

Panchayats in India

Measuring Devolution by States

Panchayats in India

Measuring Devolution by States

V.N. Alok
P.K. Chaubey





© V.N. Alok and P.K. Chaubey, *Indian Institute of Public Administration*, 2010

All rights reserved. No part of this publication may be reproduced or transmitted, in any form or by any means, without permission. Any person who does any unauthorised act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

First published, 2010

MACMILLAN PUBLISHERS INDIA LTD

Delhi Bangalore Chennai Kolkata Mumbai
Ahmedabad Bhopal Chandigarh Coimbatore Cuttack
Guwahati Hubli Hyderabad Jaipur Lucknow Madurai
Nagpur Patna Pune Thiruvananthapuram Visakhapatnam

Companies and representatives throughout the world

ISBN 10: 0230-32949-7

ISBN 13: 978-0230-32949-2

Published by Rajiv Beri for Macmillan Publishers India Ltd
2/10, Ansari Road, Daryaganj, New Delhi 110 002

Printed at Pearl Offset Press Pvt Ltd
5/33, Kirti Nagar Industrial Area, New Delhi 110 015

This book has been prepared for and on behalf of
the Ministry of Panchayati Raj, Government of India,
New Delhi, India in 2010.

This book is meant for educational and learning purposes. The author(s) of the book has/have taken all reasonable care to ensure that the contents of the book do not violate any existing copyright or other intellectual property rights of any person in any manner whatsoever. In the event the author(s) has/have been unable to track any source and if any copyright has been inadvertently infringed, please notify the publisher in writing for corrective action.

*For village elders ushering
in community participation
and development*

Foreword

In 2005-06, Ministry of Panchayati Raj, Government of India, had introduced the Panchayats Empowerment and Accountability Incentive Scheme (PEAIS) to (a) motivate states to empower the panchayats, and (b) motivate panchayats to put in place accountability systems to make their functioning transparent and efficient. Incentive funds under this scheme are given to the states in accordance with their performance as measured on a Devolution Index (DI) formulated and computed by an independent institution. For three years, i.e. 2006-07, 2007-08 and 2008-09, the National Council of Applied Economic Research (NCAER) developed the DI using the '3F' (funds, functions and functionaries) structure and measured the extent to which the states had transferred 3Fs to the panchayats.

In 2008-09, an important change was introduced in the estimation of DI by including 'framework' as the fourth dimension to the existing '3F' structure. The 'framework' dimension tested if the states had fulfilled the four mandatory provisions of the Constitution, i.e. establishing the State Election Commission, holding regular panchayat elections, establishing State Finance Commissions (SFCs) at regular intervals, and setting up of District Planning Committees. These mandatory requirements were to be fulfilled by the states to qualify for the second stage of evaluation on the extent of devolution of 3Fs, on which states were subsequently ranked.

The present study for 2009-10 was assigned to the Indian Institute of Public Administration (IIPA). While this study follows the two-stage approach adopted by NCAER, it improves upon the previous work in terms of its methodology and scope. The first stage shortlists states that pass all four mandatory criteria as in the 2008-09 study. The second stage calculates the DI and ranks the states.

viii FOREWORD

This year, instead of merely assessing whether or not states have fulfilled the framework criteria, an assessment has been made of how well these have been implemented and included in the calculation of the DI. Improvements have also been made through the use of weighted scores that reflect the importance of the criteria used and differentiated scoring by grading various responses. The empowerment of PRIs in respect of 52 local functions including those listed in the Eleventh Schedule and involvement in the planning and implementation of schemes for economic development and social justice has been assessed. In addition, the study accords special place to the functioning of Gram Sabhas and transparency in the functioning of the panchayats.

The study advances our knowledge of devolution, which is critical for equity, transparency, efficiency and accountability in the delivery of local public goods.

15 April 2010
New Delhi



A.N.P. Sinha
Secretary to the Government of India
Ministry of Panchayati Raj

Preface

Good governance is considered central for development in most of the emerging economies that continue to suffer from unsatisfactory and often dysfunctional governance systems including rent seeking and malfeasance, sub-optimal allocation of resources, inefficient revenue systems, structural inefficiencies and weak public service delivery particularly to the poor and other disadvantaged groups of society. Good governance is described, at the operational level, in terms of equity, efficiency, accountability and transparency. At the institutional level, it is often perceived as democratic, decentralized and participatory. A system of structural checks and balances form the core of good governance and the empowerment of citizens. The incentives or disincentives that motivate public servants and policy makers are rooted in the accountability framework.

Good governance is an imperative good that drives the development process and growth strategy in which *panchayats* occupy a critical position as Mahatma Gandhi envisioned in the philosophy of '*Poorna Swaraj through Gram Swaraj*'. Thus, our primary inspiration for *panchayati raj* is none other than the Father of the Nation whose staunch follower K. Santhanam, a prominent Constituent Assembly Member, moved and insisted on an amendment on November 25, 1948 to the draft constitution that was circulated by the Chairman, Dr. Ambedkar of the drafting committee. As a result, *panchayats* were included, but only in Article 40 of the Constitution under the Directive Principles of State Policy, which reads, '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-government.' Many including the committee headed by Shri Balvantray Mehta in the late 50's observed that *panchayats* could not acquire the status and dignity of viable and responsive people's bodies due to a number of reasons including the absence of regular

elections, prolonged supersessions, insufficient representation of weaker sections and women, inadequate devolution of powers and lack of financial resources. Finally, in the late 80s, the then Prime Minister Rajiv Gandhi attempted a constitutional sanction for *panchayati raj*. He said in the Conference of Chief Ministers on May 5, 1989.

‘There is no change proposed in either the State List or the Concurrent List. There is no dilution proposed in the authority of the states. There is no diminution proposed in the legislative competence of State Legislatures. What we propose is to usher in a revolution by according to Panchayati Raj a status commensurate with the vision of our freedom fighters, the injunctions of our founding fathers and the dreams of our nation-builders. . . . It is the revolution based on maximum democracy and maximum devolution. It is the revolution to put power in the hands of the people.’

It is seventeen years since Parliament incorporated ‘The Panchayats’ and ‘The Municipalities’ into the Constitution through the 73rd and 74th Amendment Acts. The mandatory provisions of Part IX and IX A of the Constitution have been fulfilled. All states except two have held at least one or two rounds of elections. Reservation has been provided for as per the provision in the Constitution. About a million women are elected to *panchayats*. Many states have also incorporated a large number of recommendatory provisions in their conformity Acts of States as the responsibility of doing so vests with the states. But the responsibility for ensuring adherence to the Constitution vests in the Union. Hence, the Ministry of Panchayati Raj was created on May 24, 2004 when the Government of the United Progressive Alliance took office.

The Government clarified its agenda and the Prime Minister appealed to the Chief Ministers, in the conference on ‘Poverty Alleviation and Rural Prosperity through Panchayati Raj’ on June 29, 2004 organized by the Ministry of Panchayati Raj, ‘. . . to become champions of decentralization in their respective states.’ As per the decisions in the conference, in the spirit of cooperative federalism, the Ministry organized seven round-tables of Ministers in-charge of panchayats. The then Union Minister, Shri Mani Shankar Aiyar made concerted efforts and galvanized participants from all walks of life to strengthen the process of social and political churning in the seven round tables that many states hosted in various parts of the country. The Minister also chose a group of academics and entrusted

them various tasks for each round table, including Dr V.N. Alok of the Indian Institute of Public Administration who was deputed to the 12th Finance Commission at that time and Dr Laveesh Bhandari of Indicus Analytics and assigned them the task of developing a concept paper on a devolution index for assessing the environment for *panchayats* in the states. Dr Alok presented the paper in the fifth round-table on “Annual Reports on the State of the Panchayats including the preparation of a ‘Devolution Index’ held at Srinagar on October 28-29, 2004. The Ministers and their representatives deliberated on the paper for two days and agreed to have a Devolution Index in the format indicated by Alok and Bhandari (2004).


States differ widely in the extent to which they have devolved powers to *panchayats*. The situation is far from satisfactory in many states. Consequently, in 2005-06, the Ministry of Panchayati Raj, Government of India, introduced the Panchayats Empowerment and Accountability Incentive Scheme (PEAIS) to motivate states and *panchayats* for accountability, transparency and efficiency. Under this scheme, incentive amounts are allocated to states and union territories according to the level of devolution as measured in the devolution index formulated by an autonomous institution. For three years, i.e. 2006-07, 2007-08 and 2008-09, the National Council of Applied Economic Research (NCAER) developed the devolution index primarily based on the concept paper by Alok and Bhandari (2004).

Initially, the NCAER used the ‘3F’ framework and measured the extent to which the states had transferred functions, finances, and functionaries to the *panchayats*. In 2008, an important change was introduced in the estimation of DI by including ‘framework’ as the fourth dimension to the existing 3F structure developed by Alok and Bhandari (2004). The framework dimension tests if states/UTs have fulfilled the four mandatory provisions of the Constitution, i.e. establishing a State Election Commission, holding regular panchayat elections, establishing State Finance Commissions (SFCs) at regular intervals, and setting up of district planning committees. These mandatory requirements are to be fulfilled by the states/UTs so that they can be covered in the estimation of Devolution Index. Considering the fact that all States have fulfilled the other mandatory provisions related to reservation of seats for women and weaker sections, the NCAER did not rank states on these variables. Senior officers from the Ministry and experts including Dr Alok participated in the Advisory Committee and offered comments.

xii PREFACE

In 2009, the study was assigned to the Indian Institute of Public Administration. Meanwhile, the XIII Finance Commission also computed a devolution index, by using secondary data, to employ as a criterion, with a weight of 15 per cent in the determination of the quantum for *inter se* distribution to states for local governments. Other scholars also worked on the devolution index independently. The present study improves the existing work in terms of its mechanics and scope. It uses a two-stage approach for the estimation of four provisions used in previous studies under mandatory frames in the devolution index. The first stage shortlists states that pass all four criteria under the mandatory frames and, the second calculates the sub-index by assigning a score and a negative score under the mandatory frames dimension and rank the states/UTs. Moreover, the present study seeks responses from states and others respondents on a comprehensive list of 52 local functions that includes 29 matters enumerated in the 11th Schedule.

