower Research
NCRWC	National Commission to Review the Working of the Constitution
NEC	North-Eastern Council
NEFA	North-East Frontier Area
NER	North-Eastern Region
NES	National Extension Service
NFC	National Finance Commission
NFC- XI	Eleventh Finance Committee
NFC- XII	Twelfth Finance Commission
NFC- XIII	Thirteenth Finance Commission
NFC- XIV	Fourteenth Finance Commission
NIRD	National Institute of Rural Development
PESA	Provisions of the Panchayat (Extension to the Scheduled Areas) Act, 1996
PRI	Panchayati Raj Institutions
PSC	Public Service Commission
RD	Rural Development
RLB	Rural Local Body
SA	Social audit
SARC	Second Administrative Reform Commission
SC	Schedule Castes
SEC	State Election Commission
SFC	State Finance Commission
ST	Schedule Tribes
ToR	Terms of reference
TP	Taluka Panchayats
UCS	Utilization certificates
ZP	Zila Parishad

List of Tables

Table 6.1	States/Union Territories where three or more than three elections were held	85
Table 6.2	Social audits	93
Table 6.3	Performance of DPCs, 2015	100
Table 6.4	Major parallel bodies for transferring central plan assistance, 2014	101
Table 6.5	Status of devolution of primary functions, 2015	106
Table 6.6	Status of the devolution of secondary functions, 2015	107
Table 6.7	Status of the devolution of tertiary functions, 2015	108
Table 6.8	Status of activity mapping in states, May 2014	110
Table 6.9	Distribution of functionaries per thousand population, 2015	117
Table 6.10	Ranking of states/Union Territories based on the notional improved index of policy adjusted with practice	118
Table 7.1	Criteria and weights for the distribution of local body grants amongst states	143
Table 7.2	Local body grants of various Finance Commissions (Rs. crores)	144

1

Introduction

Decentralization can be viewed from diverse perspectives of which political and economic perspectives are relevant to this context. The former perspective encompasses political and constitutional dimensions of public sector structure. This means that the objective function of federalism incorporates the goal of enhanced political participation¹ (see Inman 1997, 73–105). The basic assumption in such an approach is that decentralized political systems impact favourably on political outcomes and political participation.

Fiscal federalism in an economic perspective, on the other hand, focuses on economic efficiency in the performance of the public sector of a country. Decentralization is essentially anchored on the premise that government closer to the people would be more responsive to the particular preferences of their constituencies and will be able to provide “the efficient level of output of ‘local’ public good (i.e. that for which the sum of residents’ marginal benefits equals marginal cost)” (Oates 1999, 1120–1149).²

The decentralization theorem, which is a normative proposition, states that “in the absence of cost savings from the centralized provision of local [public good] and of inter-jurisdictional externalities, the level of welfare will always be at least as high (and typically higher) if Pareto-efficient

levels of consumption are provided in each jurisdiction than if any single, uniform level of consumption is maintained across all jurisdictions” (Oates 1972).³ The theorem thus provides the rationale of economic efficiency for favouring decentralized provisioning of public goods with localized effects. The magnitude of the welfare gains from fiscal decentralization depends both on the extent of heterogeneity of preferences and on cost differences across jurisdictions. In other words, as Oates puts it, “decentralized levels of government have their *raison d’être* in the provision of goods and services whose consumption is limited to their own jurisdiction” (Oates 1999).⁴

One important question that follows from the above two perspectives of decentralization is whether the goal of political participation is in conflict with the goal of economic efficiency. To put it another way, is increased political participation possible only at the cost of economic efficiency? Or is there a trade-off? To quantify the trade-offs, can one measure in a meaningful way the rate of substitution between economic efficiency and political participation and determine the degree of the optimal level of decentralization? While answers to these questions are not easy, the political objectives appear to strengthen the case for fiscal decentralization.

In regard to the economic goal of decentralization in the context of developing countries, the important question that arises is: Is decentralization conducive to growth? A formal theory of fiscal decentralization and economic growth does not seem to exist. International cross-sectional study suggests that there is a sharp contrast between the degree of decentralization in the developed and developing countries. It is observed that the developing countries are characterized by relatively higher degree of fiscal centralization (Oates 1985, 748–757).⁵ However, some studies find evidence to the effect that fiscal decentralization leads to more rapid growth (Jeff Huther and Anwar Shah 1996).⁶ It is argued that as economies grow and mature, fiscal decentralization yields economic gains (Bahl and Linn 1992).⁷

One critical aspect of decentralization is the disparity of the state and local level governments in their expenditure commitments and the access to revenues. Inadequacy of revenue sources at decentralized levels of government leads to heavy reliance on transfers from above that

erodes incentives for responsible fiscal decision-making. There is, therefore, a strong case for providing adequate and effective tax sources for the local level governments in developing countries. Indeed, an inter-governmental fiscal relation is one of the most critical issues of fiscal federalism in the developing world (Bahl and Linn 1992).⁸

It is in this broad perspective that we can view the evolution of rural local government or panchayats in India. There is evidence to suggest that panchayats as a form of self-governing institution was in existence even in ancient India. But these were different in character from what was conceived and put into practice in the West. It is interesting to note that “in ancient India the king was head of the State, but not of society. He had a place in the social hierarchy, but it was not the highest place. As a symbol of the State, he appeared to the people like a remote abstraction with no direct touch with their daily life, which was governed by the social organization” (Mookherji 1958).⁹

Mahatma Gandhi during the freedom movement formulated the idea of *village swaraj* as “a complete republic, independent of its neighbours for its own vital wants and yet interdependent for many others in which dependence is a necessity”¹⁰ (Gandhi 1962). Even so, local government or panchayats did not figure in the first draft of the Indian Constitution. It is only later at the insistence of Mahatma Gandhi that panchayats were included under the Directive Principles of State Policy which is the non-justiceable part of the Indian Constitution. It stipulates that “the State shall take steps to organize village Panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self governance.” The term “local government” is listed as item five of the State List in the Constitution.

Nevertheless, panchayats had no role to play in the overall development plan of the country in the early 1950s. Community development projects that were launched with the objective to involve people in the development process failed to evoke their participation. Having noted this failure, in a search for a better institutional mechanism for public participation and efficient development delivery, the Balwantray Mehta Committee was set up in 1957.¹¹ Examining this issue, the Committee recommended that “public participation in community work should be organized through statutory representative bodies” (GOI 1957, 23).¹²

It is against this background that the first Panchayati Raj Institution (PRI), which was structured at the district and block levels, was inaugurated by the prime minister on October 2, 1959 at Nagaur in Rajasthan. By the mid-1960s PRIs were established in all parts of the country. However, they were not functioning as was expected and were, in fact, marginalized as self-governing units. The Ashok Mehta Committee¹³ was appointed in 1977 to identify the factors responsible for its weaknesses. Bureaucratic resistance, lack of political will and elite capture were found to undermine the progress of the PRI. Interestingly, in his dissent note to the Ashok Mehta Committee, E. M. S. Namboodiripad wrote: “democracy at the Central and State levels, but bureaucracy at all lower levels—this is the essence of Indian polity as spelt out in the Constitution.”¹⁴ The L. M. Singhvi Committee¹⁵ was constituted in 1986 to search for ways to regenerate PRIs in the country. The Committee recommended providing constitutional status to PRIs.

In his quest for a responsive administration, Rajiv Gandhi held five workshops on this theme with the district magistrates and collectors at Bhopal, Hyderabad, Imphal, Jaipur and Coimbatore between December 1987 and June 1988. It is through such a wide consultative process that he crystallized his ideas about panchayats and their role not only in the delivery of some tangible and quantifiable services but also in exerting immense impact on the lives of the people. Eventually, he introduced the 64th Constitution Amendment Bill on the Panchayat Raj in the Lok Sabha on May 15, 1989 and proposed “to enshrine in the Constitution regular, periodic elections to Panchayat raj institutions” as a safeguard against the current pitfall of not holding regular elections. This bill was passed by the Lok Sabha but was defeated in the Rajya Sabha by two votes on October 15, 1989.

Subsequently, a consensus was built across all political parties in favour of PRIs and the Constitution (73rd Amendment) Act 1992 (CAA) became a reality on April 24, 1993. Thus the story of the evolution of PRIs in India suggests that the local self-governance institution that was legally put in place was the outcome of the country’s search for a strong institutional mechanism for people’s participation in the development process and for an efficient service delivery—a combination of both political and economic goals.

The CAA provided statutory status to PRIs and detailed mandatory provisions that the states would be required to make in their conformity enactment.

The legal framework provides for:

- Establishment of three-tier-village, intermediate and district PRIs with directly elected members at each level;
- One-third of seats at all levels to be reserved for women and marginalized sections of the population—SC/ST;
- A five-year term in all PRIs and elections to be held within six months in cases of premature dissolution;
- Constitution of a State Election Commission to conduct and supervise free and fair elections at all levels;
- Setting up of a State Finance Commission every five years to review and revise the financial position of PRIs;
- Establishment of district planning committees;
- Establishment of PRIs at all levels to carry out such functions and exercise such powers as the state may provide by law.

It is noteworthy that, unlike in the case of states, the Constitution has not directly transferred any functions to PRIs but listed 29 functions in the 11th schedule appended, and left to the states to devolve these functions, powers and authorities to PRIs by introducing state laws. The other important departure in the differential treatment of state and local government in the Constitution is in regard to the provision of inter-governmental fiscal transfers. The National Finance Commission (NFC) in its consideration of fiscal transfers to local government is required to do so indirectly. Resources are to be transferred to local governments based on the recommendations of state governments. In other words, local governments are not given any statutory entitlement to a share in union taxes as in the case of state governments.

It can be argued that such departures in the constitutional framework for local government from the one relating to state governments have delayed the process of integration of the third-tier government in the Indian federal system. Even after two decades since the 73rd Constitutional

Amendment, only the first generation of Panchayati Raj reforms—that include the setting up of the State Election Commissions, conducting regular elections, constituting the State Finance Commissions (SFCs) periodically, and devolving functions through state legislations—has been broadly implemented. But more challenging activities that enable the PRIs to emerge as a strong institution of governance are yet to be accomplished. The Ministry of Panchayati Raj has identified the following five activities which it calls the second generation of reforms¹⁶:

- Implementing activity mapping at each tier of panchayats that clearly spells out the 29 activities listed in Schedule XI which have been devolved by the state governments to the panchayats.
- Providing budgetary support to the panchayats corresponding to the devolution of functions and ensuring transparency for such devolution through a Panchayati Raj window in both the union and state government budgets.
- Preparing participative plans for the three tiers which are consolidated at the district level.
- Capacity building of the PRIs and providing training to their representatives in their core functions.
- Making PRIs more accountable and enhancing opportunities for citizens to monitor and approve plans in Gram Sabhas.

It may be noted that a study¹⁷ by the Centre for Policy Research, New Delhi, carried out on finances of panchayats, under the sponsorship of the NFC-XIV, observed that a robust legal framework backed by activity mapping for allocation of core functions to all three different tiers in all states had been put in place in the intervening period. It is within this broad framework that this study has been undertaken.

The study deals with the issue of integrating third-tier government, generally covering both panchayats and municipalities, in the Indian federal system. However, in view of the overwhelmingly large rural population and the imperatives of good service delivery for the vast magnitude of the population, the Panchayati Raj has assumed great importance. As the Commission on Centre–State Relations observed:

It seems that the bulk of the attention was focused upon bringing in rural local Government through the Panchayats and the 74th Amendment and its predecessor, the 65th Amendment were afterthoughts; aiming to take advantage of the political interest in the rural local Government to confer Constitutional status to urban local bodies too, along with socially empowering initiatives such as reservations for deprived communities and women. (GOI 2010, 125–126)¹⁸

Keeping in view the importance of rural local bodies, this study has focused on the Panchayati Raj. Even so, the main thrust of arguments will hold good equally for the urban local bodies.

The study has been organized into eight chapters. This chapter gives the broad framework in which the study has been cast. Chapter 2 discusses briefly the economics of decentralization on the basis of important works in the area. Chapter 3 deals with the evolution of the Panchayati Raj system in India. This is followed by Chap. 4 which deliberates on unique institution of local self-government that evolved in the context of the North-Eastern states. Chapter 5 discusses the structure and design of the Panchayati Raj and highlights some of the design deficits. Chapter 6 takes stock of two decades' performance of the Panchayati Raj in India. Chapter 7 discusses the treatment of panchayats in the inter-governmental fiscal transfer framework. The concluding chapter, Chap. 8, suggests steps towards integrating the third-tier government into the Indian federal system.

Notes

1. Inman, Robert P. 1997. "The Political Economy of Federalism" in *Perspectives on Public Choice: A handbook*, D. Muller, ed. Cambridge University pp. 73–105 and also Rubinfeld, Daniel L. 1987. "The Economics of the Local Public Sector" in *Handbook of Public Economics*, Vol. II pp. 571–645.
2. Oates Wallace E. 1999. "An Essay on Fiscal federalism", *Journal of Economic Literature*, Vol. 37. No 3, pp. 1120–1149.
3. Oates Wallace E. 1972. *Fiscal Federalism*; NY; Harcourt Brace Jovanovich.
4. Op. cit.

5. Oates, W. E. 1985. "Searching for Leviathan: An empirical Study", *American Economic Review*, 75, pp. 748–57.
6. Huther, Jeff and Anwar Shah. 1996. "A Simple Measure of Good Governance and Its Application to the Debate on the Appropriate Level of Fiscal Decentralization", World Bank.
7. Bahl, Roy and Johannes F. Linn. 1992. *Urban Public Finances in Developing Countries*, OUP.
8. Bahl, Roy and Linn 1992, op. cit.
9. Mookherji, Radha Kumud. 1958. *Local Government in Ancient India*, Delhi: Moti Lal Banwari Dass as quoted in Alok, V. N., "Local Government Organization and Finance: Rural India" in Shah, Anwar, ed. *Local Government in Developing Countries*, The World Bank.
10. Gandhi, M. K. 1962. *Village Swaraj*, Ahmedabad: Navajivan Publishing House.
11. Balwant Rai Mehta Committee on Plan projects, New Delhi, 1957, Report of the Team for the Study of Community Projects and National Extension Service.
12. Government of India, Committee on Plan Projects, 1957, p. 23.
13. Government of India, Ministry of Agriculture, Department of Rural Development, Ashok Mehta Committee, 1978, Report of the Committee on Panchayati Raj Institutions, New Delhi.
14. Note of Dissent, Ashok Mehta Committee, p. 160.
15. Government of India, Ministry of Panchayati Raj. 1986. L.M. Singhvi Committee, *Panchayat Raj System in India*, New Delhi.
16. As stated in its Memorandum to the Thirteenth Finance Commission.
17. Centre for Policy Research. 2014. *Rural Local Body Core Functions and Finances*, A study for the Fourteenth Finance Commission, First Report, New Delhi.
18. Commission on Centre-State Relations. 2010. *Report on Local Self Governments and Decentralized Governance*, Volume-IV, pp. 125–126.

References

- Alok, Vishwa N. 2006. *Local Government Organization and Finance: Rural India*. In *Local Governance in Developing Countries*, ed. Anwar Shah, 205–231. Washington, DC: World Bank.

- Bahl, Roy, and Johannes F. Linn. 1992. *Urban Public Finances in Developing Countries*. New York: Oxford University Press.
- Centre for Policy Research. 2014. *Rural Local Body Core Functions and Finances, A Study for the Fourteenth Finance Commission* (Unpublished). New Delhi: Centre for Policy Research.
- Gandhi, M.K. 1962. *Village Swaraj*. Ahmedabad: Navajivan Publishing House.
- Government of India. 1957. Balwant Rai Mehta Committee *on Plan Projects, Report of The Team for the Study of Community Projects and National Extension Service*, 23, New Delhi.
- . 2010. Report on Local Self Governments and Decentralized Governance. *Commission on Centre-State Relations*, volume–IV: 125–126.
- Government of India, Ministry of Agriculture, Department of Rural Development, Ashok Mehta Committee. 1978. Report of the Committee on Panchayati Raj Institutions, New Delhi.
- Government of India, Ministry of Panchayati Raj. 1986. L.M. Singhvi Committee, Panchayat Raj System in India, New Delhi.
- Government of India Ministry of Panchayati Raj. 2010. Memorandum to the Thirteenth Finance Commission.
- Huther, Jeff, and Anwar Shah. 1996. *A Simple Measure of Good Governance and Its Application to the Debate on the Appropriate Level of Fiscal Decentralization*. Washington, DC: World Bank.
- Inman, Robert P. 1997. The Political Economy of Federalism. In *Perspectives on Public Choice: A Handbook*, ed. D. Muller, 73–105. Cambridge: Cambridge University Press.
- Oates, Wallace E. 1972. *Fiscal Federalism*. New York: Harcourt Brace Jovanovich.
- . 1985. Searching for Leviathan: An Empirical Study. *American Economic Review* 75: 748–757.
- . 1999. An Essay on Fiscal Federalism. *Journal of Economic Literature* 37 (3): 1120–1149.
- Rubinfeld, Daniel L. 1987. The Economics of the Local Public Sector. In *Handbook of Public Economics*, ed. Alan J. Auerbach and Martin Feldstein, vol. II, 571–645. Amsterdam: Elsevier.

2

Economics of Decentralization

Decentralization has emerged as a dominant politico-economic phenomenon of recent times. In developing and transition economies there has been a marked trend towards decentralization, more so in the latter part of the 1980s and the 1990s when a large number of economies in Asia and Africa embarked on the same route (Bahl 1999). This may be regarded as a major policy shift in the developing world where political and economic authority of the central government were gradually easing out in favour of more responsibility, accountability and empowerment of local governments.

India also formally stepped into the era of decentralization in 1993 with a series of constitutional amendments better known as the Panchayat Raj Act. The landmark constitutional amendments (73rd and 74th) were passed with the objective of devolving political, administrative and fiscal authority to local bodies. This in a way set the institutional context of decentralization in India.

There often appears to be confusion in the use of the term decentralization with other related terms like deconcentration, delegation and devolution. Deconcentration is a process in which certain political and administrative responsibilities are transferred to lower units of government. It “has a general value in streamlining and making more relevant

to taxpayers Central Government services, but it has nothing to do with fiscal decentralization” (Martinez-Vazquez and McNab 1997, 2).

In the case of delegation and devolution there is however greater power—political, administrative and fiscal—vested in the hands of local governments. Here it must be stressed that delegation is a top-down process with the understanding that the powers of local governments can be revoked by the central authorities.

In the case of devolution, local or sub-national governments have a more permanent right to govern their own affairs, including the ability to raise taxes and formulate expenditure budgets, with only indirect control by central authorities (Bird and Wallich 1993). Devolution in that sense is a bottom-up process (Martinez-Vazquez and McNab 1997, 2).

The term, ‘decentralization’ as used in the book has both economic and political connotations. “From the standpoint of politics, decentralization is typically viewed as an important element of participatory democracy that allows citizens to have an opportunity to communicate their preferences and views to elected officials who are subsequently rendered accountable for their performance to citizens.....” (Bardhan and Mookherjee 2007, 4). Economics is mainly concerned with the fiscal aspect of decentralization. It provides a mechanism for discerning how local governments can mobilize revenues or raise taxes for the provision of public goods and services according to the preferences of different groups of local settlements with the objective of maximizing welfare. According to Bardhan and Mookherjee (2007, 2), “in terms of normative economic criteria, local public goods should be provided according to preferences of residents, with conflicts between preferences of different groups settled according to welfare weights that correspond to their respective demographic weights and relative needs. In utilitarian terms, this is represented by a social welfare function that aggregates utilities of different citizens.”

In this sense, decentralization in economics differs in some fundamental way from its political science perspective. What matters to the economist is that, regardless of the authority and power of local governments, decisions regarding levels of provision of specified public goods and services reflect to a considerable extent the interests of the constituency of that jurisdiction (Oates 1972).

This seemingly strong view does not eschew the political element but concedes that constitutional and legal provisions of decentralization do matter at the practical level. It is only in an enabling political environment that the economic objectives may be realized: numerous empirical cases have shown that the political system of democracy helps create a decentralized environment in which the economic objectives of efficiency and welfare may be realized.

Complete with an overview of political and economic perspectives of decentralization, rest of the chapter will mainly focus on the conceptual foundations and theories that have shaped the body of literature of fiscal decentralization under the domain of economics. A brief discussion on the theoretical underpinnings of the economics of decentralization in developing countries is provided at the end.

Mainstream economic theory primarily studies the role and efficacy of different tiers of government in resolving the standard problem of allocation, distribution and stabilization that forms the basis of public sector economics. The traditional theory of fiscal decentralization commonly known as fiscal federalism has been formulated by studying the role of government generally in the context of industrialized nations (Smoke 2001; Oates 1972). The theoretical and empirical literature on the economics of decentralization may be divided into two broad areas: the classical approach and the second generation theory.¹

The Classical Approach

According to the classical approach, the basic economic argument in favour of fiscal decentralization is that it can ensure greater economic efficiency in the provision of public goods or the allocation of resources in the public sector.

Tibeout's (1956) seminal paper on local public expenditure provides brilliant insights in this direction. Tibeout argues that decentralization solves the problem of optimal allocation of local public goods. By "local public goods" he meant goods which benefit consumers in the local community rather than benefitting the total population of consumers and those which do not have spillover effects. In Tibeout's model, local public

goods are distinct from Samuelson's concept of public goods, which entails collective consumption and non-rivalry and for which no market-type solution exists. Tibeout logically puts across the point that the analysis which is valid for "federal expenditures may not be valid for local expenditures." Tibeout has argued that it is possible to arrive at a market-type solution of optimally allocating a category of public good, namely local public good, through a decentralized mechanism. If public goods are local (such as schools, police or air quality), given that consumers are perfectly mobile and there is no spillover amongst communities, fiscal decentralization can help reveal consumers' demand for public goods even in the absence of market-type allocation. Local governments compete in providing a mix of tax and public goods, and "consumer-voters," by "voting with their feet," choose to live in that community "whose local Government best satisfies [their] set of preferences" (Tibeout 1956, 418). This locational choice mechanism leads to a market-type solution at least approximately leading to an efficient allocation of local public goods.

The second and perhaps the most influential economic decentralization theory has been put forward by Oates (1972). According to Oates, decentralization is the most effective in case of allocation of a certain type of local public goods whose preferences are heterogeneous and where spillover effects are absent. The argument is that, for relatively more local public goods, such as village health clinics, schools or minor irrigation projects, which are limited to a specific subset of the population, decentralization at the local level is likely to be more responsive to the tastes of the local subset of consumers, thereby enhancing economic efficiency in allocation (Bardhan 2002; Bardhan and Mookherjee 2007). Decentralization is likely to encourage innovation and reduce wasteful expenditures if a community finances its own public programme by local taxation.

However, local governments find it difficult to internalize inter-jurisdictional externalities or to exploit economies of scale in the provision of public goods. Oates drives his case in favour of centralization if preferences for public goods are not heterogeneous and there are spillover effects across communities. Therefore, for such public goods like highways, transport and communication, and controlling pollution, central government is more effective in allocating resources more efficiently, thereby reaping economies of scale (Bardhan 2002; Bardhan and Mookherjee 2007).

The cost of centralization or “policy uniformity” lies in the loss of responsiveness to local preferences in the provision of public goods.

Oates was also of the opinion that, for other functions of stabilization and distribution, central government is more capable of providing an efficacious solution. As regards stabilization, Oates (1972) argues that “a central Government is in a position to make good use of both monetary and fiscal policy in maintaining the economy at high levels of output without excessive inflation.”

Analogous to the problem of stabilization, central government is better equipped to solve the distribution problem as well. A redistributive policy invoked by progressive income tax in a particular jurisdiction would propel the flight of higher income groups out of the designated area, whereas poor people would move in to avail themselves of the benefits of taxation. This would result in a consequent fall in income for the community as a whole. “This suggests that since mobility across national boundaries is much less than within a nation, a policy of income redistribution has a much greater promise of success when carried out at the national level” (Oates 1972).

The third most important contribution in the literature of fiscal federalism is by Brennan and Buchanan (1980) who propounded the leviathan hypothesis. Unlike other theories which assume government to be benevolent, whose objective is to maximize the welfare of the people, Brennan and Buchanan regarded central government to function like the monopolist bereft of any altruistic aims. Decentralization here is seen as an effective means of curtailing the government’s power and size and thus limiting the capacity of the “leviathan”: “decentralisation is a means to reduce government size in order to stem its inefficient behavior” (Porcelli 2009, 2).

The Second Generation Theory

The more recent theories developed under the fiscal decentralization literature have evolved in the wake of various political, economic and empirical developments and adopt a political economy approach to address the provision of public goods. Various stringent assumptions of the classical economic approach were found to be practically untenable

in real economies, especially in developing economies. The earlier theories, which had been formulated with developed industrial economies as the backdrop, no longer could explain gaps and distortions. Stemming from asymmetry of information, inability of voters to communicate intensity of preferences, presence of interest groups, and so on. Assumptions of the government either being a benevolent guardian or as an ogre far deviates from reality.

This required widening the scope of theories to incorporate new dimensions and to redefine the role of central governments vis-à-vis local governments. In a political economy setting, such as democratic governance, the main idea is that, in such an environment, it is possible for individuals to express their preference for public goods by voting for elected representatives. Decentralization can increase efficiency by providing the right mix of tax and public goods by matching preferences and income of voters. Democratic governance institutions thus appear to be a necessary, although not a sufficient, condition to deliver enhanced efficiency (Martinez-Vazquez and McNab 1997).

In some of the recent models developed in a political economy setting, Lockwood (2002) departs from the main assumptions of the decentralization theory of Oates and proposes a model of a benevolent government and policy uniformity which is not derived from any explicit model of government behaviour. Here provision of public goods is determined by a bargaining process among regional delegates according to the rules of the legislature in the case of centralization; whereas with decentralization, regions choose and finance their own projects. He shows that, in spite of spillover effects and homogeneous preferences, there may be efficient provision of public goods if hinged in favour of decentralization. He argues that decentralization or vesting of power to local governments would “improve allocative efficiency” as well as increase “accountability”: “... goods provided by governments in localities will be better matched to the preferences of the residents of those localities. This is sometimes known as the preference-matching argument. Second, decentralization is argued to increase the accountability of government” (Lockwood 2005, 2).

Besley and Coate (2003) look at the trade-off between centralization and decentralization and arrive at similar conclusions by assuming that heterogeneity within a system will create a conflict of interest among elected representatives in the legislature thus leading to inefficient outcomes. In these theories

the main thrust is on the inefficient outcome of centralized decision-making rather than the trade-off on preference matching and externalities.

To sum up, Bardhan and Mookherjee succinctly bring out the differences of the traditional theories with the more contemporary ones. They note that traditional decentralization theory has stressed more the notion of “responsiveness,” which requires “policy to be flexible with heterogeneous or time varying community,” but has left the element of “accountability” largely unaddressed: “the traditional theory of fiscal federalism does not address the dimension of accountability that appears to have been important in the recent experience of developing countries” (Bardhan and Mookherjee 2007, 8). “Lack of accountability in economic terms corresponds to outcomes that reflect implicit policy weights that deviate substantially from welfare weights” (Bardhan and Mookherjee 2007, 6). In a political economy setting, decentralization is likely to address the twin objectives of responsiveness and accountability even though there might be marked heterogeneity in preferences of communities.

Economic Decentralization in the Context of Developing Countries

In the recent times, there has been a trend for many developing countries to turn to decentralization as a way of correcting ineffective governance, economic instability and slow growth. Decentralization in these countries, more often than not, appears as a panacea or is held responsible for exacerbating the already heavy burden of inefficiencies.

However, taking such an extreme view limits the scope of decentralization and defeats its very objective. Although it is true that developing countries have some problems in common, each country is also characterized by its own historical, cultural, institutional, political and economic contexts. “Given this enormous variety, the optimal (not to mention feasible) solutions to intergovernmental fiscal problems will be quite different from country to country, depending upon where they are starting and what they are trying to do” (Bird and Valliancourt 1998, 16).

Theories of fiscal federalism discussed above need to be revisited and re-examined to assess their applicability to developing countries, as most of these traditional, mainstream theories were formulated in the structural

context of developed and industrial economies. Nevertheless, theories are abstractions and in that sense these do provide intelligent guidelines to understand why certain prescriptions work (or do not work) in developing countries. It has been found that a number of assumptions underlying the theories of economic decentralization are often violated in developing countries. The following discussion brings out this point clearly.

Tiebout's classical (1956) model of local expenditures rests on two very crucial assumptions—the absence of asymmetry of information and perfect mobility. Given these assumptions, consumers allocate their bundles of local public goods optimally by choosing their region of dwelling, that is by voting with their feet. But in developing countries, this situation is hardly tenable as information asymmetry persists and perfect mobility is a myth. In rural settings, it is often seen that social barriers of class, caste or religion confine people to certain segments—sharply distinguishing “insiders” from “outsiders” (Bardhan 2002, 188).

Most of the traditional economic literature on fiscal decentralization develops with the assumption of a benevolent government whose objective is the unhindered delivery of public goods. However, in developing and poor countries one can hardly expect the smooth delivery of public goods where the process of reaching the intended beneficiaries is associated with corruption, bureaucratic red tape and weak accountability structures.

In traditional economic theory the focus is on optimal allocation of public goods through intergovernmental fiscal mechanisms, where distribution and stabilization are best left in the hands of central government; but in the case of developing economies the question of distribution becomes primarily important (Bardhan 2002).

The above discussion provides a glimpse into some of the theoretical considerations that in all probability would need further qualification before being applied in a developing economy context. Inter-governmental fiscal problems will be different in different countries and postulating a clear overarching formal theory that incorporates the specificities and nuances of the developing world seems an improbable task. It may be mentioned here that contemporary theories of fiscal decentralization developed in a political economy setting take into account transaction costs or political agency problems, real problems of accountability and corruption, and common malaises of developing countries and, therefore, may be applied to developing economy conditions, albeit with essential qualifications.

Notes

1. Porcelli (2009), 1.

References

- Bahl, Roy. 1999. *Implementation Rules for Fiscal Decentralization*. Working Paper Series, 9803. Georgia State University. Paper Presented at the International Seminar on Land Policy and Economic Development, LandReform Training Institute Taiwan, November 17, 1998. Retrieved from icepp.gsu.edu/files/2015/03/iswp9901.pdf. Accessed on 30 Aug 2017.
- Bardhan, Pranab, and Dilip Mookherjee. 2007. The Rise of Local Governments: An Overview. In *Decentralization and Local Governance in Developing Countries A Comparative Perspective*, ed. Pranab Bardhan and Dilip Mookherjee. New Delhi: Oxford University Press.
- Bardhan, Pranab, and Dilip Mookherjee. 2007. *The Rise of Local Governments: An Overview*. In *Decentralization and Local Governance in Developing Countries A Comparative Perspective*, ed. Pranab Bardhan and Dilip Mookherjee. New Delhi: Oxford University Press.
- Besley, Timothy J., and Coate S. Stephen. 2003. Centralised Versus Decentralised Provision of Local Public Goods: A Political Economy Approach. *Journal of Public Economics* 87: 2611–2637.
- Bird, Richard, and C. Christine Wallich. 1993. *Fiscal Decentralization and Intergovernmental Relations in Transition Economies: Towards a systematic Framework of Analysis*. Working Paper Series, 1122. Policy Research Department, Washington, DC: The World Bank.
- Bird, Richard, and F. Francois Vaillancourt. 1998. Fiscal Decentralization in Developing Countries: An Overview. In *Fiscal Decentralization in Developing Countries*, ed. Richard Bird and Francois Vaillancourt. New York/London: Cambridge University Press.
- Brennan, Geoffrey, and James M. Buchanan. 1980. *The Power to Tax: Analytical Foundations of a Fiscal Constitution*. Cambridge: Cambridge University Press.
- Grossman, Philip J., and Edwin G. West. 1994. Federalism and the Growth of Government Revisited. *Public Choice* 79: 19–32.
- Johnson, Craig. 2003. *Decentralisation in India: Poverty, Politics and Panchayati Raj*, Working Paper, 199. London: Overseas Development Institute.
- Lockwood, Ben. 2002. Distributive Politics and the Costs of Centralization. *Review of Economic Studies* 69: 313–337.

- Lockwood, B. 2005. *Fiscal Decentralization: A Political Economy Perspective*. Coventry: Department of Economics, University of Warwick. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.233.6405&rep=rep1&type=pdf>. Accessed on 31 Aug 2017.
- Martinez-Vazquez, Jorge, and Robert McNab. 1997. *Fiscal Decentralization, Economic Growth, and Democratic Governance*. Working Paper Series, 97-7. Georgia State University. Retrieved from icepp.gsu.edu/files/2015/03/ispwp9707.pdf. Accessed on 30 Aug 2017.
- Musgrave, Richard A., and Peggy B. Musgrave. 1980. *Public Finance in Theory and Practice*. 3rd ed. New York: McGraw-Hill.
- Oates, Wallace E. 1972. *Fiscal Federalism*. New York: Edward Elgar, Harcourt Brace.
- . 1985. Searching for Leviathan: An Empirical Study. *American Economic Review* 75 (4): 748–757.
- . 1993. The Role of Fiscal Decentralization in Economic Growth. *National Tax Journal* XLVI (2): 237–243.
- . 2006. *On the Theory and Practice of Fiscal Decentralization*, IFIR Working Paper, no. 2006-05. Lexington: University of Kentucky Institute for Federalism and Intergovernmental Relations.
- Porcelli, Francesco. 2009. *Fiscal Decentralisation and Efficiency of Government: A Brief Literature Review*. Coventry: Department of Economics, University of Warwick. Retrieved from <https://pdfs.semanticscholar.org/d01a/c890a7038b77f9527c9c052491697acf429b.pdf>. Accessed on 30 Aug 2017.
- Samuelson, Paul A. 1954. The Pure Theory of Public Expenditures. *The Review of Economics and Statistics*, (November) 36(4): 387–389.
- Shah, Anwar. 2004. *Fiscal Decentralization in Developing and Transition Economies: Progress, Problems, and the Promise*, Policy Research Working Paper, no. 3282. Washington, DC: The World Bank.
- Smoke, Paul. 2001. *Fiscal Decentralization in Developing Countries: A Review of Current Concepts and Practice*, Democracy, Governance and Human Rights, Programme Paper, no. 2. Geneva: United Nations Research Institute for Social Development (UNRISCD).
- Tiebout, Charles. M. 1956. A Pure Theory of Local Expenditures. *Journal of Political Economy* 64(October): 416–424.
- Woo Sik Kee. 1977. Fiscal Decentralization and Economic Development. *Public Finance Review*, (January) 5: 79–97.
- Xie, Danyang, H. Heng-Fu Zou, and H. Hamid Davoodi. 1999. Fiscal Decentralization and Economic Growth in the United States. *Journal of Urban Economics* 45: 228–239.

3

Evolution of the Panchayati Raj in India

Decentralization through local self-government is arguably the most effective instrument for ensuring participation of people in their own development process. A watershed moment in India's cooperative federalism was the 73rd and the 74th Constitutional Amendment Acts (CAA) of 1992 which provided constitutional status to local level institutions in both rural and urban areas. The states were entrusted with the responsibility of endowing power and authority to Panchayati Raj Institutions (PRIs) in rural areas and urban local bodies in urban areas to enable them to function as units of self-government.¹

Although the culminating point of institutionalizing mass governance in India is fairly recent, peoples' representation in local governance goes back to ancient times, rooted in India's tradition of village panchayats. Throughout history, there have been attempts to vest some responsibilities and power in peoples' hands primarily with the aim of ministration to rulers. This chapter briefly discusses the decentralization process practised during the different stages in India's history. This evolution has been dealt with under three broad phases:

- (i) The pre-British period;
- (ii) The British period;
- (iii) The post-independence period.

(i) Decentralization in the Pre-British Period

The history of decentralization or local self-government in India dates back to ancient times. The existence of panchayats as a form of local self-governance in India can be traced to the pre-Christian era. References to rural self-government appear in the Rig Veda as long ago as 1200 BC. The word “panchayat” also has its origin in ancient India. Panchayats literally mean an assembly of five people who were nominated to be in charge of village administration, although their number was not always limited to five. This group comprised village elders who were responsible for undertaking various administrative and civic welfare works. They enjoyed reasonable judicial, legislative and executive powers and were responsible for the all-round development and social harmony of the village (Mathew 1994; Alok 2012; Government of India 2011).