The study develops tools from practices and advances frameworks to create the enabling environment for good governance. I compliment my colleagues Vishwa Nath Alok and Pramod Kumar Chaubey for undertaking the study and bringing it in book form for wider circulation.



Bhartendra Singh Baswan

Director

Indian Institute of Public Administration

15 April 2010

New Delhi

Acknowledgements

The book largely draws on the report of the study on ‘Construction of a Devolution Index in Respect of Panchayats Empowerment and Accountability Incentive Scheme (PEAIS) for 2009-10’ sponsored by the Ministry of Panchayati Raj and entrusted to the Indian Institute of Public Administration (IIPA). Chapter 2 draws heavily on the work one of the authors did in the year 2006.

One of the authors began working on the subject in 2003 during his stint in the Local Bodies Finance Division of the 12th Finance Commission. He also developed a concept paper on the devolution index jointly with Laveesh Bhandari of Indicus Analytics and presented the same in the fifth round-table on ‘Annual Reports on the State of the Panchayats’ including Preparation of a ‘Devolution Index’ held at Srinagar on October 28-29, 2004, The paper formed the basis in the subsequent work undertaken at the NCAER and IIPA. The previous studies conducted by the NCAER have substantially contributed in different parts of the present study. We are grateful to the NCAER, particularly their team heads, Shashank Bhide and Anushree Sinha.

We are indebted for useful comments and suggestions made by participants mainly Ms. Shubhashansa Bakshi, Pranab Banerji, B.S. Baswan, Laveesh Bhandari, O.P. Bohra, S.K. Chakrabarti, Jos Chathukulam, Abhijit Datta, T. Gangadharan, B.D. Ghosh, K.K Krishna Kumar, M.A. Oommen, G. Palanithurai, Alok Pandey, Rashmi Shukla Sharma and Farhad Vania at two workshops that the Institute organized in collaboration with the UN Decentralization Community of Solution Exchange at the Institute on July 13-14, 2009 and March 15-16, 2010. We’re grateful to Joy Elamon and Tina Mathur of the UN Solution Exchange for having collaborated with us in this endeavour and their active participation in deliberations. The deliberations in the first workshop of ‘Action Group on Performance Indicators for States on Devolution’

immensely helped in the formulation of a questionnaire. The questionnaire was field tested in Madhya Pradesh and placed on the website of the Ministry and UN Solution Exchange for comments.

We are thankful to A.N.P. Sinha, Secretary to the Government of India, Sudhir Krishna, Additional Secretary, J M Phatak, Additional Secretary, Rashmi Shukla Sharma, Joint Secretary and Avtar Singh Sahota, Joint Secretary in the Ministry of Panchayati Raj, Government of India for entrusting the study to us, and for extending full support and offering helpful comments. Susan George, Director, S.K. Bansal, J.P. Saini and others also helped us at various stages.

We would also like to record our sincere thanks to the Chief Secretaries of the States/UTs, Principal Secretaries/Secretaries in charge of panchayats and other officers in the State governments or SIRDs for their support and assistance in making the data available to us. Officials dealing with local finance in the Office of the Comptroller and Auditor General, Office of the Accountant General in states and the Secretariat of the XIII Finance Commission were also consulted.

We are grateful to elected representatives and officials of various panchayats for their valuable inputs in the validation of data. Officers in the Accountant General Office, Local Fund Audit in various States also provided helpful comments.

Chidananda Jena, who joined us in the project in December 2009 as consultant, helped a great deal in the formulation of the questionnaire and subsequent data analysis on Excel sheets. His contribution in the preparation of the annex on Accountability of Panchayats is particularly acknowledged. Bhawesh Kumar Sah and Shivdev Singh provided excellent research support. None of them is however responsible for the remaining errors.

We are indeed grateful to our Publisher Macmillan India and particularly Suresh Gopal and Jyoti Mehrotra for bringing out the publication in nano time. At the same time, we are thankful to other units of the Institute particularly the library headed by Usha Mujoo Munshi and the administration headed by Naresh Kumar for critical inputs at various stages of the study.

We would like to record our sincere thanks to Shri ANP Sinha, Secretary to the Government of India for writing the foreword and to Shri B.S. Baswan, Director, IIPA for writing the preface. Without their guidance and support, this book would not have been possible.

V.N. Alok
P.K. Chaubey

Contents

<i>Foreword</i>	vii
<i>Preface</i>	ix
<i>Acknowledgements</i>	xiii
1. Introduction	1
2. Panchayats: Structures and Finances	7
3. Devolution Index: The Context	38
4. Devolution Index: Construction and Estimation	46
5. Assessment and Analysis	65
Annexes	
<i>Annex 1: SCORING SCHEME</i>	85
<i>Annex 2: SCORING SHEET</i>	97
<i>Annex 3: QUESTIONNAIRE</i>	104
References	133

I

Introduction

There is a growing realization around the globe that decentralization of the administrative, political and fiscal responsibilities to the local units of government is one of the best ways of deepening democracy and increasing efficiency. It is also felt that fiscal decentralization can help mobilize resources by introducing local solutions and promote equitable growth by mainstreaming the poor in development.

In the recent past, many countries, including developing countries, are turning to various forms of decentralization. India is also following this trend. New systems of local and intergovernmental finance are being established as part of the evolution. This trend can be seen, particularly since the early nineties with the passage of the 73rd Constitutional Amendment that accelerated the process of decentralization with greater devolution and delegation of powers to local governments, and the recognition of panchayats (rural local governments) in the book of statutes as institutions of self-government.

Consequently, Part IX was inserted in the Constitution for rural local governments and state legislatures made responsible for empowering panchayats to function as institutions of self-government for the twin purposes of:

- (i) making plans for economic development and social justice, and
- (ii) implementing schemes for economic development and social justice in their respective areas for matters devolved on the

2 PANCHAYATS IN INDIA

panchayats, including those listed in the newly created Eleventh Schedule.

The state is also required to transfer concomitant powers to panchayats to enable them to carry out the responsibilities conferred on them. Under the Constitution Amendment Act (CAA), state legislatures are supposed to devolve responsibilities, powers and authority to the panchayats to enable them to function as institutions of self-government. The legislature of a state may both authorize panchayats to levy, collect and appropriate certain taxes, duties, tolls and fees, etc., and also assign to them revenues of certain state level taxes, subject to such conditions as are imposed by the state government. Further, grants-in-aid may also be provided to these bodies.

This necessitates the devolution of functionaries to the panchayats patterned on the devolved responsibilities and concomitant finances. This includes deputation of state government officials to assist elected authorities of panchayats, creation of positions at panchayats and appointments through state-wide local government boards (Mukarji and Datta 1996).

New fiscal arrangements necessitate every state under Article 243 to constitute, at regular intervals of five years, a State Finance Commission (SFC), and assign to it the task of reviewing the financial position of panchayats and making recommendations on sharing and assigning various taxes, duties, tolls, fees, etc., and grants-in-aid to be given to the panchayats from the consolidated funds of the state. The conformity acts of the CAA are required to provide for the composition of the commission, qualifications of its members, and the manner of their selection. Every recommendation of the Commission is to be laid before the Legislature of the state.

The Constitution also mandates states to constitute a District Planning Committee (DPC) to consolidate plans prepared by the panchayats and municipalities in a district. The state needs to make legal provisions for the composition of all the DPCs, and the manner in which seats in each DPC are to be filled. The DPC is mandated to prepare a draft development plan with respect to matters including spatial planning, sharing of water and other physical and natural resources, integrated development of infrastructure and environment conservation and, available resources of their respective jurisdictions. The chairperson of the DPC is to forward the plan to the government of the state.

It is more than one and a half decades since Part IX was incorporated in the Constitution. During the last seventeen years, one can find enough reasons to cheer. Conformity Acts have been enacted in all the states.¹ Regular elections to panchayats have been conducted in almost all states, barring Jammu and Kashmir and Jharkhand (Table 1.1). All states have constituted State Finance Commissions (SFC). Many states have constituted even their fourth-generation SFC. However, panchayats in almost all states continue to be starved of finances causing major impediments in their growth and effective functioning. The problem is compounded when seen against the expanded role and responsibilities of panchayats after CAA became effective.

Generally, functional responsibilities are closely linked with the financial powers delegated to the local government, but in practice there is a mismatch between these two, leading to severe fiscal stress at the local level. Revenues of the panchayats themselves are good enough to meet only a part of their operations and maintenance (O&M) requirements, and therefore they largely depend on financial support from their respective state governments. Fiscal capacity of the panchayats is critical and needs to be enhanced to undertake the activities devolved on them. SFCs are responsible for examining not only revenue-sharing arrangements between the state governments and the panchayats, but also the entire range of subjects concerning assignment of taxes, transfers of power and such other subjects for improving the fiscal health of panchayats.

Furthermore, substantial tied funds are being transferred to the panchayats through Centrally Sponsored Schemes (CSSs) and Additional Central Assistances (ACAs). For long, CSS transfers were administered and utilized mainly by line departments. In recent years, panchayats are being increasingly recognized as implementing institutions for the plan schemes of line ministries. The most important of these is the National Rural Employment Guarantee Act (NREGA), where panchayats at the district, intermediate and village levels have been given specific responsibilities as principal agencies for planning and implementation.

Many schemes have started assigning a range of responsibilities to the panchayats and depend on them for grassroots implementation. In addition, there are several important flagship programmes of the Union,

¹ The 73rd Constitutional Amendment Act is the Union Act to establish the third tier of governments and the conformity Acts are state legislations.

4 PANCHAYATS IN INDIA

Table 1.1: Election of Panchayats Last Held in States/UTs

<i>Sl. No.</i>	<i>States/UTs</i>	<i>Election Last Held</i>
1.	Andhra Pradesh	DP & IP – July, 2006; GP – August, 2006
2.	Arunachal Pradesh	April, 2008
3.	Assam	January, 2007
4.	Bihar	April, 2006
5.	Goa	GP – January, 2007; DP – January, 2010
6.	Gujarat	IP & DP – December, 2005; GP – December 2006
7.	Haryana	April, 2005
8.	Himachal Pradesh	December, 2005
9.	Jammu & Kashmir	Due to be held in 2010
10.	Jharkhand	Due to be held in 2010
11.	Karnataka	GP – Due to be held in 2010; IP & DP – December, 2006
12.	Kerala	September, 2005
13.	Madhya Pradesh	January, 2010
14.	Chhattisgarh	January, 2010
15.	Maharashtra	GP – October, 2002; DP & IP – February, 2007
16.	Manipur	GP & DP – September, 2007
17.	Orissa	February, 2007
18.	Punjab	GP – June, 2008; DP & IP – June, 2007
19.	Rajasthan	January, 2010
20.	Sikkim	October, 2007
21.	Tamil Nadu	October, 2006
22.	Tripura	July, 2009
23.	Uttar Pradesh	GP – August, 2005; DP – January, 2006
24.	Uttarakhand	March, 2008
25.	West Bengal	May, 2008
Union Territories		
26.	A&N Islands	September, 2005
27.	Chandigarh	DP – July, 2005; IP – January, 2007; GP – January, 2009
28.	Delhi	Not applicable
29.	D&N Haveli	October, 2005
30.	Daman & Diu	September, 2005
31.	Lakshadweep	December, 2007
32.	Puducherry	July 2006

GP – Gram Panchayat, IP – Intermediate Panchayat, DP – District Panchayat

Note: Manipur, Meghalaya and Nagaland are excluded from the purview of 73rd Amendment Act of the Constitution

Source: Ministry of Panchayati Raj, Government of India (website) and State Governments.

which aim to provide basic essential services across the country through panchayats. Institutional arrangements are expected to provide centrality to the panchayats in their planning and implementation.

Against this backdrop, the study aims at rating the states and union territories (UTs) of India in terms of the environment that the states/UTs have created within the framework of the Constitution and devolved functions, finances and functionaries at various levels of the panchayats. In other words, the study attempts to quantify the current enabling environment that the states/UTs have created for panchayats to function in.

This includes the degrees of freedom that panchayats have to take independent decisions and implement them. However, the actual performance of panchayats differs, and depends on many other factors. These factors are specific to the state and at different levels of panchayats. Moreover, village level factors also determine the enabling environment. To reiterate, the study seeks to measure the environment that state governments have been able to create for the functioning of panchayats.

The Sequence

The Ministry of Panchayati Raj was created in 2004 when the Congress led United Progressive Alliance formed the government at the Union. In the initial stage of its inception, the Ministry organized seven round-tables of Ministers in-charge of panchayats in states. In the fifth round-table held at Srinagar on October 28-29, 2004, it was agreed, in the spirit of cooperative federalism, to prepare annual reports on the state of panchayats, including a devolution index (DI) in the format indicated by Alok and Bhandari (2004).

Subsequently, in 2005-06, the Ministry of Panchayati Raj, Government of India, introduced the Panchayats Empowerment and Accountability Incentive Scheme (PEAIS) with the objective to provide incentives to:

- (a) motivate states to empower the panchayats, and
- (b) motivate panchayats to put in place accountability systems in order to make their functioning transparent and efficient.

Funds under this scheme are allocated to states and UTs in accordance with their performance as measured by the devolution index formulated by an independent institution. For three years, i.e. 2006-07, 2007-08 and 2008-09, the National Council of Applied Economic Research

(NCAER) computed the devolution index primarily based on the concept paper of Alok and Bhandari presented in the fifth round-table of Ministers in-charge of panchayats at Srinagar in 2004.

Initially, the NCAER used the '3F' (functions, finances and functionaries) framework and measured the extent to which states had transferred functions, finances, and functionaries to the panchayats. In 2008, an important change was introduced in the estimation of DI by including 'framework' as the fourth dimension to the existing 3F structure developed by Alok and Bhandari (2004). The framework dimension tests if states/UTs have fulfilled the following four mandatory provisions of the Constitution. These mandatory requirements are to be fulfilled by the states/UTs, so that they qualify to be in the estimation of the devolution index.

- (i) Establishing the State Election Commission,
- (ii) Holding regular panchayats elections,
- (iii) Establishing State Finance Commissions (SFCs) at regular intervals, and
- (iv) Setting up of District Planning Committees (DPCs).

However, the present study uses a two-stage approach for the estimation of the four provisions (4F) under the frames (mandatory) of the devolution index. The first stage shortlists states that pass all four criteria of the frames (mandatory) and, the second stage calculates the sub-indices for the dimensions of frames (mandatory), functions, finances and functionaries and ranks states/UTs.

2

Panchayats: Structures and Finances*

As in many other federations, rural local governments in India are supposedly responsible for providing essential services, including sanitation, drinking water supply, street lighting, and rural roads. They are also empowered to collect certain tax and nontax revenues. In most cases, however, there is considerable gap between their own resources and requirements which can be seen easily. The gap is more noticeable for rural local governments, than for their urban counterparts, because of their narrower resource base. Hence, panchayats largely depend on financial support from their state governments.

Evolution of Panchayats

The rural local government in India is called the *panchayat*, which literally means an assembly of five persons. These five elderly, nominated persons, over the course of time, were vested with sacred authority, and with judicial and executive powers. Village communities were the centers of administration, and custodians of social harmony. As Sir Charles Metcalfe, provisional Governor General of India during 1835-36, remarked,

* This chapter draws heavily on Alok 2006.

‘The village communities are little republics, having nearly everything they can want within themselves, and almost independent of any foreign relations. They seem to last where nothing else lasts. Dynasty after dynasty tumbles down; revolution succeeds to revolution; ... but the village community remains the same.... This union of the village communities, each one forming a separate little state in itself, has, I conceive, contributed more than any other cause to the preservation of the peoples of India, through all the revolutions and changes which they have suffered, and is in a high degree conducive to their happiness, and to the enjoyment of a great portion of freedom and independence’ (Mookerji 1958, 2).

Subsequently, Sir George Birdwood echoed these sentiments:

‘India has undergone more religious and political revolutions than any other country in the world; but the village communities remain in full municipal vigor all over the peninsula. Scythian, Greek, Saracen, Afghan, Mongol, and Maratha have come down from its mountains, and Portuguese, Dutch, English, French, and Dane up out of its seas, and set up their successive dominations in the land; but the religious trades-union villages have remained as little affected by their coming and going as a rock by the rising and falling of the tide’ (Mookerji 1958, 2).

Evidence suggests that self-governing village communities have always existed in India. Their roots can be traced to the *Rig Veda*² dating back to approximately 1200 BC.

However, the panchayats in ancient India were different in character than the notion advanced in the West:

‘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’ (Mookerji 1958, 4).

² The *Rig Veda* is the oldest religious scripture in the world and the most revered of the Vedas. It consists of more than 1,000 hymns addressed to gods. It refers to rituals, such as marriage and funeral rites, that differ very little from those practiced today in Hinduism. It is the source of much Indian thought, and many consider its study essential to understanding India.

With the advent of British rule, attention shifted from rural to urban local bodies. During the struggle for freedom, Mahatma Gandhi stressed the need for *village swaraj* (independent republic):

‘My idea of village swaraj is that it is a complete republic, independent of its neighbours for its own vital wants, and yet interdependent for many others in which dependence is a necessity’ (Gandhi 1962, 31).

Gandhi’s vision of village swaraj has perhaps had the most enduring influence on the subsequent debates and discussions on panchayats. In the immediate post independence period, during debates on the drafting of India’s Constitution, sharply discrepant views of panchayats were expressed. In the Constituent Assembly on 4 November 1948, Dr B.R. Ambedkar, Chairman of the Drafting Committee, called the village community ‘a sink of localism, a den of ignorance, narrow-mindedness, and communalism’ (Malaviya 1956, 97). Panchayats did not find a place in the first draft of India’s Constitution. At the insistence of Gandhi’s ardent follower, K. Santhanam, a compromise was arrived on 25 November 1948, and panchayats were included only in the nonjusticiable part of the Constitution, under the Directive Principles of State Policy, which reads, ‘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-government.’ Without any reference to panchayats, the term *local government* had crept into item five of the State List in the Constitution. These provisions are, at best, only discretionary.

In the early 1950s, Gandhi’s village *swaraj* was kept on the backburner in the overall development plan, which was deeply committed to industrialization, economic growth, and income redistribution (Kohli 1987, 62). In the late 1950s, community development projects failed to evoke people’s participation. On this issue, a study team headed by Balvantray Mehta recommended that ‘public participation in community work should be organized through statutory representative bodies’ (Government of India, Committee on Plan Projects 1957, 23).

A panchayat structure at the district and block levels was also envisioned at this time. On 2 October 1959, India’s first Prime Minister (Pandit Jawaharlal Nehru) inaugurated independent India’s first panchayat at Degana village in Nagaur district of Rajasthan. By the mid 1960s,

10 PANCHAYATS IN INDIA

panchayats began to be established in all parts of India. Ironically, with the passage of time, panchayats were marginalized and weakened. The Asoka Mehta Committee was appointed in 1977 to study the weaknesses of panchayats. The committee recognized the district as the administrative unit in the panchayat structure. At the same time, it blamed resistant bureaucracy, lack of political will, and elite capture for undermining earlier attempts to establish panchayats. Another major attempt to regenerate panchayats was made with the appointment of the L.M. Singhvi Committee in 1986. The committee recommended that panchayats should be enshrined in the Constitution. In 1989, Prime Minister, Rajiv Gandhi proposed to assign constitutional status to panchayats and introduced the 64th Constitutional Amendment Bill. This bill was opposed, because it was viewed as an instrument for the Union (central) government to deal directly with panchayats, bypassing state governments. The bill was passed in the Lok Sabha (Lower House of Parliament) but failed in the Rajya Sabha (Upper House of Parliament) by two votes on 15 October 1989.

Over time, consensus in favour of panchayats grew among all political parties. The National Front government that came to power for a short period, introduced a bill on panchayats on 7 September 1990. Finally, the Congress government, which came back to power, introduced a constitutional amendment bill for panchayats in September 1991. After debate and discussion, it became the Constitution (73rd Amendment) Act 1992 (the CAA) on 24 April 1993.

The Legal Framework

With the passage of the CAA, panchayats were recognized in the statute book as institutions of self-government.³ Under the CAA, it became mandatory for each state to enact conformity acts and make the following provisions:

³ Special legal dispensation under the panchayats (Extension of the Scheduled Area) Act 1996 is given to panchayats in tribal areas of nine states: Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Orissa, and Rajasthan. Accordingly, the provisions of the CAA have been extended to those areas, with certain modifications respecting the traditional institutions of the areas, and recognizing the rights of tribal population over natural resources (Singh 2000).