With hordes of people from far-off lands coming to and settling in India, and with the continual change of dynastic rule through the centuries, the ancient form of decentralization waned with the passage of time, coming to be replaced by more and more centralization (Kumar 2006).²

However, the structural foundations of local self-government as reflected in the modern day times were laid down by the British in India during the latter part of the nineteenth century.

(ii) Decentralization During the British Period

The first attempt at decentralization was during the tenure of Lord Mayo who introduced some financial reforms in 1870. The actual intention behind decentralization was revamping the sorry state of the imperial finances that had hit the dust following the mutiny of 1857 and the subsequent famines. Lord Mayo directed the transfer of certain departments to the provincial governments and allotted fixed sums to

provincial governments to undertake such works. He handed over the financial responsibility for the administration of the police, jails, medical services, education, roads and so on to the provinces. These measures helped to streamline government finances to a great extent (Rout 1988; MOPR 2011).³

A formal beginning to local self-government in India was made by Lord Ripon in his vice-royal tenure when the Ripon Resolution was introduced on May 18, 1882. This resolution is considered to be the 'Magna Carta' of local democracy in India. Lord Ripon proposed to create a two-tier system consisting of district boards and a sub-division or *tehsil*. The latter would be the maximum area designated under a local board, which would consist of around two-thirds elected non-official members and a non-official member to be the chairman of the board whenever possible (Mathew 1995; Alok 2011).

The next important development in the evolution of local self-government was the setting up of the Royal Commission on Decentralization in India in 1907. The Commission was appointed to study the financial and administrative relations of the central government with the provincial government and examine the effectiveness of decentralization in India. It sought public opinion for reviving and restructuring the village panchayat system but opposed the granting of extensive powers to panchayat officials in view of the inefficient and corrupt functioning of the existing ones. The Commission, however, recommended granting powers to the panchayats to deal with day-to-day civic needs like village sanitation, management of schools, loans to agriculturists, distribution of irrigation water and control over markets. The Commission recognized that local self-government should commence with the villages, but for matters of implementation and efficiency they recommended the establishment of sub-district boards which would provide funds to the village panchayats and function as the principal agencies of local administration. Although administrative devolution of some sorts was encouraged, the Commission strongly recommended that village panchayats remain completely under the district administration (Rout 1988; GOI 1909).⁴

The Montague-Chelmsford Reforms announced in 1919 took further strides in this direction. These reforms were directed towards a dual system

of government, a “diarchy,” whereby certain areas such as education, health and agriculture were listed in the “transferred list” and placed under the control of provincial governments. The Act of 1919 emphasized an elected majority of members in the local bodies and made recommendations for provincial governments to provide for greater leeway to local governments in matters of administration and finance.

Although these reforms were criticized on the grounds of poor drafting and lack of clarity, they were remarkable strides in the process of the evolution of panchayats and eventually paved the way for the establishment of village panchayats in eight provinces by 1925 through the passing of panchayat acts.

Finally, the Government of India Act, 1935, forwarded proposals to draft a new Constitution for the country which incorporated enacting legislation for the further democratization of local self-government institutions. The Act did away with the system of diarchy and made provisions for transferring greater power to the provinces. Provincial autonomy and elected government were the highlights of the Act (MOPR 2011; UNDP 2012).⁵

(iii) Decentralization in the Post-Independence Period (1947–93)

Following independence, the immediate debate around drafting the Indian Constitution veered around two schools of thought: Gandhi’s “Gram Swaraj” in which he intended to make village panchayats the very foundation of democracy, and the completely antipodal view of Dr B. R. Ambedkar who saw village communities as “a sink of localism, a den of ignorance, narrow mindedness and communalism” (Malviya 1956, 97).⁶ As might be anticipated, Ambedkar and his supporters were against granting power and authority to village panchayats. Their view gained prominence and consequently the status of panchayats was relegated to the background in the Constitution of 1950. After much pressure and persuasion by a few Gandhians, a compromise was struck and panchayats found inclusion under the non-justiceable/non-enforceable part of the Constitution concerning the directive principles of state policy (Article 40).⁷

When the draft Constitution was moved in the Assembly on November 4, 1948, Ambedkar made some observations against the village polity in his introductory speech. This evoked a lot of criticism from various members which are documented as the Constituent Assembly Debates. Only the gist of these debates on the concerned issue is provided here.

Ambedkar was very vocal in his criticism of village polity and was thus against building the basis of governance upon village and district panchayats. According to him, villages in India were fraught with ignorance, rigidity and communalism and village communities had contributed very little in shaping the destiny of the country. They had remained indifferent to the changes around them and had pursued a selfish existence for centuries. His argument was that, given their character, village polity would not be capable of efficient governance. In Ambedkar's own words, "I am glad that the Draft constitution has discarded the villages and adopted the individual as a unit" (CAA 1962, 1–27).⁸

Such a strong position taken by Ambedkar against village polity evoked a spate of criticisms. Shri Damodar Swaroop Seth (United Provinces: General) raised objections that the Constitution was being based on foreign ideas rather than being evolved from the country's own life and experiences. Professor Shibani Lal Saxena (United Province: General) commented that, like Seth, there were many who did not agree with Ambedkar's ideas. Villages do have paramount importance in the governance of India; therefore requisite Constitutional amendments were much needed on this issue. Shri T. Prakasam (Madras: General), Shri Gokulbhai Daulatram Bhatt (Bombay States) and Shri V. I. Muniswamy Pillai (Madras: General) also vouched for constitutional amendments. Shri Pillai considered it to be the highest duty of the Constitution-making body to see that the "village is set right." Shri K. Santhanam (Madras: General) spoke of inserting some statutory provisions regarding village autonomy within proper limits. Shri R. K. Sidhwa (C.P. and Berar: General) was of the opinion that, as the centre was assuming an all powerful role and taking away the powers of provincial governments, then, likewise, provincial governments were intruding upon the functions of local bodies which was against the spirit of democracy. These issues along with the finance and revenue of local bodies needed to be addressed if villages were to be made prosperous in the real sense of the term. Shri Madhava Rau (Orissa States) surmised that Ambedkar's strong

views against village polity must have been based on his own experience, though there were villages which had made remarkable progress. In his opinion, 30 per cent of the villages could be classified as good—that is they held regular meetings, collected panchayat taxes, undertook optional duties and carried out works of public utility. Their success had been the result of good intention and efficient administration by a village headman or influential landlord. These success stories could be replicated in various parts of the country if government at the higher level so desired and made villages a viable unit of administration.

Shri H. V. Kamath (C.P. and Berar General) and Shri Arunchandra Guha (West Bengal: General) took exception to Ambedkar's statement. It was on the basis of Metcalfe's (Sir Charles Metcalfe acted as the Governor general of India for a brief period of time between 1934 and 1935. Among other things, he is well remembered for propounding the idea of self-sufficiency of Indian villages.) praise of villages "as little republics of India" that many people in the assembly were championing the cause of villages, despite their inherent foibles. H. V. Kamath, member of the Constituent Assembly of India (1949) from Central Provinces and Berar argued that many great Indians like Mahatma Gandhi, Sardar Patel, Pandit Nehru, Netaji Subhas Chandra Bose and Sree Aurobindo all had deep faith in the potential of villages and rural folk. Their support for "village republics" emanated from the views of Indian leaders and not only from some British people supporting local governments. Arun Chandra Guha, member of the Constituent Assembly of India (1949) from West Bengal argued that, while the individual was the soul of the administration, the village should be made the basis of the machinery of the administration (Kashyap 1989, 28–53).⁹ Finally, as stated above, after much opposition Ambedkar and his supporters were persuaded to include panchayats under the directive principles of state policy.

Against this backdrop, the Community Development (CD) programme was launched in 1952 which was described as a method of initiating a process of transformation of the social and economic life of villagers. One of the key objectives of the CD programme was ensuring people's direct participation in the development process through panchayats. The National Extension Service (NES) programme was launched in 1953 as a support arm of the CD programme to impart scientific and technical knowledge in subjects related to community life, that is agriculture,

animal husbandry, rural industry, and so on, and also to extend services concerning health and rural welfare. After the first few years, it was found that the CD and NES programmes were not functioning as planned but were carried out through ad hoc bodies such as Vikas Mandals. People's participation in the CD programme in most of the states was minimal. As a natural consequence, crucial economic objectives of agricultural development, generating employment and productivity in the rural sector were observed to be suffering in the process.

The Balwantray Mehta Committee Report (1957)¹⁰

At this juncture, the Balwantray Mehta Committee was appointed by the Ministry of Rural Development in 1957 to review the working of the CD and NES programmes since these had failed to yield the expected results. The Committee observed that the preponderance of the states over the lower tiers of government had led to the throttling of the functions of district and local administration. In many instances, states had shown the tendency to take over the functions of the district boards. The Committee strongly suggested that participation in community development could be ensured by a representative body which is "statutory, elective and comprehensive in its duties and functions." Members of the village panchayats should be elected with the provision of co-option of two women members and one member each from scheduled castes and scheduled tribes.

The government, according to the Committee, should devolve authority and responsibilities of developmental work to the lower tiers, confining itself to the functions of guidance, supervision and higher planning. They recommended a three-tier structure of institutions for democratic decentralization at the village, block and district levels: Gram Panchayat at the village level, Panchayat Samiti at the block level and the Zila Parishad at the district levels. The panchayats within the block areas could be grouped together in Gram Sevak circles, who in turn would elect among themselves a person or persons who would be members of the Panchayat Samiti. The Panchayat Samiti would be constituted by indirect elections from the village panchayats. They suggested that the Panchayat Samitis at the block level should be the basic unit of decentralization as

these bodies should ideally be neither too small nor too big. The functions of the Panchayat Samiti should cover all aspects of rural life including administration, economic development and welfare. The Zila Parishad should play an advisory role.

The Panchayat Samitis should be given the authority and responsibility to explore their own sources of income and resources from various local sources such as a cess on land revenue, rent and profit from property, net profit from tolls and leases, and a share of motor vehicle tax. Village Panchayats should be used as the agency for the collection of land revenue and be paid a commission. They should be entitled to receive a statutorily prescribed share of some resources such as a part of land revenue from Panchayat Samitis.

To sum up, the key point made by the Balwantray Mehta Committee was that, for democratic decentralization to yield optimum results, there should be room for all the tiers of the scheme (village panchayat, Panchayat Samiti and Zila Parishads) to function simultaneously. Public participation in community development work could be galvanized only through statutory representative bodies at every level which would provide safeguards so that power and authority of one tier was not appropriated by the other.

Following the recommendations of the Balwantray Committee, the Panchayati Raj in India received a positive boost. It led to the passing of important legislation in various states. By the mid-1960s Panchayati Raj institutions (PRI) began to be established in many states of the country. Panchayat elections were held and, by 1963, Panchayati Raj legislation had been enacted in 12 states and Panchayat Samitis and Zila Parishads established in ten states. Overall, this marked a flourishing period in the history of the Panchayati Raj in India.

Here it should be mentioned that, although India made remarkable progress in terms of enacting legislation on PRIs, their implementation was not uniform in all states. Some states such as Gujarat and Maharashtra were implementing legislation related to PRIs effectively while many other states were found to be lagging behind. One of the major roadblocks to operationalizing the legislation was found to be a shortage of funds. There were some aspects in PRI related to resources and budgetary provisions that required the special attention of policy-makers. During the third plan (1961–66), the Santhanam Committee was constituted under the Ministry of Community Development and Cooperation to look into the issue of panchayat finances. The Committee published its report in 1963.

Santhanam Committee (1963)¹¹

The Committee underlined the availability of adequate resources for PRI institutions as the fundamental requirement for the success of community development. Paucity of funds for each of the three tiers of government was the major hurdle towards the effective functioning of the Panchayati Raj system.

It has been observed that panchayats in many cases were able to perform neither their obligatory nor discretionary duties effectively. Even basic civic amenities like a safe drinking water supply, sanitation and conservancy, and maintenance of roads could not be carried out by panchayats efficaciously owing to a shortage of funds. The shortage of independent sources of revenue obstructed Panchayat Samitis from initiating development projects of their choice. The gravity of the problem can be well understood from the Committee's observation that the introduction of the Panchayati Raj system in the states should have been preceded by an estimation of the minimum costs which would at least take care of the obligatory functions of the panchayat.

The Committee suggested that panchayats should be encouraged to exploit their own sources of revenue. They specified a few compulsory taxes such as house tax, professional tax and vehicle tax which could contribute to panchayat coffers, enabling them to discharge their duties effectively.

As pointed out by the Committee, efforts to raise taxes would be more likely if people felt that the proceeds would be utilized more for provision of civic amenities than for mere administrative purposes. They recommended that the expenditure on administration should not ordinarily exceed 25 per cent of the total earnings of a panchayat. State governments and central government needed to contribute basic maintenance fund assistance to panchayats. The Committee mentioned that central government at that time was not providing any direct assistance to panchayats.

Different rules of tax appropriation applied to different states depending on their panchayat legislation. It would, therefore, be best to rationalize the system of tax and transfers. The state government should consider the possibility of sharing income from forests, quarrying and mineral royalties with panchayats which have very little agricultural land and insignificant land revenue. A high level officer should preferably be

in charge of financial matters concerning Panchayat Raj bodies. For effective functioning of panchayats, frequent changes in the structure, functions and resources needed to be avoided.

Ashok Mehta Committee (1978)¹²

The Ashok Mehta Committee was constituted in 1978 (under the Ministry of Agriculture and Irrigation, Department of Rural Development) at a time when the initial enthusiasm for the Panchayati Raj system had diminished and PRIs were in a phase of decline. In the intervening period between 1966 and 1978, there had been frequent changes in the central government and interest in PRIs had weakened. During Indira Gandhi's regime, there was a policy shift towards centralization resulting in the marginalization of PRIs to a great extent. Following a change of government at the centre, the Ashok Mehta Committee was constituted to probe into causes for the abysmal functioning of PRIs and to come up with sound corrective recommendations.

The principal problems of the existing system of the Panchayati Raj were the level of implementation of democratic decentralization, which was found to be vastly different in different states, and the great diversity of structures and functions of PRIs, which complicated the state of affairs and adversely affected their performance.

The Committee expressed the view that there was a general lack of clarity regarding the aims and objectives of PRIs. It argued that some could treat it as an administrative agency, others as an extension of democracy at the grass roots level and yet others as a charter of rural local Government. What is all the more intriguing is that all these conceptual formulations could exist side by side leading to militate against each other at least in the short run. None of them could perhaps be seriously pursued. This led to a crisis of expectation all along the line (Ashok Mehta Committee 1978).¹³

The administrative laxity shown towards the holding of timely elections for panchayats also seriously affected the performance of PRIs. An unsupportive bureaucracy was one of the chief forces which brought down the Panchayati Raj. As pointed out by the Ashok Mehta Committee, bureaucracy was to a great extent responsible for disassociating PRIs from

the development process as they saw PRI's strength as a threat to their status and functions and were not easily agreeable to the idea of working under elected representatives at the panchayat level.

According to the Committee, the meagre resource base of PRIs and the lack of support and attention from the state government and bureaucracy limited PRIs from undertaking development projects in the respective villages. So, various developmental programmes which ideally should have had active involvement of PRIs were actually kept out of their orbit.

This brief discussion on the recommendations of the Ashok Mehta Committee helps us to understand the then context in which these recommendations were made. These recommendations marked a policy shift in understanding the framework of functioning of the panchayats as it spoke of the operationalization of local government in its "full meaning." The Committee stressed the need for granting constitutional status to panchayats. In fact, it was one of the first committees to do so. Dynamic and powerful PRIs are important not only for the implementation of development projects but because they are intrinsically important institutions in a democratic system.

The Committee categorically emphasized the holding of timely elections and the enactment of statutory state legislation for the purpose. It recommended that there should be a Chief Election Commissioner, independent of PRIs, who would be in charge of election related matters.

The Committee advocated the creation of a two-tier system of the Panchayati Raj: the Zila Parishad at the district level and below it the Mandal Panchayat. The district should be the first point of decentralization below the state level and have sufficient powers vested with the Zila Parishad. The Mandal Panchayats should garner the involvement of villagers through their committees which would be responsible for civic functions and other related welfare activities. There should be avenues for PRIs to mobilize resources of their own through a select list of taxation subjects. Nyaya Panchayats—local institutions for dispensing justice—should be kept as separate bodies and presided over by a qualified judge.

The Committee's proposal of encouraging the open participation of political parties in panchayat elections was remarkable as it would clearly show people's preferences towards certain programmes and would thus forge a link with higher political processes. This step was to put a hold on

the proxy involvement of such parties and unfair practices associated with it. The direct impact of the involvement of political parties in elections is likely to trigger greater awareness and participation of the weaker sections and provide them with avenues for availing themselves of opportunities offered by the political system. This would foster the creation of an environment outside the stranglehold of bureaucratic influence and narrow sectarian and caste interests.

Sadly enough, the recommendations of the Ashok Mehta Committee remained largely unimplemented owing to great upheavals in the political scene and a shift of priorities with regard to PRIs.

Sarkaria Commission (1983)

After the Ashok Mehta Committee report, very few changes were visible at ground level regarding the devolution of powers and responsibility to the Panchayati Raj. After a gap of five years of subdued interest in the Panchayati Raj, the Sarkaria Commission, constituted in 1983, once again looked into the working of PRIs with renewed vigour. Although the Commission addressed centre—state relations, it devoted considerable attention to the Panchayati Raj system. The Commission recommended that PRIs at different levels needed to be strengthened both financially and functionally. The Commission emphasized regular elections to panchayat bodies and suggested uniform legislation throughout India (Kashyap 1989).¹⁴

G. V. K. Rao Committee Report (1985)¹⁵

India once again embarked on the path towards greater decentralization in the 1980s and efforts were made to revive the Panchayati Raj movement which had died down in the hubbub of various political changes. Under the prime ministership of Rajiv Gandhi various initiatives were undertaken to promote the cause of the Panchayati Raj. The constitution of the G. V. K. Rao Committee in 1985 by the Planning Commission under the Department of Agriculture and Cooperation, Ministry of Agriculture and Rural Development, was one of the foremost initiatives in this direction.

This Committee laid great emphasis on the clarity and demarcation of planning functions, on planning funds and on the devolution of financial resources. Like the Ashok Mehta Committee, this Committee also reiterated the need for holding regular elections to panchayat bodies. Such steps were seen as a prerequisite to their sustenance as well as achieving their development objective.

The committee recommended devolving greater administrative power and financial back-up to PRIs. The Panchayati Raj bodies needed to be activated and made capable of handling their own affairs.

This Committee in a way changed the focus in favour of directly elected people's representatives and the three-tier system of PRIs (as backed by the Balwantray Mehta Committee) as distinguished from the two-tier system of the Ashok Mehta Committee and the indirect elections of the Mandal chairman. Although the district should be the principal body for the management of development programmes in the three-tier system, the Committee re-emphasized the role of blocks in the rural development process. They argued for the rationalization and the re-organization of blocks to ensure that they become viable units of administration.

Invigorating PRIs was now a part of comprehensive rural development, rather than their being a part of a community development programme only, and the success of these programmes, like poverty alleviation, depended on integrating them with local needs to ensure an active role for village panchayats, Panchayat Samitis and Zila Parishads.

L. M. Singhvi Committee Report (1986)¹⁶

Following the G. V. K. Rao Committee, another committee under the chairmanship of L. M. Singhvi was formed in 1986 to come up with recommendations for revitalizing PRIs. This Committee reiterated the importance of PRIs as the basic units of local self-governance and which should be recognized, protected and preserved by the inclusion of a new chapter in the Constitution. PRIs should be constitutionally proclaimed as the third tier of government.

PRIs are not only to be viewed as convenient tools for administration and development but should also be recognized as invincible pillars for the

sustenance of democracy. The Committee maintained that a bottom-up approach through the strengthening of PRIs would ensure the building up of a solid foundation of democratic institutions in the country. “The Panchayati Raj institutions should be organised as a part of the process of democratic decentralisation for building up the institutional edifice from the grassroots upwards and not as a gift of devolutionary process” (L. M. Singhvi Committee Report, 8).¹⁷ The concept of Gram Swaraj should be considered the edifice of the PRI in India and Gram Sabha the embodiment of direct democracy.

Like the G. V. K. Rao Committee, this Committee also laid great emphasis on the holding of panchayat elections on a regular basis and recommended that the responsibility for smooth, free and fair elections should be entrusted to the Election Commission of India, perhaps through state commissions or similar apparatus. A Panchayati Raj judicial tribunal should be set up in every state to adjudicate cases related to panchayat elections and other related matters. Adequate funds should be made available to PRIs and be channelled through the finance commissions of state appointed by the union government.

The geographical expanse and variegated ethos and orientation of the country demands the “rationalization of territorial limits ... The Committee recommended village reorganisation in our country on the basis of relevant criteria which should take into account factors of identity, continuity, contiguity, homogeneity, communications and techno-economic, demographic and cultural factors” (ibid., 7). A model constitutional legislation should be prepared with sufficient scope for appropriate local adaptations.

Like the Ashok Mehta Committee, this Committee also emphasized the setting up of Nyaya Panchayats that should be entrusted with the duties of adjudication, mediation and conciliation.

On matters of administrative arrangements for rural development and poverty alleviation programmes, the Committee’s recommendations were similar to those of the G. V. K. Rao Committee and proposed that the administrative structures of planning and development along with maintaining dynamism and independence should also be integrated with institutions of local self-government.

The Sixty-Fourth Amendment Bill of 1989

In 1989, the Congress Government under Rajiv Gandhi made concrete efforts to grant constitutional status to PRIs through the introduction of the 64th Amendment Bill. The Bill was passed by the Lok Sabha but unfortunately was defeated in the Rajya Sabha by a few votes as the Congress Party did not have the required majority. Nevertheless, this was an important landmark in the history of the Panchayati Raj. The 64th Amendment Bill can be considered as a precursor to the panchayats gaining constitutional status eventually in 1993 by the 73rd Amendment Act.

The 64th Amendment bill related to Part IX of the Constitution and consisted of an article which was to be amended with provisions 243e to 243m (Chandrashekar 1989, 1434–1435; Mishra 1994, 76–77).¹⁸ The Bill proposed to make it obligatory for all states to establish a three-tier system of panchayats at the village, intermediate and district levels with the exception that panchayats at the intermediate level may not be constituted in a state having a population not exceeding 20 lakhs (Article 243 A).

The state would be responsible for making provisions by law, with respect to the composition of panchayats. Members' posts should be filled by direct elections with the exception that the legislature can provide for the membership of Members of Parliament (MPs), Members of Legislative Assembly (MLAs) and chairmen of panchayats in appropriate panchayat bodies (Article 243 B)

Article 243 C provided for the reservation of seats for marginalized groups—Scheduled Castes (SC), Scheduled Tribes (ST) and women. The number of seats reserved for SCs and STs in the panchayats would be in the same proportion to the total population of the area. As nearly as 30 per cent of the total number of seats in the panchayat would be reserved for women.

The duration of panchayats should be five years. If they were to be dissolved for any reason before the completion of five years, then an election to constitute a new panchayat should be held before the expiration period of six months.

A District Planning Committee (DPC) would be set up in every district for the development of rural areas proximate to neighbouring urban centres. The members of the DPC would be jointly elected from amongst

the members of the panchayats at all three levels and the members of the municipalities within the district.

A Finance Commission should be appointed by the governor to review the financial position of the panchayats and make recommendations regarding taxes and duties to be imposed and the basis of sharing the revenue with state governments, aid grants and related matters. These recommendations would have to be laid before the state legislature (Chandrashekar 1989, 1433). The accounts of the panchayats would be audited by the Comptroller and Auditor General and the report submitted to the governor of the respective state, where it would be placed for consideration to the legislature.

The preparation of electoral rolls and the conduct of elections related to panchayats would be supervised by the State Election Commission (SEC). However, state legislature would be responsible for enacting laws to govern elections (Article 243 I and J).

As already mentioned, the 64th Amendment Bill failed to muster the required majority and was defeated in the Rajya Sabha by a few votes. At this juncture, one feels impelled to revisit the collage of events that characterized the political environment of the country and its bearings upon the introduction and subsequent rejection of the Bill. For instance, one cannot help but speculate on the ruling government's (Congress) hurried introduction of a bill of this stature in an election year (1989) in the face of the opposition's anticipated reaction of making every possible attempt at blocking it. But keeping the political motives aside for now and concentrating on the clauses of the Bill per se, some of them were found objectionable on the following grounds.

The Bill was found lacking in flexibility in terms of prescribing a rigid three-tier structure for the government. Dissenters felt that it was not necessary for all states to follow an intransigent three-tier system, particularly those like West Bengal and Karnataka where the Panchayati Raj system was already working well.

One important area of criticism, with obvious political ramifications, was the emphasis of the Bill on establishing a direct line of communication between district government and central government. This was interpreted as the deliberate move by the central government to bypass state government for the implementation of centrally sponsored development

schemes. Apprehensions were rife that decentralization at the local level meant curtailing state authority, which was purported to be against the essence of decentralization.

As pointed out by policy observers, there was no merit in uniformity being imposed regarding the composition of panchayats where all seats were to be filled by direct election (sub-clause 2 of 243 B). Dissenters argued that direct elections were against the essence of the Gram Swaraj of Gandhi which envisaged successive layers of panchayats to be based on indirect elections.

The other objection raised was against (243 H) regarding the audits of panchayats where the form of accounts and credit was to be laid down by the governor, on the advice of the Comptroller and Auditor General (CAG) and audit reports submitted to the governor. Again, like 243 A, this was also seen as an attempt to supersede the authority of the state.

On the question of fairness and efficiency, the Sarpanch's sole authority, as indicated in the Bill, in identifying beneficiaries of programmes, the implementation of development schemes and the disbursement of funds, is disputable (Ghosh 1989).¹⁹

The 73rd Constitutional Amendment: The Panchayati Raj Act of 1993

The Constitutional Amendment Bill on the Panchayati Raj was reintroduced by the Congress led government in 1991 under the prime ministership of Narasimha Rao as the 72nd (Panchayats) and 73rd (Nagarpalikas) Constitutional Amendment Bills. Prior to that, in 1990, the National Front Government also introduced a combined bill, the 74th Amendment Bill on Panchayats and Municipalities, though before this was taken up for discussion in Parliament, there was a change of government at the centre. Subsequently, when the Congress Party again came to power they incorporated some changes suggested by the National Front Government and referred both the 72nd (Panchayats) and 73rd (Nagarpalikas) Constitutional Amendment Bills to a Joint Committee of Parliament. Following the recommendations of the Committee, further

changes were effected in the Bill and both the Bills on Panchayats and Municipalities were passed. The 73rd Constitutional Amendment Bill finally came into force on April 24, 1993 as the Panchayati Raj Act.

An overall reading of the Panchayati Raj Act highlights that it was still very much rooted in the 64th Amendment Bill of 1989, although the most important change was effected through the inclusion of Gram Sabha in 243 B. Through the Act of 1993, the Gram Sabha became the cornerstone of the Panchayati Raj system in India. All individuals of 18 years and above would be its members and could exercise their voting right.

With regard to the reservation of women, the 73rd Amendment Act was a huge step forward in the direction of female empowerment. While the 64th Constitutional Amendment Bill of 1989 included the reservation of as nearly as 30 per cent of seats in favour of women in the membership of panchayats, at all three levels of village, district and intermediate, to be provided in the seats reserved for SC/ST as well as in the total seats in each panchayat, the 73rd Amendment Act categorically stated “not less than one-third” in membership, though it also introduced the reservation of a chairperson’s post for at least one-third of the panchayats at each level. This clearly marked a policy shift from reserving seats for women as a concession to the reservation of political empowerment and achieving social justice (Buch 2013, 8).²⁰

Other changes made in the 73rd Amendment included Articles 243 F and 243-O regarding disqualification of membership of panchayats and a bar to interference by courts in electoral matters which were not a part of the 64th Amendment Bill. Some of the salient features of the 73rd Constitutional Amendment Act are discussed below.

The constitution of a three-tier PRI structure was provided through state legislation: at the village, block and district levels. However, panchayats at the intermediate level might not be constituted in a state having a population not exceeding 20 lakhs.

The Gram Sabha should be recognized as a deliberative body and may exercise power and authority as provided by the legislature of the state. The voters of the village would constitute the members of the Gram Sabha. The panchayat should be accountable to the Gram Sabha.

Direct elections would be held every five years for all members at all levels of the Panchayati Raj system. An SEC would be created to supervise, organize and oversee panchayat elections at all levels.

A State Finance Commission (SFC) would be constituted to review and revise the financial position of the panchayats at five-year intervals, and to make relevant recommendations to the governor of the state about the distribution of panchayat funds and measures needed to improve the financial position of panchayats. The composition of the Commission and the appointment of its members were to be decided by the state legislature.

The jurisdiction area of the panchayats was stipulated by notifying an elaborate list of 29 items under the Eleventh Schedule of (Article 243 G) of the Panchayati Raj Act to be devolved to the PRIs. The panchayats would need to perform obligatory functions like the provision of safe drinking water, the maintenance of public wells and ponds, dispensaries, and primary and secondary schools, and developmental functions like minor irrigation schemes, rural electrification, cottage and small industries, and poverty alleviation programmes.

Summary

The above discussion on the history of the Panchayati Raj gives an idea of the “long and chequered history”²¹ of local self-government in India. Local self-government in various forms had existed in India at different points in time since antiquity. The discussion has provided a glimpse of local self-government in the pre-independence period and dwelt at length on the changing dynamics of local self-government in independent India, which finally culminated with the institutionalizing of the Panchayati Raj Act of 1993.

After independence, panchayats were firstly mentioned in the Directive Principles (Article 40) and conceived as an institution that would primarily support the developmental functions of the Indian state. But as Bandyopadhyay et al. state, “this led to a situation where we had democratic form of governance at the national and State levels and bureaucratic governance at the district and sub-district level, that is democracy for the elites and bureaucracy for the masses” (2003, 3985).

Attempts at empowering the panchayats began in the 1950s with the setting up of the Balwant Rai Mehta Committee in 1957 which advocated a three-tier system of panchayats. This Committee primarily conceived panchayats as being entrusted with developmental functions while the

regulatory functions of maintaining law and order, revenue, the welfare of the weaker sections of the population, and so on, all would remain the responsibility of the district administration. Following the recommendations of the Balwant Rai Committee, legislation was passed by several states in this regard. This was termed the first-generation reforms related to the establishment of PRIs. Unfortunately, this system collapsed in most of the states in the absence of a long term vision after the death of Jawaharlal Nehru in 1964.

The recommendations of the Ashok Mehta Committee in 1978 framed the trajectory of the second-generation reforms of reviving the Panchayati Raj. The Committee advocated devolution of actual powers to local governments in addition to pursuing the developmental objective of the previous generation. The Committee for the first time made a novel recommendation of involving political parties to participate in local self-government institutions. These reforms did bring winds of change, and states like West Bengal and Karnataka stood as successful examples of implementation of the second-generation reforms (Mathew 2004). However, these reforms too stopped short of viewing panchayats as autonomous units of government in the true sense of the term. As Mukarji comments, “Panchayati raj, whether of the apolitical B Mehta variety or the political A Mehta one, will not do, because the ‘raj’ element is wholly missing in both” (1993, 861).

The third generation of reforms initiated by the then Prime Minister Rajiv Gandhi, in the mid-1980s, and the subsequent “constitutional amendments” marked the terminal point of a process (Bandyopadhyay et al. 2003, 3987).²² These reforms marked a paradigm shift from the erstwhile ones in the sense that these were a giant leap towards constitutional status for the Panchayati Raj. One needs however to bear in mind that the reform process was not the result of people awakening at the grassroots level but a response from above to the particular state of affairs of that time.

The Indian State felt that implementation of development programmes would be most effective if local people were involved especially for identification of beneficiaries for development programmes and to a smaller extent, for decisions on how to spend the funds available for different local projects.

This explains the continuous emphasis on poverty alleviation programmes on entrusting selection of beneficiaries and locations of development works to the Gram Sabha. (Buch 2012 2)

Eventually the Panchayati Raj Bill was presented in Parliament in 1989 but failed to become an act as it was defeated in the Rajya Sabha. One of the important reasons for opposing the Bill was that political parties felt the centre was trying to establish direct links with local people and administration through providing greater autonomy to panchayats that would supersede the authority of the state administration. Incorporating a few changes, the bill enacted as the 73rd Amendment (Act) 1992 was finally passed on April 24, 1993 as the Panchayati Raj Act. It marked the culmination of a 50-year-long process which came of age in April 1993. Since the passing of the Act, objections have been raised against some of its clauses and the effectiveness of its implementation has been questioned on several grounds; nonetheless, the Panchayati Raj Act stands as the beginning of a new chapter in the history of decentralization in India.

Notes

1. Article 40 of the Directive Principles, accessed on 10/03/16 http://www.panchayat.gov.in/documents/401/0/VOL-1_Towards%20Holistic%20Panchayat%20Raj.pdf.
2. Kumar, G. 2006. *Local Democracy in India: Interpreting Decentralization*. New Delhi: Sage Publications.
3. Rout, K.C. 1988. *Local Self-Government in British Orissa, 1869–1935*. Delhi: Daya Publishing House and Ministry of Panchayati Raj. 2011. *Roadmap for the Panchayati Raj (2011–16): An all India Perspective*.
4. Government of India. 1909. *Report of the Royal Commission on Decentralisation*, Vol I, Part III.
5. MOPR. 2011. *Roadmap for the Panchayati Raj (2011–16): An all India Perspective*. UNDP. 2012. *Panchayat Raj (Extension to Scheduled Areas) Act of 1996: Policy Brief*.
6. Quoted from Alok, V.N. 2011. “Role of Panchayat Bodies in Rural Development since 1959,” 9. Delhi: IIPA.
7. *Ibid*, 9.

8. Constituent assembly debates cited from Avarad Newsletter, IV (January-February 1962) quoted from Bendix, R. 1977. *Nation Building and Citizenship*, 294. University of California Press.
9. Kashyap, A. 1989. *Panchayati Raj: Views of Founding Fathers and Recommendations of Different Committees*. New Delhi: S. Kumar.
10. Government of India. 1957. *Report of the Study Team for Community Development and National Extension Service*, Vol. I. New Delhi: Committee on Plan Projects. (Chairman: Balwantray Mehta).
11. Government of India. 1963. *Report of the Study Team on Panchayati Raj Finances*. Ministry of Community Development and Cooperation. (Chairman: K. Santhanam).
12. Government of India. 1978. *Report of the Committee on Panchayati Raj Institutions*. Ministry of Agriculture and Irrigation, Department of Rural Development, (Chairman: Ashok Mehta).
13. *Report of the Committee on Panchayati Raj Institutions* as quoted in Desai, V. 1990. *Panchayati Raj: Power to the People*, p. 408. Bombay: Himalaya Publishing House.
14. Kashyap, A. 1989. *Panchayati Raj: Views of Founding Fathers and Recommendations of Different Committees*. S. Kumar, New Delhi.
15. Government of India. 1985. *Report of the Committee to Review the Existing Arrangements for Rural Development and Poverty Alleviation Programmes (CAARD)*. Ministry of Agriculture, Department of Rural Development, (Chairman G.V.K. Rao).
16. Government of India. 1986. *A Draft Concept Paper on Revitalization of Panchayati Raj Institutions for Democracy and Development*. Ministry of Agriculture, Department of Rural Development, (Chairman: L.M. Singhvi).
17. L.M. Singhvi Committee Report.
18. See Mishra, S. 1994. *Democratic Decentralisation in India*. New Delhi: Mittal publications; and Chandrashekar, B.K. 1989. "Panchayati Raj Bill: The Real Flaw." *Economic and Political Weekly*. July.
19. For a critique of the 64th Amendment Bill see Ghosh, A. 1989. "From the Ivory Tower: the Panchayati Raj Bill." *Economic and Political Weekly*, July 1.
20. Buch, N. 2013. *From Oppression to Assertion: Women and Panchayats in India*. India: Routledge.
21. Buch, N. 2012. "Gram Sabha and Panchayati Raj." *Social Action*, Vol. 62, January–March.
22. Bandyopadhyay, D., Ghosh, S.K., Ghosh, B. 2003. Dependency versus Autonomy: Identity Crisis of India's Panchayats. *Economic and Political Weekly*. No. 3991, September 20, p. 3987.

References

- Alok, Vishwa N. 2011. *Role of Panchayat Bodies in Rural Development Since 1959*, Theme Paper Presented at the 55th Members' Annual Conference. New Delhi: Indian Institute of Public Administration. <http://www.iipa.org.in/upload/Theme%20Paper%202011.pdf>. Accessed 11 Mar 2016.
- . 2012. *Devolution to Panchayats in India: Ranking Functional Environment at Sub-National Level- Empirical Assessment 2011–12*. New Delhi: Ministry of Panchayati Raj and IIPA.
- Bandyopadhyay, D., Saila K. Ghosh, and Buddhadeb Ghosh. 2003. Dependency Versus Autonomy: Identity Crisis of India's Panchayats. *Economic and Political Weekly* XXXVIII (38): 3984–3991.
- Bendix, Reinhard. 1977. *Nation Building and Citizenship*. Berkeley: University of California Press.
- Bijoy, C. R. 2012. *Policy Brief on Panchayati Raj (Extension to Scheduled Areas) Act of 1996*. UNDP. <http://www.undp.org/content/dam/india/docs/UNDP-Policy-Brief-on-PESA.pdf>. Accessed 8 Mar 2016.
- Buch, Nirmala. 2012. Gram Sabha and Panchayat Raj. *Social Action* 62, January–March.
- . 2013. *From Oppression to Assertion: Women and Panchayats in India*. New Delhi: Routledge.
- Desai, Vasant. 1990. *Panchayati Raj, Power to the People*. Bombay: Himalaya Publishing House.
- Ghosh, Arun. 1989. The Panchayati Raj Bill. *Economic and Political Weekly* XXIV (26): 1429–1431.
- Government of India. 1957. *Report of the Study Team for Community Development and National Extension Service*, vol. I (Chairman: Balwantraji Mehta). New Delhi: Committee on Plan Projects.
- . 1978. *Report of the Committee on Panchayati Raj Institutions* (Chairman: Ashok Mehta). New Delhi: Ministry of Agriculture and Irrigation, Department of Rural Development.
- . 1985. *Report of the Committee to Review the Existing Arrangements for Rural Development and Poverty Alleviation Programmes* (CAARD), December (Chairman G.V.K. Rao). Ministry of Agriculture, Department of Rural Development.
- . 1986. *A Draft Concept Paper on revitalization of Panchayati Raj Institutions for Democracy and Development* (Chairman: L.M Singhvi). New Delhi: Ministry of Agriculture, Department of Rural Development. http://www.panchayat.gov.in/documents/401/84079/Recommendations_L_M_Singhvi_Committee_Report.pdf

- . 1909. *Report of the Royal Commission on Decentralisation*, vol. I, Part III. http://ir.infnibnet.ac.in:8080/jspui/bitstream/10603/62871/9/09_chapter%202.pdf. Accessed 12 Mar 2016.
- . 2010. *Local Self Governments and Decentralized Governance Report Volume IV*. Commission on Centre-State Relations.
- . 2011. *Roadmap for the Panchayati Raj (2011–16): An All India Perspective*. Ministry of Panchayati Raj. www.panchayat.gov.in/.../Panchayati_Raj_Final_pdf_02-5-11.pdf. Accessed 3 Mar 2016.
- Kashyap, Anirban. 1989. *Panchayati Raj: Views of Founding Fathers and Recommendations of Different Committees*. New Delhi: S. Kumar.
- Kumar, Girish. 2002. *Constitutionalising Panchayats: The Response of State Legislatures*, CSH Occasional Paper, no. 4. Publication of French Research Institutes in India.
- . 2006. *Local Democracy in India: Interpreting Decentralization*. New Delhi: Sage Publications.
- Lok Sabha Secretariat. 1991. *Report of the Joint Committee on the Constitution: Seventy-Second Amendment Bill, 1991* (Chairman: Ram Nivas Mirdha). New Delhi.
- Mathew, George. 1986. *Panchayati Raj in Karnataka Today: Its National Dimensions*. New Delhi: Institute of Social Sciences and Concept Publishing Company.
- . 1994. *Panchayati Raj: From Legislation to Movement*. New Delhi: Concept Publishing Company.
- . 1995. *Status of Panchayati Raj in the States of India, 1994*. New Delhi: Concept Publishing Company.
- . 2004. Local Democracy and Empowerment of the Underprivileged: An Analysis of Democratic Decentralization in India, no. 3086. In *Scaling Up Poverty Reduction: A Global Learning Process and Conference*, Shanghai, May 25–27, 2004. The World Bank. Retrieved from <http://documents.worldbank.org/curated/en/578921468752429650/pdf/308260IN0Democ1ion01see0also0307591.pdf>
- Mukarji, Nirmal. 1993. The Third Stratum. *Economic and Political Weekly* XXVIII (18): 859–862.
- Rout, K.C. 1988. *Local Self-Government in British Orissa, 1869–1935*. Delhi: Daya Publishing House.
- UNDP. 2012. *Panchayat Raj (Extension to Scheduled Areas) Act of 1996: Policy Brief*. www.undp.org/content/dam/india/.../UNDP-Policy-Brief-on-PESA.pdf. Accessed 11 Mar 2016.

4

The Unique Institution of Local Self-Government in the North-East

This chapter is organized into six sections. It begins with a brief introduction of North-East India as a geopolitical, economic and historical entity. This is followed by a discussion on the evolution of a system of governance that covers both the colonial and the post-independence period. A third section deals with the unique institution of self-governance for the hill states of the North-East as provided in the Sixth Schedule to the Constitution. The fourth section critically examines the working of Autonomous Councils. The fifth compares the Sixth Schedule institution with third-tier government, that is The Panchayati Raj Institution; the final section makes some concluding observations.

Based on the Ninth Tarlok Singh Memorial Lecture by Atul Sarma which was published in the *Journal of the Indian Association of Social Science Institutions*, Contributions to Indian Social Science, Vol. 34, No. 14, January–December 2015.

© The Author(s) 2018

A. Sarma, D. Chakravarty, *Integrating the Third Tier in the Indian Federal System*,
https://doi.org/10.1007/978-981-10-5625-3_4

The North-East as a Geopolitical, Economic and Historical Entity

By way of preparing the background for the basic thrust of this chapter, I will describe some features of the North-East which give it a unique identity. The North-Eastern region in its present form is the consequence of the partition and exchange of territory between India and Pakistan on the basis of religion. North-East India, consisting of seven states in its initial demarcation, is landlocked and surrounded by foreign countries—China, Myanmar, Bangladesh and Bhutan—with 99.5 per cent of its border being international and only 0.5 per cent being with India (GOI 1997, 1).¹ Apart from its geographical isolation, there are several other features of the North-East which stand in sharp contrast to the rest of the country. For example, the North-Eastern states, which are, by and large, hilly ones, are characterized by the preponderance of Scheduled Tribe (ST) and much less significantly by Scheduled Caste (SC) population. As compared to the all-India share of 8.6 per cent, the ST population in the North-East ranged from 12.4 per cent in Assam to 94.4 per cent in Mizoram in 2001. A decade later, in 2011, the proportion of the ST population in both Assam and Mizoram remained the same.

Secondly, all the states in the region as compared to the rest of the country recorded a high decadal population growth even during 1981–91. In the decade of 1991–2001, the population growth (22.16 per cent) in the North-East was higher than the all-India average (21.34 per cent). Significantly, however, during 2001–11, the decadal population growth in the hill states, other than Nagaland where it was negative, was far higher than the all-India average, though much lower than in Assam and Tripura.

Thirdly, even after special dispensation since the late 1970s, the real per capita income of all the states of the region has been much below the all-India average.

What is more, each of them is far behind the rest of the country in terms of administrative, social and economic infrastructure, be it per capita power consumption, credit–deposit ratios, the state of road and railway transport, and so on. More importantly, despite the North-East being surrounded by foreign countries—not all of them are very friendly

at that—the region’s connectivity in general, and internal connectivity in particular, is in a poor condition, which is why it is rightly called “internally locked.”

Another unique feature of the region is that, unlike the tribal population in other parts of the country, the rate of literacy is higher than the all-India average in the four states with a tribal majority population.

Besides the dissimilarity of the region with the rest of the country, the states in the North-East are also dissimilar among themselves in several ways. Broadly speaking, the North-Eastern states are of two distinct categories: those which are entirely hill states—Arunachal Pradesh, Meghalaya, Mizoram and Nagaland—and those which are only partially hill states—Assam, Tripura and Manipur—with overwhelmingly large populations living in the valley/plain districts. Significantly, however, the partial hill states account for 48.7 per cent of the ST population of the region, with Assam alone home to 29.6 per cent of the total ST population in the North-Eastern Region (NER). Population density in the region ranges from 17 persons per sq. km (Arunachal Pradesh) to 398 persons per sq. km (Assam), which is higher than the all-India average population density of 382 persons per sq. km.

The North-Eastern states are also dissimilar in terms of urbanization rate, literacy rate and other demographic characteristics, physical features, stages of economic development, and so on, leaving aside the ethnic composition. Yet North-Eastern states are an interdependent economic system, both for historical and geopolitical reasons. The North-Eastern Council (NEC), which was set up in 1971, is the result of the recognition of this economic interdependence. It was indeed a significant institutional innovation. Its performance thus far, however, reflects its monumental failure to develop an integrated approach to the social and economic development of the region. There are several reasons for this. Essentially, these can broadly be traced to two sets of factors. One relates to the NEC’s inability to visualize its role appropriate to the unique characteristics of the region. This has occurred because the NEC for so long was under the administrative control of the Ministry of Home Affairs and not under any development ministry or the Planning Commission. The NEC was conceived less as a development agency but more as an administrative appendage of the Government of India.² The other failure

basically follows from the first, which lies in its inability to assess the economic system and institutions and to evolve the right development plan and instruments. In other words, the NEC failed to conceive or implement a plan in alignment with the unique features of the North-East or the framework of economic interdependence of the region necessary for unleashing a dynamic growth process.

We may now briefly recall how each of the seven states of the NER has come into existence. Assam has arrived at its present form after being forced to give up its original territory several times. First, most of its Sylhet district was transferred to East Pakistan (now Bangladesh) as part of the operationalizing of the Boundary Commission headed by Sir Cyril Radcliffe.

In 1957 the Naga Hills district of Assam and Tuensang Frontier division were brought under the union administration; later, in 1963, this union territory was given statehood as Nagaland under the State of Nagaland Act 1962.

Under the Assam Reorganisation (Meghalaya) Act 1969, Meghalaya comprising Khasi and Jaintia Hills district and the Garo Hills district was formed as an autonomous state within the State of Assam, while European ward, Police bazaar ward and Shillong Cantonment remained with Assam. Later under the North-Eastern Area (Reorganisation) Act 1971 (Act No 81 of 1971) of Parliament, the autonomous State of Meghalaya was given statehood.

Under the same act, the Union Mizo Hills district of Assam was accorded the status of a union territory known as the Union Territory of Mizoram in 1971. Thus the territory under the newly formed State of Meghalaya and the Union Territory of Mizoram as in the case of Nagaland since 1957 ceased to be parts of Assam.

For decades the area of North-East Frontiers was under the North-East Frontier Areas (Administration) Regulation. In 1954 the entire North-East Frontier Area (NEFA) was designated as the North-East Frontier Agency and made a Union Territory. NEFA was renamed as Arunachal Pradesh under the North-Eastern Areas (Reorganisation) Act 1971. Arunachal Pradesh became a full-fledged state in 1987.

Tripura, a feudatory State of Bengal, earlier known as Hill Tipperah, was a princely state until October 1949. It was then merged into the

Indian Union and became a Part-C State, under the Government of India. Tripura became a full-fledged State in 1972 (January 21).

Manipur was a princely State until 1891. The Anglo-Manipur war of 1891 brought it under British rule. After independence, its princely status was restored. In 1949, Manipur was merged into the Indian Union. It was a Union Territory during 1949–72. Manipur became a full-fledged state in 1972.

To sum up, three states of the North-East (Nagaland, Meghalaya and Mizoram) were carved out of Assam; Manipur and Tripura had their own existence; while the North-East frontier tracts eventually formed the State of Arunachal Pradesh.

Evolution of a System of Governance

Colonial Backdrop

The governing mechanism evolved by the colonial government for the inhabitants of hills in the NER was anchored on the policy of seclusion. The evidence of this policy could be found in the Garo Hills Act 1869 that had sought to exclude the Garo Hill district from the general administrative set-up of Bengal and to place it under the special duties of the Lt. Governor. The management of Assam was transferred from the Lt Governor of Bengal to a Chief Commissioner in 1874. In the same year the Scheduled Districts Act 1874 was enacted to declare a few territories under Assam as scheduled areas.

Subsequently the Government of India Act 1919 under Section 52 A (2) empowered the Governor General in Council to declare any territory under British India as backward tract. Under this provision nine tracts in the province of Assam were declared backward tracts: (1) Garo Hills district; (2) the British portion of Khasi and Jaintia Hills district other than the Shillong Municipality and cantonment; (3) the Mikir Hills in Nowgong and Sibsagar districts; (4) the North Cachar Hills in Cachar district; (5) the Naga Hills district; (6) the Lushai Hills district; (7) the Sadia Frontier Tract; (8) the Balipara Frontier Tract; and (9) the Lakshimpur Frontier Tract.

The Government of India Act 1935 replaced the terminology of “backward tracts” with “excluded areas and partially excluded areas.” The basic difference in the governance of these two areas was that excluded areas were to be administered by the discretion of the governor himself while partially excluded areas were to fall under his special responsibilities, meaning he was empowered to override the advice of the ministers, whereas in regard to the matters within his discretion, the ministry’s advice was not required. Under Section 91(1) of the Act, the excluded areas declared were: (1) the North-east Frontier (Sadiya, Balipara, Lakhimpur Tracts); (2) the Naga Hills district; (3) the Lushai Hills district; and (4) the North Cachar Hills subdivision of Cachar district. The areas declared as partially excluded were: (1) the Garo Hills district; (2) the Mikir Hills (in Nowgong and Sibsagar districts); and (3) the British portion of Khasi and Jaintia Hills district other than the Shillong Municipality and cantonment.

It will be useful to note that prior to the Act, the Indian Statutory Commission 1930, known as the Simon Commission, which examined the position prevailing in these areas observed: “the stage of development reached by the inhabitants of these areas prevents the possibility of applying to them methods of representation adopted elsewhere. They do not ask for self-determination, but for security of land tenure, freedom in the pursuit of the traditional methods of livelihood and the reasonable exercise of their ancestral customs.”

More evidence of the policy of seclusion relates to the inner line demarcation.³ In 1873, Lord Curzon introduced the inner line demarcation under the Bengal Frontier Provision Act 1873. Its rationale could be understood in the context of what Lord Curzon described as “the frontier system” of the British Empire. The frontier was classified into three categories: an administrative border, a frontier of active protection and an outer or advanced strategic frontier. The British established direct rule only in the areas of “administrative” borders.

Most of the present-day Assam, which was resource rich in terms of a promising new economy of tea, oil and coal reserves, was the area within the administrative border of colonial Assam. In the course of exploiting these potentials in the latter half of the nineteenth century, the colonial government established a modern legal and administrative system and

property rights and thus created an enclave in alignment with global capitalism. Beyond the inner boundary of the frontier tracts lied “the tribal areas” which Curzon described as the zone of “active protection.” These frontier tracts comprising Sadiya, Balipara and Lakhimpur were described as “frontier areas inhabited by tribes in an early stage of development”⁴ (as quoted in the Bordoloi Sub-committee Report on the North-East Frontier (Assam) Tribal and Excluded Areas). The British with their revenue maximization motivation had little interest in establishing modern institutions beyond the administrative borders.

Post-Independence Era

The Constituent Assembly, while considering the issue of designing the mechanism of governance for the hill areas of Assam, appointed a sub-committee under the chairmanship of Gopinath Bordoloi, then Prime Minister of Assam on February 27, 1947 to report on a scheme of administration for the excluded and partially excluded areas of Assam. The committee, while preparing the report, kept in view: (1) the colonial mechanism of governance that had evolved; (2) the aspirations and concerns of the “tribal people” inhabiting different hills of the then Assam; (3) the positive social customs and traditions of the tribals in these areas; and (4) the socioeconomic and political conditions prevailing in these areas. The provisions of the Draft Sixth Schedule were based on the recommendations of the sub-committee. The debates in the Constituent Assembly reflected sharply divided views on the philosophy underlying the Sixth Schedule that laid down the administrative mechanism for the hill areas of Assam. Interestingly, both the supporters and opponents of the Schedule had similar concerns: how to address the problem of bringing the people of the hills and the plains together. There were huge differences in their approach, however. One view upholding the philosophy underlying the Schedule recognized explicitly the distinctness of the tribals of Assam as compared to those in the rest of the country and argued for a different sort of scheme of governance for the hill areas of Assam to secure the willing cooperation of the hill people. The other view, reflecting fears and apprehension, was that instead of perpetuating the segregation

and isolation of the hill people, as was the case in the colonial period, the people of the hills should be integrated with the rest of the country, using force if need be. While explaining the background of the recommendations of the Advisory Sub-committee constituted by the Constituent Assembly, Gopinath Bordoloi posed the dilemma confronting the Sub-committee: “whether for the purpose of integration the methods of force, the methods of the use of Assam Rifles and the military forces, should be used, or a method should be used in which the co-operation of these people could be obtained for the purpose of governing these areas.”⁵ The Sixth Schedule was anchored on the latter course. The guiding principle as articulated by Nicholas Roy, one of the members of the Sub-committee, was to give a certain measure of self-government to these hill areas that would make the people there feel that nothing would be forced on them that would destroy their culture and customs. At the same time the laws and regulations to be made by the District Councils were to be subject to the control and assent of the Governor of Assam. This would thus be “the best method of allowing people to grow according to their culture and according to their genius and at the same time to become unified with the whole of India.”⁶ The Sixth Schedule was designed towards this end and provided for District Councils for the hill districts of Assam and Regional Councils for the pockets of tribes other than the main tribe residing in the Naga Hills, in the North Cachar Hills and other hills. Regional Councils were to have powers limited to their customary law and the management of their land and villages.

Articulating eloquently the basic philosophy behind the Sixth Schedule, Dr. B.R. Ambedkar argued that

The tribal people in areas other than Assam are more or less hinduised, more or less assimilated with the civilization and culture of the majority of the people in whose midst they live. With regard to the tribals of Assam that is not the case. Their roots are still in their own civilisation and their own culture. They have not adopted, mainly or in a large part, either the modes or the manners of the Hindus who surround them. Their laws of inheritance, their laws of marriage, customs and so on are quite different from the Hindus. I think that is the main distinction which influenced us to have a different sort of scheme for Assam from the one we have provided for other territories.⁷

In contrast, several members of the Constituent Assembly expressed apprehension and doubts about the provisions of the Sixth Schedule in regard to its efficacy in safeguarding national interests. One member (Rohini Kumar Choudhury) went so far as to say: "This autonomous district is a weapon whereby steps are taken to keep the tribal people perpetually away from the non-tribal and the bond of friendship which we expect to come into being after the attainment of independence."⁸ Several other members also shared the view that the Sixth Schedule would stand as an impediment to the process of assimilation of the tribal and non-tribal people and to the process of nation building and national integration.

Addressing the fears and apprehensions of perpetuating segregation as voiced by some members, Ambedkar elaborated the following provisions of the Constitution which would serve as binding factors and those which would nullify the segregation. First, the executive authority of the Assam Government would be exercised even in the areas included in the autonomous District Councils. Ambedkar explained that the binding factor would rest on the fact that, barring certain specified law making functions which would be exercised by the village panchayats or the Regional Councils or the District Councils, the authority of Parliament as well as that of the Assam Legislature would extend over these Councils.

The other binding influence remained in the fact that the laws made by Parliament and the laws made by the Assam Legislature would automatically apply to the Regional and District Councils unless the governor thought otherwise. Ambedkar further clarified that barring such functions as law making in certain specified fields such as money lending, land and so on, and barring certain judicial functions which were to be exercised in the village panchayats or the Regional Councils or District Councils, the authority of Parliament as well as the authority of the Assam Legislature would extend over these Councils; they were not immune from the authority of Parliament in the matter of law-making nor were they immune from the jurisdiction of the High Court or the Supreme Court. At another level, the tribal people having Regional and District Councils would have representation in the Legislature of Assam as well as in Parliament so that they would be able to play their part in

making laws for Assam as well as for the whole of the country. These cycles of participation were meant to unify the Regional and District Councils with the political life of the province as a whole.

The Unique Institution of Local Self-Governance Under the Sixth Schedule

For the purpose of administration, the tribal population of a little above 104 million (2011) was grouped under two categories: (1) those who were inhabitants of north-eastern states (then Assam) and (2) those who were inhabitants in nine states other than the north-eastern states. The Constitution of India makes provisions for the administration of the latter category under the Fifth Schedule, while for the larger part of the former under the Sixth Schedule.

Article 244 (2) of the Constitution provides for the Sixth Schedule which applies to the administration of the tribal areas in the states of Assam, Meghalaya, Mizoram and Tripura. Para. 20 of the Sixth Schedule sets out the following tribal areas in three parts.⁹

Part I (Assam)

1. The North Cachar Hills District;
2. The Karbi Anglong District;
3. The Bodoland Territorial Area District.

Part II (Meghalaya)

1. Khasi Hills District;
2. Jaintia Hills District;
3. The Garo Hills District.

Part II (A) (Tripura)

1. Tripura Tribal Areas District.

Part III (Mizoram)

1. The Chakma District;
2. The Mara District;
3. The Lai District.

For each of the districts under the Sixth Schedule to the Constitution, there is an Autonomous District Council (ADC). If an autonomous district is inhabited by different scheduled tribes, the governor may, by public notification, divide the areas inhabited by them into autonomous regions; for each of these, there is a separate Regional Council. The District Council or the Regional Council after its first constitution may make rules with the approval of the governor with regard to inter alia (a) the formation of subordinate local councils or boards and their procedure and conduct of their business, and (b) generally all matters pertaining to the administration of the district or the region as the case may be.

Each District Council or each Regional Council under the Sixth Schedule is a corporate body having perpetual succession and common seal. A District Council consists of no more than 30 members of which no more than four shall be nominated by the governor while the rest are elected on the basis of adult suffrage for a period of five years. The elected members of the District Council elect a chairman and a deputy chairman who preside over the Council sessions.

The rules framed under the Sixth Schedule provide for an Executive Committee of a District Council.¹⁰ The Executive Committee comprises the chief executive member and two or more other members. The elected members of the District Council elect the chief executive while other members are appointed from amongst the members of the District Council by the governor on the recommendations of the chief executive member. The Executive Committee is like a Cabinet system in a parliamentary democracy. It carries out the executive functions of the District Council. The chief executive member allocates certain functions to each of the members. The member who is allocated financial affairs is in charge of the district fund; he also prepares the budget of the District Council and aims to get it passed. The Executive Committee is collectively responsible

for all executive decisions and policies and also the implementation of development schemes in an autonomous district. The chief executive member appoints a secretary to the Executive Council who is not a member of the District Council. If and when the chief executive member resigns, the Executive Committee is dissolved. The civil administration of an autonomous council as provided under the Sixth Schedule rests with two authorities: the deputy commissioner representing the state government and the Executive Committee of the District Council.

Powers and Functions¹¹

(a) Legislative Powers of the District Councils and Regional Councils

The District Council /Regional Council has the power to make laws for its jurisdiction in regard to the following.

1. The allotment, occupation or use, or the setting apart of land, other than any land which is reserved forest, that is the forest which is reserved under the Assam Forest Regulation 1891 for the purpose of agriculture, or grazing or residential or other non-agricultural purposes, or for any purpose likely to promote the interest of the inhabitants of any village or town. It is, however, provided that nothing in such laws shall prevent the compulsory acquisition of any land for public purposes by the concerned state government in accordance with the law in force authorizing such acquisition.
2. The management of a forest not being a reserved forest.
3. The use of any canal or water course for the purpose of agriculture.
4. The regulation of the practice of *jhum* or other forms of shifting cultivation.
5. The establishment of village or town committees of the councils and their powers.
6. Any other matters relating to town or village administration, including village or town police and public health and sanitation.
7. The appointment or succession of chiefs or headmen.

8. The inheritance of property.
9. Marriage and divorce.
10. Social customs.

All laws by ADCs or Regional Councils pertaining to the above subjects come into effect only after obtaining the governor's assent.

(b) Judicial Powers

The Regional and District Councils are conferred with the power to constitute village councils or courts within their respective jurisdictions for the trial of suits and cases except those mentioned in the schedule between the parties all of whom belong to scheduled tribes. The District Council and the Regional Councils exercise the powers of a court of appeal in respect of all suits and cases which can be tried by a village council or court. The High Court has and exercises jurisdiction over the suits and cases specified by the governor from time to time.

(c) Executive Powers

The District Council for an autonomous district is given the power to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and waterways. With the prior approval of the governor, the District Council may prescribe the language and the manner in which primary education shall be imparted.

(d) Financial Powers

1. The Regional Council and District Council within their respective jurisdictions have the power to assess and collect revenue in respect of lands in accordance with the principles followed by the state government in assessing lands for the purpose of land revenue in the state generally.

2. The Regional Council and District Council have the power to levy and collect taxes on lands and buildings and tolls on persons residing within their respective areas.
3. The District Council for an autonomous district has the power to levy and collect the following taxes within its jurisdiction:
 - (a) Taxes on professions, trades, callings and employments;
 - (b) Taxes on animals, vehicles and boats;
 - (c) Taxes on the entry of goods into a market for sale therein and tolls on passengers and goods on ferries;
 - (d) Taxes for the maintenance of schools, dispensaries or roads.
4. Royalties accruing from the licenses or leases for the purpose of prospecting for or the extraction of minerals in respect of any area within an autonomous district are shared between the state government and the District Council as agreed upon between them. If there arises any dispute in this regard, the matter is referred to the governor and his decision is final.

(e) Regulatory Powers

The District Council has the power to make regulations for the control of money lending and trading by non-tribals within the district. However, regulations made come into effect only after the governor accords his assent.

(f) District and Regional Funds

A district fund for each autonomous district and a regional fund for each autonomous region shall be constituted for crediting all money received by the District Council and Regional Council respectively. The governor may make rules for the management fund and the procedure to be followed in respect of payment into the above funds and withdrawal of money. The accounts of these funds are maintained in such form by the Comptroller and Auditor-General of India, with the approval of the president.

(g) Autonomy

The Sixth Schedule provides that Acts of Parliament and the state legislature do not normally apply on the subjects assigned to the District and Regional Councils (under para. 12B), and thus the Councils enjoy autonomy in their respective assigned spheres. Even in subject areas other than those assigned to them, the governor is empowered to direct that any Act of Parliament or of the State Legislature does not apply to an autonomous district or an autonomous region or applies subject to certain exceptions or modifications, as may be notified.

(h) Role of the Governor

In the scheme of the District Council as provided in the Sixth Schedule, the governor of the state is assigned numerous roles. The Schedule provides as many as 27 major or minor roles that the governor may be required to play in the functioning of a District Council.¹² To illustrate, a few highly significant provisions may be mentioned. One such provision relates to empowering the governor under para. 16 to dissolve a District Council or a Regional Council and to assume all powers on the recommendation of a commission appointed under para. 14 of the Schedule. Again, para. 16 (2) empowers the governor to dissolve a District Council or a Regional Council and take over all or any of the powers and functions for a certain period if at any time the governor is satisfied that the administration of the autonomous district or a region cannot be carried out in accordance with the provisions of the Sixth Schedule. The governor is also empowered to alter laws or rules passed by the District Council if they are found to violate the provisions of the Schedule. Thus the Sixth Schedule places the governor at the head of the ADC or Regional Council.

To sum up, the Sixth Schedule clearly lays down the manner of constituting the Regional Councils and District Councils, their powers and functions, the role of the governor in their functioning, their relations with the State Legislature and the contour of autonomy that they enjoy in self-governance.

Working of Autonomous Councils

The Regional and District Councils have been in operation for more than six decades (since 1952). They have been subject to many limitations and challenges:

1. It is argued that the provisions of the Sixth Schedule accommodated the community process but that the institutions created were subordinate to the state government. As such, they tend to derive their legitimacy mainly from the state process rather than the community process.¹³ It appears that there has been an attitude of disharmony between the bureaucrats of the state government and the leadership and officials of the District Councils.
2. The provisions under the Sixth Schedule do not ensure financial independence of the autonomous councils. As a result, they have to depend on the respective state governments for their financial allocations. Several studies have noted that there has been reluctance on the part of the state government even to release their legitimate share. For example, one important source for ADCs is aid grants under Article 275 of the Constitution. While the union government releases the grants through the state government, ADCs receive a part or the whole of the amount after a huge time lag.
3. Similarly, even from the shared sources such as royalties on licenses and leases granted by the state government for the purpose of prospecting for or extraction of minerals in certain areas within the District Council, the latter often allege that the state government does not pay its share regularly. Obviously all this has an adverse impact on their performance in service delivery.
4. Even on the part of the autonomous councils, there is laxity in resource mobilization from the sources assigned to them. ADCs are empowered to levy and collect taxes such as those on professions, trade callings and employment and vehicles. However, they do not levy at all or, even if they do, they do not enforce it effectively.
5. The relationship between the autonomous councils and the state government as laid down in the Sixth Schedule is not conformable to the efficient and accountable utilization of funds. For example, there is no

provision for coordination of the activities of autonomous councils and those of the state government. Similarly, the state is vested with the power to sanction grants and loans for development schemes of the autonomous councils but not with the power to assess and review their working. One recent study has observed in this regard: “Within the Councils, over a period of time, due to large development funds available, a nexus has emerged between the neo-rich middle class, rich traders, contractors, bureaucrats who have emerged from within the tribal society of the region. This emerging socio-economic power structure in the tribal areas does not allow the benefits of the Sixth Schedule to percolate down the weaker sections of the society.”¹⁴

6. Under para. 7 (2), the governor may make rules for the management of the district or regional fund. Since such rules do not seem to have been made, various financial irregularities have been committed by councils, aid grants have not been properly utilized and in several autonomous councils even the audit has failed to curb extravagances and wastage of public funds.
7. ADCs have not been able to evolve an institutional mechanism for the overall development of their districts.
8. As for gender justice, no political space has been given for women in the ADCs.
9. Finally, while the Sixth Schedule may ensure decentralization at the district level, it has not provided for it to percolate down.

Comparison Between District Councils and the Panchayati Raj Institution

The 73rd Amendment of the Constitution, 1992 which mandated the establishment of three-tier panchayats at the village, intermediate and district levels included the Eleventh Schedule that listed 29 subjects coming under the jurisdiction of panchayats.¹⁵

The legislature of a state is vested with powers to endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government, such as to prepare plans and implement them for economic development and social justice in regard to 29 subjects listed in the Eleventh Schedule.

Twenty-nine subjects that come within the jurisdiction of the panchayats under the Eleventh Schedule are: (1) agriculture, including agricultural extension; (2) land improvement and implementation of land reforms; (3) minor irrigation, water management and watershed development; (4) animal husbandry, dairying and poultry; (5) fisheries; (6) social forestry and farm forestry; (7) minor forest produce; (8) small scale industries including food processing industries; (9) *khadi*, village and cottage industries; (10) rural housing; (11) drinking water; (12) fuel and fodder; (13) roads, culverts, bridges, ferries, waterways and other means of communication; (14) rural electrification, including distribution of electricity; (15) non-conventional energy sources; (16) poverty alleviation programmes; (17) education including primary and secondary schools; (18) technical training and vocational education; (19) adult and non-formal education; (20) libraries; (21) cultural activities; (22) markets and fairs; (23) health and sanitation, including hospitals, primary health centres and dispensaries; (24) family welfare; (25) women and child development; (26) social welfare, including welfare of the handicapped and mentally retarded; (27) welfare of the weaker sections, and in particular of the Scheduled Castes and the Scheduled Tribes; (28) public distribution systems; and (29) maintenance of community assets.

Two important distinctions between the powers and functions of panchayats and those of autonomous districts and autonomous regions are, first, in the case of the latter, the Sixth Schedule of the Constitution directly assigned its powers and functions, while in the case of the former, the legislature of a state is vested with the powers to transfer the subjects listed in the Eleventh Schedule of the Constitution. Second, the powers given to the autonomous councils are mostly of a regulatory nature while those of panchayats mostly relate to economic and social development.

One can argue that the functions and responsibilities as listed under the Eleventh Schedule are essentially anchored on the theory of decentralization. The theory holds that a decentralized system enhances efficiency and minimizes transaction costs in public service provision, encourages innovation by inducing intergovernmental competition and ensures greater participation of the people in the decision-making process.¹⁶ Decentralization as enshrined in the Constitution provides the

ownership of inextinguishable constitutional powers.¹⁷ Ownership of powers is important for the sub-national governments as it enables them to exercise unfettered choice in their assigned domain and provide public services according to citizens' preferences.

In the three-tier panchayati system, powers percolate down to the village level while, in Autonomous Councils, the powers are concentrated at the district level leaving little scope for empowerment at the grass-roots level. At another level, female representation is neglected in the Autonomous Councils while there is reservation of seats for women in panchayat bodies.

The 73rd Amendment also provides for the constitution of a State Finance Commission every fifth year to review the financial position of panchayats and to recommend to the governor:

1. The principles which should govern:
 - (a) The distribution between the state and the panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the state which may be divided between the panchayats at all levels and their respective shares of such proceeds;
 - (b) The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by panchayats;
 - (c) The aid grants to panchayats from the consolidated fund of the state.
2. The measures needed to improve the financial position of the panchayats.;
3. Any other matter referred to the Finance Commission in the interests of the sound finance of panchayats.

When the powers, scope of function and financial support provided to panchayats under various provisions of the 73rd Amendment are compared with those provided to the ADCs under the Sixth Schedule, the following observations can be made. First, the ADC has more regulatory powers while panchayats have more developmental functions. Second, Autonomous Councils depend hugely on the state government for the exercise of developmental functions while a large number of the latter fall

within the operational jurisdiction of panchayats. Third, in several cases, the scope of operations is higher for panchayats. For example, primary schools come within the jurisdiction of ADCs while the functional jurisdiction of panchayats extends to secondary schools. Similarly, ADCs may establish dispensaries while primary health centres and hospitals also fall within the operational jurisdiction of panchayats. Fourth, even though the sources of finance for Autonomous Councils appear to be more diversified, the intervening role of state government squeezes their actual access. In the case of panchayats, the establishment of a quinquennial Finance Commission provides a useful safeguard for financial viability.

Further, panchayat bodies have an edge over the Autonomous Councils in regard to their dissolution. In the case of panchayats, the 73rd Amendment stipulates that if the panchayat bodies are dissolved, they must be reconstituted within a period of six months from the date of dissolution. In the case of Autonomous Councils, fresh elections must be held for its reconstitution subject to the approval of the state legislature within a period not exceeding 12 months.

In short, comparing carefully the provisions of the Sixth Schedule with the 73rd Amendment of the Constitution, Roy Burman concluded: “while the Damocles sword of the State power is moving closer and closer to the Autonomous Councils, a liberalization process has been set in motion in respect of panchayati bodies.”¹⁸ He further adds: “If the panchayati bodies under the Amendment Act are not introduced in the Sixth Schedule and (also fifth Schedule areas where existing Panchayats have little statutorily laid down development functions) these areas will enjoy less power of self-government (in development aspect) than the rest of the country.”¹⁹

Concluding Observations

The Autonomous Councils could be viewed as an institutional innovation for effecting the self-rule of tribal peoples with distinct customs and traditional institutions by devolving powers under the Constitution. These have “succeeded in bringing about transformation of the traditional tribal society into a legally defined and structured one, fit for

having representative form of Government in a formal constitutional way at the district level and in some cases at the village level.”²⁰

But over time the Sixth Schedule has lost its relevance in its present form. The Autonomous Councils came into existence in 1952. North-East India has witnessed many changes since then. Three hills states, Meghalaya, Mizoram and Nagaland, had been carved out of Assam. All these states are predominantly tribal. The main motivating factor to provide for Autonomous Councils for the tribal districts of erstwhile Assam was to protect the interests of the tribal population inhabiting these areas and to protect and preserve their customs and traditional institutions. It was thought that a legislature dominated by Plains people might not fulfil all these needs. Now that the legislatures function mostly with the tribals, even if they do not belong to a homogeneous tribe, there is no room left for the earlier apprehensions. Therefore, Autonomous Councils in their present form have become both redundant and irrelevant.