- The establishment of three-tier panchayats with elected members at village, intermediate, and district levels. The intermediate rung need not be constituted in states with a population under two million.
- Direct elections to all seats in panchayats at all levels.
- One-third of seats reserved for women and marginalized communities – Scheduled Castes (SCs) and Scheduled Tribes (STs) – in all panchayats, according to the population. This provision also applies to the office of Chairperson.
- A uniform five-year term for all panchayats, with elections held within six months in cases of premature dissolution.
- Constitution of a State Election Commission to supervise and organize free and fair elections to panchayats at all levels.
- Setting up of a State Finance Commission at regular interval of five years to review and revise the financial position of panchayats.
- Establishment of District Planning Committees.
- Establishment of a *Gram Sabha* (village assembly) in each village, to exercise such powers and perform such functions at the village level, as the state may provide by law.

The state is also expected to assign responsibilities on various matters including those listed in the 11th Schedule (see Box 2.1). The state is also required to devolve concomitant powers and authority to panchayats to carry out the responsibilities conferred on them.

The legislature of a state may authorize panchayats to levy, collect, and appropriate certain duties and fees, and may assign to them the revenues of certain state-level taxes, subject to such conditions as are imposed by the state government. Further, grants-in-aid may also be provided to these bodies. As a result of the CAA, the number of panchayats stands at 246,308, of which 239,645 are village panchayats, 6,109 are intermediate panchayats, and 554 are district panchayats (Table 2.1).

The addition of these democratic institutions has broadened the Indian federal system, since panchayats are seen as the third tier of government. They have also made India the most representative democracy in the world. Today, about 2.2 million representatives have been elected to the three levels of panchayats. About 37 percent are women, and 30 percent belong to SCs and STs (Table 2.2). At the village panchayat level, each

**BOX 2.1 CLASSIFICATION OF FUNCTIONS LISTED
IN THE 11TH SCHEDULE**

Core Functions

- Drinking water
- Roads, culverts, bridges, ferries, waterways, and other means of communication
- Rural electrification, including distribution of electricity
- Health and sanitation, including hospitals, primary health centers, and dispensaries
- Maintenance of community assets

Welfare Functions

- Rural housing
- Non-conventional energy sources
- Poverty alleviation programme
- Education, including primary and secondary schools
- Technical training and vocational education
- Adult and informal education
- Libraries
- Cultural activities
- Family welfare
- Woman and child development
- Social welfare, including welfare of the handicapped and mentally retarded
- Welfare of the weaker sections, and in particular, of Scheduled Castes and Scheduled Tribes
- Public distribution system

Agriculture and Allied Functions

- Agriculture, including agricultural extension
- Land improvement, implementation of land reforms, land consolidation, and soil conservation
- Minor irrigation, water management, and watershed development
- Animal husbandry, dairying, and poultry
- Fisheries
- Social forestry and farm forestry
- Minor forest produce
- Fuel and fodder
- Markets and fairs

Industries

- Small-scale industries, including food processing industries
- Khadi, village, and cottage industries.

Note: The 11th Finance Commission gave this classification for the functions enumerated in the 11th Schedule of the Constitution.

Table 2.1: Number of Panchayats by State/Union Territory, October 2009

Sl. No.	Name of State/UT	Panchayats by Tier			Total	Average Rural Population Per Village Panchayat
		Village (a)	Inter-mediate (b)	District (c)		
State						
1	Andhra Pradesh	21,809	1,097	22	22,928	2,775
2	Arunachal Pradesh	1,751	150	16	1,917	487
3	Assam	2,202	185	20	2,407	11,643
4	Bihar	8,463	531	38	9,032	10,135
5	Chhattisgarh	9,820	146	16	9,982	1,875
6	Goa	189	0	2	191	3,815
7	Gujarat	13,738	224	26	13,988	2,533
8	Haryana	6,187	119	19	6,325	2,693
9	Himachal Pradesh	3,243	75	12	3,330	1,842
10	Jharkhand	4,139	0	0	4,139	2,042
11	Jammu & Kashmir	4,562	212	24	4,798	5,200
12	Karnataka	5,652	176	29	5,857	6,554
13	Kerala	999	152	14	1,165	25,483
14	Madhya Pradesh	23,040	313	48	23,401	2,221
15	Maharashtra	27,916	351	33	28,300	2,149
16	Manipur	165	4	6	175	10,836
17	Meghalaya (d)	0	0	3	3	–
18	Mizoram (d)	707	0	0	707	662
19	Nagaland (d)	1,110	0	0	1,110	1,649
20	Orissa	6,234	314	30	6,578	5,390
21	Punjab	12,447	141	20	12,608	1,359
22	Rajasthan	9,184	237	32	9,453	5,500
23	Sikkim	163	0	4	167	3,202
24	Tamil Nadu	12,618	385	29	13,032	2,491
25	Tripura	513	23	5	541	5,637
26	Uttar Pradesh	52,000	820	70	52,890	2,946
27	Uttarakhand	7,227	95	13	7,335	971
28	West Bengal	3,354	341	18	3,713	18,856
Union Territory						
29	Andaman & Nicobar Islands	67	7	1	75	4,373
30	Chandigarh	17	1	1	19	38,471
31	Dadra & Nagar Haveli	11	0	1	12	16,545

Contd...

14 PANCHAYATS IN INDIA

Contd...

Sl. No.	Name of State/UT	Panchayats by Tier			Total	Average Rural Population Per Village Panchayat
		Village (a)	Inter-mediate (b)	District (c)		
32	Daman & Diu	10	0	1	11	18,400
33	NCT of Delhi (e)	0	0	0	0	–
34	Lakshadweep	10	0	1	11	4,900
35	Puducherry	98	10	0	108	4,163
All India		239,645	6,109	554	246,308	3,446

Source: Updated from Alok 2006.

Notes: – = not available.

- a. In almost all states, it is known as the *gram panchayat*.
- b. The name of the intermediate rung differs from one state to another. It is known as Mandal Parishad in Andhra Pradesh, Anchal Samiti in Arunachal Pradesh, Anchalic Panchayat in Assam, Janpad Panchayat in Chhattisgarh and Madhya Pradesh, Taluka Panchayat in Gujarat, Taluk Panchayat in Karnataka, Panchayat Union in Tamil Nadu, Kshetra Panchayat in Uttar Pradesh and Uttaranchal, and Panchayat Samiti in many states, including Bihar, Haryana, Himachal Pradesh, Jharkhand, Maharashtra, Orissa, Punjab, and Rajasthan.
- c. It is also known as Zilla Panchayat/Parishad in many states.
- d. For traditional village and district councils that exist in these states.
- e. Panchayat has yet to be revived.

elected person's constituency comprises about 340 people, or 70 families (Government of India 2006).

Functional Domain

Article 243G of the Constitution empowers panchayats to function as institutions of self-government for the purposes of preparing plans and implementing schemes for economic development and social justice in their respective areas for various matters, including those listed in the 11th Schedule which is merely illustrative and indicative. Unlike the division of powers and functions enumerated in the Union List and State List, no clear demarcation exists between the state and panchayats. It is for the state legislature to make laws regarding devolution of powers and functions to panchayats.

Table 2.2: Representation of Weaker Sections and Women in Panchayats (as on March 31, 2008)

Sl. No.	State/UT	No. of Elected Representatives at All Levels of Panchayats										
		General (Non-SC/ST) Categories		SC		ST		OBC	Total	Women		
		No.	%	No.	%	No.	%	No.		No.	%	
State												
1	Andhra Pradesh	172,136	15.2	34,025	15.2	17,842	8.0		224,003	74,019	33.0	
2	Arunachal Pradesh	NA	NA	NA	NA	8,260	100.0		8,260	3,183	38.5	
3	Assam	23,206	5.3	1,344	5.3	886	3.5		25,436	9,903	38.9	
4	Bihar	109,767	14.9	19,440	14.9	884	0.7		130,091	70,400	54.1	
5	Chhattisgarh	76,062	10.9	17,553	10.9	66,933	41.7		160,548	54,159	33.7	
6	Goa	1,378	NA	NA	NA	181	11.6		1,559	534	34.3	
7	Gujarat	83,982	7.0	7,970	7.0	22,235	19.5		114,187	38,068	33.3	
8	Haryana	54,786	21.5	15,019	21.5	NA	NA		69,805	25,503	36.5	
9	Himachal Pradesh	16,706	26.8	6,575	26.8	1,300	5.3		24,581	9,552	38.9	
10	Jammu & Kashmir	NA	NA	NA	NA	NA	NA		NA	NA		
11	Jharkhand	NA	NA	NA	NA	NA	NA		NA	NA		
12	Karnataka	67,920	18.6	17,859	18.6	10,311	10.7		96,090	41,210	42.9	
13	Kerala	16,256	10.8	1,997	10.8	229	1.2		18,482	6,518	35.3	
14	Madhya Pradesh	231,246	14.9	59,106	14.9	106,350	26.8		396,516	136,196	34.4	
15	Maharashtra	176,874	11.0	25,269	11.0	27,597	12.0		229,740	76,581	33.3	
16	Manipur	1,656	2.2	39	2.2	41	2.4		1,736	758	43.7	
17	Orissa	52,333	17.3	16,007	17.3	24,114	26.1		92,454	33,630	36.4	
18	Punjab	62,614	31.2	28,349	31.2	NA			90,963	31,809	35.0	

Contd...

Contd....

Sl. No.	State/UT	General (Non-SC/ST) Categories	SC		ST		OBC No.	Total	Women	
			No.	%	No.	%			No.	%
19	Rajasthan	22,296	25,432	21.2	21,466	17.9	50,357	120,247	42,543	35.4
20	Sikkim	483	57	5.8	446	45.2		986	394	40.0
21	Tamil Nadu	91,958	23,653	20.3	877	0.8		116,488	39,364	33.8
22	Tripura	3,914	1,509	26.3	310	5.4		5,733	1,986	34.6
23	Uttar Pradesh	578,984	191,950	24.9	727	0.1		771,661	299,025	38.8
24	Uttarakhand	44,450	11,077	19.3	1,973	3.4		57,500	21,517	37.4
25	West Bengal	37,434	17,112	29.1	4,282	7.3		58,828	21,351	36.3
Union Territories										
26	Andaman & Nicobar Islands	856	NA		NA			856	296	34.6
27	Chandigarh	153	34	18.2	NA			187	62	33.2
28	Delhi									
29	Dadra & Nagar Haveli	7	3	2.4	115	92.0		125	49	39.2
30	Daman & Diu	81	2	2.1	14	14.4		97	37	38.1
31	Lakshadweep	4	NA		106	96.4		110	41	37.3
32	Puducherry	784	237	23.2	NA			1,021	370	36.2
	Total	1,928,326	521,618	18.5	317,479	11.3	50,357	2,818,290	1,039,058	36.9

Source: Ministry of Panchayati Raj, Government of India (website).