Another reality then was that tribals residing in remote and isolated areas were not at all integrated with the rest of the country. The situation has drastically altered since. Improved connectivity in terms of road and communication has ensured higher connectivity and mobility and much higher levels of interaction at the institutional level as well as at the interpersonal level, hence remoteness and isolation has considerably receded.

At another level, all the three markets, that is the commodity, labour and money markets, have penetrated the whole country, including the autonomous districts, though to a varying degree. Even the tribal population residing in the autonomous districts has been participating in these markets to an extent. In this sense local commodity, labour and money markets have been integrated to some degree with the regional and national markets. To gain more from market integration, market compliant institutions are called for. This makes a case for a relook at the institutional design under the Sixth Schedule. What is more, while market integration is in progress, the inner line permit which was introduced by the colonial government functions as a way of fencing tea plantations and other capital investments against the marauding raids of “barbarians” acts that impede the maximizing of the benefits of market dynamism as well as removing the segregation of the tribal areas from the rest of the country.²¹

As we have noted, the Autonomous Councils have been functioning under several constraints and have not been able to deliver the desired outcomes. We have also noted that the panchayat bodies as provided under the 73rd Amendment have a distinct edge over the present form of Autonomous Councils in several respects, for example a greater thrust on economic operations, gender representation, higher financial independence and decentralization to the village level.

While a long history of tribal struggle for identity assertion as well as the need for tribal society to evolve according to its own genius cannot be ignored, it should be possible to synthesize the positive features of the institutional arrangement under the Sixth Schedule and those under the 73rd Amendment of the Constitution and their respective functioning and put in place a more appropriate Sixth Schedule²² which could truly emerge as a decentralized institution of governance.

Notes

1. GOI. 1997. *Transforming the Northeast: Tackling Backlogs in Basic Minimum Services and Infrastructural Needs*, High Level Commission, Planning Commission, p. I.
2. Only in December 2004 was it announced in both Houses of Parliament that the revamped NEC in the pursuance of an Expert Committee was going to have the Minister, Development of North-Eastern India as its chairman, even as the NEC is all set to activate its role as a security agency. Earlier in 2002 the NEC Act was amended to enable the NEC to function as the regional planning body and to formulate specific projects and schemes that would benefit two or more states. *The Assam Tribune*, December 7, 2004.
3. For its motivation and related details, see Roy Burman, B.K. 2003. Prefatory Introduction in Alexander Mackenzie, *The North East Frontier of India*, Mittal Publications, New Delhi, pp. 4–6.
4. As quoted in the Bordoloi Sub-committee Report on the North-East Frontier (Assam) Tribal and Excluded Areas.
5. Constituent Assembly of India, Volume IX, Tuesday, September 6, 1949.
6. Ibid.
7. Ibid.
8. Ibid.

9. Manipur with one-third of its population in the hill districts sought Sixth Schedule status for these districts. While it was not conceded, an Act of Parliament, i.e. The Manipur (Hill Areas) District Act 1971, was passed which provided for the establishment of six Autonomous District Councils in Manipur. In accordance with the powers vested in the governor, six Autonomous District Councils were constituted on February 14, 1972. They were: (1) Churachandpur ADC; (2) Chandel ADC; (3) Senapati ADC; (4) Sadar Hills ADC; (5) Tamenglong ADC; and (6) Ukhrul ADC. They do not enjoy any real powers, but have several regulatory ones subject to state control; as for development functions, with highly limited financial powers they are greatly dependent on the state government.
10. For detailed discussion on the constitution, functions etc., see Prasad, R.N., *Analysis of the Framework and Operation of the Sixth Schedule to the Constitution of India* in L. S. Gassah (ed.). 1997. *Autonomous District Council, Omsons Publications, New Delhi* pp. 60–62.
11. It should be noted that the Sixth Schedule to the Constitution (Amendment) Act 1995 assigned additional powers to the North Cachar Hills Autonomous Council and the Karbi Anglong Autonomous Council. The North Cachar Hills sub-division of the United Mikir and Cachar Hills was upgraded to a district in 1970. The Mikir Hills District section was renamed Karbi Anglong in 1976. Similarly, the Sixth Schedule to the Constitution (Amendment) Act 2003 assigned additional powers to the Bodoland Territorial Council to make laws with respect to 40 subject areas.
12. See, Sarmah, Bhupen. 2014, *Sixth Schedule to the Constitution of India: A Preliminary Note (Mimeo)*.
13. See, Roy Burman, B.K. (1997), *op. cit.*, p. 22.
14. Sarmah Bhupen, *op. cit.*
15. A large part of North-East India is governed under the Sixth Schedule of the Constitution. The Panchayats (Extension to the Scheduled areas) Act 1996 extends the 73rd Amendment to the Fifth Schedule areas. Meghalaya, The Sixth Schedule areas in Assam, Mizoram and Nagaland fall outside the purview of the 73rd Amendment.
16. Bretton, A. 1995. *Competitive Governments: An Economic Politics and Public Finance*, New York: Cambridge University Press.
17. Bretton, A. 2000. "Federalism and Decentralization: Ownership Rights and Superiority of Federalism", *Publius: The Journal of Federalism*, Vol. 30, No. 2 pp. 1–16.

18. Roy Burman, B.K. 1997. Sixth Schedule of the Constitution in L.S. Gassah (Ed), *The Autonomous District Councils*, Omsons Publication, New Delhi, p. 30.
19. Roy Burman, op. cit., p. 31.
20. Ganguly, J.B. 1997. The Relevance of the Autonomous District Councils, in L.S.Gassah (Ed), *The Autonomous District Councils*, Omsons Publication, New Delhi, p. 332.
21. For detailed discussion of the issue, see, Baruah, Sanjib, “Dividing Line”, *Indian Express*, New Delhi Edition, October 3, 2014.
22. For similar views see Roy Burman, B.K., op. cit., p. 32.

References

- Baruah, Sanjib. 2014. Dividing Line. *Indian Express*, New Delhi Edition, October 3. Bordoloi Sub-committee Report on the North-East Frontier (Assam) Tribal and Excluded Areas
- Bretton, A. 1995. *Competitive Governments: An Economic Politics and Public Finance*. New York: Cambridge University Press.
- . 2000. Federalism and Decentralization: Ownership Rights and Superiority of Federalism. *Publius: The Journal of Federalism* 30 (2): 1–16.
- Constituent Assembly of India-Volume IX. 1949. Tuesday, 6th September
- Ganguly, J.B. 1997. The Relevance of the Autonomous District Councils. In *The Autonomous District Council*, ed. L.S. Gassah, 332. New Delhi: Omsons Publications.
- Government of India. 1997. *Transforming the Northeast: Tackling Backlogs in Basic Minimum Services and Infrastructural Needs*. High Level Commission Report to the Prime Minister, Planning Commission.
- Mackenzie, Alexander. 2003. *The North East Frontier of India*, 4–6. New Delhi: Mittal Publications.
- Prasad, R.N. 1997. Analysis of the Framework and Operation of the Sixth Schedule to the Constitution of India. In *The Autonomous District Council*, ed. L.S. Gassah, 60–62. New Delhi: Omsons Publications.
- Sarmah, Bhupen. 2014. Sixth Schedule to the Constitution of India: A Preliminary Note (Mimeo).
- The Assam Tribune. December 7, 2004.

5

Design of the Panchayati Raj

Chapter 3 has highlighted the sharply contrasting views that prevailed at the time of drafting the Indian constitution on the possible role of panchayats in the Indian federal structure. At one extreme, there remained Gandhi's vision of "Gram Swaraj" while at the other there was Ambedkar's perception of village polity and its doubtful capability of delivering good governance. As a compromise, panchayats were accorded a place under the directive principles of the state policy of the Indian Constitution. It took several experiments in rural development, observations and the insights of many committees and commissions to come round to the essential issue of according a constitutional status to the Panchayati Raj. Eventually, after the defeat of the first attempt to amend the Constitution (the 64th Amendment in 1989), the 73rd Constitutional Amendment Act, 1992, under Part IX, which contains articles 243 to 243ZC, provided the basic features of the structure, scheme and other relevant aspects of devolution for the functioning of the Panchayati Raj, which finally came into force with effect from April 24, 1993. Similarly, the Constitution (74th) Amendment Act, 1992 laid down provisions relating to municipalities under Part IX A (articles 243P to 243ZC). We will discuss here in detail the provisions under Part IX which deals with the Panchayati Raj.

It is important to note that the states of Nagaland, Meghalaya and Mizoram, certain areas covered by the Sixth Schedule, such as hill areas in the State of Manipur for which District Councils exist, and certain other regions covered under separate special arrangements, such as the hill areas of Darjeeling district for which the Darjeeling Gorkha Hill Council exists, are exempted from the purview of Part IX of the Constitution. In addition, the Fifth Schedule areas are outside the purview of this part. However, Article 243M gives the power to Parliament to extend the provisions of Part IX to the tribal areas listed in the Fifth Schedule. Accordingly, Parliament enacted the Provisions of the Panchayat (Extension to the Scheduled Areas) Act, 1996 (PESA) to extend the Panchayati Raj into the Fifth Schedule areas of nine states of the union where the Fifth Schedule applies. Nine states (Andhra Pradesh, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Madhya Pradesh, Maharashtra, Orissa and Rajasthan) were required to bring their legislation into conformity with PESA provisions. While the concerned states did so, implementation in most areas is less than desired.

The Amendment incorporated under Part IX of the Constitution has 15 provisions delineating the structure of the three tiers of the Panchayati Raj system—comprising Gram Sabha, the intermediate level between the Gram Sabha and District Panchayat, and District-level Panchayat—and their respective roles, powers and responsibilities and so on for the functioning of the Panchayati Raj. This chapter deals with these provisions that provide the design of the Panchayati Raj¹ (Bakshi 2010; GOI 2006, 38–40). Special attention is given to the provisions that have important implications on effective decentralization and it is argued that the Panchayati Raj is loosely integrated in the Indian federal system.

Article 243A provides constitutional recognition of the Gram Sabha as a “body consisting of persons registered in the electoral rolls relating to a village comprised within the area of Panchayat at the village level.” A Gram Sabha may exercise, the Constitution stipulates, such powers and perform such functions as the legislature of a state may, by law, provide. The Gram Sabha is a forum which should be able to ensure direct and participative democracy, for it provides an opportunity to all citizens of a village to discuss, criticize, approve or reject proposals of the panchayat executive as well as to assess its performance. It also gives an opportunity for an effective social

audit, which lies at the core of ensuring transparency and accountability of the working of the system. Clearly enunciated statutory powers and authority to the Gram Sabha would be needed to serve this goal.

Article 243B defines “panchayat” as “an institution of self-government for the rural areas.” Under this provision it is mandatory for every state to constitute panchayats at the village, intermediate and district levels in accordance with the provisions of the Constitution. States with a population of less than 20 lakhs are, however, exempted from constituting panchayats at the intermediate level.

Article 243C deals with the composition of panchayats. It mandates that (1) all seats in a panchayat should be filled through direct election from territorial constituencies in the panchayat area; (2) the chairperson of a panchayat at the village level should be elected as provided by law passed by the legislature of a state, while that of “a Panchayat at the intermediate level or district level shall be elected by and from amongst the elected members thereof.”

Article 243D provides for reserving for women at least one-third of the elected seats and offices of chairpersons at all three levels of panchayats. Similarly, it provides for reserving seats and offices for Scheduled Castes (SC) and Scheduled Tribes (ST) in proportion to the size of their population within a panchayat. This is subject to the condition that one-third of these seats and offices are reserved for women belonging to these categories. There is also an enabling clause under which states could provide reservations along the similar pattern for the other backward classes. The allocation of reserved seats for various categories is to be made on the basis of rotation as determined by the state.

This article recognizes the reality of a society that is fractured by discrimination based on caste and gender and accordingly provides a safeguard against such discrimination directed at disadvantaged sections of the population, thus aiming at justice for all in village India.

Articles 243E provides that elections are to be held within a period of five years and by-elections within six months in the event of dissolution for whatever reasons. Articles 243F lays down the grounds on which candidates are disqualified from contesting elections.

Article 243G considered together with the Eleventh Schedule stipulates that states may, by law, endow panchayats with such powers and

authority that may be necessary to enable them to function as institutions of self-government. Such laws may contain provisions for the devolution of powers and responsibilities to panchayats for the preparation of plans for economic development and the implementation of schemes for economic development and social justice as may be entrusted to them, including those matters listed in the Eleventh Schedule. States by legislation are required to devolve 29 matters listed in the Eleventh Schedule to panchayats. Similarly Article 243W lists 18 matters under the Twelfth Schedule that should be devolved to municipalities.

Matters Listed in the Eleventh Schedule

1. Agriculture, including agricultural extension;
2. Land improvement, implementation of land reforms, land consolidation and soil conservation;
3. Minor irrigation, water management and watershed development;
4. Animal husbandry, dairying and poultry;
5. Fisheries;
6. Social forestry and farm forestry;
7. Minor forest produce;
8. Small-scale industries, including food-processing industries;
9. Khadi, village and cottage industries;
10. Rural housing;
11. Drinking water;
12. Fuel and fodder;
13. Roads, culverts, bridges, ferries, waterways and other means of communication;
14. Rural electrification, including distribution of electricity;
15. Non-conventional energy sources;
16. Poverty alleviation;
17. Education programmes, including primary and secondary schools;
18. Technical training and vocational education;
19. Adult and non-formal education;
20. Libraries;
21. Cultural activities;

22. Markets and fairs;
23. Health and sanitation, including hospitals primary health centres and dispensaries;
24. Family welfare;
25. Women and child development;
26. Social welfare, including welfare of the handicapped and mentally retarded;
27. Welfare of the weaker sections, in particular of the SC and ST;
28. Public distribution;
29. Maintenance of community assets.

The devolution of powers and responsibilities is meaningful only if finances are also devolved to the panchayats so as to enable them to administer tasks and responsibilities and if technical and administrative staff are placed at their disposal to assist panchayats in carrying out their duties. Two provisions incorporated in the 73rd Constitutional Amendment are relevant in this regard.

Article 243H empowers the state legislature to authorize a panchayat to levy, collect and appropriate taxes, duties, tolls and fees, and to assign to a panchayat taxes, duties, tolls and fees levied and collected by the state government for certain specific purposes. The article also provides for making aid grants to panchayats from the consolidated fund of the state. It also provides for the constitution of funds for a panchayat for crediting its money receipts and for withdrawing money from them.

Article 243I provides that the governor of a state should, within one year of the commencement of the 73rd Amendment of the Constitution and thereafter at the expiration of every fifth year, constitute a State Finance Commission to review the financial position of the panchayats and to make recommendations regarding:

- (a) The principles which should govern:
 - (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State, which may be divided between them under this part and the allocation

- between the Panchayats at all levels of their respective shares of such proceeds;
- (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Panchayats;
 - (iii) the aid grants to the Panchayats from the Consolidated Fund of the State.
- (b) The measures needed to improve the financial position of the Panchayats.
 - (c) Any other matter referred to the Finance Commission by the Governor in the interest of sound finance of the Panchayats.

This provision is linked with Article 280 that provides for the constitution of the National Finance Commission. A new sub-clause (280 (bb)) has been added under which the National Finance Commission is required to make recommendations as to 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.²

The legislature of a state is mandated under Article 243J to make provisions for the maintenance of accounts by the panchayats and for the auditing of such accounts.

Another Article in Part IX A of the Constitution which has an important implication on decentralized planning is Article 243ZD that provides for the constitution of a District Planning Committee (DPC). Under this, the state governments are required to constitute a DPC in every district. The DPCs are required to consolidate the plans prepared by the panchayats and the municipalities in the district and to prepare a draft development plan for the district as a whole.

Each DPC is empowered to take decisions regarding matters of common interest between the panchayats and the municipalities including spatial planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation.

Article 243K mandates that the superintendence, direction, control and all election related matters, including the conduct of elections, should be vested in an independent State Election Commission consisting of a state election commissioner to be appointed by the governor. The provisions

under this Article have been directed towards making the State Election Commission free from political influence and manipulation.

The provisions of Part IX have been extended to Union Territories under certain terms and conditions (Article 243L).

As for the Fifth Schedule areas and tribal areas under Article 244, Parliament is empowered to make a law to extend the provisions of Part IX to these areas. Exercising these powers, Parliament passed the provisions of PESA.

However, the Sixth Schedule areas (the States of Nagaland, Meghalaya and Mizoram, and the hill areas in the State of Manipur for which District Councils exist)³ and the hill areas under Darjeeling Gorkha Hill Council in West Bengal have been excluded from the ambit of Part IX (Article 243M).

However, the legislative assembly of that state—by a resolution passed by a majority of the total membership of that house and by two-thirds of the members present and voting—can extend Part IX of the Constitution to the areas covered under the District Council hitherto.

Article N provides a grace period of one year from the commencement of the Constitution (73rd Amendment) to bring all existing laws relating to the panchayats in conformity with Part IX of the Constitution.

Salient Features of Panchayats

The salient features of the panchayats as provided under the 73rd Amendment (1992) to the Constitution of India may be summed up as follows:

1. States (with the exception of the tribal areas under the Fifth and Sixth Schedules) are mandated to constitute three-tier panchayats: at the village, intermediate and district levels. States with a population less than 20 lakhs need not constitute the intermediate panchayats. Similarly, states are mandated to constitute three categories of local governments: the Nagar panchayats, Municipal Councils and Municipal Corporations for urban areas.
2. All the members of a panchayat have to be elected directly from the territorial constituencies in the panchayat area. The chairperson of a

Gram Sabha has to be elected as per the legislation of a state, while that of intermediate and district panchayats by their own members.

3. The governor of the state is required to appoint an independent State Election Commission that will be free from political influence and manipulation in the conduct of all election matters.
4. One-third of the elected seats as well as offices at all three levels of panchayats are reserved for women.
5. Similarly, elected seats and offices are reserved for SCs and STs in proportion to their population within a panchayat.
6. Elections to panchayats have to be held within a period of five years and by elections within six months in the event of dissolution.
7. States are mandated to enact laws for endowing panchayats with the powers and authority necessary to enable them to function as institutions of self-government. Such laws should devolve powers and responsibilities to panchayats for the preparation of plans for economic development and the implementation of schemes for economic development and social justice as may be entrusted to them, including the 29 subject areas listed in the Eleventh Schedule, as shown earlier.
8. To enable them to carry out their functions and responsibilities the state legislature is empowered to authorize a panchayat to levy, collect and appropriate some taxes, duties, tolls and fees, and to assign to a panchayat certain taxes, duties and so on collected by the state government for certain specific purposes and to provide aid grants from the Consolidated Fund of the state.
9. The governor of a state is required: to constitute a State Finance Commission every five years to review the financial position of the panchayats and to make recommendations in regard to sharing of the proceeds of taxes, duties, tolls and fees leviable by the state; to assign certain taxes, duties, tolls and fees to panchayats; to provide aid grants to panchayats from the Consolidated Fund; and to recommend measures that the panchayats are required to undertake to improve their financial position.
10. State legislature is mandated to make provisions for the maintenance of accounts by the panchayats and the auditing of such accounts.
11. State governments are required to constitute a District Planning Committee in every district which will be empowered to consolidate

plans prepared by the panchayats and the municipalities in the district and to prepare an integrated development plan for the district as a whole.

All the above features could be expected to make democratic decentralization vibrant and effective for the good governance of rural India. Such features include a three-tier system facilitating the wide participation of people in governance, mandatory elections at a fixed interval, an election process free from political interference and manoeuvring, safeguards against discrimination on the basis of caste and gender, and appropriately identified subjects that truly fall within the domain of local government and delegated to panchayats. However, the actual working of the Panchayati Raj over more than two decades as discussed in Chap. 6 hugely falls short of that desired. There are many reasons for this, one of which is the lacuna in the design of the Panchayati Raj system itself.

Fault Lines in the Design of Panchayats

The basic lacuna is that local government has been included as a subject in the State List (Item No. 5) under the Seventh Schedule but not provided as a third level of government in the Constitution. Under Part IX and Part IX A under Article 243 the features of the panchayats and municipalities respectively have been incorporated through the 73rd and 74th Amendments to the Constitution more than four decades later. The reason why panchayats have not been incorporated as a third-tier government in the Constitution has been discussed in Chaps. 1 and 3. But why is it that panchayats and municipalities were not incorporated in the 73rd and 74th Amendments to the Constitution as a third-tier government? These Amendments only mandated state governments to enact legislation and devolve to panchayats and municipalities as provided in the above Constitutional Amendments. Accordingly, state governments are required to devolve some of the functions and powers they have been enjoying. Clearly there has been reluctance on the part of many of the state governments to make a whole hearted commitment to this and to provide appropriate provisions to make the decentralization process work effectively.

The reason why the Amendments did not incorporate panchayats and municipalities as a third level of government, but left them as a mandatory provision for states to introduce them as institutions of local governance, was probably due to consideration of political feasibility. An amendment of the Constitution requires a majority of the total membership of each House of Parliament and a majority of not less than two-thirds of the members of that House present and voting. In addition, the amendment is also required to be ratified by the legislatures of not less than one-half of the states by a resolution to that effect (Article 368).

In the political reality prevailing in the country such a massive mandate for the introduction of a third layer of government was perhaps not feasible. For one thing, the composition of the members of both Houses of Parliament has not overwhelmingly been dominated by a single party. The defeat of the 64th Amendment bill, the first attempt to accord constitutional status to the Panchayati Raj in the Rajya Sabha in 1989 bears testimony to this political reality. For another, states are accustomed to enjoying sole power and authority over functions and revenue sources as well as other areas assigned to them under the Constitution. They would not obviously be enthusiastic when required to share such power and authority with another level of government. What is more, the ruling party at the centre and in states has long ceased to be the same, which makes it more difficult to obtain the required ratification by states. For political realities such as the above, perhaps, the “Constitution has defined some aspects of the structure of local governments in mandatory terms, whereas flexibility is given to States in others” (GOI 2010, 125).⁴ The design of local government institutions as a compromise reflects on the performance of the Panchayati Raj, as has been discussed in Chaps. 1, 4 and 6.

The Eleventh Finance Commission whose terms of reference included for the first time sub-clauses (bb) and (c) of Article 280 (3) analysed the process of implementation of the 73rd and 74th Amendments and flagged certain critical problems that call for “legislative and administrative changes and in some cases, further amendments to the Constitution” (GOI 2000, 83–84).⁵ Some of the problems which reflect on the design of the third level of government are as follows.

First, the legislation of states has envisioned a hierarchical structure with the intermediate level panchayats supervising the village level panchayats and the district level panchayats supervising, advising and coordinating

the activities of village level and intermediate level panchayats. But the activities of each level have not been clearly delineated in state legislation and it has been left to be done through executive instructions leading to a high degree of uncertainty.

Second, several centrally sponsored schemes for rural and urban development have been implemented by central government through special agencies created at the district level or through informal and formal organizations established over the years. Whenever local bodies are associated, they merely perform agency functions without any decision-making powers in the preparation and implementation of schemes. For local government to function as an institution of self-government, these parallel development agencies should be abolished and integrated with the local bodies. The Commission on Centre–State Relations also observed that there existed five categories of parallel bodies, namely (1) first-generation organizations such as a District Rural Development Authority; (2) societies and missions such as the National Rural Health Mission; (3) project management structures set up to implement externally assisted projects in areas like water, irrigation and watershed management; (4) review committees and development authorities; and (5) housing boards and so on. The Commission argues that

the Constitution envisages harmonization not only of laws but also of institutional mechanisms with the Panchayati Raj System. Viewed in this sense such institutions have to be harmonized with the local Government set up. This process of harmonization may result in many parallel bodies being merged with local governments, whereas others may continue because of reasons of functional and technical efficiency but with a clear line of accountability established. (GOI 2010, 137)⁶

Third, the 73rd and 74th Amendments to the Constitution have specifically excluded the Fifth and the Sixth Schedule Areas from their operation. While PESA has been enacted by Parliament to extend the provisions of Part IX to the tribal areas listed in the Fifth Schedule, the Sixth Schedule Areas still remain outside its ambit. It is important to have clarity of approach as to how these excluded areas will keep pace with the rural and urban development taking place in the rest of the country.

Fourth, the Eleventh Plan document, while recognizing the criticality of involving panchayats in planning, implementing and supervising essential public services, has noted that the devolution of functions to panchayats through legislative or executive order has not been matched by a concomitant transfer of funds and functionaries.

Fifth, reviewing the State Panchayati Raj and Municipality related acts regarding the transfer of functions, powers and responsibilities to local governments, the Commission on Centre–State Relations has noted a wide variation and six types of serious inconsistencies, namely imprecise transfer, conditional transfer, transfer of functions which are vague, continued existence of parastatal agencies over local functions, lack of legislative sanction for fiscal transfers to match functional transfers, and compliance of other laws with local government legislation across states.⁷

Sixth, having noted such anomalies in its comprehensive review of the working of local bodies, the Second Administrative Reform Commission (SARC) in its second report on “Local Governance” recommended that articles 243G and 243W should be amended to make it mandatory for state governments to vest power and authority in local bodies, consistent with the XI and XII Schedules of the Constitution (GOI 2007, 124–190).⁸ It also suggested among many other things that there should be a clear delineation of functions for each tier through activity mapping and the passing of a framework law to formalize the relations between state and local governments. Similarly, the National Commission to review the working of the Constitution⁹ (GOI 2002) has proposed an amendment to the Constitution to assign mandatorily the subjects listed in Schedules XI and XII to rural and urban local bodies respectively so that these subjects could statutorily form a distinct fiscal domain of local bodies. This would enable them to perform the constitutionally assigned role as units of local self-government.

Seventh, considering the criticality of SFC reports for the mandated deliberations of NFC terms of reference relating to Article 280 (3) (bb) and (c), the synchronicity of the period covered by the SFC with that of the NFC is essential. Towards that there is an urgent need to ensure that the period of coverage of SFCs is synchronous with that of the NFC and that reports on action taken are placed in the state legislature appropriately. The amendment to Article 243-I(1) of the Constitution incorporating

the phrase “or earlier” after “every fifth year” as recommended by SARC would facilitate synchronicity of the periods of the NFC and SFCs. Pending such synchronicity, all successive NFCs have recommended amendments to Article 280 (3) (bb) and (c) such that the phrases “on the basis of the recommendations by the Finance Commission of the State” are substituted by “after taking into consideration the recommendations.” Until such amendments to the Constitution are made, the NFC will not be able to discharge its desired responsibility as envisaged.

Notes

1. The discussion on the constitutional provisions has been heavily drawn from Bakshi, P. M. 2010. *The Constitution of India*, Universal Law Co. New Delhi and Government of India, Ministry of Panchayati Raj. 2006. *The State of the Panchayats, A Mid-Term Review and Appraisal*, Chapter I, pp. 38–40.
2. Similarly, clause (c) has been added under Article 280 which states that the National Finance Commission should make recommendations as to the measures needed to augment the Consolidated Fund of a state to supplement the resources of the municipalities in the state on the basis of the recommendations made by the Finance Commission of the state.
3. The table appended to paragraph 20 of the Sixth Schedule shows the tribal areas within the States of Assam, Meghalaya, Tripura and Mizoram under Part I, Part II, Part IIA and Part III:

Part I:

1. The North Cachar Hills District;
2. Karbi Anglong District.

Part II:

1. Khasi Hills District;
2. Jaintia Hills District;
3. The Garo Hills District.

Part IIA:

1. Tripura Tribal Areas District.

Part III:

1. The Chakma District;
2. The Mara District;
3. The Lai District.
4. Government of India, Commission on Centre–State Relations. 2010. Report on Local Self Governments and Decentralized Governance, Volume IV, p. 125.
5. Finance Commission. 2000. Report of the Eleventh Finance Commission, pp. 83–84.
6. Government of India, Commission on Centre–State Relations. 2010. Report on Local Self Governments and Decentralized Governance, Volume IV, p. 137.
7. For elaboration, see *ibid.* pp. 131–132.
8. Government of India. 2007. Ministry of Personnel, Public Grievances and Pensions, Department of Administrative Reforms and Public Grievances Second Administrative Reforms Commission, Sixth Report on Local Governance: An inspiring Journey into the Future, pp. 124–190.
9. Government of India, Ministry of Law, Justice and Company Affairs, Department of Legal Affairs. 2002. The National Commission to Review the Working of the Constitution.

References

- Bakshi, P.M. 2010. *The Constitution of India*. New Delhi: Universal Law Co..
- Government of India. 2000. *Report of the Eleventh Finance Commission*. Finance Commission.
- . 2002. *The National Commission to Review the Working of the Constitution*. New Delhi: Department of Legal Affairs, Ministry of Law, Justice and Company Affairs.
- . 2006. *The State of the Panchayats: A Mid-Term Review and Appraisal*. New Delhi: Ministry of Panchayati Raj.
- . 2007. *Sixth Report on Local Governance: An Inspiring Journey into the Future*. Department of Administrative Reforms and Public Grievances, Second Administrative Reforms Commission, Ministry of Personnel, Public Grievances and Pensions.
- . 2010. *Report on Local Self Governments and Decentralized Governance*, volume-IV. Commission on Centre–State Relations.

6

Two Decades of the Panchayati Raj

The Panchayati Raj Act of 1992 demonstrated the vision of local government reforms that policy-makers had in mind. This chapter is a brief account of the reform pattern practised on the ground since the passing of the Act and the state of affairs 20 years hence, based on progress in eight indicators discussed below, namely the holding of panchayat elections; the reservation of seats for certain social categories; jurisprudence; social audit; e-governance and financial accountability; the role of District Planning Committees in panchayat planning; the role of parallel bodies; and the devolution of functions, funds and functionaries. This chapter attempts to gauge how far the institutional provisions of Constitutional Amendment Acts (CAA) have been successful in empowering the third tier of the Indian federal system.

Elections

The 73rd CAA incorporated provisions for the holding of regular elections in panchayats and improving their entire electoral set-up and process. Similar to the authority and functions of the Central Election

Commission, the State Election Commission has been vested with the authority to deal with all matters related to panchayat elections within the respective state jurisdiction.

The performance of panchayats in election related matters was assessed in terms of the following benchmarks.

Performance Indicators¹

- Whether elections have been conducted regularly every five years in the states;
- The percentage of voting in panchayat elections;
- Whether the State Election Commission (SEC) in the respective states is vested with the authority to prepare electoral rolls, the delimitation of constituencies, reservations and election disputes;
- Whether the electoral rolls are the same for panchayat elections as for Assembly and/or Parliament elections;
- Whether there is provision for the disclosure of election expenses and for filing annual property statements for elected representatives;
- The status of SECs: whether they are also responsible for the conduct of elections in District Planning Committees (DPCs).

Conduct of Elections and Voter Turnout

Post-CAA, after 13–15 years, there was marked improvement in conducting regular elections in most of the states. By and large in most of the states, panchayat elections were held on time. This view was echoed in the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006,² as well as in *The State of Panchayats: 2007–08, An Independent Assessment, vol. I—Thematic Report*.³ In a few states such as Andhra Pradesh, Assam, Bihar, Chhattisgarh, Jammu and Kashmir, Jharkhand, Manipur and Tamil Nadu, elections were delayed due to various reasons such as law and order and security issues, court litigation matters and even vagaries of the weather (e.g. a delay in monsoons). In the then newly formed states like Chattisgarh and Jharkhand, it took some time to set the process up ready

for conducting elections. However, statistics of voter turnout and other election related information still needs to be updated for many states.

Table 6.1 provides the list of states where three or more than three elections to panchayats have been held since 1993.

Table 6.1 States/Union Territories where three or more than three elections were held

	Elections to panchayats held
States/Union Territories	
Andhra Pradesh	1995, 2001, 2006
Assam	2001, 2007, 2013
Bihar	2001, 2006, 2011
Chhattisgarh	1995, 2000, 2005, 2010
Goa	1997, 2002, 2007, 2012
Gujarat	1996, 2001, 2007, 2010, 2013
Haryana	1995, 2000, 2005, 2010
Himachal Pradesh	1995, 2000, 2005, 2010
Jammu & Kashmir	2001, 2006, 2011
Karnataka	1995, 2000, 2005, 2010
Kerala	1995, 2000, 2005, 2010
Madhya Pradesh	1995, 2000, 2004, 2005, 2010
Maharashtra	2000, 2005, 2010, 2012
Manipur	1997, 2002, 2007, 2012
Odisha	1997, 2002, 2007, 2012
Punjab	1994, 1998, 2003, 2008
Rajasthan	1995, 2000, 2005, 2010
Sikkim	1997, 2002, 2007, 2012
Tamil Nadu	1996, 2001, 2006, 2011
Tripura	1994, 1999, 2004, 2009
Uttarakhand	1996, 2003, 2008
Uttar Pradesh	1995, 2000, 2005, 2010
West Bengal	1995, 1998, 2003, 2008, 2009
Union Territories	
Andaman & Nicobar Islands	1995, 2000, 2005, 2010
Chandigarh	1999, 2003, 2008, 2012
Dadra & Nagar Haveli	1995, 2000, 2005, 2010
Daman & Diu	1995, 2000, 2005, 2010
Lakshadweep	1997, 2002, 2007, 2012

Source: Alok V.N. (2013). Strengthening of Panchayats in India: Comparing Devolution across States (Empirical Assessment 2012–13). April 2013. Indian Institute of Public Administration (IIPA): New Delhi, 37–38. Retrieved from http://www.iipa.org.in/upload/panchayat_devolution_index_report_2012-13.pdf

Role and Powers of State Election Commission (SEC) in States

A consensus about the need for a common electoral roll was arrived at by the year 2000, as this step by state governments would lead to massive savings of financial resources and also help remove inconsistencies. The clauses related to elections however provide only a broad framework with regard to election related matters. Much depends on the state legislature for the formulation of laws related to election matters. This is where the system faltered in terms of lack of uniformity in the election process and the inadequate autonomy of SECs. Experience has shown that state governments are not always ready to vest powers in all election related matters like the preparation of electoral rolls, the delimitation of constituencies, reservation and rotation of seats to the SEC lest their power and dominance over the electoral process are challenged.

As per the statistics of the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006, a common electoral roll for Assembly and panchayat elections was adopted only in a few states like Assam, Bihar, Manipur, Orissa, Rajasthan, Tamil Nadu and Uttarakhand. Separate electoral rolls for Parliament, Assembly and panchayats often lead to great confusion as a voter may find his/her name on one and not on another.

In the majority of states, it is the state government which still takes the final decisions in matters of elections. It is only in a few states such as Assam, Chattisgarh, Goa, Himachal Pradesh, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, West Bengal and Delhi that the SEC acts as the competent authority in conducting elections. In some of these states, the reservation of seats is handled by other state authorities and not by the SEC. SECs also face considerable problems due to their lack of administrative and financial autonomy. These include matters related to the announcement of elections, the recruitment and number of staff, their selection, tenure and rules of service. For smooth and effective functioning of the SECs, it is necessary that these institutions be given the same autonomy as the Election Commission of India (ECI).

Although the creation of DPCs was mandated as a key element of the 73rd Amendment, they had not been constituted in all states. Only a few

states like Assam and Tamil Nadu have actually recognized the SEC as the authority for holding elections in District Planning Committees.

Regarding matters of delimitation, in the majority of states, the state government or state government officials like district collectors are vested with the authority of the delimitation of seats. In a few states like Bihar, Gujarat, Karnataka, Kerala, Maharashtra, Sikkim and West Bengal, the SEC is vested with this authority.

Model Code of Conduct and Disclosure of Assets

The Model Code of Conduct acts as the parameter for ensuring that elections are free, fair and impartial. Although it was evolved by the ECI in consultation with all political parties, this still remains short of being implemented across all states. According to the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006, the Model Code of Conduct for panchayat elections was applicable in a few states: Bihar, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal. The Model Code needs to be implemented expeditiously in all states for checking malpractices related to excessive use of power. Most states do not have provisions in panchayat elections for the disclosure of election expenses as well as filing their annual property returns. In states which have such a system, provisions exist for the disclosure of annual expenses but not for the filing of annual property statements for panchayat election candidates (e.g. Kerala and Punjab).

Challenges

The criminalization of politics and the use of money power is a serious cause of concern even in panchayat elections and needs to be checked with great urgency. Necessary action should also be taken to build the capacity of elected representatives of PRI who are often not very well educated. The use of electronic voting machines in panchayat elections can also go a long way towards free and fair elections.

Reservation of Seats

Article 243D of the Constitution relates to the reservation of seats for SCs, STs and women. According to this clause:

- Not less than one-third of the total number of offices of the chairpersons in the panchayats shall be reserved for women at every level, provided also that the number of offices shall also be allotted by rotation to panchayats at every level.
- The number of seats to be reserved for SCs and STs in every panchayat shall be the same as the proportion of SCs/STs to the total population.
- Not less than one-third of the total number of seats reserved for SCs/STs shall be reserved for women belonging to SCs or STs as the case may be and among them, not less than one-third of the seats should be filled by direct election in every panchayat. Such seats may be allotted by rotation to different constituencies in a panchayat.
- The offices of the chairpersons in the panchayats at the village or any level of the three-tier structure shall be reserved for SCs, STs and women based on laws formulated by the state legislature.

The success of reservation in panchayats is assessed on the basis of the points given above.

Reservation of Seats for Women

Reservation of seats for women is a pioneering institutional step towards sociopolitical empowerment of women in India. Women's limited roles are defined in deeply gendered spaces within patriarchal societies such as India. Being fully aware of this reality, the creators of the 73rd Amendment Act realized that, without a legally binding constitutional provision, any perceptible change in women's participation in public life or the development process would hardly be possible.

A remarkable outcome of the constitutional mandate according to the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006, is that the minimum criterion of 33 per cent representation of seats for women in

PRIs was achieved in all states. In some states like Bihar and Karnataka, the representation of women in PRIs has even exceeded the minimum 33 per cent.

It was found that lowering the age of entry to panchayats from 25 to 21 years paved the way for the elections of large chunks of women in PRIs who were “not so educated or economically well-off” (GOI 2013, 260). A large number of these women came from disadvantaged social groups like SCs or STs. What is more, they often displayed superior leadership qualities as compared to their male counterparts. Most of the women elected were first timers and would not have contested elections had there been no provision for reservation.

For almost all states, the provision of rotation of seats is for five years. This generally works to the detriment of women representatives as the chances for crafting a political career is limited in a span of five years. This “mechanical implementation” (GOI 2013, 263) of rotation of seats affects the “development of emerging leadership and their contribution to effective, accountable rural governance” (GOI 2013, 263).

Other limiting practices that undermine women’s reservation include the seclusion of women behind the veil, evidence of tokenism or proxy representation by husbands and male kin, a no-confidence motion, or the two-child norm whereby women with more than two children cannot contest elections. In 1992, 11 states imposed a “two-child limit” that prevents people with more than two children from contesting panchayat elections. Four of these states (Haryana, Himachal Pradesh, Madhya Pradesh and Chhattisgarh) eventually repealed the law in 2005–06, but it remains in effect in the other seven states (Rajasthan, Andhra Pradesh, Orissa, Maharashtra, Uttarakhand, Gujarat and Bihar) (Anukriti and Chakravarty 2015).⁴

Reservation of Seats for SCs and STs

All states have ensured that representation of SCs and STs are on the basis of their proportion in the population following the mandate of the CAA. Some states like Manipur and Sikkim have mandated that representation of STs in PRIs is one-third of the total seats. There have also

been instances of no-confidence motions against Dalit headed panchayats in some states like Chattisgarh.

Experience shows that, despite the mandated representation in PRIs, discrimination and marginalization of these social groups is an unfortunate reality. Redistribution of resources and access to public services, education, health and other social services intended through the mechanism of decentralization largely remains out of the reach of Dalits and tribals. Studies have shown that lack of education and poor economic status are the two most limiting factors for SC/ST elected representatives to exercise their power and influence. In states where literacy rates are high among the socially disadvantaged groups, many elected representatives have shown confidence in exercising their influence for changing the status quo.⁵

Nevertheless, despite failings and loopholes in the system, it cannot be denied that the policy of decentralization through the 73rd Amendment has provided a new voice for the marginalized.

Jurisprudence

The evaluation criterion with respect to jurisprudence is primarily related to efforts at the harmonization of other laws with state Panchayati Raj acts. The success rate at such harmonization remains largely unsatisfactory. Most of the states have not taken up adequate measures for harmonizing laws. By 2006, laws have been harmonized in states like Kerala, Jammu & Kashmir, Gujarat, Madhya Pradesh, Himachal Pradesh, Manipur, Uttarakhand and West Bengal.⁶ In fact, Kerala and Jammu & Kashmir stand as glowing examples which have enacted strong legislation with regard to the stated criterion of jurisprudence in congruence with the essence of the 73rd Amendment Act.

Kerala undertook a comprehensive exercise in harmonization of laws with state Panchayati Raj in 1999. As many as about 35 state laws were either amended or repealed for the sake of harmonization. In Jammu & Kashmir, in matters of jurisprudence, the effort was not so much at harmonizing state Panchayati Raj acts per se as it was at legally strengthening

and conferring powers to panchayats to enable them to settle disputes and litigation. A unique system of panchayat *adalats*, known as *halqa* panchayats, which had been in vogue in the state, received further support and enjoyed both criminal and civil jurisdictions. The panchayat *adalat* system was accepted by the community and many cases have been settled and grievances amicably redressed with community involvement.

Social Audit

Social audit is defined as “a process in which, details of the resource, both financial and non-financial, used by public agencies for development initiatives are shared with the people, often through a public platform. Social audits allow people to enforce accountability and transparency, providing the ultimate users an opportunity to scrutinize development initiatives” (Vision Foundation 2005, 77). “Social auditing” is a more comprehensive term than “financial audit” or “operational audit.” While “financial audit is geared towards verification of reliability and integrity of financial information,” “operational audit looks at compliance with policies, plan procedures, laws, regulations, established objectives and efficient use of resources.” “On the contrary, Social Audit examines performance of a department/programme vis-à-vis its stated core values in the light of community values and the distribution of benefits among different social groups reached through good governance principles” (Centre for Good Governance 2005, 13–14).

The PRI Act of 1993 empowers Gram Sabhas to carry out social audits of their respective Gram Panchayats. Social audits are expected to increase public accountability by:

- Improving citizens’ information concerning government documents;
- Being a valuable tool for exposing mismanagement of resources;
- Creating awareness among beneficiaries and providers of local services;
- Monitoring progress and helping to prevent fraud by deterrence.
- (see SIRD Kerala 2014, 10)

Social audit practices received a major boost after the passing of the Right To Information (RTI) Act of 2005.

The performance indicators for the success of social audits as stated in the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006 include:

- Provisions for social audit in the law;
- Rules or guidelines issued for social audit;
- Linkage of social audit with regular audit.

According to *The State of Panchayats: 2007–08, An Independent Assessment, Vol I—Thematic Report* of Institute of Rural Management Anand (IRMA), social audit legislations have not been issued in most of the states. Procedures for social audit are said to have been notified in the States of Himachal Pradesh and Madhya Pradesh. In Tamil Nadu, instructions have reportedly been issued for the conducting of a social audit of panchayat works by Gram Sabha.

The Rajasthan legislation on social audit is unique in the sense that it incorporates provisions of the right to information in the Panchayati Raj legislation itself and the Gram Sabha is enthusiastically involved in conducting social audits in the state. The Mazdoor Kisan Shakti Sangthan was instrumental in organizing people to conduct social audits called *jan sunwais* throughout rural Rajasthan. The victory of the movement culminated in the government notification under the Panchayats Act to the effect that records of all panchayat expenditure could be inspected by the people. Subsequently, Rajasthan passed the RTI way back in 2000.

According to recent data, barring Arunachal Pradesh and Gujarat, some form of social audit is functional in most of the states where Gram Sabhas' social audit teams conduct audits once every 6 or 12 months. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is the most frequently audited scheme in the majority of states. Recent information on social audits is compiled and presented in Table 6.2.

Table 6.2 Social audits

S.No.	States	Social audit conducted by	Scheme(s) that are audited	Frequency	Trained by	Trainee
1	Andhra Pradesh	SA team	MGNREGA	Once a year	Nil	n/a
2	Arunachal Pradesh	n/a	n/a	n/a	n/a	n/a
3	Assam	Gram Sabha	MGNREGA	Once in six months	State government	ER and panchayat officials
4	Bihar	Gram Sabha	MGNREGA	n/a	State government	n/a
5	Chhattisgarh	Gram Sabha and SA team	MGNREGA, IAY, BRGF	Once in six months	State government	ER, panchayat officials and citizens
6	Goa	n/a	MGNREGA	n/a	n/a	n/a
7	Gujarat	n/a	n/a	n/a	n/a	n/a
8	Haryana	Gram Sabha	MGNREGA	Once in six months	State government	ER and panchayat officials
9	Himachal Pradesh	Gram Sabha and SA team	MGNREGA	n/a	State government	ER, panchayat officials, citizens
10	Jammu & Kashmir	Gram Sabha and SA team	MGNREGA	Once in six months	State government and NGOs	ER, panchayat officials and Gram Sabha members
11	Jharkhand	Gram Sabha & SA Team	MGNREGA	n/a	SIRD and ATI	ER, Panchayat officials and citizens
12	Karnataka	Gram Sabha and SA team	MGNREGA	Once a year	State government	ER, panchayat officials and citizens

(continued)

Table 6.2 (continued)

S.No.	States	Social audit conducted by	Scheme(s) that are audited	Frequency	Trained by	Trainee
13	Kerala	Gram Sabha	MGNREGA	n/a	State government	Citizens
14	Madhya Pradesh	Gram Sabha	MGNREGA, IAY	Once in six months	State government and NGOs	Citizens
15	Maharashtra	Gram Sabha and SA committee	MGNREGA, IAY, SSA	Once a year	State government	ER, panchayat officials and citizens
16	Manipur	Gram Sabha	MGNREGA, IAY	Once in six months	SIRD	Members of Gram Sabha
17	Odisha	Gram Sabha and SA team	MGNREGA, IAY	Once in six months	State government and NGOs	ER, panchayat officials and citizens
18	Punjab	Gram Sabha	MGNREGA	Once a year	State government	ER and panchayat officials
19	Rajasthan	Gram Sabha	MGNREGA	Once in six months	State government	n/a
20	Sikkim	Voluntary Health Association of Sikkim	MGNREGA	Once a year	State government	ER and panchayat officials

21	Tamil Nadu	Gram Sabha and SA team	MGNREGA	Once in six months	SASTA	ER, panchayat officials and ER
22	Tripura	Gram Sabha	MGNREGA	Once a year	State government	ER
23	Uttarakhand	Gram Sabha	MGNREGA	Once in six months	State government	ER and panchayat officials
24	Uttar Pradesh	Gram Sabha	MGNREGA	Once a year	n/a	n/a
25	West Bengal	Gram Sabha and SA team	MGNREGA	Once in six months	State government	ER, panchayat officials and citizens
Union Territories						
26	Andaman & Nicobar	n/a	n/a	n/a	n/a	n/a
27	Chandigarh	Gram Sabha	MGNREGA	Once in six months	n/a	n/a
28	Dadra & Nagar Haveli	Gram Sabha	MGNREGA	Once a year	Nil	n/a
29	Daman & Diu	n/a	n/a	n/a	n/a	n/a
30	Lakshadweep	Gram Sabha	MGNREGA	Once a year	n/a	n/a
31	Puducherry	n/a	n/a	n/a	n/a	n/a

Source: Alok V.N. (2013). Strengthening of Panchayats in India: Comparing Devolution across States (Empirical Assessment 2012-13). April 2013. Indian Institute of Public Administration (IIPA): New Delhi, 60-61. Retrieved from http://www.iipa.org.in/upload/panchayat_devolution_index_report_2012-13.pdf

ER – Elected Representatives

SIRD – State Institute of Rural Development

ATI – Administrative Training Institute

IAY – Indira Aawas Yojana

SSA – Sarva Shiksha Abhiyan

SASTA – Social Audit Society of Tamil Nadu

According to the *Devolution Report 2015–16*, (168) in 2015 social audits were conducted in all GPs of the states of Andhra Pradesh, Assam, Haryana, Maharashtra, Manipur, Odisha, Sikkim, Tamil Nadu and Telengana.

E-Governance and Financial Accountability

The Eleventh Schedule of the Constitution has as one of its objectives the developing of the means of communication in panchayats. The emphasis on developing IT-enabled services in state PRIs is an endeavour to put this objective into practice. After the passing of the CAA, the majority of states had taken up various plans for the e-governance of panchayats. The *Mid-Term Review of the State of Panchayats*, vol. ii, 2006 set the following criteria for evaluating the progress of this e-governance.

- Extent of IT enabling of panchayats at all three levels;
- Progress of uploading data onto the National Panchayat Portal;
- Services offered through e-panchayats.

As reported in the *Mid-Term Review*, Chattisgarh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu and West Bengal had made commendable progress in the IT enabling of services at all three levels of panchayats. In states such as Assam, Haryana, Jammu & Kashmir, Madhya Pradesh, Odisha, Rajasthan, Sikkim and Uttar Pradesh, the IT enabling of panchayats had reportedly occurred at the block and district levels. In UP, Haryana and Sikkim, some progress was seen at the Gaon Panchayat (GP) levels too. In states such as Arunachal Pradesh, Bihar, Punjab, Himachal Pradesh, Manipur, Tripura, Jharkhand and Uttarakhand the progress of IT enabled services and e-governance had been reportedly poor. Many states had adopted customized software programmes in panchayats, including Gujarat State Wide Area Network (GSWAN) in Gujarat, Madhya Pradesh Agency for Promotion of Information Technology (MAPIT) in Madhya Pradesh, Decentralized Rural Information Services and Technology Initiatives (DRISTI) in West Bengal and Panchayati Raj Information Systems Management (PRISM) in Assam. Only a few states however uploaded data on to the National Panchayat Portal.

According to the latest statistics, based on the *Devolution Report 2015–16*, the majority of the block and district panchayats have internet

connections but the percentage of internet connections in GPs is much smaller. Common Service Centres existed in about one-fourth of the panchayats. In about one-third of them, electronic transactional services existed and online services were available. Citizen services covered the online service locations whereas business services were limited to 26 per cent of the total locations. In 13 per cent of the locations, an electronic payment gateway was used and direct beneficiary transfer happened in about one-fourth of the locations.

One of the main aims of enabling E-Governance is financial accountability. According to the report *Rural Local Body Core Functions and Finances (2014)* by the Centre for Policy Research (CPR),⁷ accounting software formats have been adopted and data maintenance in the prescribed formats has been fully implemented in three states: Himachal Pradesh, Maharashtra and Tripura. The data has been cross-checked, and the Comptroller and Auditor General (CAG) report is in agreement with the state report on this. In Himachal Pradesh, online maintenance of accounts in the PRIs is done through the accounting software PRIASoft. Eight-digit database formats have been adopted in Himachal Pradesh as well as Maharashtra. In Tripura, the state Panchayati Raj Department has created a database for the finances of the ADC village committees.

However, in states such as Karnataka, Kerala, Madhya Pradesh, Punjab, Uttar Pradesh and West Bengal, which claim adoption of accounting software formats and full implementation of online maintenance of data in prescribed formats, the CAG report does not quite agree with the state report on this. In all other states like Andhra Pradesh, Assam, Bihar, Haryana, Gujarat, Rajasthan, Sikkim and Tamil Nadu, implementation of model accounting software and maintenance of online databases are partial.

Role of DPCs in Panchayat Planning

Under the 73rd Amendment, Article 243ZD provides for consolidating the plans prepared by the panchayats and municipalities and preparing a draft development plan for the district as a whole. Area plans primarily meant covering subjects incorporated in the 11th Schedule. Essentially,

panchayat planning involved two stages: (1) preparation of local plans at different levels of panchayats and (2) consolidation of these local plans into a district plan.

According to the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006, the role of DPCs in the planning process of states may be evaluated on the basis of some of the following parameters:

- If a legislative provision exists for DPCs;
- If DPCs have been constituted in states;
- If a panchayat makes perspective five-year and annual plans;
- If there is a consolidation of panchayat plans at the Zila Parishad (ZP) level by DPCs.

According to information obtained from the *Mid-Term Review*, there was a gap between legislation and the formation of DPCs in states and the involvement of panchayats and DPCs in the planning process. Although legislations for DPCs had been passed in the majority of states, except for a few such as Tripura and Gujarat, DPCs had not been constituted in all states even when legislation had been passed.

Local area planning is reportedly the most successful in Karnataka and Kerala. In Karnataka, planning by PRIs had begun much earlier than 1993. The local area planning process in the state used a bottom-up approach where the plan formulated by Mandal Panchayats would be sent to the Taluk Panchayats, which after examining and incorporating certain points according to needs would be sent to the ZP for similar action. The process was designed in such a way that plans reflected local needs and development demands of the lowest level of the village. But unfortunately, the system suffered a setback after the formalization of decentralized planning following the Constitutional Amendment Act of 1993. As reported in the *Mid-Term Review*, consolidated district development plans could not be materialized as they were embroiled in election related matters and a lack of integration between rural and urban bodies.

As we know, Kerala undertook a Big Bang approach in implementing PRI reforms and evolved an innovative model of decentralized planning. Panchayats have exclusive powers to administer matters enumerated in the Kerala Panchayati Raj Act and a wide autonomy of functions. Untied funds for panchayat planning is a characteristic feature of Kerala's planning system. According to IRMA's *The State of Panchayats: 2007–08, An Independent Assessment. Vol. I—Thematic Report*, on average, 40 per cent of Kerala's state budget is devolved to local bodies. There are five stages in planning that aim at involving people at the lowest rung of the system in their own development plans. Organization of local development seminars, training of state to local level resource persons, generation of an extensive local database, formation of task forces to prepare development projects, all formed a part of the elaborate planning process. During the final phase, the block and district panchayats prepared their plan documents duly integrating local level plans and designing complementary programmes wherever necessary.

Much is still left to be desired in the area of DPC planning in India. In many states where DPCs have been constituted, they are not functional. Although most of the states have provisions regarding the constitution of DPCs, "many of them display moderate performance in terms of functioning of DPCs." "Rajasthan scored the highest in constitution and functioning of District Planning Committees" (Alok 2012, 97). According to the *Devolution Report 2015–16*, even in Kerala, which serves as a model state for setting up the DPCs, DPCs are not functional and integrated district plans are not being prepared. DPCs are also not functional in nine states, and in 15 states integrated plans are not being prepared.

Table 6.3 shows the status of DPC functionality and the proportion of districts with integrated plans in 2015.

As reported in *Towards Holistic Panchayati Raj*, vol. I, 2013, "the contemporary status of decentralised planning in the country is not 'a very enthrusting picture'" (p. 143), except in Kerala. Even in Kerala, after 16 years of decentralized planning, "consolidation of plans and formulation of district plans have not yet become institutionalised" (GOI 2013, 144).

Table 6.3 Performance of DPCs, 2015

States/Union Territories	Status of functionality	Proportion of districts with integrated plans
Andaman & Nicobar islands	Functional	0.67
Andhra Pradesh	Functional	0
Arunachal Pradesh	Functional	0.06
Assam	Functional	0
Bihar	Functional	1.00
Chandigarh	Not Functional	0
Chattisgarh	Functional	1.00
Dadra & Nagar Haveli	Not Functional	0
Daman & Diu	Functional	0
Goa	Not Functional	0
Gujarat	Functional	1.00
Haryana	Functional	1.00
Himachal Pradesh	Functional	0
Jammu and Kashmir	Not Functional	0
Jharkhand	Functional	1.00
Karnataka	Functional	0.83
Kerala	Not Functional	0
Lakshadweep	Not Functional	0
Madhya Pradesh	Not Functional	0
Maharashtra	Functional	1.00
Manipur	Not Functional	0
Odisha	Functional	1.00
Puducherry	Not Functional	0
Punjab	Functional	1.00
Rajasthan	Functional	1.00
Sikkim	Functional	1.00
Tamil Nadu	Functional	1.00
Telengana	Functional	0.9
Tripura	Functional	0
Uttar Pradesh	Functional	0
Uttarakhand	Functional	1.00
West Bengal	Functional	0.11

Source: *Devolution Report 2015–16* (TISS Mumbai 2016, 146–147)

Role of Parallel Bodies

Parallel bodies or “parastatals” have been functioning in parallel with PRIs or Rural Local Bodies (RLBs) for a long time in India. They use funds provided by the central or state governments or donor agencies and

have a separate system of decision-making, resource allocation and execution of projects, which is independent and removed from the Panchayati Raj set-up. These parallel bodies could have in them bureaucrats, elected representatives, non-officials and community representatives (Centre for Policy Research 2014, 47).

The ministries with the largest outlay of funds to parallel bodies for various schemes fall under:

- Rural Development: ten schemes;
- Human resource development: six schemes;
- Health and family welfare: 20 schemes;
- Agriculture: 12 schemes.⁸

Table 6.4 presents a list of parallel bodies majorly funded by Central funds.

The constitutional framework of the RLBs provides for transferring the schemes under them to these parallel bodies which are supposed to be

Table 6.4 Major parallel bodies for transferring central plan assistance, 2014

Name of parallel body	Ministry	Scheme implemented through parallel structure	Allocation of funds (2013–14 Budget Estimates)
1 District Rural Development Agency	Rural Development	Indira Awas Yojana DRDA Administration	15,175.20 250.0
2 States Rural Road Agency		Pradhan Mantri Gram Sadak Yojana	12,965.59
3 District Watershed Development Society		Integrated Watershed Management Programme	5365.88
4 District Education Mission	Human Resource Development	Sarva Shiksha Abhiyan	27,206.90
5 District Health Mission	Health and Family Welfare	National Rural Health Mission	11,510.69
6 District Horticultural Society	Agriculture	National Horticultural Mission	1600.00
TOTAL			74,074.26

Source: *Rural Local Body Core Functions and Finances: A Study for the Fourteenth Finance Commission* (CPR 2014, 50)

better equipped at implementation, with more resources, a stronger bureaucracy and more qualified professionals. Tension develops with regard to power equations between parallel bodies and PRIs. Parallel bodies equipped with better resource endowments end up appropriating power from PRIs. This kind of dual power structure often creates disharmony among PRIs and parallel bodies leading to inefficiency in service delivery.

According to the report, *Towards Holistic Panchayati Raj*, vol. I, 2013, there has been an “exponential increase in expenditure on social sector and poverty alleviation schemes undertaken by the Central Government over the last two decades,” though the outcomes have been way behind the outlays. One of the primary reasons for this failure has been the overlapping of functions between parallel bodies and PRIs, a lack of coordination between the two and a lack of accountability of parallel bodies to PRIs.

It was increasingly felt by government and experts that devolution of a centrally sponsored scheme (CSS) to PRIs would bring in the desired user participation, enhance accountability and considerably improve the service delivery of various social sector schemes. In many ways receipt of untied funds to PRIs and participation of end users in BRGF and, to an extent, in some villages under MGNREGA are glowing examples of success of the social sector.

This demanded a change in the very design of programme implementation under CSS where the onus of implementation had to be shifted from parallel bodies to PRIs “responsible to *Gram sabhas* in a domain to be defined by activity mapping” (GOI 2013, 8).

A committee set up under Panchayat Secretary, Smt. Renuka Viswanathan, and co-Chairperson, Smt. Meenakshi Datta Ghosh, in their report entitled *Modifying the Guidelines of Centrally Sponsored Schemes for Identifying a Domain of Panchayati Raj Institution* in 2008, recommended direct involvement of PRIs in “planning, implementation and oversight of CSS” (GOI 2013, 46). Existing parallel bodies under CSS are independent of panchayats, do not have accountability, which makes implementation largely sub-optimal, and results in “underachievement of expected outcomes” (GOI 2013, 45). They particularly

mentioned 23 points which must be taken into account if devolution of CSS through PRIs is to be implemented.

The main points include:

- Identification of beneficiaries through PRIs;
- Building a CSS around village level data and through village level institutions can greatly improve coverage and effectiveness of schemes;
- PRIs and their staff as well as Gram Sabha should be treated as nodal agencies for building accurate databases;
- Key programme intervention (should) be done by PRI staff or under their supervision;
- CSS plans should be brought within the overall planning framework of the DPCs;
- Parallel bodies or local committees should be integrated within the PRI framework;
- PRIs should be used for activities like ration card distribution, running and licensing ration shops;
- PRIs should be incentivized by rewarding them for performance under CSS (see GOI 2013, 48–49).

Each CSS needs to include a detailed model of activity mapping of functions, finances and functionaries to employ practically meaningful devolution. While devolution of functions has been undertaken in a few states, and devolution of funds and functionaries in still fewer, holistic devolution to PRIs still largely remains to be implemented. The paucity of funds under the state budget is also one of the reasons why states are reluctant to undertake activity mapping.

According to *de jure* provisions in many states, although PRIs are the implementation agencies of CSS, they are rarely integrated with PRIs and are *de facto* implemented by parallel bodies. As long as the financial accounts of the parallel bodies are separate from PRIs, they will always be distinct from the PRIs. In the union budget of 2014–15, it was announced that all schematic transfers would now be given to states. Whether this decision indicating a shift of resources and power from parallel bodies will lead to a strengthening of the PRI structure remains to be seen in the years to come.

Devolution of Functions, Funds and Functionaries

The 11th Schedule of the Constitution added to the 73rd Amendment Act recommends the devolving of 29 subjects from the state to PRIs. Later, another 11 additional functions were added to the list through various state acts (TISS Mumbai 2016, 73). These functions have been categorized according to primary, secondary and tertiary sectors. There are 7 functions in the primary sector category, 5 in the secondary and 28 functions in the tertiary sector category. The functions in the primary sector mainly include agriculture and allied industries, land reforms, water management and irrigation. The functions in the secondary sector include fuel and fodder, cottage and small scale industries, rural electrification and non-conventional energy sources. The tertiary sector function includes housing, education, health centres and the provision and maintenance of public goods like street lighting, drainage, water supply and sanitation.

The pragmatic step enjoining the devolving of subjects from state to sub-state levels is the identification of activities related to the devolved functions that each layer of panchayats would undertake. The activity mapping exercise is to follow the principle of subsidiarity so that overlapping is avoided at each level. Activity mapping is essential for the effective devolution of funds, functions and functionaries, also known as the 3Fs, and is the operative core of local self-government in India. Devolution of functions, funds and functionaries are discussed in Sections “[Devolution of Functions and Activity Mapping](#)”, “[Devolution of Finances](#)” and “[Devolution of Functionaries](#)” below, respectively.

Devolution of Functions and Activity Mapping

The success of devolution of functions may be assessed by the progress made by states with regard to:

- Number of functions legislatively devolved;
- Number of executive orders issued;
- Number of executive orders operationalized;
- Status of activity mapping for different functions.

Status of Devolution of Functions in the Primary Sector

In seven states, namely Chhattisgarh, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Tamil Nadu and West Bengal, primary functions have been delegated by legislature, executive orders issued and executive orders operationalized for all seven functions. In Daman & Diu, Rajasthan and Sikkim, primary functions have been delegated by legislature and executive orders issued, but the latter have not been operationalized for all seven functions. In Andaman & Nicobar Islands, Assam and Bihar, it is the executive rather than the legislature which is more active. In Assam, Bihar, Goa, Puducherry and Uttar Pradesh the executive orders have not been operationalized for any of the functions. The state-wise status of the devolution of functions in the primary sector is shown in Table 6.5.

Status of Devolution of Functions in the Secondary Sector

In seven states, namely Himachal Pradesh, Karnataka, Kerala, Rajasthan, Sikkim, Tamil Nadu and West Bengal, all five secondary functions have been passed by the legislature and executive orders have been issued and operationalized. Andaman & Nicobar Islands have also issued operationalized executive orders on all five functions. In Daman & Diu, the legislature has delegated all secondary functions to PRI. While office orders have been issued, these have been executed only in respect of two functions. In Andhra Pradesh, the legislature has delegated all five functions but the executive orders have been issued and operationalized for only three. In Arunachal Pradesh, all five functions have been operationalized by executive orders. In Assam, Bihar, Goa, Jharkhand, Lakshadweep, Puducherry, Telengana, Uttar Pradesh and Uttarakhand executive orders have issued but not operationalized for any of them. Among these, in Assam and Bihar, executive orders have been issued for three to four functions but none of them has been operationalized. The state-wise status of the devolution of functions in the secondary sector is shown in Table 6.6.

Table 6.5 Status of devolution of primary functions, 2015

Number of primary functions	States/ UTs where primary functions have been		
	Delegated by legislature	Executive order issued	Executive order operationalized
All 7	Andhra Pradesh, Chhattisgarh, Daman & Diu, Himachal Pradesh, Haryana, Jammu & Kashmir, Jharkhand, Karnataka, Kerala, Rajasthan, Sikkim, Tamil Nadu, West Bengal	Andaman & Nicobar Islands, Assam, Chhattisgarh, Daman & Diu, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Rajasthan, Sikkim, Tamil Nadu, West Bengal	Andaman & Nicobar Islands, Chhattisgarh, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Tamil Nadu, West Bengal
More than 4 but less than 7	Gujarat, Madhya Pradesh, Maharashtra, Odisha, Uttar Pradesh, Uttarakhand	Andhra Pradesh, Arunachal Pradesh, Bihar, Madhya Pradesh, Odisha, Jharkhand	Arunachal Pradesh, Daman & Diu, Gujarat, Jharkhand, Odisha, Rajasthan, Sikkim
1–4	Lakshadweep, Manipur, Punjab, Tripura, Uttarakhand	Haryana, Lakshadweep, Manipur, Telengana, Tripura, Uttar Pradesh, Uttarakhand	Assam, Haryana, Lakshadweep, Maharashtra, Manipur, Punjab, Telengana, Tripura, Uttarakhand
0/None	Andhra Pradesh, Assam, Bihar, Goa, Puducherry	Goa, Gujarat, Puducherry	Assam, Bihar, Goa, Puducherry, Uttar Pradesh

Source: *Devolution Report 2015–16* (TISS Mumbai 2016, 102)

Status of the Devolution of Functions in the Tertiary Sector

In three states, namely Himachal Pradesh, Karnataka and Sikkim, all 28 functions have been delegated by the legislature and executive orders have been issued and operationalized. In Kerala, 27 tertiary functions have been delegated by the legislature and executive orders have been issued and operationalized for 27 functions. In Gujarat the legislature has delegated 22 functions to PRIs and executive orders have been operationalized for the same number of functions without any office order being issued. In Uttarakhand and Telengana, the executive has overridden the

Table 6.6 Status of the devolution of secondary functions, 2015

Number of secondary functions	States/Union Territories where secondary functions have been		
	Delegated by legislature	Executive order issued	Executive order operationalized
All 5	Andhra Pradesh, Daman & Diu, Haryana, Himachal Pradesh, Karnataka, Kerala, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, West Bengal	Andaman & Nicobar Islands, Arunachal Pradesh, Daman & Diu, Himachal Pradesh, Karnataka, Kerala, Rajasthan, Sikkim, Tamil Nadu, West Bengal	Andaman & Nicobar Islands, Arunachal Pradesh, Himachal Pradesh, Karnataka, Kerala, Rajasthan, Sikkim, Tamil Nadu, West Bengal
More than 2 but less than 5	Chhattisgarh, Punjab	Andhra Pradesh, Assam, Bihar, Chhattisgarh, Punjab	Andhra Pradesh, Chhattisgarh, Punjab
1–2	Gujarat, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Manipur, Odisha, Tripura	Haryana, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Manipur, Odisha, Tripura	Andhra Pradesh, Daman & Diu, Gujarat, Haryana, Jammu & Kashmir, Madhya Pradesh, Maharashtra, Manipur, Odisha, Tripura
0/None	Arunachal Pradesh, Assam, Bihar, Goa, Lakshadweep, Puducherry, Telengana, Uttarakhand	Goa, Gujarat, Lakshadweep, Puducherry, Telengana, Uttar Pradesh, Uttarakhand	Assam, Bihar, Goa, Jharkhand, Lakshadweep, Puducherry, Telengana, Uttar Pradesh, Uttarakhand

Source: *Devolution Report 2015–16* (TISS Mumbai 2016, 103)

legislature and issued orders for a larger number of functions than the number delegated by the legislature. While in Uttarakhand the operationalization of the executive order has been poor, in Telengana it has been issued for 15 functions and operationalized for all of them. Similarly, in Assam the executive office order has been issued for ten functions while in Bihar it has been issued for nine, without one being passed by the legislature nor having the executive orders operationalized. In Uttar Pradesh, on the other hand, the legislature has been more active than the

executive in that it has delegated 15 functions but the executive order has been issued for only one and even that has not been operationalized. The state-wise status of the devolution of functions in the tertiary sector is shown in Table 6.7.

The overall pattern seems to suggest that states, by and large, have devolved functions in the agriculture and allied sectors, animal husbandry and dairying, fisheries, small scale industries, khadi village and cottage

Table 6.7 Status of the devolution of tertiary functions, 2015

Number of tertiary functions	States/Union Territories where tertiary functions have been		
	Delegated by legislature	Executive order issued	Executive order operationalized
All 28	Himachal Pradesh, Karnataka, Sikkim	Himachal Pradesh, Karnataka, Sikkim	Himachal Pradesh, Karnataka, Sikkim
25–27	Kerala, Maharashtra	Kerala, Maharashtra	Kerala
20–26	Gujarat, Jammu & Kashmir, Tamil Nadu, West Bengal	Jammu & Kashmir, Maharashtra, Tamil Nadu, West Bengal	Gujarat, Jammu & Kashmir, Maharashtra, Tamil Nadu, West Bengal
15–19	Daman & Diu, Haryana, Uttar Pradesh	Daman & Diu, Telengana	Telengana
10–14	Andhra Pradesh, Chhattisgarh, Jharkhand, Odisha, Rajasthan	Andaman & Nicobar Islands, Arunachal Pradesh, Assam, Chhattisgarh, Jharkhand, Odisha, Rajasthan, Uttarakhand	Andaman & Nicobar Islands, Arunachal Pradesh, Chhattisgarh, Daman & Diu, Odisha, Rajasthan
5–9	Lakshadweep, Madhya Pradesh, Punjab, Telengana, Tripura	Andhra Pradesh, Bihar, Haryana, Lakshadweep, Madhya Pradesh, Punjab, Tripura	Andhra Pradesh, Haryana, Lakshadweep, Madhya Pradesh, Punjab, Tripura
1–5	Goa, Manipur, Uttarakhand	Jharkhand, Manipur, Uttar Pradesh	Jharkhand, Manipur, Uttarakhand
0/None	Andaman and Nicobar Islands, Arunachal Pradesh, Assam, Bihar, Puducherry	Goa, Gujarat, Puducherry	Assam, Bihar, Goa, Puducherry, Uttar Pradesh

Source: *Devolution Report 2015–16* (TISS Mumbai 2016, 104)

industries, education, health, drinking water, social welfare, women and child development, poverty alleviation, public distribution and rural roads, and welfare of SCs and STs (TISS Mumbai 2016, 74). States like Karnataka, Kerala, Himachal Pradesh and Sikkim, Rajasthan and Tamil Nadu and Union Territories like Andaman & Nicobar Islands and Daman & Diu have clearly shown better progress in devolution.

However, there seems to be some difference of opinion regarding the devolution of functions in regard to fuel and fodder, the public distribution system, minor forest produce, small scale industries, food processing industries, and technical training and vocational education to the lowest tier of village panchayats. All states agree on devolving social welfare to intermediate panchayats and there is near consensus on the devolution to the village panchayat level of: agriculture, including agricultural extension, animal husbandry, dairying and poultry; health and sanitation, including hospitals, primary health centres and dispensaries; minor irrigation, water management and watershed development; fisheries; poverty alleviation programmes; education, including primary and secondary schools; markets and fairs; social welfare, including welfare of the handicapped and mentally retarded; women and child development; and the maintenance of community assets. But states also generally tend not to devolve activities relating to matters of technical training and vocational education, libraries, minor forest produce, the public distribution system and small scale industries to the intermediate panchayats. There is wide variation among states in devolving matters to district panchayats. The closest is education and social welfare, which 13 of the 16 states have devolved on to the District Panchayats (DPs) (see GOI 2013, 81).

Status of Activity Mapping

The process of the devolution of functions is not complete until activity mapping has been done for each of the functions. Activity mapping necessarily means the unbundling of activities and sub-activities related to each sector. For example, if activity mapping of rural health is done, it would mean identifying the authority, responsibility and accountability for all micro-services like immunization and primary health care. Activity

mapping should ideally follow the principle of subsidiarity which means if governmental responsibility for a certain function can be handled at the lowest level, it should be done at that level itself and not transferred to higher levels. It is seen that in many states where devolution of functions has taken place to PRIs, the responsibility is largely being handed over in a top-down manner and a clear-cut distinction of activities and sub-activities for different tiers of panchayats is still not in place. Kerala stands as a glowing example of the successful allocation and implementation of an activity mapping exercise.