Note: Meghalaya, Mizoram and Nagaland are excluded from the purview of the 73rd Amendment Act of the Constitution under Article 243(M).

Almost all states and Union Territories claim that they have transferred responsibilities in varying degrees to panchayats, by enacting laws in conformity with the CAA. However, the functional domain of panchayats pertains only to traditional civic functions in several states. In those states where either intermediate panchayats, or district panchayats, were absent for decades, the functional domain of panchayats does not include adequate developmental responsibilities. States where panchayats have existed for a long time, have repeated the provisions of the old statutes in their new laws with few adjustments. Moreover, many state governments have not framed relevant rules, or guidelines, as a follow-up measure. A few states realized that the transfer of additional functions requires transfer of concomitant funds and functionaries to panchayats, enabling them to perform the specified responsibilities. However, panchayats are not very clear about the role they are expected to play in the new federal setup. Almost all the subjects enumerated in the 11th Schedule are state concurrent, involving duplication and overlapping.

Another challenge before state governments has been the allocation of activities to the appropriate tier of the panchayat system. Traditionally, the lowest-level panchayat – the village panchayat – has been the most active in almost all states. Generally, village panchayats perform major functions, including core functions, whereas intermediate and district panchayats in most states are ‘allotted supervisory functions, or act mainly as executing agents for the state government’ (Jha 2004, 3). A task force of the Union Ministry of Rural Development on devolution of powers and functions to panchayats, has developed an activity-mapping model on the principle of subsidiarity, which states that any activity that can be undertaken at a lower level must be undertaken at that level in preference to any upper level.⁴

In most states, the functions devolved on panchayats are subjects rather than activities, or sub-activities. Only ‘some states like Andhra Pradesh, Kerala, Gujarat, and Madhya Pradesh have broken the 29 subjects into

⁴ The Union Ministry of Panchayati Raj, created on 27 May 2004, responsible for the monitoring of the implementation of the CAA, provides technical assistance and expertise if sought by state governments to accomplish activity mapping within a timeframe. There was consensus, during the roundtables among all states to complete activity mapping by 31 August 2005 (Government of India 2006, 12) based on Government of India (2001).

Table 2.3: Per Capita Expenditure in Panchayats (all tiers)

Sl. No.	State	Per Capita (₹)			Annual Growth of Total Expenditure 2003–2008 (%)
		1990-91	2000-01	2007-08	
1	Andhra Pradesh	205.7	792.9	345.6	14.5
2	Assam	1.1	3.2	—	—
3	Bihar	18.2	4.0	43.0	38.2
4	Chhattisgarh	—	360.8	1202.5	23.7
5	Goa	30.1	198.2	153.7	-7.8
6	Gujarat	399.4	1,293.5	1929.6	10.3
7	Haryana	54.7	142.1	585.1	31.6
8	Himachal Pradesh	8.6	41.2	397.9	16.3
9	Jharkhand	—	—	1.9	1.4
10	Jammu & Kashmir	0.0	750.0	—	—
11	Karnataka	402.6	1,296.2	2827.4	20.9
12	Kerala	46.1	644.9	823.3	17.4
13	Madhya Pradesh	44.5	113.9	1031.2	84.7
14	Maharashtra	298.4	685.8	2141.2	10.7
15	Manipur	7.0	25.5	493.1	10.4
16	Meghalaya	81.6	51.6	379.8	15.3
17	Nagaland	—	—	557.5	46.3
18	Orissa	65.0	37.0	544.1	18.4
19	Punjab	70.0	85.0	130.9	5.4
20	Rajasthan	218.9	361.6	66.9	10.9
21	Sikkim	0.0	78.6	198.8	27.5
22	Tamil Nadu	59.7	164.7	1325.2	11.7
23	Tripura	5.3	186.1	1320.8	27.3
24	Uttar Pradesh	40.9	46.9	165.6	14.9
25	Uttarakhand	—	49.3	0.4	-34.3
26	West Bengal	24.5	107.0	539.9	25.9
	All (26 States)	148.0	324.0	327.8	17.7

Source: Updated from Alok 2006.

Note: — means not available or not reliable.

activities and sub-activities' (Oommen 2004, 7). In Kerala, complementary legislation has even been issued to change the roles of key line agencies (World Bank 2004).

There is a general perception that panchayats are financially and technically under equipped to perform even the core functions, much less welfare functions and other economic functions related to agriculture and industries (see Box 2.1). Hence, many of the core functions that traditionally belonged to panchayats – drinking water, rural roads, street lighting, sanitation, primary health, and so forth – have not been transferred fully in some states; they are being performed by the line departments of the state government, or parallel parastatals. As a result, the per capita total expenditure of panchayats remains abysmally low in all states except Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Karnataka, Kerala, Maharashtra, Rajasthan, Tamil Nadu and Tripura (Table 2.3).⁵

Own-Source Taxes

The power of panchayats to impose taxes was considered imperative to be enshrined in the Constitution under Article 243H, to impart certainty, continuity, and strength to panchayats. The Union Minister of State for Rural Development, G. Venkat Swamy said while moving the Constitution (73rd Amendment) Bill in Parliament, ‘Constitution (Seventy-third) Amendment cast a duty on the centre as well as the states to establish and nourish village panchayats so as to make them effective self-governing institutions.... We feel that unless the panchayats are provided with adequate financial strength, it will be impossible for them to grow in stature.’

Devolution of taxes to panchayats can easily be linked with the activities assigned to them, which vary from state to state. From various lists, including the list of the 11th Schedule, certain basic functions can be said to be the exclusive domain of panchayats. Even these essential services require huge funds. To this end, the devolution of taxes to the three tiers of panchayats needs to be linked to the activity mapping, for devolution of functions and functionaries (Government of India 2004e).

Table 2.4 shows that a variety of taxes have devolved to different levels of panchayats. The relative importance of these taxes varies from state to state. Intermediate and district panchayats are endowed with powers to collect very few taxes, whereas village panchayats have been

⁵ However, the data pertaining to local governments in the reports of the National Finance Commissions are not consistent. It must be kept in mind that fiscal data for panchayats from any two sources are not comparable.

Table 2.4: Revenue Power of Panchayats in States at Each Tier

Tax or Fee	Andhra Pradesh	Assam	Bihar	Gujarat	Haryana	Himachal Pradesh	Karnataka	Kerala	Madhya Pradesh	Maharashtra	Orissa	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
House or property tax	V	V	V	V	V	V	V	V	V	V		V	V	V		V
Surcharge on house or property tax								V		D						
Tax on agriculture land for specific purpose	V															
Cess on land revenue or surcharge	V, I	I		V		V		V	V						V	
Surcharge on additional stamp duty	V	V			I	V	V		I	D				V		V
Tax on professions, trades, calling, and so forth		V, I	V, D	D		V	V		V	V		V			D	
Octroi				V						V			V			
Entertainment tax		V	D	V			V	V	I			V			V	V
Pilgrim tax or fees		V		V			V			V			V			
Tax on advertisements	V						V	V								
Education cess				I								I	I			
Tolls	V	I, D	I, D	V										V	D	V, D
Tax on sale of fire-wood and slaughter houses		V									V					

Contd...

Contd...

Tax or Fee	Assam	Bihar	Gujarat	Haryana	Himachal Pradesh	Karnataka	Kerala	Madhya Pradesh	Madhya Pradesh	Orissa	Punjab	Rajasthan	Tamil Nadu	Uttar Pradesh	West Bengal
Tax on goods sold in a market, <i>haat</i> , fair, and so forth		I, D		I	V					V					
Tax on shops and services	V			V											
Vehicle tax	V		V			V		V		V		V		V	
Animal tax			V					V		V				V	
Conservancy rate	V	V	V				V	V		V	V			V	V
Lighting rate	V	V, I, D	V		V		V	V		V	V	I		V, I, D	V, I, D
Water rate	V	V, I, D	V	V, I	V	V	V		V, I, D	V	V, I	V, D		V, I, D	V, I, D
Drainage rate	V		V				V			V				V	V
Special tax for community civic services or works				V	V		V	V			V	V, I			
Surcharge on any tax imposed by village panchayat	I		I, D									I			I

Source: Alok 2006.

Note: V = village panchayat, I = intermediate panchayat, D = district panchayat. More than one sign indicates the concurrent power of panchayats for the respective tax.

given substantial taxing powers. In a number of cases, under the tax rental arrangement, the village panchayats collect taxes and pass them on to the higher level of panchayats (Jha 2004). Property tax, cess on land revenue, surcharge on additional stamp duty, tolls, tax on professions, tax on advertisements, nonmotor vehicle tax, octroi, user charges, and the like contribute the maximum to the small kitty of own-source revenues, which contribute only 6 to 7 percent of the total expenditure of panchayats (Alok 2006). In most states, property tax contributes the maximum revenue. However, this tax remains inelastic because of inefficient administration in its collection. Its assessment is based on the annual rental value of taxation and its associated evil: under declaration of rentals. However, some progressive states have reformed the tax structure and use the unit area method in determining the tax base.

After own-source revenues, assigned revenues are the most efficient at the dispensation of panchayats. Such revenues are levied and collected by the state government, and are passed on to panchayats for their use. Some states deduct collection charges. The practices in assigning revenue are marked by large interstate variations. However, typical examples of assigned revenues are the surcharge on stamp duty, cess or additional tax on land revenue, tax on professions, and entertainment tax. In many states, these taxes form part of the own-source revenues of panchayats.

Borrowing

No reference is made in the CAA to loans and borrowing by panchayats. Urban local governments, with the approval of their state governments, have floated bonds in the market. In contrast to the general belief that panchayats are not empowered to raise loans (Gulati 1994; Oommen 1995; Rajaraman 2003; and Jha 2000), Local Authorities Loans Act, 1914, a Central Act does exist, enabling the grants of loans to local authorities including panchayats (Alok 2009).