According to MOPR 2006, activity mapping was incomplete for most of states, although the level of progress was different in different states. In 2006, for Chattisgarh and Himachal Pradesh, Karnataka, Kerala and West Bengal, the progress of activity mapping was reportedly commendable. The *State of the Panchayats Report 2009* reports that the distinction between activities, subjects and departments is not clear enough in the case of the devolution of functions. The latest position on activity mapping by states according to MOPR is shown in Table 6.8.

Table 6.8 Status of activity mapping in states, May 2014

State	Number and names of depts/subjects transferred to panchayats
1 Andhra Pradesh	Twenty-two gov. orders issued during 1997–2002. Further, ten line departments have devolved certain powers to PRIs.
2 Arunachal Pradesh	Twenty-nine subjects have been devolved. Gov. orders covering 20 departments have been issued, but not yet implemented. PRIs can exercise the powers of supervision and monitoring the implementation of plans in respect of all subjects coming under their respective jurisdiction.
3 Assam	Activity mapping done for 23 subjects, but gov. orders have been issued only for seven subjects by six departments.
4 Bihar	Activity mapping has been conducted; 20 line depts have issued gov. orders.
5 Chhattisgarh	Activity mapping of 27 matters has been undertaken. Gov. orders not issued.
6 Goa	Eighteen matters are devolved to GPs, while six are devolved to ZPs.
7 Gujarat	Fourteen functions have been completely devolved and five are partially devolved.

(continued)

Table 6.8 (continued)

State	Number and names of depts/subjects transferred to panchayats
8 Haryana	Gov. orders have been issued for ten depts.
9 Himachal Pradesh	27 out of 29 subjects have been devolved to PRIs.
10 Jharkhand	Three departments—agriculture, social welfare and primary education—have recently devolved functions to PRIs by departmental notification. Activity mapping has not been done so far.
11 Karnataka	Karnataka has delegated all 29 subjects to PRI by notifying activity mapping.
12 Kerala	Activity mapping for all 29 functions done and activities devolved to panchayats.
13 Madhya Pradesh	Gov. orders containing the activity mapping in respect of 25 matters pertaining to 22 depts have been issued.
14 Maharashtra	Eleven subjects have been fully devolved. For 18 subjects, schemes are implemented by PRIs.
15 Manipur	Gov. orders have been issued devolving functions related to 22 departments.
16 Odisha	Eleven departments have devolved 21 subjects.
17 Punjab	The devolution of seven key departments relating to 13 subjects approved.
18 Rajasthan	Five departments have transferred all functions up to district level to PRIs. Fresh activity mapping of more than five departments has been done.
19 Sikkim	All 29 subjects are devolved as per legislation. Activity mapping has been conducted for 20 subjects covering 16 departments.
20 Tamil Nadu	Government of Tamil Nadu has delegated supervision and monitoring powers of 29 subject to PRIs.
21 Tripura	So far gov. orders have been issued devolving irrigation schemes, primary schools and activities related to adult and non-formal education, women and child development and social welfare.
22 Uttar Pradesh	Sixteen subjects relating to 12 departments have been devolved to PRIs.
23 Uttarakhand	Master gov. order on transferring financial and administrative powers on 14 subjects was issued in 2003.
24 West Bengal	State gov. agrees with transfer of 28 subjects; 14 departments have so far issued matching gov. orders transferring 27 subjects.

Source: *Rural Local Body Core Functions and Finances: A Study for the Fourteenth Finance Commission* (CPR 2014, 9–10)

An activity mapping index was developed by CPR 2014 with the following five core functions:

1. Water supply;
2. Sanitation, solid waste management and drainage;
3. Roads;
4. Street lights;
5. Community assets such as parks, burial and cremation grounds, waterways and other means of communication.

A set of main and ancillary activities were identified for each core function and its implementation was examined and index constructed by assigning weights to these activities. High scores were obtained by the States of Assam, West Bengal, Tripura, Karnataka, Manipur, Kerala and Punjab which have the most robust combination of legislative structure and activity mapping. On the other hand, “Bihar, Sikkim, Tamil Nadu and Chattisgarh, Haryana and Madhya Pradesh seem to have comparatively weaker legislative frameworks and activity maps for assignment of core functions to the Panchayats” (CPR 2014, 25).

Devolution of Finances

Devolution of finances is perhaps the most vital of the three operative cores of PRIs because without financial autonomy actual power is not translated to local governments. There is still great asymmetry of relative shares of expenses and revenue assigned between union, state and local governments with its share being a miniscule fraction of the total. The general sense is that the bulk of the funds of local governments comes from aid grants and the PRIs' capacity for tax collection, though their own source of revenue generation is limited. Also there is great divergence across states in the source as well as the amount of tax collection made by PRIs.

There are two issues with the devolution of funds to PRIs: (1) the proceeds from the panchayats' own source of revenue is extremely limited, hence its heavy reliance on the grants of SFCs and NFCs; (2) grants sanctioned by the NFCs and SFCs are diverted.

The bulk of untied funds come from the grants of SFCs, NFCs and the CSS and a portion from tax and non-tax revenue sources. Panchayats in Kerala have had access to a large pool of untied funds from the beginning which enabled them to have autonomy of functions. In 2015, the per capita allocation of untied funds in rupees for GPs was the highest in Kerala at 1006.39, followed by Tamil Nadu at 415.12 (TISS Mumbai 2016, 131). For BPs as well as DPs, the figure was the highest in Kerala. In many states, their share of the CSS is paid from untied funds “which totally distorts the purpose of providing untied fund and takes away the discretion of PRIs in expenditure decisions” (GOI 2013, 91).

In 2015, the per capita tied funds at the GP level was the highest in Tamil Nadu at Rs.2477.25 in 2015, followed by Haryana (Rs.2169.83) and Gujarat (Rs.742.09). At the BP level, Karnataka reported the highest tied funds figure at Rs.3310.55, followed by Kerala (Rs.969.58). For DPs, Maharashtra topped the list with a figure of Rs.3617.4, followed by Haryana (Rs.2996.48) and Karnataka (Rs.2248.65) (TISS Mumbai 2016, 136).

With regard to their own tax revenues, GPs have higher coverage as compared to BPs or DPs. In 2015, the per capita tax collection by GPs in rupees was the highest in Maharashtra (209.36), followed by Kerala (178.09) and Karnataka (93.84) (ibid., 119).

Another parameter with regard to the devolution of panchayat finances is the number of State Finance Commissions (SFCs) that have been constituted and whether recommendations have been accepted by states. SFCs were to be constituted at the end of every fifth year since 1992. Accordingly, the fourth SFC was due in 2009–10 and the fifth in 2014–15. The fourth SFCs have been constituted in 19 states while the fifth SFCs have been formed only in five states, namely Assam, Bihar, Kerala, Rajasthan and Tamil Nadu; only in two states—Assam and Kerala—have the reports been submitted (TISS Mumbai 2016, 125–126). There is still much scope for implementation of SFC recommendations in most states. The general observations regarding the failure to implement SFC recommendations are that SFCs are not often set up on time, states are reluctant to accede to SFC recommendations and SFC reports are also sometimes not of very good quality (GOI 2013, 91).

It has been observed that transfers recommended by the NFCs are sometimes intercepted for other purposes or SFC grants meant for PRIs are subsumed in the grant flows of the state and used for payment of dues like electricity bills, which the PRIs owe to the state. Delaying release of grant funds to PRIs is common. Some counter-checks to arrest the delay in the transfer of funds is employed which includes compliance of the states to transfer funds electronically to PRIs within a short period after release of funds from the centre (CPR 2014).

The process of financial devolution is still not complete and a lot needs to be done to ensure the smooth transfer of funds to PRIs, but it must be conceded that some measures have definitely been taken in this direction and a few checks and balances are in place. For example, the creation of a supplement to budget documents or e-transfers have yielded benefits even if procedures and patterns are asymmetric across states.

Devolution of Functionaries

Devolution of functions cannot be activated even with the devolution of a fund unless staff are allocated for executing the functions devolved and are accountable to the PRIs. In many states the devolution of functionaries has still not been completed: states have not transferred the required staff to the PRIs after the devolving of functions. PRIs often face resistance from the states as well as the bureaucracy. States are reluctant to relinquish their control over the staff of line departments and the bureaucracy too is not willing to have accountability to PRIs. In the present scheme of things neither the transfer of functions is uniform across states, nor has the exclusive domain of PRIs been marked out. Therefore “there is no sense in reflecting at the adequacy of functionaries at the disposal of the Panchayats” (TISS Mumbai 2016, 76).

Notwithstanding this, several yardsticks have been put forth to assess the progress in devolution of functionaries which gives an idea of the advancements made over time. According to the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006, the progress in devolution of functionaries was assessed on:

- Whether devolution of functionaries has been carried out as per activity mapping;
- Whether PRIs are involved in the appointment, removal and transfers, granting leave, paying salaries, reviewing work or entitled to take disciplinary action against functionaries;
- Whether there is a Panchayati Raj administrative and technical service of officials and technocrats;
- The relationship of DRDAs with PRIs: whether ZPs have been merged with DRDAs in states.

According to the *MidTerm Review*, visible progress in the devolution of functionaries was seen in the States of Kerala, Madhya Pradesh, Punjab, Sikkim and West Bengal. Devolution of functionaries in these states had been made on the basis of activity mapping. PRIs were reported to have been exercising some control in the matters of appointment, removal, disciplinary action and so on in the States of Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Punjab, Sikkim and Tripura. Very few states have initiated a Panchayati Raj administrative and technical service of officials. States like Chattisgarh, Gujarat, Kerala and Sikkim are worth mentioning in this regard. Chattisgarh's approach to the devolution of functionaries had been particularly unique. Detailed rules had been laid down in 1999 for recruitment to panchayat services departments like fisheries, animal husbandry, women and child development and health. In Gujarat, technical and non-technical employees belonging to class III and IV were recruited by district panchayats through the agency of the Gujarat Panchayat Service Selection Board and the District Panchayat Service Selection Committee. In Kerala, posts of functionaries in panchayats were filled by the state Public Service Commission (PSC) and panchayats had to notify their vacancies to the PSC through the Panchayat Department. By 2006, only in the States of Chattisgarh and Karnataka had DRDAs been merged with PRIs. In some states, the devolution of functionaries has been made in name where parallel bodies like the DRDAs are under the control of the Chairman of the Zila Parishad, though the accounts of the DRDA do not form a part of the ZP's accounts.

After a decade, the *Devolution Report 2015–16* sought to capture the progress in the devolution of functionaries basically on two counts:

1. The number of functionaries in local institutions under the complete control of PRIs, per thousand population;
2. The availability of functionaries as a proportion of sanctioned positions.

Functionaries here include PRIs' own functionaries as well as those transferred to local institutions and under the complete control of PRIs. As per the distribution of functionaries per thousand population (see Table 6.9), amongst Gram Panchayats (GPs), Kerala tops the list with 2.84 functionaries, followed by 2.62 in Tamil Nadu, 1.66 in Sikkim and 1.63 in Maharashtra. Amongst Block Panchayats (BPs), Maharashtra is at the top followed by Tamil Nadu and Telengana. In the case of District Panchayats, Kerala again tops the list, followed by Andaman & Nicobar Islands, Daman & Diu, Lakshadweep and Haryana. Table 6.9 shows the distribution of functionaries per thousand population in various states for 2015.

With respect to the composition of functionaries in terms of professional, technical, administrative and ministerial, the best composition in GPs is found in Dadra & Nagar Haveli, Gujarat, Madhya Pradesh, Manipur and Uttar Pradesh. In BPs, the best composition is reported in Arunachal Pradesh, Jharkhand and Kerala. In DPs, Kerala, Arunachal Pradesh and Madhya Pradesh top the list.

The availability of functionaries at the GP level is 100 per cent in Himachal Pradesh, Madhya Pradesh and Tamil Nadu. Sikkim, Karnataka, Haryana, Chhattisgarh and Maharashtra have more than 95 per cent availability. At the BP level, 100 per cent functionaries are available in Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Tamil Nadu and Uttar Pradesh. At the DP level, Andhra Pradesh, Chhattisgarh, Kerala, Manipur, Sikkim, Tamil Nadu and Uttar Pradesh have reported 100 per cent availability of functionaries.

Table 6.9 Distribution of functionaries per thousand population, 2015

State/Union Territory	Gram Panchayat	Block Panchayat	District Panchayat
Andaman and Nicobar Islands	1.41	0.87	0.46
Andhra Pradesh	0.54	0.18	0.00
Arunachal Pradesh	1.05	0.66	0.07
Assam	0.24	0.06	0.02
Bihar	0.27	0.01	0.00
Chandigarh	1.60	0.13	0.03
Chhattisgarh	1.11	0.07	0.10
Dadra and Nagar Haveli	0.13	n/a	0.00
Daman and Diu	0.53	n/a	0.45
Goa	1.25	n/a	0.03
Gujarat	0.32	1.08	0.28
Haryana	1.33	0.00	0.02
Himachal Pradesh	1.24	0.20	0.00
Jammu and Kashmir	0.67	n/a	n/a
Jharkhand	0.32	0.09	0.04
Karnataka	1.53	0.11	0.01
Kerala	2.84	0.13	0.59
Lakshadweep	0.06	0.00	0.30
Madhya Pradesh	0.85	0.05	0.01
Maharashtra	1.63	4.47	0.14
Manipur	0.08	n/a	0.01
Odisha	0.73	0.18	0.02
Puducherry	0.00	0.00	n/a
Punjab	0.22	0.12	0.02
Rajasthan	0.53	0.13	0.01
Sikkim	1.66	n/a	0.09
Tamil Nadu	2.62	1.48	0.01
Telangana	0.63	0.23	0.03
Tripura	1.40	0.05	0.02
Uttar Pradesh	0.10	0.01	0.00
Uttarakhand	0.15	0.01	0.08
West Bengal	0.48	0.06	0.00

Source: *Devolution Report 2015–16* (TISS Mumbai 2016, 111)

Devolution Index

The ranking of states as shown in Table 6.10 is based on the cumulative devolution index of 2015–16 formulated by TISS Mumbai 2016. The cumulative devolution index of 2015–16 takes into account two aspects of PRI functioning in ranking states:

Table 6.10 Ranking of states/Union Territories based on the notional improved index of policy adjusted with practice

States/Union Territories	Index of policy	Rank based on index of policy	Index of devolution in practice	Rank based on index of devolution in practice	Policy index adjusted against practice	Rank based on policy index adjusted against practice
1	2	3	4	5	6	7
Kerala	0.65	1	0.75	1	0.72	1
Maharashtra	0.40	2	0.65	2	0.54	2
Karnataka	0.37	3	0.58	5	0.50	3
Tamil Nadu	0.40	2	0.52	9	0.47	4
Gujarat	0.22	5	0.64	3	0.45	5
Sikkim	0.19	6	0.60	4	0.41	6
West Bengal	0.14	9	0.58	5	0.40	7
Telengana	0.18	7	0.57	6	0.38	8
Haryana	0.23	4	0.51	10	0.38	8
Madhya Pradesh	0.14	9	0.54	7	0.35	9
Rajasthan	0.14	9	0.52	9	0.34	10
Andhra Pradesh	0.16	8	0.49	11	0.33	11
Bihar	0.09	13	0.53	8	0.31	12
Tripura	0.10	12	0.43	12	0.30	13
Jharkhand	0.08	14	0.51	10	0.30	12
Uttarakhand	0.14	9	0.43	12	0.29	14
Uttar Pradesh	0.08	14	0.49	11	0.28	15
Himachal Pradesh	0.12	10	0.36	14	0.27	16
Chattisgarh	0.12	10	0.38	13	0.27	16
Odisha	0.14	9	0.32	15	0.25	17
Assam	0.11	11	0.25	17	0.21	18
Jammu and Kashmir	0.06	15	0.30	16	0.19	19
Punjab	0.08	14	0.19	18	0.15	20
Manipur	0.09	13	0.16	19	0.12	21
Arunachal Pradesh	0.09	13	0.05	20	0.06	22
Goa	0.09	13	0.00	21	0.04	23
Andaman & Nicobar Islands	0.17	1	0.53	2	0.37	1

(continued)

Table 6.10 (continued)

States/Union Territories	Index of policy	Rank based on index of policy	Index of devolution in practice	Rank based on index of devolution in practice	Policy index adjusted against practice	Rank based on policy index adjusted against practice
1	2	3	4	5	6	7
Lakshadweep	0.12	2	0.53	2	0.32	2
Dadra & Nagar Haveli	0.01	5	0.55	1	0.29	3
Daman & Diu	0.11	3	0.30	3	0.23	4
Chandigarh	0.11	3	0.23	5	0.17	5
Puducherry	0.02	4	0.27	4	0.14	6

Source: *Devolution Report 2015* (TISS Mumbai 2016, 69)

1. Progress made on aspects related to the operational core of decentralization covering transfer of functions, transfer of functionaries, transfer of finances and the extent of autonomy enjoyed by PRIs;
2. Comparative achievement of states in establishing systems of infrastructure, governance and transparency. (TISS Mumbai 2016)

Column 2 in Table 6.10 reflects the policy devolution index which has been constructed from information gathered from state-level departments of the Panchayati Raj. The index of devolution in practice on the other hand in column 4 has been built by collecting data from the field, that is representative GPs, BPs and DPs. Most of the states show discrepancy in policy and practice.

Concluding Remarks

What emerges broadly from the analysis is that the CAA has made laudable progress in establishing the mandatory provisions of local self-government in India. Panchayat elections are conducted on time, and with a legally binding constitutional act women and other socially disadvantaged groups have arrived at the centre stage of governance and

decision-making today, which a few decades back was unthinkable. However, enforcement of legislation is yet to translate into empowerment of local self-governments in the real sense of the term due to a shortfall in implementation. There is still a lot left to be desired in the devolution of the operative core of funds, functions and functionaries with varying outcomes across states.

The weakest link is perhaps in the implementation of the devolution of finances which is the most crucial of the three operative cores of PRIs. The source of revenue and amount of tax generated by PRIs is limited and diversion of central and state funds meant for PRIs is common. While devolution of functions has been undertaken in quite a few states, devolution of funds and functionaries is executed in fewer states. The paucity of funds under the state budget is one of the reasons why states are reluctant to facilitate PRIs to undertake activity mapping for all functions. Financial autonomy of PRIs is further usurped by the existence of parallel bodies which often act as parallel power structures. The overlapping of functions between parallel bodies and PRIs, the lack of coordination and accountability between the two, undermined efficient service delivery and stood in the way of the empowerment of PRIs. Of course, states have made progress with respect to various dimensions as the detailed discussion of 20 years showed, but the progress over the years could have been faster. Also unevenness of outcomes as well as absence of systems that ensure effective devolution of powers to panchayats at the ground level have limited the scope for them to emerge as institutions of self-government in letter and spirit.

Notes

1. The election related performance indicators given here follow the criteria laid down in the *Mid-Term Review of the State of Panchayats*, vol. ii, 2006, published by MOPR.
2. *Ibid.*
3. IRMA 2008.
4. Anukriti, S and A Chakravarty. 2015. "Impact of two-child limit for local Politicians". http://www.ideasforindia.in/article.aspx?article_id=419 (Retrieved 15/12/2016).

5. Inputs from IRMA 2008. *The State of Panchayats: 2007–08, An Independent Assessment, vol. I—Thematic Report*.
6. MOPR. 2006. *Mid-Term Review of the State of Panchayats*, vol. ii, 2006.
7. The study *Rural Local Body Core Functions and Finances* was done by the CPR for the Fourteenth Finance Commission (FFC) in 2014.
8. According to the report *Rural Local Body Core Functions and Finances: A Study of the Fourteenth Finance Commission* published by the Centre for Policy Research 2014.

References

- Alok, Vishwa N. 2012. Devolution to Panchayats, Ranking Functional Environment at Sub-national Level, Empirical Assessment 2011–12. MoPR & IIPA.
- Centre for Good Governance. 2005. *Social Audit: A Toolkit*. Hyderabad: Centre for Good Governance. <http://www.cgg.gov.in/publicationdownloads2a/Social%20Audit%20Toolkit%20Final.pdf>. Accessed 20 June 2016.
- Centre for Policy Research. 2014. *Rural Local Body Core Functions and Finances: A Study for the Fourteenth Finance Commission*. New Delhi: Centre for Policy Research.
- Government of India. 2006. *The State of the Panchayats: A Mid-term Review and Appraisal, Vol. II*. New Delhi: Ministry of Panchayati Raj.
- . 2011. State Finance Commissions in Indian Federations: An Overview. *First State Finance Commission Meet*. New Delhi: Ministry of Panchayati Raj. http://panchayat.gov.in/mopr/viewContentItem.do?method=viewItem&cite_mid=5605&ptlid=3947&cToken=1066904388&folderid=4254. Accessed 20 June 2016.
- . 2013. *Towards Holistic Panchayat Raj, Volume I*. New Delhi: Ministry of Panchayati Raj.
- Institute of Rural Management Anand. 2008. *The State of Panchayats: 2007–08, An Independent Assessment, Vol I-Thematic Report*.
- SIRD. 2014. *Social Audit Manual*. Kerala: SIRD Kottarakara. http://www.sird.kerala.gov.in/pdf2015/sakit_final.pdf. Accessed 21 June 2016.
- Tata Institute of Social Sciences (TISS), Mumbai. 2016. *Devolution Report 2015–16*. New Delhi: Ministry of Panchayati Raj, Government of India.
- Vision Foundation. 2005. *Social Audit Gram Sabha & Panchayati Raj*. New Delhi: Report Submitted to the Planning Commission.

7

Third-Tier Government in the Inter-Governmental Fiscal Transfer Framework

Constitutional Framework and Inherent Infirmities

Article 280 under which Finance Commissions are constituted has been amended under the 73rd and 74th Amendments to the Constitution and introduced two new sub-clauses (bb) and (c) in clause 3. These sub-clauses make it obligatory upon the National Finance Commission (NFC) to recommend “the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats/Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State”: sub-clause (bb) relates to panchayats while sub-clause (c) relates to municipalities. Part IX requires the governor of a state to constitute “within one year from the commencement of the Constitution (Seventy-third) Amendment Act, 1992 and thereafter at the expiration of every fifth year” a Finance Commission “to review the financial position of the Panchayats and to make recommendations to the Governor” in regard to

- (a) The principles that should govern:
 - (1) the distribution of net proceeds of state taxes, duties, tolls and fees between the state and panchayats and the allocation of shares between all levels of the latter;
 - (2) the determination of the taxes, duties, tolls and fees that can be assigned to, or appropriated by, the panchayats, and the aid grants to the panchayats from the state's Consolidated Fund.
- (b) The measures needed to augment the financial position of the panchayats.
- (c) Any other matter referred to by the governor in the interest of the sound finance of the panchayats.

It looks as if the inclusion of the two sub-clauses (bb) and (c) in Article 280 and linking Article 243 I has sought to integrate the fiscal relations between the three levels of government—union, state and third-tier government, that is panchayat/municipality in the Indian federal system.

However, four successive Finance Commissions (Eleven to Fourteen) while deliberating on the operational implications of the two new sub-clauses in Clause 3 of Article 280 have highlighted several limitations on their making recommendations according to the word and spirit of the constitutional provisions. These have essentially emanated from the manner in which most state governments have implemented the constitutional provisions under the 73rd and 74th Amendments.

The NFCs are required to make their recommendations as per the sub-clauses (bb) and (c) in Article 280 (3) on the basis of the recommendations of the respective State Finance Commission (SFC). But the NFCs have found that the period covered by the reports of the SFC and that of their own lacks synchronization. The provision under Article 243 I for the constitution of an SFC “at the expiration of every fifth year” prohibits such constitution before the completion of the period of five years. This provision along with the fact of constituting an SFC at different times

within one year from the commencement of the Constitution (73rd Amendment Act 1992) has led to the anomaly.

It may be mentioned that these constitutional amendments were made while the Tenth National Finance Commission was already at work, though its terms of reference (ToR) were not amended to include the above sub-clauses under Article 280 (3). Nevertheless, the Tenth Finance Commission took “cognizance of the purpose, intent and spirit underlying the 73rd and 74th Constitutional amendments” (GOI 1994, 46)¹ and made its observations as well as an ad hoc provision of grants to states. All the successive NFCs’ ToR included the sub-clauses (bb) and (c). However, the 11th NFC which was the first to be constituted subsequent to the 73rd and 74th Constitutional amendments was given additional ToR providing the latitude to make its own assessments about the matter in cases where SFC reports were not available. This assessment was required to take into account: the provisions for emoluments and terminal benefits of employees (including teachers); the ability of local bodies to raise financial resources; and the powers, authority and responsibilities transferred to them under 243 (G) and 243 (W) of the Constitution.

The NFCs have observed wide variation in coverage and quality of the reports of the SFCs. More specifically, SFC reports do not make recommendations on each ToR as required under Article 243 I.

Further, neither the Constitution nor state legislation has provided for any time limit for the submission of the explanatory memorandum on the action taken on the recommendations made by the state government.

In a situation such as the above, NFCs cannot make recommendations on the basis of those made by SFCs as required under Article 280 (3)(bb) and (c). On the other hand, the Constitution does not provide for any alternative approach. As a consequence, all four NFCs that were constituted subsequent to 73rd and 74th Constitutional amendments and whose ToR included 280 (3) (bb) and (c) had to make merely ad hoc recommendations.

Other Operational Impediments to Finance Commission Deliberations

Accounts and Audit

The Eleventh Finance Commission's (EFC/NFC-XI) terms of reference included for the first time, subsequent to the 73rd and 74th Constitutional amendments, the sub-clauses (bb) and (c) under Article 280(3). In order to assess the extent of decentralization, the NFC-XI attempted to collect information on the transfer of funds by states to local bodies. What it found was that states transferred funds under various heads of account besides the major head 3604 (relating to transfer of funds to local bodies under State budgets). It also found that transfers were made in several cases both to the panchayats and under the same minor heads. Further, it observed that the break-up of state transfers to different categories of local bodies was not given. The NFC-XI also looked into the status of maintenance of accounts by the local bodies. It observed that states passed legislation as provided under Articles 243 J and 243 Z of the Constitution for maintenance of accounts by panchayats and municipalities, but that most of them made general provisions in this regard without laying down detailed guidelines or rules. In many states, formats and procedures prescribed decades ago for the maintenance of accounts by the local bodies continued even though their powers, resources and responsibilities increased many fold. The flow of funds would further increase overtime. Therefore, the NFC-XI concluded that "there is a need to evolve a system of maintenance of accounts by the local bodies that could be adopted by all the States (GOI 2000, 77)."²

In regard to auditing, the NFC-XI has noted that many states have passed legislation under which it is left to the state government to prescribe the authority while some other states have given the responsibility for the audit of accounts of panchayats and municipalities to the Director, the Local Fund Audit or a similar authority. Only a few states have given the Comptroller and Auditor General (C&AG) a role limited to the audit of district level panchayats and that of very large urban local bodies. The NFC-XI has held the view that the maintenance of accounts and auditing for all levels of panchayats and urban local bodies should be set right under the close supervision of the C&AG.

Towards the maintenance of accounts and auditing for all levels of panchayats and urban local bodies, the NFC-XI has made several specific suggestions and also recommended grants. Some of the critically important suggestions are (GOI 2000, 77–78):³

1. To ensure uniformity among them, states in consultation with C&AG and the Controller General of Accounts should create major and minor heads in a manner that gives a clear picture of transfers to each category of rural and urban local bodies.
2. States should entrust the C&AG with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all levels of rural and urban local bodies.
3. The prescribed authority, the Director, the Local Fund Audit or any other agency entrusted with the audit and accounts should work under the technical and administrative supervision of the C&AG and should be free from any functional responsibility regarding local bodies so to ensure its independence and accountability.
4. The C&AG should prescribe the format for budget preparation and for the maintenance of accounts, ensuring its amenability to computerization in a networked environment.
5. Local bodies, particularly at the village level and even at the intermediate level, without trained accounts staff may contract out the upkeep of accounts to agencies following the strict guidelines of the C&AG.
6. The audit of accounts of local bodies should be entrusted to the C&AG and half a per cent of their total expenditure should be placed with the C&AG for this task.
7. The report of the C&AG in regard to the audit of accounts of both rural and urban local bodies should be placed before a Committee of State Legislature similar to those constituted as the Public Accounts Committee.
8. The NFC-XI has recommended grants to village and intermediate level panchayats that do not have exclusive staff to upkeep accounts to contract out the task of such maintenance. Similarly, for the urban local bodies that do not have regular accounts staff, NFC-XI grants provided could be earmarked.

Database on the Finances of Local Bodies

The NFC-XI, while attempting to deal with its terms of reference relating to local bodies, has found that there is no centralized agency/mechanism that collects and compiles data on the revenue and expenditure of different tiers/levels of the rural/urban local bodies which the Finance Commission could use for its deliberations. Thus the non-availability of any reliable data, either on budgetary operations or on the flow of funds to local bodies for the implementation of various schemes for economic development and social justice, stood as a serious impediment to making a realistic assessment of the fiscal needs of the panchayats and municipalities for basic civic and developmental functions. Therefore, NFC-XI has suggested concrete steps (GOI 2000, 79)⁴ for creating a reliable and comparable database on the finances of panchayats and municipalities at the district, state and central government levels and for making it easily accessible through computerization and networked linkage. Towards creating a database that would facilitate the comparison of performance and the state of development of local bodies across states, NFC-XI assessed the cost and provided grants to all states.

Three Finance Commissions which followed NFC-XI assessed the progress made in respect of the implementation of the NFC-XI recommendations in regard to the maintenance of accounts and audit and expressed concern at the inadequacy/non-availability of financial data for local bodies. The Fourteenth Finance Commission, which came one and a half decades after NFC-XI, summed up the progress and the state of accounts and audit relating to local bodies as:

on account of the efforts of the past Finance Commissions, there has been progress in the keeping of accounts and audit under the technical guidance and support of the C&AG. We also note the fact further progress in this regards is needed. We, therefore, are of the opinion that it is necessary to continue the efforts initiated by past Finance Commissions for improving the maintenance of accounts, their audit and disclosure. For this, we have built suitable incentives in our performance grants. (GOI 2014, 110)⁵

In regard to the other concern for creating a database on finances of local bodies that NFC-XI had expressed, even the Fourteenth Finance Commission

after a period of one and a half decades felt handicapped in terms of not having reliable data on the finances of local bodies. As the Commission observed: “Despite our concerted effort, we found that the quality of the data that was supplied to us varied across states and was not in a suitable form. We were, therefore, handicapped, like the previous Finance Commissions, in using the supplied data to determine resource gap at the level of rural and urban local bodies” (GOI 2014, 107).⁶

Fiscal Transfers Under NFCs

Scope

While deliberating on the scope of the two new sub-clauses of Article 280 (3), that is the requirement to recommend “the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats/Municipalities in the State,” the Tenth Finance Commission (NFC-X) analysed the scope of the tasks obligated on the NFC and delineated the following tasks, as has been summed up by NFC-XI (GOI 2000, 73)⁷:

- (a) First, the need for augmentation of the Consolidated Funds of the States should be ascertained and only after that, the measures for resource augmentation be recommended.
- (b) Such measures need not necessarily require transfer of resources from the Centre.
- (c) Only after the completion of the tasks of SFCs, it is obligated on the NFC to assess and build into the expenditure stream of the States the funding requirements for supplementing the resources of the Panchayats/municipalities. Measures needed for augmentation of the Consolidated Funds of the States could be accordingly determined.
- (d) The responsibility for sharing and assigning taxes etc. and providing grants squarely falls on the States and does not get transferred to the Union Government.

- (e) The transfer of functions and responsibilities listed in the Eleventh and Twelfth Schedules of the Constitutions also involves concomitant transfer of staff and resources. Such a transfer should not, therefore, entail any additional burden on the State exchequers. As the NFC-X explains: “It can be assumed that the transfer of functions and responsibilities from the State to Panchayats would be accompanied by the transfer of staff already working on these schemes/projects as also the financial allocations budgeted for and envisaged to be spent on the transferred activities. Such a transfer is, therefore, not likely to result in any extra burden on the State.” (GOI 1994, 47)⁸

Even so, it concludes that there would still be an initial need for supplementation of resources to enable the local bodies to provide for not only additional set-up, including infrastructure facilities, but also to fulfil the heightened expectations of people from these local bodies. The studies/seminars sponsored by NFC-XIII made a much stronger case for larger fiscal transfers. These argued that “the previous Commissions should not have assumed the decentralization is fiscally neutral and does not entail any extra financial burden on the states. Decentralisation results in widening the ambit and improving the quality of services being provided by local bodies. This requires substantially larger outlays” (GOI 2009, 161).⁹

Thus the primary task of the NFC is to ascertain the gap between the aggregate revenue and aggregate expenditure of the local bodies on the basis of SFC reports and then to identify and recommend the measures needed for the augmentation of the Consolidated Funds of the States according to the assessed resource gaps. The Twelfth Finance Commission saw the NFC’s role in regard to two other aspects. One, there could be a reason to augment the Consolidated Fund of the States through additional grants from the centre, keeping in view the special circumstances of the states; two, the NFC could provide its expert advice to the union government on such SFC recommendations which may have centre–state and/or inter-state ramifications.

We have already discussed at some length that the non-synchronicity of the period covered by NFCs and SFCs, the uneven and poor quality of

SFC reports, the poor ownership of SFC reports as reflected in not accepting recommendations or not placing the Action-taken Report before the state legislature in a timely manner and so on, act as serious impediments to ascertaining the resource gap of local bodies on the basis of SFC reports. As a result, the NFCs had to make their assessment of the revenue gap and recommendations independent of the SFC reports. The Fourteenth Finance Commission devised an innovative sampling design (GOI 2014, 107)¹⁰ for the states to collect the data at the levels of rural and urban local bodies. The data that the states supplied were given to the Administrative Staff College of India (ASCI) and the Centre for Policy Research (CPR) for assessing the gaps in resources for the delivery of basic services by municipalities and panchayats respectively. Both the studies found several gaps in the data provided by the states as well as the quality of the data supplied to them being widely varied across states and thus not in a useable form. As a result, they had to rely largely on the secondary data to work out the resource gaps. The Commission could not use such estimates to determine the resource gap at the level of rural and urban local bodies.

Measures for Augmentation of the Consolidated Funds of the State

The NFC-XI saw its primary task under the ToR as the one relating to identifying and recommending measures for the augmentation of the Consolidated Funds of the States for supplementing the resources of the local bodies. It noted that the core services of rural and urban local bodies have been identified as primary education, primary health, rural or municipal roads, drinking water supply, sanitation and street lighting. It also noted that, in the normal flow of funds from states, the maintenance of civic services such as provision of primary education, primary health care, safe drinking water, street lighting, sanitation including drainage and scavenging facilities, maintenance of cremation and burial grounds, public conveniences and other common property resources in rural and urban areas have not received adequate attention. Additional efforts are also required both at the state and local levels for

raising resources to meet the growing requirements of rural and urban local bodies. Accordingly, NFC-XI suggested the following measures for augmenting the Consolidated Funds of the States to supplement the resources of panchayats and municipalities:

1. Land taxes. Taxes on land/farm income could be levied at a suitable rate, keeping in view the prevailing economic conditions. In urban areas lease rents should be suitably revised. Local bodies should be involved in the collection of these taxes. The revenue so collected should be given to the local bodies for maintaining and improving civic services.
2. Surcharge/cess on state taxes. Cess on land based taxes and other state taxes/duties such as sales tax, state excise, entertainment tax, stamp duties, agricultural income tax, motor vehicle tax and electricity duties should be levied and the revenue raised should be devolved to local bodies for improving basic civic services and for undertaking schemes of social and economic development.
3. Profession tax. Under Article 276, a tax can be levied on professions, trades, callings or employment for the benefit of the state or local bodies at a rate not exceeding Rs.2500 per tax payer per year. The NFC-XI has recommended that states should levy this tax or they should empower local bodies to levy it. It has also recommended that since the ceiling was fixed in 1988, it should be enhanced suitably by amending the Constitution and the amendment should also empower Parliament to fix this ceiling without going for a Constitutional amendment.

The Twelfth Finance Commission (NFC-XII) had commissioned the National Institute of Rural Development (NIRD) to study the innovative/best practices adopted by different states to augment the resources of panchayats with a view to exploring the scope for adoption by other states. The study based on the detailed works of three major States, that is Kerala, Gujarat and Madhya Pradesh, suggested the following best practices for exploring replication by other states.

1. The state government should make it obligatory for panchayats to levy certain major taxes and exploit non-tax sources. It should fix the minimum rates for panchayats.
2. The state government should insist on minimum revenue collection from the panchayat levies.
3. The state government should provide incentive grants to panchayats that collect revenue beyond a minimum prescribed by the state government.
4. User charges should be made obligatory.
5. Common property resources vested in the village panchayats should be identified, listed and made productive of revenue.
6. A separate cell should be created in the Panchayati Raj department of the state government to perform a valuation of taxable lands and buildings instead of leaving such valuation to panchayats.
7. Intermediate or District Panchayats should be given the power to levy a tax/surcharge/cess on agricultural holdings.
8. Revenue transfers from the states to panchayats in the form of revenue sharing/revenue assignment should be made statutory.
9. State governments should desist from taking unilateral decisions in regard to revenues that are transferred fully or partly to panchayats.
10. The amount of revenue expected by the panchayats from the revenue sharing route should be predictable.
11. State governments should honour their commitment in regard to aid grants, and untied grants to panchayats should be made statutory.
12. The SFC should be given 18 months to complete its report and the state government should issue an Action-taken Report within six months after receipt of the SFC report.
13. Panchayats should maintain their book of accounts in a standardized format; panchayat department officials should not be made statutory auditors of the village panchayats; the C&AG should be entrusted to audit the accounts of the intermediate and district panchayats.
14. A performance audit system should be put in place.

NFC-XII broadly endorsed these recommendations and commended them for adoption by state governments.

On the issue of augmentation of the Consolidated Fund of a State to supplement the resources of panchayats/municipalities, the Thirteenth Finance Commission (NFC-XIII) did not make any specific measures but suggested that local bodies should fully exploit those taxation and non-taxation powers that were assigned to them by their respective state governments. It further added: "They should be in a position, not only to fully exploit sources like property tax and profession tax, but also to recover at least maintenance costs for services like water supply, solid waste management and sewerage." Again, road construction leading to tangible commercial benefits could also be subjected to a suitable user charge. More specifically, NFC-XIII recommended that in view of negative externalities in terms of environmental degradation that occurs in the process of exploiting mineral resources, state governments should share a portion of their income from royalties with those local bodies from whose jurisdiction such income originates. The Fourteenth Finance Commission (NFC-XIV) also endorsed this view.

NFC-XIV suggested the following specific tax and non-tax measures that the state and local bodies can take to augment their respective resource.

1. Property tax. Although states levy property tax, they use different methods. Endorsing the views of SFC reports, NFC-XIV held the view that all states should empower panchayats and municipalities to levy a property tax on the plinth area basis. It further suggested that: the existing rules should be reviewed and amplified to facilitate the levy of property tax and the granting of exemptions should be minimized; the assessment should be done every four or five years; and that urban local bodies should introduce the system of self-assessment.
2. Land-based instruments. NFC-XIV suggested that peri-urban panchayats should consider levying a vacant land tax. It also suggested that a part of the land conversion charges should be shared by the state government with panchayats and municipalities. NFC-XIV further recommended that states should review the status of the betterment levy and prepare a clear framework of rules for the levy of a betterment tax.
3. Advertisement tax. NFC-XIV was of the view that advertisement tax had considerable revenue potential and therefore suggested that

states should empower local bodies to impose this tax and improve their own revenue.

4. Entertainment tax. Reviewing the entertainment tax as levied by urban local bodies, NFC-XIV found that the collection from this source was low even though there emerged several newer forms of entertainment. It recommended that states should review the structure of entertainment tax and enlarge the scope to cover more and newer forms of entertainment.
5. Profession tax. NFC-XIV recognized the importance of a profession tax as one of the significant sources of revenue for local bodies. Like NFC-XI, NFC-XIV recommended raising the ceiling from Rs.2500 to Rs.12,000 per annum. It further recommended the amendment of Article 276 (2) to increase the limits on the imposition of a profession tax by states. The amendment should also vest power in Parliament to set limits on the ceiling with the proviso that the limits should adhere to the Finance Commission's recommendations and that the union government should prescribe a uniform limit for all states.

Non-Tax Measures

On the basis of a careful study of the available SFC reports, NFC-XIV noted some significant non-tax sources for revenue augmentation of local bodies such as the following:

1. Common property resources. First, certain productive assets such as village ponds and orchards as well as market fees, if assigned to local bodies and not to committees, could generate resources for Gram Panchayats. Second, rates of fees which are not revised could be revised. Third, in some states rules had not been framed and notified for enabling local bodies to collect tolls, fees and duties. Keeping these in view, NFC-XIV recommended that states should assign productive assets to panchayats, frame enabling rules for revenue collection and put in place a system that could fetch best returns while leasing or renting common resources.

2. **User Charges.** SFCs observed that, while the practice of levying user charges by urban local bodies were in vogue, these lacked rationalization and were not periodically reviewed and updated. In view of these observations, NFC-XIV recommended that the charges should be so fixed as to recover at least the operation and maintenance cost of services from the beneficiaries.
3. **Income from cess or royalty on minor minerals.** Noting from SFC reports that the practice of sharing royalty or cess on royalty was not uniformly prevalent across states, NFC-XIV held that keeping in view the fact that mining put a burden on local environment and infrastructure, the income from royalties should be shared with the local body in whose jurisdiction mining operations were conducted.
4. **Service charges on government property.** Article 285 (1) of the Constitution exempts the union government properties from any taxes by a state or any other authority within a state, unless Parliament provides otherwise by law. Similarly, Article 289 exempts states' property and income from union taxation. NFC-XI observed: "While taxation of properties belonging to the Central or State governments would infringe on the sovereign powers of the Union and States, there is no doubt that all the properties located in rural or urban areas enjoy the benefit of civic services that have a cost." Therefore, NFC-XI recommended that all government properties of the union as well as of states should be subject to the levy of user charges which should be regulated by suitable legislation (GOI 2000, 84).¹¹ NFC-XIII noted that putting in place such legislation could take time. Therefore, it had urged both the union and state governments to issue executive instructions that all their respective departments should pay appropriate service charges. NFC-XIV refrained from making a specific recommendation but did recommend in this regard that the union and state governments should examine in depth the issue of compensating local bodies for the civic services provided to government properties by local bodies and take necessary action including enacting suitable legislation.

Grants to Local Bodies

As noted earlier, NFC-X, while articulating the scope of the duty cast on the NFC under sub-clauses (bb) and (c) of article 280 (3), has maintained that the union government has no responsibility for sharing and assigning taxes and so on and providing grants to local bodies. Even so, the Ministry of Rural Development made a case before NFC-XI for special dispensation. It argued that there are enormous needs of panchayats for the performance of regulatory, operations and maintenance and development functions, as envisaged under article 243 G and the Eleventh Schedule. It further stated that, while the requirement of funds by the panchayats for performing developmental functions is met under the various centrally sponsored schemes and the state plan schemes, the regulatory and maintenance needs of panchayats should receive special dispensation from the NFC. Similarly, the Ministry of Urban Development and Poverty Alleviation has submitted that the financial position of urban local bodies is far too inadequate to meet their requirement of resources for civic services and infrastructure and therefore requires special dispensation. It should be noted here that there is no constitutional provision for direct statutory grants for local bodies and therefore any grants provided by NFCs have to be routed through state government exchequers. Again, since the Constitution does not provide for a share in union taxes for local bodies, any transfers from the union government would have to be in the form of an absolute grant.

Being persuaded by such reasoning, all five NFCs beginning from the Tenth Finance Commission provided grants to local bodies.

NFC-X provided a grant of Rs.100 per capita of rural population as per the 1971 census to panchayats. This worked out to a total of Rs.4398 crore. It recommended Rs.1000 crore for urban local bodies. The aggregate grant of Rs.5380.93 crore accounted for 1.38 per cent of the estimated divisible pool.

NFC-XI provided a grant of Rs.2000 crore for panchayats and Rs.8000 crore for urban local bodies for its award period of five years beginning 2000–01. The aggregated grant of Rs.10,000 crore formed 0.78 per cent of the divisible pool as estimated by the Commission.

NFC-XII recommended a grant of Rs.20,000 crore for panchayats and Rs.5000 crore for urban local bodies, together adding up to Rs.25,000 crore for the five-year period beginning 2005–06. The aggregate grant represented 1.24 per cent of the divisible pool as estimated by the Commission.

NFC-XIII recommended an aggregate grant of Rs.87,519 crore for the entire period of five years starting from 2010–11 as estimated by the Commission. These grants comprised two parts: a general basic grant and a year-wise specified performance grant. These also included special areas, that is the areas covered by the V and the VI schedules of the Constitution, basic grants (at the rate of Rs.20 per capita per year) and a special areas performance grant of Rs.10 for 2011–12 and Rs.20 for the subsequent three years.

NFC-XIII recommended 1.5 per cent of the previous year's divisible pool for local bodies and a performance grant, effective from 2011–12, at the rate of 0.50 per cent for 2011–12 and 1 per cent of the previous year's divisible pool for the subsequent three years. Only the states which meet the specified criteria of performance would have access to performance grants. The aggregate general basic grant and the general performance grant would be divided into rural and urban parts on the basis of the ratio of rural–urban population as per the 2001 census.

NFC-XIV recommended a grant of Rs.287,436 crore for the five-year period 2015–20. This worked out at Rs.488 per capita at the aggregate level. Out of this total grant, a sum of Rs.200,292.2 crore was recommended for Gram Panchayats and Rs.87,143.8 crore for municipalities. The grant was fixed for each year to ensure a stable flow of resources at predictable intervals. Grants recommended were in two parts: a basic grant and a performance grant for duly constituted Gram Panchayats and municipalities. In the case of Gram Panchayats, 90 per cent is the basic grant and 10 per cent the performance grant while for municipalities 80 percent is the basic and 20 percent the performance grant.

Conditionality

NFC-X laid the conditions that the grants provided by the Commission should not be used for meeting establishment costs, that local bodies were expected to make matching contributions for the schemes prepared for

utilizing these grants and that the grant provided by the Commission would be an add-on to the normal devolutions by the state governments.

NFC-XI stipulated that (1) the grants should be over and above the normal flow of funds from states to local bodies including the amount resulting from the implementation of SFC recommendations; (2) the first charge on the grant recommended by the Commission would be for the maintenance of accounts and auditing (Rs.98.60 crore) and for development of a database (Rs.200 crore) as indicated state-wise; and (3) the earmarked portion should be used for the operation and maintenance of core civic services such as primary education, primary health services, drinking water, street lighting and sanitation. Except for the above, the funds were untied with the proviso that these should not be used for salaries and wages.

NFC-XII recommended that the grant for panchayats should be utilized to improve service delivery in regard to water supply and sanitation, subject to the condition that at least 50 per cent of the recurring cost is recovered in the form of user charges. Similarly, for urban local bodies it stipulated that at least 50 per cent of the grants provided to each state should be earmarked for solid waste management through public-private partnership. It also recognized the importance of databases and the maintenance of accounts by local bodies and accordingly urged state governments to earmark a part of the grants for this purpose. It further recognized that conditionalities such as matching contribution insisted on by the union government but not by NFC-XI for the release of NFC-XI grants hindered local bodies for which these were meant. NFC-XII viewed the Finance Commission grants as “largely in the nature of a correction of vertical imbalance between the centre and states” (GOI 2004, 158)¹² and therefore did not recommend any conditionality other than the ones suggested by them, that is the provision of utilization certificates (UCs) for the previous instalment and the need for the release to be passed on to the local bodies by state governments within 15 days.

NFC-XIII, while evaluating the outcome of the grants for local bodies recommended by its three predecessors, observed that despite such a liberal approach by the NFC-XII some states could draw only about 8 per cent of the grants for the first four years of its period. This was primarily because of the non-submission of utilization certificates (UCs) by state

governments, which was attributable to the non-maintenance of accounts by local bodies and their reluctance for getting accounts audited. This state of affairs prevailed despite high priority being accorded by both NFC-XI and NFC-XII to these areas as discussed above. NFC-XIII also observed that a few states presented an excellent set of accounts but that the majority of them had neglected to do so. It concluded that the earmarking of grants by NFCs did not yield the expected results over the last ten years and therefore it felt that there existed a need for building in a stronger incentive system into Finance Commission grants for local bodies.

NFC-XIII provided grants for local bodies in two parts: a general basic grant and a performance grant to be distributed between rural and urban local bodies on the basis of their respective 2001 populations. It laid no conditionality for accessing the basic grants. But for accessing performance grants, panchayats had to satisfy six conditions and urban local bodies another three, making up nine conditions in total (GOI 2009, 178–180).¹³

State governments were required to:

1. Submit a supplement to the budget documents on local bodies separately for panchayats and municipalities, furnishing the details as specified;
2. Put in place an audit system for all categories of local bodies;
3. Put in place an independent ombudsman;
4. Put in place an audit system to transfer electronically local body grants provided by this Commission to the respective local bodies within five days of their receipt from the union government;
5. Lay down the qualifications of persons eligible for membership of SFCs consistent with Article 243 I(2) of the Constitution;
6. Remove all hurdles to levying property tax by all local bodies;
The following three conditions were specifically aimed at urban local bodies:
7. State governments were required to put in place a state level Property Tax Board which would assist urban local bodies in developing an independent and transparent procedure for assessing property tax;

8. State governments were required to notify by the end of a fiscal year the service standards for four service sectors, to begin with, that is water supply, sewerage, storm water drainage and solid waste, to be achieved by the end of the following fiscal year;
9. Municipal corporations with populations of more than one million were required to put in place a fire hazard response and mitigation plan for their respective jurisdictions.

Similarly, for states with Schedule V and Schedule VI areas which are exempted from the purview of Part IX and Part IX-A of the Constitution, NFC-XIII made provision for a special area grant ignoring the distinction of rural and urban areas. This grant had special area basic grant and special area performance grant components. The latter could be accessed only after meeting four conditions as indicated later at the appropriate place. The amount of performance grant that states failed to avail themselves of, was to be redistributed in a specified manner.

NFC-XIV also provided grants for local bodies in two parts: a basic grant and a performance grant for duly constituted Gram Panchayats and municipalities. Gram Panchayats would be entitled to receive 90 per cent of the grant as a basic grant and 10 per cent in the form of a performance grant. For municipalities, the basic grant would constitute 80 per cent of the grant while the performance grant would constitute 20 per cent. While recommending the specific performance criteria, the Commission had kept in view two issues: (1) reliable data on local bodies' receipt and expenditure through audited accounts and (2) improvement in their own revenue. In addition, municipalities would have to measure and publish service level benchmarks for basic services. It also recommended that performance grants should be disbursed from the second year of its award period after putting in place a scheme and mechanism for implementation.

The specific eligibility criteria laid down were the submission of audited accounts for a year not earlier than two years preceding the year in which the Gram Panchayat claims performance grants and an increase in the revenue of the Gram Panchayat which should be reflected in the audited accounts.

As for the urban local bodies, the relevant state government was required to design a detailed procedure for the disbursement of the performance grants incorporating the eligibility criteria laid down by the Commission as noted earlier. In regard to preparing benchmarks for the level of basic urban services, it suggested that the state government should use the service level benchmarks of the Ministry of Urban Development, Government of India.

It also recommended that the undisbursed amount, if any, due to some of the urban local bodies' failure to meet the eligibility criteria, should be distributed among the eligible urban local bodies on an equitable basis. It further recommended that neither the union nor the state should impose any conditions or directions other than the ones recommended by it for the release of funds.

Horizontal Distribution/Principles for *inter se* Distribution

NFC-XI laid down the principles for the determination of *inter se* distribution of grants for local bodies: grants "should be based on the principles which promote the development of local bodies as institutions of self-government and take into account the inter-State differentials in the levels of social and economic development" (GOI 2000, 80).¹⁴ Although different NFCs adopted different criteria for distributing grants across states, the underlying principles remained more or less the same. Broadly speaking, they kept in view two types of considerations while choosing specific criteria: the resource needs of states and the states' efforts to decentralize or to empower local bodies. More specifically, all NFCs, except for NFC-X, adopted population, area and deprivation related indices to reflect the resource needs of states.

The Tenth Finance Commission adopted the rural population (1971 census) as the sole basis for the state-wise distribution of panchayat grants while urban local bodies' grants were allocated on the basis of the 1971

inter-state ratio of the slum population. To represent states' efforts towards empowerment of local bodies, several measures such as an index of decentralization, an index of devolution and Finance Commission (FC) local body grants utilization index were adopted for the inter-state distribution of local body grants. Different FCs assigned different weights to the criteria selected for horizontal distribution.

Table 7.1 shows the criteria and corresponding weights assigned by different FCs. Table 7.2 gives the state-wise allocation of local body grants to panchayatas, municipalities as well as excluded areas by five NFCs beginning from the Tenth FC.

Table 7.1 Criteria and weights for the distribution of local body grants amongst states

Criteria	Weights (%)					
	11th FC		12th FC		14th FC	
			PRI's	ULBs	PRI's	ULBs
1 Population	40	40	50	50	90	90
2 Area	10	10	10	10	10	10
3 Distance from highest per capita sectoral income			10	20		
4 Distance from highest per capita income	20	20				
5 Index devolution			15	15		
6 SCs/STs proportion in the population			10			
7 FC local body grants utilization index			5	5		
8 Index of deprivation		10				
9 Revenue effort	10					
10 (i) with respect to state's own revenue		10				
(ii) with respect to GSDP		10				
11 Index of decentralization	20					
Total	100	100	100	100	100	100

Note: NFC-X distributed the PRI grant amongst states on the basis of the state-wise 1971 rural population. Grants for Urban Local Bodies (ULBs) were allocated on the basis of the 1971 inter-state ratio of the slum population.

GSDP – Gross State Domestic Product

Table 7.2 Local body grants of various Finance Commissions (Rs. crores)

(a)		NFC-X			PRIs		
		PRIs	ULBs	Total	Normal area	Excluded area	Total
Sl. No.	States						
1	Andhra Pradesh	351.00	73.94	424.94	718.82	41.42	760.24
2	Arunachal Pradesh	4.51	0.12	4.63	27.84	0.00	27.84
3	Assam	133.36	14.20	147.56	225.15	8.30	233.45
4	Bihar	507.19	67.09	574.28	697.64	87.39	785.04
5	Chhattisgarh						
6	Goa	5.91	0.00	5.91	9.27	0.00	9.27
7	Gujarat	192.01	67.46	259.47	284.38	63.66	348.04
8	Haryana	82.64	16.58	99.22	147.09	0.00	147.09
9	Himachal Pradesh	32.18	2.05	34.23	63.56	2.11	65.67
10	Jammu & Kashmir	37.59	12.09	49.68	74.41	0.00	74.41
11	Jharkhand						
12	Karnataka	221.77	70.19	291.96	394.12	0.00	394.12
13	Kerala	178.81	25.43	204.24	329.63	0.00	329.63
14	Madhya Pradesh	348.69	61.74	410.43	498.57	216.90	715.47
15	Maharashtra	347.01	132.95	479.96	594.20	62.53	656.73
16	Manipur	9.31	2.23	11.54	10.20	8.57	18.77
17	Meghalaya	8.65	1.47	10.12	0.00	25.61	25.61
18	Mizoram	2.94	0.38	3.32	6.03	1.82	7.86
19	Nagaland	4.65	0.56	5.21	12.87	0.00	12.87
20	Orissa	200.99	19.11	220.10	244.45	101.14	345.59
21	Punjab	103.35	30.60	133.95	154.64	0.00	154.64
22	Rajasthan	212.22	43.18	255.40	444.68	46.27	490.95
23	Sikkim	1.90	0.58	2.48	5.29	0.00	5.29
24	Tamil Nadu	287.34	115.52	402.86	466.12	0.00	466.12
25	Telangana						
26	Tripura	13.94	1.03	14.97	17.65	10.81	28.46
27	Uttar Pradesh	759.52	121.18	880.70	1319.13	0.00	1319.13
28	Uttarakhand						
29	West Bengal	333.45	120.32	453.77	577.73	0.00	577.73
	Total	4380.93	1000.00	5380.93	7323.47	676.53	8000.00

ULBs	NFC-XI			Total		
	Normal area	Excluded area	Total	Normal area	Excluded area	Total
164.66	0.00	164.66	883.48	41.42	924.90	
0.68	0.00	0.68	28.53	0.00	28.53	
20.63	0.91	21.54	245.78	9.21	254.99	
76.05	17.85	93.90	773.69	105.24	878.93	
4.64	0.00	4.64	13.91	0.00	13.91	
131.32	1.20	132.52	415.70	64.86	480.57	
36.64	0.00	36.64	183.73	0.00	183.73	
3.89	0.00	3.89	67.46	2.11	69.56	
15.66	0.00	15.66	90.07	0.00	90.07	
124.82	0.00	124.82	518.94	0.00	518.94	
75.25	0.00	75.25	404.87	0.00	404.87	
144.95	11.07	156.01	643.52	227.96	871.48	
313.54	2.71	316.25	907.74	65.24	972.98	
4.02	0.38	4.40	14.22	8.95	23.17	
0.18	2.52	2.70	0.18	28.13	28.31	
3.68	0.17	3.84	9.71	1.99	11.70	
1.79	0.00	1.79	14.65	0.00	14.65	
31.99	7.97	39.96	276.44	109.11	385.55	
54.73	0.00	54.73	209.36	0.00	209.36	
97.17	2.24	99.42	541.85	48.51	590.36	
0.21	0.00	0.21	5.50	0.00	5.50	
193.37	0.00	193.37	659.49	0.00	659.49	
4.02	0.00	4.02	21.66	10.81	32.48	
251.63	0.00	251.63	1570.77	0.00	1570.77	
197.49	0.00	197.49	775.22	0.00	775.22	
1952.99	47.01	2000.00	9276.45	723.54	10,000.00	

(continued)

Table 7.2 (continued)

(b)		NFC-XII		NFC-XIII			
		PRIs	ULBs	Total	Basic	Performance	Total
Sl. No.	States						
1	Andhra Pradesh	1587.00	374.00	1961.00	3417.31	1809.27	5226.58
2	Arunachal Pradesh	68.00	3.00	71.00	179.07	94.77	273.84
3	Assam	526.00	55.00	581.00	1031.56	546.11	1577.68
4	Bihar	1624.00	142.00	1766.00	3239.18	1714.97	4954.15
5	Chhattisgarh	615.00	88.00	703.00	1092.50	578.42	1670.92
6	Goa	18.00	12.00	30.00	59.01	31.24	90.25
7	Gujarat	931.00	414.00	1345.00	1525.50	807.65	2333.15
8	Haryana	388.00	91.00	479.00	710.26	376.02	1086.27
9	Himachal Pradesh	147.00	8.00	155.00	363.83	192.67	556.50
10	Jammu & Kashmir	281.00	38.00	319.00	600.49	317.92	918.41
11	Jharkhand	482.00	98.00	580.00	991.66	525.03	1516.69
12	Karnataka	888.00	323.00	1211.00	2945.22	1559.32	4504.54
13	Kerala	985.00	149.00	1134.00	1274.81	674.97	1949.78
14	Madhya Pradesh	1663.00	361.00	2024.00	2689.96	1424.14	4114.10
15	Maharashtra	1983.00	791.00	2774.00	3595.40	1903.57	5498.98
16	Manipur	46.00	9.00	55.00	143.16	75.84	218.99
17	Meghalaya	50.00	8.00	58.00	204.74	108.34	313.09
18	Mizoram	20.00	10.00	30.00	131.87	69.79	201.66
19	Nagaland	40.00	6.00	46.00	199.53	105.64	305.18
20	Orissa	803.00	104.00	907.00	1694.09	896.90	2590.99
21	Punjab	324.00	171.00	495.00	735.92	389.62	1125.53
22	Rajasthan	1230.00	220.00	1450.00	2575.24	1363.40	3938.64
23	Sikkim	13.00	1.00	14.00	120.71	63.90	184.61
24	Tamil Nadu	870.00	572.00	1442.00	2016.32	1067.48	3083.81
25	Telangana						
26	Tripura	57.00	8.00	65.00	191.58	101.41	292.99
27	Uttar Pradesh	2928.00	517.00	3445.00	6399.61	3388.18	9787.79
28	Uttarakhand	162.00	34.00	196.00	386.34	204.51	590.85
29	West Bengal	1271.00	393.00	1664.00	2709.65	1434.58	4144.23
	Total	20,000.00	5000.00	25,000.00	41,224.55	21,825.65	63,050.20

ULB			Special area			Total		
Basic	Performance	Total	Basic	Performance	Total	Basic	Performance	Total
1254.59	664.23	1918.82	29.30	20.50	49.80	4701.20	2494.00	7195.20
20.83	11.03	31.86	0.00	0.00	0.00	199.90	105.80	305.70
165.64	87.69	253.32	36.40	25.50	61.90	1233.60	659.30	1892.90
475.46	251.73	727.18	0.00	0.00	0.00	3714.64	1966.70	5681.34
272.70	144.38	417.08	105.50	73.80	179.30	1470.70	796.60	2267.30
53.39	28.26	81.65	0.00	0.00	0.00	112.40	59.50	171.90
851.20	450.65	1301.85	72.10	50.50	122.60	2448.80	1308.80	3757.60
283.88	150.29	434.16	0.00	0.00	0.00	994.14	526.30	1520.44
53.50	28.33	81.84	1.40	1.00	2.40	418.74	222.00	640.74
133.51	70.68	204.19	0.00	0.00	0.00	734.00	388.60	1122.60
278.34	147.37	425.71	175.00	122.50	297.50	1445.00	794.90	2239.90
1302.48	689.58	1992.06	0.00	0.00	0.00	4247.70	2248.90	6496.60
474.89	251.43	726.32	0.00	0.00	0.00	1749.70	926.40	2676.10
976.84	517.16	1494.00	132.60	92.80	225.40	3799.40	2034.10	5833.50
2077.70	1100.03	3177.72	39.40	27.60	67.00	5712.50	3031.20	8743.70
53.54	28.36	81.91	8.80	6.20	15.00	205.50	110.40	315.90
52.46	27.76	80.21	23.00	16.10	39.10	280.20	152.20	432.40
61.43	32.51	93.94	8.90	6.20	15.10	202.20	108.50	310.70
50.17	26.56	76.72	19.90	13.90	33.80	269.60	146.10	415.70
324.51	171.80	496.31	108.00	75.60	183.60	2126.60	1144.30	3270.90
411.35	217.78	629.13	0.00	0.00	0.00	1147.26	607.40	1754.66
780.86	413.40	1194.26	18.20	12.70	30.90	3374.30	1789.50	5163.80
1.69	0.90	2.59	0.00	0.00	0.00	122.40	64.80	187.20
1550.98	821.12	2372.09	0.00	0.00	0.00	3567.30	1888.60	5455.90
36.62	19.39	56.01	12.20	8.50	20.70	240.40	129.30	369.70
1930.59	1022.12	2952.71	0.00	0.00	0.00	8330.20	4410.30	12740.50
124.46	65.89	190.35	0.00	0.00	0.00	510.80	270.40	781.20
1056.25	559.22	1615.47	7.90	5.50	13.40	3773.80	1999.30	5773.10
15,109.83	7999.65	23,109.48	798.60	558.90	1357.50	57,132.97	30,384.20	87,517.18

(continued)

Table 7.2 (continued)

(c)				
NFC-XIV				
Sl. No.	States	Basic	PRI Performance	Total
1	Andhra Pradesh	7788.68	865.41	8654.09
2	Arunachal Pradesh	737.93	81.99	819.92
3	Assam	4874.92	541.66	5416.58
4	Bihar	18916.05	2101.78	21017.83
5	Chhattisgarh	4719.72	524.41	5244.13
6	Goa	120.39	13.38	133.77
7	Gujarat	7771.26	863.47	8634.73
8	Haryana	3495.17	388.35	3883.52
9	Himachal Pradesh	1628.82	180.98	1809.80
10	Jammu & Kashmir	3117.36	346.37	3463.73
11	Jharkhand	5442.07	604.67	6046.74
12	Karnataka	8359.79	928.87	9288.66
13	Kerala	3615.85	401.76	4017.61
14	Madhya Pradesh	12200.72	1355.64	13556.36
15	Maharashtra	13532.11	1503.57	15035.68
16	Manipur	185.44	20.60	206.04
17	Meghalaya	0.00	0.00	0.00
18	Mizoram	0.00	0.00	0.00
19	Nagaland	0.00	0.00	0.00
20	Orissa	7965.28	885.03	8850.31
21	Punjab	3682.02	409.11	4091.13
22	Rajasthan	12270.27	1363.36	13633.63
23	Sikkim	133.64	14.85	148.49
24	Tamil Nadu	7899.69	877.74	8777.43
25	Telangana	4837.75	537.53	5375.28
26	Tripura	302.11	33.57	335.68
27	Uttar Pradesh	32198.90	3577.66	35776.56
28	Uttarakhand	1694.42	188.27	1882.69
29	West Bengal	12772.60	1419.18	14191.78
	Total	180,262.96	20,029.21	200,292.17

Basic	ULB		Basic	Total	
	Performance	Total		Performance	Total
2908.64	727.16	3635.80	10697.32	1592.57	12289.89
195.22	48.81	244.03	933.15	130.80	1063.95
776.43	194.11	970.54	5651.35	735.77	6387.12
2140.99	535.25	2676.24	21057.04	2637.03	23694.07
1270.33	317.58	1587.91	5990.05	841.99	6832.04
175.88	43.97	219.85	296.27	57.35	353.62
5125.91	1281.48	6407.39	12897.17	2144.95	15042.12
1663.95	415.99	2079.94	5159.12	804.34	5963.46
161.42	40.35	201.77	1790.24	221.33	2011.57
1044.51	261.13	1305.64	4161.87	607.50	4769.37
1531.64	382.91	1914.55	6973.71	987.58	7961.29
4685.50	1171.38	5856.88	13045.29	2100.25	15145.54
2931.48	732.87	3664.35	6547.33	1134.63	7681.96
4141.27	1035.32	5176.59	16341.99	2390.96	18732.95
9930.29	2482.57	12412.86	23462.40	3986.14	27448.54
138.16	34.54	172.70	323.60	55.14	378.74
25.22	6.30	31.52	25.22	6.30	31.52
96.17	24.04	120.21	96.17	24.04	120.21
101.98	25.50	127.48	101.98	25.50	127.48
1417.98	354.50	1772.48	9383.26	1239.53	10622.79
1962.35	490.59	2452.94	5644.37	899.70	6544.07
3610.50	902.62	4513.12	15880.77	2265.98	18146.75
39.92	9.98	49.90	173.56	24.83	198.39
6585.85	1646.46	8232.31	14485.54	2524.20	17009.74
2711.12	677.78	3388.90	7548.87	1215.31	8764.18
178.48	44.62	223.10	480.59	78.19	558.78
8199.37	2049.84	10249.21	40398.27	5627.50	46025.77
652.66	163.17	815.83	2347.08	351.44	2698.52
5311.81	1327.95	6639.76	18084.41	2747.13	20831.54
69,715.03	17,428.77	87,143.80	249,977.99	37,457.98	287,435.97

Treatment of Areas Outside Parts IX and IX A

There are areas which do not fall within the ambit of the provisions contained in Parts IX and IX A of the Constitution providing for panchayats and municipalities respectively. As noted elsewhere, with the passage of the Panchayats (Extension to the Scheduled Areas) Act of 1996, the provisions of Part IX of the Constitution pertaining to panchayats have been extended to cover Schedule V areas. The areas which still fall outside the sphere of Part IX of the Constitution are:

1. Meghalaya, except selected wards of Shillong Municipal Area, which are exempt under article 243 M¹⁵ and Schedule VI;
2. Mizoram is exempt under article 243 M, with two administrative districts—Lawngtai and Saiha—covered under Schedule VI areas;
3. Assam: Bodoland, North Cachar and Karbi Anglong districts are covered under Schedule VI;
4. Tripura: only the Tripura tribal district falls under Schedule VI;
5. Nagaland: not under Schedule VI but exempted under Article 243 M;
6. Manipur: hill areas for which District Councils do not exist under Schedule VI but under Article 243 M;
7. West Bengal: the hill areas of the district of Darjeeling under the Darjeeling Gorkha Hill Council not exempted under Schedule VI but under Articles 243 M/243 ZC of the Constitution.

Interpreting the relevant ToR narrowly, NFCs cannot provide grants to the areas in which Parts IX and IX-A do not apply and in which the states have not passed legislation for establishing duly elected panchayats and municipalities. Nevertheless, all the NFCs (from the Tenth) with the exception of the Fourteenth Finance Commission considered the provision of grants to the excluded areas.

NFC-X recognized the need for providing additional amounts to supplement the resources of local level representative bodies similar to panchayats even in those states which are not required to have panchayats. It had not, however, provided any earmarked grants for excluded areas.

NFC-XI indicated a component out of the grants recommended for panchayats and municipalities in the concerned states for the excluded

areas. It further provided that the share should be released to the respective states only after the completion of legislative measures for extension of the provisions of the 73rd and 74th Amendments to such areas.

NFC- XII, having noted the proposal of the Ministry of Home Affairs to amend the Sixth Schedule for the extension of certain provisions of the 73rd and 74th Amendments to the excluded areas, did not indicate separate grants for normal and excluded areas. It was left to the concerned states to distribute grants for local bodies amongst them.

NFC-XIII took a careful view on the implications of Parts IX and IX-A, Articles 244, 280 and 275 of the Constitution and felt persuaded that it could earmark grants for excluded areas under Article 275 notwithstanding the specific exclusion in the ToR. Accordingly, it recommended grants for excluded areas in two parts: (1) a special areas basic grant and (2) a special area performance grant. Special performance grants should be released only on the fulfilment of the following four conditions (GOI 2009, 180)¹⁶ by the concerned state:

1. Submission of a supplement to the budget documents giving some of the details regarding the transfer while specifying basic and performance grant receiving agencies and the conditions under which it was given, including the procedure for auditing these expenditures.
2. Maintenance of accounts consistent with the instructions in force.
3. Bringing the district level elected functionaries and officials under the ombudsman as recommended.
4. Transfer of funds within the stipulated time.

NFC-XIII also recommended that an SFC-like body should be set up in areas not covered by Part IX of the Constitution along the lines suggested by the Expert Committee on Planning for the Sixth Schedule Areas set up by the Ministry of Panchayati Raj.

Taking into account the considered views on the provisions in the Constitution and the ToR, NFC-XIV decided not to recommend any grants to the areas where Part IX and Part IX-A of the Constitution do not apply and where duly elected panchayats and municipalities have not been established through the enactment of the relevant laws. It noted, however, that these areas had a pressing need for assistance. It also noted that the union

government which was mandated to play a direct role under Article 275 (1) in supporting the development of these areas made only limited interventions. It urged the union government to scale up its direct interventions for the upgrade of administration as well as development of these areas to bring them on a par with other areas.

Developments Weakening Local Bodies

In the course of their consultations with the government and non-government agencies, Finance Commissions observed a couple of phenomena which are not conducive to strengthening local bodies. One such phenomenon relates to the functioning of a number of parastatal bodies which operate in the areas assigned to local bodies under Schedules XI and XII of the Constitution thus weakening them both financially and operationally. NFC-XIII suggested that such parallel bodies should be abolished and that all funds relating to the subjects listed under Schedules XI and XII of the Constitution should be given directly to local bodies through the respective state governments. The other is the growing agency functions of panchayats as a result of a number of centrally sponsored scheme (CSS) and plan schemes being implemented by panchayats. In this process substantial tied funds were being transferred to local bodies for fulfilling the scheme objectives. But such transfers were not accompanied by a corresponding increase in untied funds to the panchayats. This limited their ability to respond to local needs and synergize the impact of various development programmes. All this weakens the decentralization process.

Concluding Remarks: Impediments to NFC Functioning

The insertion of two sub-clauses, (bb) and (c), under Article 280 and linking it with Articles 243 I and 243 Y of the Constitution sought to integrate the fiscal relations between the three levels of government—union, state and the third-tier government—that is panchayats and municipalities in

the Indian federal system. It is envisaged that the SFCs constituted under Articles 243 I and 243 Y would analyse the finances of the state government and estimate following a normative approach the gap between its aggregate revenue and the aggregate expenditure after taking into account resource transfers under the recommendation of the SFC. The gap thus assessed would provide the basis for the NFC recommendations. But as NFC-XII observed, after more than a decade of the Constitutional Amendments relating to the third-tier government, “most states are yet to appreciate the importance of this institution in terms of its potential to carry the process of democratic decentralization further and evolve competencies at the cutting edge level by strengthening the PRIs and the municipalities” (GOI 2004, 150).¹⁷ This observation still holds good since the Fourteenth Finance Commission could not also base their recommendations on the SFC reports.