Intergovernmental Fiscal Transfers

Proceeds from internal sources contribute an abysmal share to the panchayat pool (Table 2.5). Panchayats rely more on fiscal transfers from state government in the form of shared taxes and grants (Tables 2.6

Table 2.5: Own Revenue of Panchayats (all tiers) as % of Respective State Own Revenue (₹ in crore)

Sl. No.	State	Average of Panchayats' Own Revenue (2005-08)	Average of State Own Revenue (2005-08)	Own Revenue of Panchayats as % of State Own Revenue
1	Andhra Pradesh	415.4	30,057.0	1.38
2	Arunachal Pradesh	—	465.0	0.00
3	Assam	13.1	5,176.0	0.25
4	Bihar	5.5	4,639.8	0.12
5	Chhattisgarh	26.3	6,472.4	0.41
6	Goa	13.2	2,156.2	0.61
7	Gujarat	111.5	22,986.6	0.49
8	Haryana	270.4	14,590.2	1.85
9	Himachal Pradesh	6.1	2,986.8	0.20
10	Jammu & Kashmir	0.8	2,653.4	0.03
11	Jharkhand	0.4	4,566.1	0.01
12	Karnataka	198.0	26,419.8	0.75
13	Kerala	292.7	12,824.4	2.28
14	Madhya Pradesh	56.4	13,070.3	0.43
15	Maharashtra	582.3	50,523.1	1.15
16	Manipur	0.3	273.7	0.12
17	Meghalaya	54.3	468.7	11.59
18	Mizoram	—	194.7	—
19	Nagaland	—	221.1	0.00
20	Orissa	10.1	8,232.3	0.12
21	Punjab	125.9	15,147.2	0.83
22	Rajasthan	15.2	14,995.1	0.10
23	Sikkim	—	838.3	0.00
24	Tamil Nadu	258.5	30,014.6	0.86
25	Tripura	1.3	427.4	0.30
26	Uttar Pradesh	88.0	27,364.8	0.32
27	Uttarakhand	6.9	3,000.8	0.23
28	West Bengal	58.0	12,983.4	0.45
	All States	2,610.6	313,749.3	0.83

Source: Basic data obtained from Panchayati Raj Department of various states, the XIII Finance Commission and Finance Accounts of the C & AG.

Note: — means not available.

Table 2.6: Own Revenue of Panchayats (all tiers) (₹ in crore)

Sl. No.	State	2005-06	2006-07	2007-08	Annual Growth in 2003-08 (%)
1	Andhra Pradesh	363.7	386.8	495.7	11.4
2	Assam	9.4	13.1	16.7	13.1
3	Bihar	0.0	6.7	9.7	–
4	Chhattisgarh	24.8	26.0	28.1	5.2
5	Goa	11.6	13.8	14.1	12.0
6	Gujarat	86.0	106.5	142.2	13.9
7	Haryana	260.2	280.6	270.3	24.1
8	Himachal Pradesh	5.9	6.1	6.3	0.4
9	Jammu & Kashmir	0.2	0.2	1.8	58.7
10	Jharkhand	0.4	0.4	0.5	14.1
11	Karnataka	125.8	161.5	306.7	29.6
12	Kerala	299.1	313.8	265.0	7.5
13	Madhya Pradesh	66.0	47.5	55.8	1.0
14	Maharashtra	535.0	577.0	635.0	2.1
15	Manipur	0.3	0.3	0.3	10.2
16	Meghalaya	51.0	53.2	58.8	18.7
17	Orissa	9.9	10.1	10.4	2.5
18	Punjab	152.2	178.8	46.7	–9.5
19	Rajasthan	14.9	16.2	14.5	1.8
20	Tamil Nadu	242.9	273.0	259.6	5.3
21	Tripura	1.0	1.5	1.4	27.4
22	Uttar Pradesh	87.2	80.5	96.2	7.6
23	Uttarakhand	9.5	10.9	0.3	–33.0
24	West Bengal	73.7	100.3	–	–
	All (24 States)	2,430.7	2,664.6	2,736.4	8.4

Source: Updated from Alok (2006) with the data received from Panchayati Raj Department of various states.

Note: NA – data not available in given source.

Table 2.7: Per Capita Own Revenue of Panchayats (All tiers)

Sl. No.	State	Per Capita (₹)		
		2005-06	2006-07	2007-08
1	Andhra Pradesh	62.4	65.7	83.4
2	Assam	3.8	5.3	6.7
3	Bihar	0.0	0.8	1.2
4	Chhattisgarh	14.0	14.6	15.6
5	Goa	170.3	201.5	202.0
6	Gujarat	25.7	31.5	41.6
7	Haryana	163.1	173.8	165.6
8	Himachal Pradesh	10.2	10.5	10.8
9	Jammu & Kashmir	0.3	0.3	2.2
10	Jharkhand	0.2	0.2	0.2
11	Karnataka	34.8	44.4	83.8
12	Kerala	121.5	126.4	105.8
13	Madhya Pradesh	13.7	9.7	11.2
14	Maharashtra	92.0	98.4	107.5
15	Manipur	1.9	1.9	2.0
16	Meghalaya	259.7	267.8	292.8
17	Orissa	3.0	3.1	3.1
18	Punjab	91.8	107.2	27.9
19	Rajasthan	3.2	3.4	3.0
20	Tamil Nadu	73.1	83.2	80.2
21	Tripura	3.7	5.2	5.0
22	Uttar Pradesh	6.1	5.5	6.5
23	Uttarakhand	14.2	16.0	0.4
24	West Bengal	12.1	16.3	NA
	All (24 States)	31.0	33.5	34.1

Source: same as in Table 2.6.

and 2.7). State taxes are shared according to the recommendations of the State Finance Commission (SFC). Constitution of the SFC at a regular interval of five years is a mandatory requirement for states.⁶ Besides tax sharing, the SFC is assigned the task of reviewing the financial position of panchayats, and making recommendations on the assignment of various taxes, duties, tolls, fees, and grants in aid to be given to panchayats from the consolidated fund of the state.

The most critical function of the SFCs is to determine the fiscal transfer from the state to local governments in the form of revenue sharing and grants in aid. Since the 80th Amendment to the Constitution, following the recommendation of the 10th Finance Commission (1995–2000), a certain percentage of all union taxes has also devolved to the states. Many SFCs have also adopted this system for the following reasons: First, the system has a self-policy feature; the local government automatically shares in the buoyancy of state taxes and levies. Second, the system has a built-in transparency, objectivity, and certainty; local governments can anticipate, at the beginning of each fiscal year, their share in the divisible pool. Third, the system enables local governments to have clearer picture of the economy, and take considered views while making their own annual budgetary exercises. In other words, it induces local governments to generate their own revenues, and to mobilize additional resources. Fourth, state governments can be neutral in pursuing tax reforms, without considering whether a particular tax is shared with local governments.

⁶ The Conformity Acts of the CAA provide for the composition of the SFCs, the qualifications of its members, and the manner of their selection. Every recommendation of the commission is to be laid before a state legislature. However, many states have not taken these provisions seriously. The 12th Finance Commission and the National Commission to Review the Working of the Constitution have advised those states to provide criteria for the membership of SFC, similar to the provisions of the National Finance Commission (Alok 2004). Poor treatment of the SFC by many states compelled the Prime Minister to make this statement: 'As far as funds are concerned, the awards of the State Finance Commissions should be fully honoured. There are reports that State Finance Commissions are not constituted, of them not giving awards in time, and of these awards not honoured when given, all of which erode panchayati raj' (Government of India 2004b).

Table 2.8: SFC Recommendations for Share in State Resources

<i>State</i>	<i>% Share in Divisible Pool</i>	<i>% Share of Panchayats and Municipalities</i>	<i>Basis of Distribution</i>
Total Revenue of State			
Andhra Pradesh (I)	39.24	70 and 30	Development criteria
Assam (I)	2.0	Not mentioned	Population
Goa (I)	36.0	75 and 25	Population, geographical area, performance
Own Revenue of State			
Andhra Pradesh (II)*	10.39*	65 and 35	Development criteria
J&K (I)	13.5	67 and 33	Not mentioned
Kerala (I)	1.0	not mentioned	Population
Madhya Pradesh (I)	11.579	25.13 and 74.87	Population, area, tax efforts
Orissa (II)	10.0	80 and 20	Population, density, number of holdings, revenue efforts
Sikkim (I)	1.0	100 and 0	Municipalities does not exist in the state
Uttarakhand (II)	10.0	60 and 40	Population, area, deprivation index, remoteness index, tax efforts
Uttar Pradesh (I)	10.0	30 and 70	Population (80%); area (20%)
Uttar Pradesh (II)	12.5	40 and 60	Population and area
Karnataka (III)	30	70 and 30	–
Non-loan Gross Own Revenue			
Karnataka (I)	36.0	85 and 15	For panchayats – population, area, index of decentralization and for Municipalities population 67% and illiteracy rate 33% [Kar II has followed it]
Karnataka (II)	40.0	80 and 20	
State Own Taxes			
Assam (II)	3.5	Based on 1991 census	Pop, Area, Net Distt Domestic product
Kerala (II)	9.0	78.5 and 21.5	Population
Kerala (III)	25.0 [#]	Not mentioned	Not mentioned
Kerala (IV)	19.7	Population	Population, area, deprivation index, tax efforts

28 PANCHAYATS IN INDIA

Contd...

<i>State</i>	<i>% Share in Divisible Pool</i>	<i>% Share of Panchayats and Municipalities</i>	<i>Basis of Distribution</i>
Madhya Pradesh (II)	4.0	77.33 and 26.67	Population
Punjab (II)	4.00	67.50 and 32.50	Population, per capita, revenue, SCs
Rajasthan (I)	2.18	77.3 and 22.7	Population
Rajasthan (II)	2.25	76.6 and 23.4	Population
Tamil Nadu (I)\$	8.0	60 and 40	Population
Tamil Nadu (II)	10.0	58 and 42	Population, SCs and STs, per capita own revenue, area, asset maintenance, resource gap
Tamil Nadu (III)	10.0	58 and 42	Population, resource potential, needs
Uttarakhand (I)	11.0	42.23 and 57.77	Population and Distance from Rail Head
West Bengal (I)	16.0	Breakup as per population district wise	Population and % of SC/ST, non-literates population
West Bengal (II)	16.0	Breakup as per population district wise	Population density, SC/ST, non-literates, IMR, rural population per capita income.
Chhattisgarh (I)	0.514	–	–
Goa (II)	2.0	–	–
Haryana (III)	4.0	–	–
Kerala (III)	25.0	–	–
Orissa (III)	15.0	–	–
Punjab (III)	4.0	–	–
Rajasthan (III)	3.50	–	–

Source: Updated from Alok (2008) with SFC Report.