The question is why the functioning of SFCs has remained for so long a persistent problem that has been hampering the proper deliberations of NFCs. At the root of this problem lie three sets of factors: design deficits leading to the non-synchronicity of SFC and NFC reports, the competence of the members of SFCs, and the commitment of state governments.

The reason for non-synchronicity lies in Article 243 I which provides that SFCs should be appointed at the “expiration of every fifth year.” The intention of this clause is perhaps to ensure that all state government transfers to local bodies should be under the mandate of the current SFC and this should be for a period of five years and not beyond. In effect, Article 243 I prohibits the constitution of a new SFC before the expiration of the period of five years. This lies at the root of this persistent anomaly. The way forward will be, as different Finance Commissions have recommended, to amend Article 243 so as to enable a state to constitute the SFCs “at the expiration of the fifth year or earlier.” This would facilitate a state to appoint an SFC in synchronization with the period covered by the NFC.

Another issue relates to the quality of SFC reports. NFCs have observed that SFCs do not make recommendations on each of the ToR as indicated in Article 243 I and that the quality of SFC reports are patchy. What is more, SFCs do not follow a uniform basis for the determination

of support nor a uniform pattern for their recommendations, thus making it difficult for NFCs to base their deliberations on them. NFC-XII suggested a format in which SFCs should collect data. But this advice was not followed uniformly across SFCs as noted by NFC-XIII. Similarly, NFC-XIII prepared a template after carrying out a comprehensive consultation process and recommended this for adoption by SFCs. Even so, NFC-XIV found that SFC recommendations were state specific and did not provide a uniform basis for their recommendations.

It is pertinent to note that a good SFC report preparation involves consideration of important legal, economic, financial and administrative issues as well as those relating to decentralization. Therefore, the competence of members to meet these challenges is critical. Keeping this in view, Finance Commissions such as NFC-XI and NFC-XIII suggested that state governments should legislate on the requisite qualifications of SFC members as provided under Article 243 I (2) of the Constitution.

Yet another issue relates to the implementation of SFC reports. It is observed that SFC reports generally reflect poor ownership by state governments. For various reasons, states are neither keen to accept the SFC recommendations nor to place the Action-taken Report before the state legislature in a timely manner. There is no provision in the Constitution or in any state legislation that prescribes a time limit for the submission of these reports by the state government on the recommendations made by the SFC before the state legislature. NFC-XI suggested that amendments should be made in the law to ensure that state governments place the Action-taken Report on the recommendations of the SFC on the floor of the state legislature within six months from the date of submission of the report by the SFC.

Keeping in view the enormity of difficulties that Finance Commissions have experienced in making SFC reports the basis for their recommendations, they as well as the Second Administrative Reforms Commission recommended amendments of Article 280 (3) (bb) and (c) such that words “on the basis of the recommendations made by the Finance Commission of the State” are substituted “after taking into consideration the recommendations.” That would be a way forward in the given framework, even though it would still fall short of properly integrating the third-tier government in the Indian federal system.

Notes

1. Government of India, Ministry of Finance. 1994. Report of the Tenth Finance Commission, p. 46.
2. Finance Commission. 2000. Report of the Eleventh Finance Commission, p. 77.
3. *Op. cit.* pp. 77–78.
4. For detailed steps, see, Report of the Eleventh Finance Commission, p. 79.
5. Finance Commission. 2014. Report of the Fourteenth Finance Commission, New Delhi, p. 110.
6. *Op.cit.*, p. 107.
7. See, Finance Commission. 2000. Report of the Eleventh Finance Commission, New Delhi, p. 73.
8. Finance Commission. 1994. Report of the Tenth Finance Commission, New Delhi, p. 47.
9. Finance Commission. 2009. Report of the Thirteenth Finance Commission, New Delhi, p. 161.
10. Finance Commission. 2014. Report of the Fourteenth Finance Commission, New Delhi, p. 107.
11. Finance Commission. 2000. Report of the Eleventh Finance Commission New Delhi, p. 84.
12. Finance Commission. 2004. Report of the Twelfth Finance Commission, p. 158.
13. For detailed conditions, see Finance Commission. 2009. Report of the Thirteenth Finance Commission, pp. 178–180.
14. Finance Commission (2000), NFC-XI, p. 80.
15. It should be mentioned that Article 243 M of the Constitution gives to Parliament the power to extend the provisions of Part IX to the tribal areas listed in the Fifth Schedule. It also exempts certain states and certain areas covered by the Sixth Schedule as well as certain states and regions covered under separate arrangements from the ambit of Part IX.
16. For details, see, Finance Commission. 2009. Report of the Thirteenth Finance Commission, p. 180.
17. Finance Commission. 2004. Report of the Twelfth Finance Commission, p. 150.

References

- Government of India. 1994. *Report of the Tenth Finance Commission*. New Delhi: Ministry of Finance.
- . 2000. *Report of the Eleventh Finance Commission*. New Delhi: Ministry of Finance.
- . 2004. *Report of the Twelfth Finance Commission*. New Delhi: Ministry of Finance.
- . 2009. *Report of the Thirteenth Finance Commission*. New Delhi: Ministry of Finance.
- . 2014. *Report of the Fourteenth Finance Commission*. New Delhi: Ministry of Finance.

8

Towards Integrating the Third Tier in the Indian Federal System

Democratic decentralization rests on the core principle of subsidiarity, which means that “what can best be done at the lower levels should not be centralized at higher levels; a clear delineation of functions entrusted to the local bodies; effective devolution in financial terms and convergence for the citizens as well as citizens centric governance structures” (GOI 2007, V).¹ However, the mere creation of elaborate structures and periodic elections do not ensure the proper operationalization of the principles of subsidiarity and democratic decentralization. What is required is proper devolution that effectively empowers local governments “to frame their regulations, take decisions and enforce their will within their legitimate sphere of action. Such empowerment should be clearly and unambiguously defined by the Constitution and State legislatures” (GOI 2007, 17).² What is also required is a clear delineation of the roles of the state and local governments in each of the subjects/functions, since, in the Indian context, local government subjects are also state subjects.

It is important to note, however, that the 73rd and 74th Amendments of the Constitution never envisaged panchayats “to be as autonomous as States” and provided that state legislature could enact laws governing their powers and functions. This is the position held in the Supreme

Court's order in Civil Appeal 3340 of 2007 in Gujarat Pradesh (GOI 2010, 156).³ The Andhra Pradesh High Court also held, while deciding whether Part IX overrides Articles 245, 246 and List II of the Seventh Schedule, on January 29, 2004, "that the Panchayati Raj Institutions do not constitute a third tier in the federal structure as further unit in the vertical division of powers and that it is left to the State Legislature to decide to what extent the Panchayati Raj Institutions should be conferred with power and autonomy" (GOI 2010, 105).⁴ In another civil appeal relating to the status and powers of Zilla Panchayats, the Supreme Court held on July 30, 2007 that "a District Panchayat cannot arrogate to itself the status of a body as independent or autonomous as a Province in a Federation. The purpose of the Constitutional amendments was to guarantee their existence according to a constitutionally mandated structure, but beyond that the Legislature could enact laws limiting their powers and functions" (GOI 2010, 105).⁵ It is also argued that

a reading of Article 243 A (powers and functions of Gram Sabhas); 243 C (Composition of Panchayats); 243 D (Reservation of seats); 243 F (Disqualification for membership); 243 G (Powers, authority and responsibilities of Panchayats); 243H (Powers to impose taxes by, and Funds of the Panchayats); 243 I (Consideration of the recommendations of the Finance Commission); 243 J (Audit of Accounts) would indicate that apart from structural issues all aspects of the functioning of Panchayats (and similar provisions exist in the case of Municipalities) are to be controlled by the State Government. These provisions are a continuum of the historical trends and in line with the legislative power with the States under Entry 5 of List II (State List) of the Seventh Schedule to the Constitution. (GOI 2010, 156–157)⁶

In terms of the 73rd and 74th Amendments to the Constitution, decision-making authority in regard to the grass root level activities that affect the people directly would rest with the elected representatives of the people themselves. With the mandatory holding of elections at regular intervals, panchayats/municipalities have been given permanency as institutions of self-government with a specific role in planning for economic development and social justice for the local area. In sum, the intention of these amendments is to place them at a position of command in the democratic

framework of the country. “But there seems to be an area of weakness in the constitutional scheme. Local Government being a State subject under Schedule VII, the implementability of these provisions is, to a large extent, dependent on the intention and strength of the State Panchayati Raj enactment. The challenge is to ensure architecture for the State law which is in total harmony with the spirit of the 73rd and 74th Amendment” (GOI 2007, 17).⁷

We have seen in an earlier chapter that two decades plus, since the 73rd and 74th Amendments, have not seen the emergence of truly empowered local governments. This is attributed to a welter of rules, regulations and systematic guidelines. As the National Commission to Review the Working of the Constitution has observed, “the Union Government and the State Governments continue to exercise powers in planning and the Panchayats and Municipalities do not enjoy autonomy-financial, or administrative-as institutions of local self-government” (GOI 2002, para. 9.5.2).⁸

Even in the given framework, the Eleventh Finance Commission, while analysing the process of implementation of the 73rd and 74th Amendments, noted certain problems that called for legislative and administrative changes and even further amendments to the Constitution in some cases. These problems were noticed way back in 2000 but most of them still exist. Those issues which are still relevant for intervention of some type are (Ministry of Finance, 83–84)⁹:

1. The legislation of states merely enumerates the subjects listed in the Eleventh and Twelfth Schedules but does not specify the schemes relating to the subjects that have been included in the Schedules and have to be implemented by the local bodies as contemplated in Articles 243 G and 243 W. As a result, the funds and functionaries relating to these schemes continue to remain under the control of state government departments. Even in cases where the implementation of some schemes has been entrusted to the local bodies, these remain only as an agency function with no role in the planning and formulation of the schemes. In view of the Commission, it is mandatory for states to pass legislation to provide specifically for the transfer of functions and schemes to local bodies.

2. While a hierarchical structure has been laid down in state legislation, the activity related role of three tiers has not clearly been delineated in state legislation and the matter has been left to be decided by way of executive instructions. This obviously leads to a lot of uncertainties. Legislative arrangement clearly delineating their respective roles should be put in place. Subsequently, however, at the pursuance of the Ministry of Panchayati Raj, activity mapping for each of the tiers has been prepared but not yet implemented in all states.
3. As noted elsewhere, several centrally sponsored schemes for rural and urban development are implemented through special agencies created at the district level or through formal or informal organizations. These encroach upon the jurisdiction of local bodies. The two union ministries—the Ministry of Rural Development and the Ministry of Urban Development and later the Ministry of Panchayati Raj—which are the nodal ministries for implementation of the 73rd and 74th Amendments, should take initiatives for the transfer of schemes relating to the subjects included in the Eleventh and Twelfth Schedules to local bodies and ensure that they function as institutions of self-government.
4. The Constitution has laid down that every state with a population more than 25 lakhs will have a three-tier system—the village level, the intermediate level and the district level. As per the assessment of the Commission, that is too rigid an arrangement and there should be flexibility for states to be able to decide whether a two tier or three tier could function with greater efficiency and economy.
5. The Fifth and the Sixth Schedule Areas have been excluded from the operation of the 73rd and 74th Amendments. However, Parliament has been empowered to extend the provisions of these amendments to these areas. In fact, Parliament passed legislation in 1996 for the extension of the provisions of the 73rd Amendment to the Fifth Schedule areas. Similar legislation has not been passed in regard to the Sixth Schedule Areas. It is understood that the power to extend the provisions of these amendments is vested with the governor in respect of Assam and with the President of India in respect of Meghalaya, Mizoram and Tripura. What is important is to have clarity of approach on this issue so that the rural and urban bodies in

these areas do not lag behind the developments taking place elsewhere in the country.

6. Meghalaya, Mizoram and Nagaland have been excluded from the operation of the 73rd Amendment. However, state legislature has been empowered to extend by law this amendment except in respect of the Sixth Schedule areas. Suitable action in this regard would entitle them to the benefits of the measures that the Finance Commission recommends for the augmentation of the consolidated funds of these states. Incidentally, these states have village councils operating at the local level and performing regulatory and developmental functions similar to those included in the Eleventh Schedule. These village level institutions could be recognized as panchayats for the purpose of the 73rd Amendment by suitable legislative changes.
7. The hill areas in Manipur for which district councils have been provided under a Central Act are excluded from the ambit of the 73rd Amendment. Similarly, the provisions relating to district level panchayats are not applicable to the hill areas of the Darjeeling district in West Bengal. There are no enabling provisions in the Constitution for extending the 73rd Amendment to these areas either now or at a later date. Suitable enabling provisions should be introduced in the Constitution so that these areas could get the benefit of the 73rd Amendment.
8. It is observed that there are wide variations in the coverage of areas and the population served by different tiers of panchayats in the states. In many cases panchayats at some tiers do not seem viable from the viewpoint of efficiency and economy. It is, therefore, necessary to have administrative reorganization to ensure their development as viable institutions of self-government.
9. District Planning Committees in some states have been entrusted with executive functions, thereby overshadowing the local bodies. These bodies should be constituted and revitalized as per the intention of the Constitution.
10. Another issue regarding which NFCs have suggested constitutional change relates to the SFC on the basis of whose recommendations the NFC is required to make proposals on the measures needed to

augment the Consolidated Funds of the States to supplement the resources of the panchayats/municipalities. As discussed earlier at some length, the NFCs have not been able to base their recommendations on those of SFCs for reasons such as non-synchronicity with Central Finance Commissions, the quality variance of SFC reports and implementation issues. As a result, NFCs have had to make recommendations in regard to local bodies on an ad hoc basis. It is in this context that NFC-XIII suggested that Article 280(3)(bb) and (c) should be amended such that “the words ‘on the basis of the recommendations made by the Finance Commission of the State’ are changed to ‘after taking into consideration’” (GOI 2009, 171).¹⁰

In the intervening period since NFC-XI had made the above observations, the Government of India constituted three national level commissions each of which deliberated on issues relating to third-tier government/local self-government, among other things. The Commissions are the National Commission to Review the Working of the Constitution (NCRWC) (2002) which also dealt with the issues relating to decentralization and devolution, the Second Administrative Reforms Commission (SARC) (2007) which discussed issues relating to local governance in its Sixth Report on Local Governance and the Commission on Centre–State Relations (2010) which brought out vol. IV on Local Self Governments and Decentralized Governance. All of them made recommendations for making local self-government a vibrant institution. We discuss only a few of them which have direct relevance to the issues raised by the NFC as mentioned above and which have implications on integrating the third tier in the Indian federal structure.

On the functional domain of devolution which is the core of democratic decentralization, the NCRWC recommended that panchayats should be categorically declared as institutions of self-government and that Article 243 G should be amended to make it mandatory for a state legislature “to vest the Panchayats with such powers and authority as are necessary to enable them to function as institutions of self-government” (GOI 2002, para 9.7.1).¹¹

The Commission recommended that the Constitution should be amended and the subjects listed in Schedules XI and XII be mandatorily

assigned to rural and urban local bodies respectively, so that these could create a distinct fiscal domain of local bodies. SARC as well as the Commission on Centre–State Relations endorsed this recommendation. The latter went a step further and suggested a time line. In their words, “Articles 243 G and 243 W should be amended to mandate that devolution of functions as listed out in the Eleventh and Twelfth schedules, together with the powers and authority to implement them should be completed by 2015” (GOI 2010).¹² In order to guide the states in this regard, SARC suggested a model law utilizing the provisions of Article 252 of the Constitution. The Commission on Centre–State Relations also endorsed this recommendation.

In regard to the personnel system, the NCRWC recognized that an institution of self-government should have the power to recruit and control its own staff. The Commission proposed an enabling provision in Part XI of the Constitution empowering state legislature to confer on panchayats full “administrative and functional control over staff as are transferred following devolution of functions.” “They should also have the power to recruit certain categories of staff required for service in their jurisdiction” (GOI 2002, para. 9.9.1).¹³

As regards Article 280(3) (bb) and (c), requiring the NFC to make its recommendations on the basis of the recommendations of the SFC being highly restrictive, the NCRWC recommended the replacement of the words “on the basis of the recommendation” in the above sub-clauses by the words “after taking into consideration the recommendations.”

In order to ensure synchronicity of the SFC with the NFC, the Commission suggested that in Article 243 (1) regarding constitution of the SFC at the expiration of every fifth year, “or at such earlier time as the Governor considers necessary” should be added after the words “Fifth year.” Again, to ensure timely action on the part of the state government the Commission recommended amendment of clause (4) of Article 243-1 to the effect that the government should mandatorily place the Action-taken Report before the legislature within “six months” following the submission of the SFC report.

The NCRWC also suggested that the constitutionally fixed ceiling on profession tax by Article 276 should be removed and the power to fix such a ceiling should be vested with the Parliament.

As regards borrowing powers, the Commission felt that all local authorities should be allowed to borrow from the state government and financial institutions.

While dealing with the excluded areas of North-East India, the NCRWC suggested that efforts should be made to extend to the excluded areas of the region the opportunities provided under the 73rd and 74th Amendments. But in the process the essential right of the numerous tribal communities should not be tampered with. The Commission on Centre–State Relations also broadly shares this view. As they put it: “A political controversy arising out of proposals for extension of part IX and IXA to the Region would only detract from more pressing issues. Based on these considerations we are not in favour of their extension to the areas of the Region where at present they are not applicable” (GOI 2002, 150).¹⁴

Several years have elapsed since these Commissions have deliberated and made recommendations for helping panchayats to blossom into institutions of self-government. But hardly any initiatives have been taken to translate the recommendations of these learned bodies into action. It all reflects a lack of political will. Yet the fact remains that the path for a truly empowered institution of self-government and for an integrated third tier in the Indian federal structure has been chartered.

Notes

1. Government of India. 2007. Second Administrative Reforms Commission, Local Governance—An inspiring journey into the future, Sixth Report, P. V.
2. For elaborate discussion of the point, see op. cit., p. 17.
3. As cited in Government of India. 2010. Commission on Centre–State Relations Report, Local Self Governments and Decentralized Governance, Volume IV, p. 156.
4. Ibid, p. 105.
5. Ibid, p. 105.
6. Commission on Centre–State Relations, Report: Local Self Governments and Decentralized Governance, Volume IV, pp. 156–157.
7. Government of India, Second Administrative Reforms Commission. 2007. Sixth Report on Local Governance, p. 17.

8. Government of India, National Commission to Review the Working of the Constitution (2002) (Chairman: M.N. Venkatachaliah), para. 9.5.2.
9. For further elaboration of the issues discussed, see Finance Commission. 2000. Report of the Eleventh Finance Commission, pp. 83–84.
10. Finance Commission. 2009. Report of the Thirteenth Finance Commission, p. 171.
11. Government of India, Ministry of Law, Justice and Company, Department of Legal Affairs. 2002. Report Of the National Commission to Review the Working of the Constitution, para. 9.7.1.
12. Government of India, Commission on Centre–State Relations. 2010. Report VI, Local self-governance and Decentralisation.
13. NCRWC Report op. cit., para. 9.9.1.
14. Op. cit. p. 150.

References

- Government of India. 2000. *Report of the Eleventh Finance Commission*. New Delhi: Ministry of Finance.
- . 2002. *National Commission to review the working of the Constitution* (Chairman: M.N.Venkatachaliah). New Delhi: Ministry of Law, Justice and Company, Department of Legal Affairs.
- . 2007. *Second Administrative Reforms Commission, Local Governance—An Inspiring Journey into the Future*, Sixth Report, p.V. New Delhi: Ministry of Personnel, Public Grievances & Pensions.
- . 2009. *Report of the Thirteenth Finance Commission*. New Delhi: Ministry of Finance.
- . 2010. *Report of The Commission on Centre-State Relations*, vol. IV, Local Self Governments and Decentralized Governance, 156. New Delhi: Ministry of Home Affairs.

Index¹

A

- accountability, 16–19, 71, 79,
83, 91, 96, 102, 109, 114,
120, 127
- activity mapping, 6, 80, 102–4,
109–12, 115, 120, 160
- administrative appendage, 47
- aggregate expenditure, 130, 153
- aggregate revenue, 130, 153
- (aid) grants, 36, 60, 73, 133
- Ambedkar, B.R., 24–6, 52, 53, 69
- ancient India, 3, 8, 22
- Anglo-Manipur war of 1891, 49
- Article 243, 77
- Article 243 A, 35, 70, 158
- Article 243 B, 35, 71
- Article 243 C, 35, 71
- Article 243 D, 71, 88
- Article 243 E, 71
- Article 243 F, 38
- Article 243 G, 39, 137, 159,
162, 163
- Article 243 I, 36, 73, 124, 125, 140,
152–4
- Article 243 I(2), 140
- Article 243 J, 74, 126
- Article 243 K, 74
- Article 243 O, 38
- Article 243 W, 72, 159, 163
- Article 243 Z, 126
- Article 243 ZC, 69
- Article 243 ZD, 74, 97
- Article 244, 54, 75
- Article 244 (2), 54
- Article 280, 74, 78, 80, 81,
123–6, 129, 137, 151,
152, 154, 162, 163
- Article N, 75

¹Note: Page numbers followed by “n” refer to notes.

Arunachal Pradesh, 47–9, 92, 93,
96, 100, 105–8, 110, 116–18,
144, 147, 148
Ashok Mehta Committee, 4, 8,
30–4, 40
Assam Government, 53
Assam Reorganisation (Meghalaya)
Act of 1969, 48
Assam Rifles, 52
audits of panchayats, 37
Autonomous District Council, 53,
55, 58, 67

B

backward tract, 49, 50
Balwantray Committee, 28
Balwantray Mehta Committee, 3,
27, 28, 33
Bordoloi, Gopinath, 51, 52, 66, 68
British Period, 22–3
bureaucratic influence, 32

C

C&AG, 126–8, 133
Central Government, 11, 12,
14–16, 18, 23, 29, 30, 36,
79, 102, 128
centralization, 2, 14, 16, 22, 30
Centrally Sponsored Schemes, 79,
102, 103, 113, 137, 152, 160
centre–state relations, 6, 79, 80,
82, 162–5
cess on state taxes, 132
Chattisgarh, 84, 86, 90, 96, 100,
110, 112, 115, 118
Chief Commissioner, 49

Chief Executive Member, 55, 56
classical approach, 13
common property resources, 131,
133, 135
community development, 3, 26–9,
33, 42
Congress Party, 35, 37
connectivity, 47, 65
Consolidated Funds, 129–33, 161,
162
Constituent Assembly, 25, 51–3
Constituent Assembly Debates, 25,
42
Constitutional Amendment Acts, 21
core civic services, 139
core function, 112
criminalization, 87

D

Dalits, 90
Damocles sword, 64
Darjeeling Gorkha Hill Council, 70,
75, 150
decentralization, 1, 2, 7–9,
11–25, 27, 28, 30–2, 37,
41, 44, 61, 62, 66–8, 70,
77, 90, 119, 126, 130,
143, 152–4, 157, 162
delimitation, 84, 86, 87
democratic, 16, 20, 27, 28, 30, 31,
34, 39, 42, 44, 77, 153,
157–9, 162
desired outcome, 66
developed industrial economies, 16
developing countries, 2, 3, 8, 9,
13, 17–20
developing economies, 16, 18

development agency, 47
 developmental functions, 39, 63,
 128, 137, 161
 developmental programmes, 31
 devolution, 6, 11, 12, 23, 32, 33, 40,
 43, 69, 72, 73, 80, 83, 85, 96,
 97, 99, 100, 102–21, 139,
 142, 157, 162, 163
 devolution of finances, 104,
 112–14, 120
 diarchy, 24
 direct elections, 35, 37, 38
 Directive Principles, 3, 24, 26, 39,
 41, 69
 disparity, 2
 dissolution, 5, 64, 71, 76
 District Council, 52–61, 63, 67, 68,
 70, 75, 150, 161
 district panchayats (DPs), 25, 75, 97,
 99, 109, 115, 116, 133
 District Planning Committee
 (DPC), 35, 74, 76, 84, 86, 97,
 98, 100, 103
 District Rural Development
 Authority, 79, 101, 115

E

earmarked, 127, 139, 150
 East Pakistan, 48
 economic, 1, 2, 13, 15, 76, 132, 154
 economic decentralization, 14, 17, 18
 economic development, 28, 47, 61,
 72, 76, 128, 132, 142, 158
 economic efficiency, 1, 2, 13, 14
 economic perspective, 1, 13
 economic theory, 13, 18
 economics, 12, 13

economics of decentralization, 7, 13
 efficiency, 13, 16, 23, 37, 62, 79,
 160, 161
 efficient administration, 26
 elected representatives, 16, 31, 84,
 87, 90, 101, 158
 Election Commission of India,
 34, 86
 Elections, 4, 5, 27, 30–8, 64, 71, 76,
 77, 83–6, 119, 157, 158
 Eleventh and Twelfth Schedules of
 the Constitutions, 130
 Eleventh Finance Commission, 78,
 82, 126, 155, 159, 165, 169
 Eleventh Plan, 80
 Eleventh Schedule of the
 Constitution, 39, 61, 62,
 71–6, 96, 104, 137, 161
 Article 243 G, 39
 excluded areas, 50, 51, 79, 143, 150,
 151, 164
 Executive Committee, 55, 56
 Executive orders, 104–7
 expenditure budgets, 12

F

Fifth Schedule, 54, 64, 67, 70, 75,
 79, 155, 160
 Finance Commission, 5, 34, 36, 63,
 64, 73, 74, 81, 82, 101, 111,
 121n8, 123, 126–9, 134, 135,
 137, 139, 140, 144, 150,
 152–6, 158, 159, 161, 162,
 165, 165n9
 financial autonomy, 86, 112, 120
 financial position, 5, 36, 39, 63, 73,
 74, 76, 123, 124, 137

fiscal decentralization, 2, 12–15, 18
 fiscal federalism, 3, 7, 13, 15, 17
 Fourteenth Finance Commission, 6,
 8, 128, 131, 134–6, 138, 141,
 148, 150, 151, 153–5
 frontier system, 50
 functional domain, 162

G

Gandhi, Indira, 30
 Gandhi, Mahatma, 3, 26, 92
 Gandhi, Rajiv, 4, 32, 35, 40
 Garo Hill district, 49
 geo-political, 45, 47
 global capitalism, 51
 Government of India Act of 1919,
 24, 49
 Government of India Act of 1935,
 24, 50
 Gram Panchayats, 6, 71, 91, 102,
 135, 138, 141, 158
 Gram Sabha, 34, 38, 41, 42, 70, 76,
 92–5, 103
 Gram Swaraj, 24, 34, 37, 69
 grants, 112, 137, 138, 143–8
 grants to local bodies, 137
 Guha, Arunchandra, 26
 Gujarat, 28, 70, 85, 87, 89, 90, 92, 93,
 96–8, 100, 106–8, 110, 113,
 115–18, 132, 144, 147, 148, 158
 G.V.K. Rao Committee, 32–4, 37, 42

H

Hill Tipperah, 48
 Himachal Pradesh, 70, 85–7, 89, 90,
 92, 93, 96, 100, 105–11,
 116–18, 144, 148
 horizontal distribution, 142–3

I

incentive grants, 133
 income redistribution, 15
 index of devolution, 118, 119, 143
 Indian Constitution, 3, 24, 69
 Indian State, 39, 40
 inner line demarcation, 50
 institutional mechanism, 3, 4, 61, 79
 interdependent economic system, 47
 intergovernmental, 17, 62
 internally locked, 47
 IRMA, 92, 120, 121

J

Jammu & Kashmir, 85, 90, 96,
 105–8, 115, 144, 147, 148
 jurisprudence, 83, 90

K

Kamath, H.V., 26
 Karnataka, 36, 40, 85, 87, 89, 96–8,
 100, 105–13, 115–18, 144,
 146, 148
 Kerala, 85, 87, 90, 91, 96–100,
 105–13, 115–18, 132, 144,
 146, 148

L

land taxes, 132
 laws, 5, 36, 52–4, 56, 57, 59, 67, 72,
 75, 76, 79, 80, 86, 88, 90, 91,
 151, 154, 157, 158
 legislature, 16, 35, 36, 39, 53, 59,
 61, 62, 64, 65, 70, 71, 73, 74,
 76, 80, 86, 88, 105–8, 127,
 131, 154, 157, 158, 161–3
 leviathan hypothesis, 15

L.M. Singhvi Committee, 4, 8, 42
 local board, 23
 local bodies, 7, 11, 21, 24, 25, 79,
 80, 99, 125–32, 134–43,
 151–3, 157, 159–63
 local governments, 12, 14, 16,
 24, 26, 40, 75, 78–80,
 112, 157, 159
 local self-government, 21–4, 34, 39,
 40, 80, 104, 120, 159, 162
 Lord Curzon, 50
 Lord Mayo, 22
 lower tiers, 27

M

Madhava Rau, 25
 Maharashtra, 28, 70, 85–7, 89, 94,
 96, 100, 106–8, 111, 113,
 115–18, 144, 147, 148
 Mandal Panchayats, 31, 98
 market integration, 65
 markets, 23, 57, 62, 65, 72, 109
 Mazdoor Kisaan Shakti Sangthan, 92
 MGNREGA, 92–5
 Ministry of Community
 Development, 28
 Ministry of Home Affairs, 47, 151
 Ministry of Urban Development and
 Poverty Alleviation, 137
 Mizo Hills district of Assam, 48
 Model Code of Conduct, 87
 monopolist, 15
 municipalities, 6, 37, 38, 69, 72, 74,
 77, 78, 81, 97, 123, 126, 128,
 129, 131, 132, 134, 140, 143,
 150–3, 158, 159, 162
 Muniswamy Pillai, V.I., 25

N

Naga Hills district, 48–50
 Namboodiripad, E.M.S., 4
 Narasimha Rao, 37
 National Commission, 80, 82, 159,
 162, 165
 National Extension service, 8, 26
 National Finance Commission,
 5, 74, 80, 81, 97, 123,
 125, 126, 129, 130, 137,
 153, 161, 163
 National Rural Health Mission,
 79, 101
 NFC-XII, 133, 138–40,
 146, 154
 normative, 1, 153
 normative economic, 12
 North-Eastern Council, 47–8
 North-east, 45–51, 65–7, 164
 North-East Frontier Areas
 (Administration)
 Regulation, 48
 North-Eastern Area (Reorganisation)
 Act of 1971, 48
 Nyaya Panchayats, 31, 34

O

obligatory functions, 29, 39
 oil and coal reserves, 50
 Orissa, 25, 70, 86, 89, 115, 144,
 146, 148
 own sources, 28, 29

P

Panchayati Raj Act of 1993, 38, 39
 Panchayat Samiti, 27–9, 33

- Panchayats, 3, 4, 6, 7, 21–31, 33–9,
 41, 53, 62–4, 69, 71, 73–81,
 83–5, 88–90, 92, 95–9, 102,
 110, 111, 113–16, 119, 120,
 121n6, 123, 126–34, 137–40,
 150–2, 157–9, 161–4
- Pareto-efficient, 1
- Part I, 54
- Part II, 54
- Part III, 55
- partially excluded areas, 50, 51
- Parts IX and IX-A, 150–2
- people's participation, 4, 27
- PESA, 70, 75, 79
- Planning Commission, 32, 47, 66
- political, 7, 11–13, 15, 36, 76
- political economy, 7, 15–18
- political empowerment, 38
- political participation, 1, 2
- political parties, 4, 31, 32, 40,
 41, 87
- political space, 61
- political system, 13, 32
- political will, 4, 164
- poverty alleviation programmes, 34,
 39, 41, 62, 109
- power structure, 61, 102
- powers, 3, 5, 12, 22, 23, 25, 31, 32,
 40, 52, 56, 57, 59, 61–4,
 67n9, 67n11, 70, 71, 73, 75,
 77, 79, 80, 86, 91, 99, 110,
 111, 120, 126, 134, 136,
 157–9, 162–4
- Prakasam, T., 25
- pre-British period, 22
- PRI Act of 1993, 91
- principle of subsidiarity, 104, 110, 157
- profession tax, 132, 134, 135, 163
- progressive income tax, 15
- provincial autonomy, 24
- provincial governments, 22–5
- proxy representation, 89
- public goods, 2, 12–16, 18, 104
- public services, 63, 80, 90
- public utility, 26
- R**
- Radcliffe, Sir Cyril, 48
- Rajasthan legislation, 92
- Rajya Sabha, 4, 35, 36, 41, 78
- recommendations, 24, 28, 30–4, 36,
 37, 39, 40, 51, 52, 55, 73, 74,
 76, 81, 81n2, 113, 123–5,
 130, 131, 133, 135, 139, 153,
 154, 158, 161–4
- redistributive policy, 15
- Regional Council, 55–9
- representation of seats for women, 88
- reservation, 35, 38, 63, 83, 86, 88,
 89, 158
- revenue, 2, 25, 28, 29, 36, 40, 51,
 57, 78, 112, 113, 120, 128,
 131–5, 141, 143, 153
- revenue transfers, 133
- Ripon Resolution, 23
- Rohini Kumar Choudhury, 53
- rotation of seats, 86, 89
- Roy, Nicholas, 52
- Royal Commission on
 Decentralization, 23
- royalty, 136
- rural development, 8, 27, 30, 33, 34,
 69, 79, 101, 132, 137, 160

S

Santhanam Committee, 25, 28, 29, 42
 Sarkaria Commission, 32
 Sarpanch, 37
 Second Administrative Reform
 Commission, 80
 self-governing, 3, 4
 service charges, 136
 Seth, Damodar Swaroop, 25
 Seventh Schedule, 77, 158
 72nd (Panchayats) Constitutional
 Amendment Bill, 37
 73rd (Nagarpalikas) Constitutional
 Amendment Bill, 37
 74th Amendment Bill, 37
 Shibani Lal Saxena, 25
 Sidhwa, R.K., 25
 Sixth Report on Local Governance,
 82, 162, 164
 Sixth Schedule, 45, 51–6, 59–68, 70,
 75, 79, 81, 151, 155, 160, 161
 Sixth Schedule to the Constitution,
 45, 55, 67n10
 social audit, 70, 83, 91–6
 social welfare, 12, 62, 73, 109, 111
 socio-political empowerment, 88
 spillover effects, 13, 14, 16
 State Commissions, 34
 State Election Commission, 5, 6, 36,
 74, 76, 84
 State Finance Commission, 5, 6,
 73, 113
 State List, 3, 77, 158
 State of Nagaland Act of 1962, 48
 status of devolution of functions,
 105–8
 sub-division, 23, 67
 Sylhet, 48

T

taxes, 5, 12, 26, 29, 36, 58, 60, 63,
 73, 74, 76, 124, 129, 132,
 133, 136, 137, 158
 tea, 50, 65
tehsil, 23
 Tenth Finance Commission, 125,
 129, 137, 142, 155
 theory of decentralization, 62
 third generation of reforms, 40
 three-tier structure, 27, 36, 88
 three-tier Panchayats, 61, 75
 three-tier system, 33, 35, 36, 39,
 77, 160
 transfers, 2, 5, 29, 80, 103, 114,
 115, 126, 127, 130, 137,
 152, 153
 transformation, 26, 64
 tribal, 47, 51–4, 61, 64–6, 70, 75,
 79, 81, 150, 155, 164
 Twelfth Finance Commission, 130,
 132, 155
 Twelfth Schedule, 72

U

Union Government, 34, 60,
 129, 130, 135–7, 139,
 140, 152, 159
 Union Ministries, 160
 unique institution, 7, 45, 54
 unique system, 91
 untied, 99, 102, 113, 133,
 139, 152
 urban local bodies, 7, 80, 126–9,
 131, 132, 134–7, 139, 140,
 142, 143, 163
 user charges, 133, 136, 139

V

village polity, 25, 26, 69
village reorganization, 34
village swaraj, 3

115, 117, 118, 144, 146–8,
150, 161
women, 5, 7, 27, 35, 38, 61–3, 71,
73, 76, 88, 89, 109, 111, 115,
119

W

West Bengal, 26, 40, 75, 85–7, 90,
95–7, 100, 105–8, 110–12,

Z

Zila Parishad, 27, 28, 31, 98, 115