Notes: ^s In Tamil Nadu, the divisible pool called pool B consists of sales tax, motor vehicle tax, state excise revenue and other state taxes. The other pool A consists of levies which rightly belong to local bodies, i.e. surcharge on stamp duties, local cess and local cess surcharge and entertainment tax. The entire proceeds of pool a taxes are recommended to be distributed to the local bodies.

* Second SFC of Andhra Pradesh recommended 10.39% share as additional devolution over and above the existing annual devolution.

– Not available in the given source.

This brings us to the issue related to composition of the divisible pool. Notwithstanding these reasons, Table 2.8 reveals wide variations across states in defining the divisible pool, and the principle of sharing it among the panchayats and municipalities. The SFCs of Andhra Pradesh, Assam, and Goa have included the share of union taxes in the state tax and nontax revenues to form the divisible pool. However, the first SFCs of Kerala, Madhya Pradesh, and Sikkim and the second SFCs of Orissa and Uttarakhand have not included the share of union taxes and have suggested including only the state tax and nontax revenues. The SFCs of Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal, as well as the second SFC of Kerala and Punjab have gone a step further, recommending that only the tax revenues of the state form the divisible pool. The Karnataka SFCs have adopted a different mechanism by using the phrase ‘nonloan gross own revenue receipts’ in defining the divisible pool. Table 2.8 highlights only those states where SFCs have recommended the concept of global sharing for transfer of state revenues.

The SFCs of other states have recommended sharing only specific taxes, or have awarded a fixed amount to local governments. The first SFC of Punjab, for instance, recommended transferring 20 percent of the net proceeds of five taxes to local governments – namely, stamp duty, motor vehicles tax, electricity duty, entertainment tax, and entertainment tax on cinematography. Significant interstate variations are visible in the mechanisms of revenue sharing, because different SFCs made different sets of recommendations.

National Finance Commission

In order that SFCs do not deter state legislatures from transferring responsibilities and revenues to local governments, the CAA goes out of its way to provide that the National Finance Commission should suggest measures to augment states’ consolidated funds in light of the recommendations of SFCs. So far, four National Finance Commissions (the 10th, 11th, 12th and 13th) have made their recommendations.⁷ All these commissions were severely constrained, for reasons emanating partly

⁷The 10th National Finance Commission was not mandated to make recommendations for local governments. Because the CAA became effective before the commission submitted its report, it made recommendations for the newly inserted subclauses of article 280(3) regarding local governments.

from practice, and partly from the design of the new fiscal arrangements: the lack of synchronization of the periods covered by the SFCs with those covered by the National Finance Commission; the absence of a timeframe for action by state government on the recommendations of the SFCs; a lack of clarity in assigning functions, finances, and functionaries to local governments; and heterogeneity in approach, content, and periods covered by various SFCs.

Nevertheless, all the commissions except the 13th Finance Commission, recommended *ad hoc* lump sum grants to panchayats. The 10th National Finance Commission made a provision for ₹4,381 crore, at ₹100 per capita, to be passed on to panchayats between 1996 and 2000. In the absence of formal disbursement certificates by the state governments, the national government could release only ₹3,570 crore. Further, the 11th National Finance Commission recommended a grant of ₹8,000 crore for its award period, on the basis of a formula given in Table 2.9. Certain institution-building activities such as maintenance of accounts, creation of databases, and audits were made the first charge on the fund. The intention of the grant was to induce panchayats to act as institutions of self-government. The national government accepted the recommendations with a caveat, compelling panchayats to raise suitable matching resources.

Table 2.9: Criteria Adopted by National Finance Commissions for Distribution of Grants to States for Panchayats

<i>Criteria</i>	<i>Weight Assigned by</i>		
	<i>11th National Finance Commission</i>	<i>12th National Finance Commission</i>	<i>13th National Finance Commission</i>
Population	40	40	50
Area	10	10	10
Distance	20	20	20
Decentralization/ Devolution index	20	Not adopted	15
Revenue efforts	10	20	Not adopted
Deprivation index	Not adopted	10	Not adopted
SC/STs population	Not adopted	Not adopted	10
FC grants utilization index	Not adopted	Not adopted	5

Source: Government of India 2000, 2004d, 2009.

The grant could not be fully utilized. Many state governments and panchayats raised this point during their interactions with the 12th National Finance Commission.⁸ The commission had to emphasize the issue in its report: ‘The central government should not impose any condition other than those prescribed by us, for release or utilization of these grants’ (Government of India 2004d, 262). In its recommendations, the commission attempted to adopt the equalization principle, and allocated ₹20,000 crore to improve service delivery by the panchayats, primarily for water supply and sanitation. The grants of the National Finance Commission are generally meant for operation and maintenance, and therefore differ from those of the union ministries and the Planning Commission. Through this transfer, the commission intended that the panchayats should take over all of the central schemes related to drinking water, including *Swajaldhara*, which had not been operational, because funds were not available for operations and maintenance.

The 13th Finance Commission made a major departure from the *ad hoc* practice adopted by the previous commissions of recommending lump sum grants to local governments, both panchayats and municipalities. According to the recommendations of the 13th Finance Commission, grants would be calculated from the volume of the Union divisible pool of the previous year. In this context, the percentage share would gradually increase from 1.5 percent in 2010-11 to 2.28 percent in 2010-15. The respective population of panchayats and municipalities would determine their share in the grant.

The grant as recommended by the Commission has two components – a basic component and a performance-based component. The basic component is equivalent to 1.50 percent of the previous year’s divisible pool. All states are entitled to have access to this grant for all the five years, as per the criteria and weights recommended by the Commission. The performance grant-effective during 2010-12 will be 0.50 percent for the year 2011-12 and one percent thereafter, up to 2014-15. Only those states which meet the nine stipulations outlined by the Commission have access to the performance grant (Government of India 2009).

This is a major development with regard to the predictable devolution of finances to panchayats. This is also a positive step towards creating/

⁸ State governments also raised this point in the memoranda that they submitted to the 12th National Finance Commission (see <http://www.fincomindia.nic.in>).

enhancing the fiscal capacity of panchayats. In a memorandum to the 13th Finance Commission, the Ministry of Panchayati Raj pleaded with the 13th Finance Commission to recommend five percent share in the union divisible pool to states for panchayats, that could be earmarked, *inter alia*, for operation and maintenance of panchayats. Similarly, the Ministry of Urban Development also urged three percent share to the states, for municipalities in the divisible pool, to meet the O&M costs of municipalities. Interestingly, seven states made the same request in their official memoranda. Similar views were expressed in a number of seminars and conferences organized by the 13th Finance Commission (Alok 2008, 2009; IIPA 2009; Shylendra and Rajput 2009).

Vertical Schemes

The Union Government, through the state governments, provides a majority of panchayat finances in most states. These grant-based transfers from the Planning Commission, or union ministries, are made in the form of centrally sponsored schemes (CSSs).⁹ These schemes are quite large in number. Many pertain to the 29 subjects being implemented by different ministries and departments of the union government. The viability of many schemes has been questioned, time and again. The Task Force of Officials in Charge of Panchayati Raj in States, has given the following summary of the shortcomings of the implementation of CSSs (Government of India 2004c 3):

- Rigid conditionalities
- Inconsistent approach to institutional arrangements – CSSs could be panchayat friendly panchayat parallel, panchayat ignorant, or panchayat unfriendly
- Obsession with financial presentations
- Inefficient and ineffective monitoring and evaluation of outcomes
- Administrative overload on departments leading to inefficiency in processing requests for funding and delayed financial releases
- Lack of transparency in financial releases.

⁹ The states' contributions to the CSSs was generally 50 percent in the eight decades, which was reduced to one-fourth in the 1990s because of tight fiscal situations of states. The share of the states is being reduced further. Some of the schemes are entirely funded by the national government.

It has been argued that CSSs should be converted into block transfers. The request of the Prime Minister, in his speech to all Chief Ministers on 29 June 2004, to ‘consider if we should adopt a system of providing block grants to districts based on their incidence of poverty, to plan and implement strategies that optimize their resource potential’ (Government of India 2004b 8) can be seen in that perspective.

Hence, substantial tied funds are being transferred to the panchayats through Centrally Sponsored Schemes (CSSs) and Additional Central Assistance (ACAs). For long, CSS transfers were administered and utilized mainly by line departments. In recent years, panchayats are being increasingly recognised as implementing institutions for the plan schemes of line ministries. The most important of these is the National Rural Employment Guarantee Act (NREGA), enacted on 7 September 2005 where panchayats at the district, intermediate and village levels have been given specific responsibilities as principal authorities for planning and implementation. The Act ensures employment of adult unskilled manual workers for a minimum of 100 days in a financial year. Village panchayats are required to take a minimum 50 percent value of the

Table 2.10: Allocation of Each Scheme that Entails a Role for the Panchayats (₹ in crore)

<i>Scheme</i>	<i>2004-05</i>	<i>2008-09</i>
National Rural Employment Guarantee Scheme/SGRY	10,000	16,000
National Rural Health Mission		11,974
Mid Day Meal	1,507	8,000
<i>Sarva Shiksha Abhiyan</i>	4,754	13,100
Pradhan Mantri Gram Sadak Yojana	2,468	7,530
Accelerated Rural Drinking Water Supply Programme	2,900	7,300
Integrated Child Development Scheme	1,934	5,665
Indira Aawas Yojana	2,500	5,400
Swarnjayanti Gram Swarozgar Yojana	1,000	2,150
Rajiv Gandhi Grameen Vidyutikaran Yojana		5,055
Backward Region Grant Fund		4,670

Source: IIPA (2009) Draft Joint Memorandum on behalf of Panchayats to the 13th Finance Commission prepared by a Technical Committee of the Ministry of Panchayati Raj (Chairman: V. Ramachandran).

works. Progress reports from states show an even more encouraging number of 72 percent.

Since 2004, schemes, as shown in Table 2.10, have started assigning a range of responsibilities to panchayats and depend on them for grassroots implementation. In addition, there are several important flagship programmes of the Union, which aim at providing basic essential services across the country through panchayats. Since 2004, the allocations for the programmes, entailing involvement of the panchayats, have shown substantial growth. It is a good augury that the institutional mechanisms tend to provide centrality to the panchayats in their planning and implementation.

Fiscal Autonomy versus Dependency

Realization is growing that panchayats have an important role to play in deepening democracy, by mainstreaming the poor into development. It is also being felt that panchayats can help mobilize resources by introducing local solutions, and meeting people's basic requirements. However, the degree of success of panchayat raj as an institution of self-government, essentially depends on the extent of administrative and financial devolution, coupled with autonomy within the constitutional framework.

In many states, panchayats are, to some extent, burdened with a historical legacy of subservience. For example, at the state level, under existing budgetary procedures, significant control and discretion for making financial allocations to panchayats rests with state government officials. Similar powers are vested in district-level officials. As a result, funds are parked for a considerable period sequentially in the state treasury, and then in the district treasury. This practice prevents panchayats from receiving their share of funds in due amounts, as well as on time. As a consequence; the quality of expenditure is adversely affected. Over time, a dependency syndrome is created.¹⁰

This example is consistent with one of the points taken for action in the Chief Ministers' conference:

¹⁰ Recognizing this problem, the 12th National Finance Commission specified a time limit of a maximum of 15 days for the state governments to transfer grants to local governments. The commission asserted that the union government should take noncompliance seriously.

Panchayats are starved of finances in virtually all states. This has led to a situation where there has been a constitutionally mandated devolution of powers and responsibilities to the local bodies, but with no real means, financial or statutory, with which to implement the plethora of schemes and programmes devolved. This chicken and egg syndrome has led to panchayati raj and municipality administrations almost everywhere being discredited by mainline developmental administration, leaving elected members disillusioned and frustrated by their very powerlessness and impotence (Government of India 2004a 3).

In many cases, panchayats must seek permission from local authorities to spend even available funds. In some cases, they are not required to seek clearance up to a certain amount. For example, panchayats in Kerala and Madhya Pradesh can undertake a project worth up to ₹100,000 and ₹300,000, respectively, without any outside clearance.

However, issues related to the fiscal autonomy of panchayats are subject to debate. It is argued that fiscal autonomy cannot be built into the regime of grants in aid. Tax assignments with clear taxing powers, and tax sharing, play a more significant role for self-rule and fiscal autonomy than untied funds, public contributions, and project-tied loans (Oommen 1999, Alok 2009). Others assert that own source revenues are not essential for panchayats for their efficient and effective operations. Fiscal transfers from higher level governments can serve this purpose 'so long as the panchayats have the autonomy to decide how the money gets spent' (Johnson 2003, 22).

In practice, devolution of taxation to panchayats poses many difficult political and administrative issues. Manor (1999) has argued, though in an international perspective, that higher-level governments are disinclined to devolve tax raising powers to local governments due to perceived apprehensions of power dwindling among central politicians on the one hand, and on the other, decentralized authorities are reluctant to impose taxes, as it adversely affects their popularity. Lack of administrative capacities at the local level, and reluctance on the part of local residents to pay taxes are other impediments to the mobilization of local revenues.

However, the 12th National Finance Commission in its approach attempted to strengthen the fiscal domain of local governments, and advocated financing of local public goods by potential beneficiaries. At

the same time, the Commission discouraged the reluctance on the part of decentralized authorities to generate revenues. ‘The principle of equalization extended to the local bodies would mean that while lack of fiscal capacity, at the state level as well as the local level, can be made up, lack of revenue effort should not be made up.’ (Government of India 2004d, 26).

Some Issues

The experience with decentralization raises many issues of different dimensions. A few are listed as follows:

- *Integrated view and action.* Legislative, political, fiscal, and administrative dimensions of decentralization are interwoven, and need to be addressed simultaneously. Reforms in one aspect of decentralization needs to be accompanied by necessary changes in others. Legislative changes made 17 years ago were not coupled with suitable administrative and fiscal reforms. Administration has persisted with old habits, and has been hesitant to devolve functions along with concomitant finances and functionaries. In a sequence, finance should follow function.
- *Free and fair local elections.* Periodic elections to panchayats by the State Election Commission provide responsiveness and accountability on broad social issues. However, identification of these issues necessitates providing quality information to the voter. The passage of the Right to Information Act helps the voter make informed choices. Forceful media already exists in India.
- *Autonomous institutions.* Elected representatives, autonomous SFCs, and other local institutions are the key to decentralized governance. These institutions need to be central and exogenous to state governments for their technical capacity enhancement and true autonomy.
- *Strong fiscal information system.* The system for designing, implementing, and evaluating decentralization policy, including intergovernmental fiscal policy, must be strong. The World Bank (2004, 43) commented on the inferior quality of published fiscal data on revenues and expenditures that were shown in the reports of the National Finance Commissions and SFCs. This data is badly

flawed and inflates the funds actually managed by panchayats considerably.¹¹

- *Higher-level government as role model.* The higher-level government, particularly the union government, needs to abide by its own rules. Delaying transfer of funds for panchayats to state governments, affixing strange and ambiguous conditionalities to fiscal transfers, and consequently retaining unspent funds at the union level, erode the foundation of decentralization.
- *Authority to identify local needs and preferences.* Panchayats must have a say in the design of a scheme, or grant programme. The CAA recognized the significance of identifying local needs and developing capabilities at the local level in the formulation of the panchayats' own plan. The provision for a District Planning Committee was articulated as mandatory under Article 243 ZD. Planning must be undertaken at all levels of panchayats; similarly, all urban bodies prepare their own plans. The consolidation of these sets of plans must be undertaken by the District Planning Committee. The consolidated district plan is then forwarded to the state government for integration into the state plan. Although District Planning Committees have been constituted in many states, such detailed grassroots planning is undertaken nowhere.
- *Ability to monitor and evaluate the system.* Legislative changes in the form of a central act needs to be followed by conformity acts and implementation by various state governments, through the creation of an enabling environment for local governments. The union government has to encourage state governments, through an incentive or rewards structure, to create this environment. This action is essential, as the statutory role of the union government is limited to seeing the fulfillment of the mandatory provisions of the Constitution.

Towards this end, subsequent chapters of this book shall deal with the present exercise that assesses the enabling environments created by states for panchayats.

¹¹ However, the 11th National Finance Commission has initiated a process by advocating for scientific accounts, databases, and computerization. Subsequently, the Comptroller and Auditor General of India prescribed a format of accounts for the panchayats. Most states have accepted the format.

3

Devolution Index: The Context

The word devolution is used in many contexts. It is both compared and contrasted with decentralization, delegation and deconcentration. A number of scholars have articulated that decentralization involves devolution, delegation and deconcentration, while most of us believe that devolution is the most advanced form of decentralization. There are also researchers who observe that devolution and decentralization are different processes. In contrast, some others argue that the two, or even three, make a continuum. There is yet another opinion that decentralization may proceed without devolution, while devolution necessarily leads to decentralization. But everybody agrees with one description, that passing down, or descent through successive stages, can easily be defined as any of these four processes.

This chapter discusses the concept of devolution with reference to governance, its spheres and different dimensions considered for devolution in the context of panchayats, the need for construction of an index to capture the status of devolution, and finally the history of index making to assess the quantum of devolution undertaken by the states for the panchayats in India.

Devolution

In the context of governance, devolution is concerned with passing on of powers, authority and rights and/or duties and responsibilities, or even funds from a higher level jurisdiction to a lower level, and thereby making them more independent in decision-making. Many times, the lower level jurisdiction is referred to as a subordinate or even substitute, which may not always be true. For example, in India, much of the transfer of funds from the union to the states is under the direction of the Constitution, whereby states are not subordinate to the union. The process of devolving power is sometimes named as downscaling government, to bring government closer to the people, or the elected to the electorate (Chaudhuri 2007). It may be noted that the discussion revolves around a situation of the extant centralized polity.

The Commission on Scottish Devolution (2008) defines devolution as the process of decentralization, in which power and responsibility is moved outwards and downwards, and hence to the people. This definition comes closest for our purposes, since in India the State, comprising the union and the states, have tried to move governance closer to the people by putting the third tier of government on a firmer footing, by bringing in the 73rd and 74th constitutional amendment acts which mandate the states to enact conformity acts. Since the Scottish Parliament is a body without legislative powers, it is in a way akin to the *gram sabhas* in India which can deliberate on every single issue concerning the public affairs of their village – governance, development and services – and such affairs which can be considered public good in the larger context, like social justice.

However, in a federal structure like that of India, local governments both panchayats and municipalities, draw and derive their authority from superior legislative bodies, and do not have any legislative authority of their own, though they may enjoy considerable decision-making powers. In this context, preeminence of state over local governments was pronounced by John Forrest Dillon in a judgement in the Iowa Supreme Court as early as 1868 that:

Municipal corporations owe their origin to, and derive their power and rights wholly from, the legislature. It breathes into them the breath of life, without which they cannot exist. As it creates, so it may destroy. If it may destroy, it may abridge and control.

Dillon's rule contrasts powers of the states with those of local governments. While states' powers are unlimited, except for restrictions imposed by the Constitution, local governments have only those powers that have been explicitly granted to them. This strong opinion did not go unchallenged. Thomas Cooley did not agree with Dillon, and in a judgement in the Michigan Supreme Court in 1871 argued that 'local government is a matter of absolute right' (of the people) and 'state cannot take it away'. But the fact of the matter is that local governments are organized and treated according to Dillon's principle. Irrespective of Mahatma Gandhi's views on panchayats and the existence of ancient village republics of India, our local governments, both panchayats and municipalities, continue to derive not only their powers, but also responsibilities from their respective states.

Devolution to Panchayats

Yet, the situation in India is slightly different from other countries with a federal system. Unlike the US, local governments in India do not derive rights from a state constitution, since there is none. All governments draw their rights from the Constitution that assigns most local subject matters to the states. In turn, it is obligatory for the states to move forward and devolve the powers and duties through legislative and administrative channels to local governments.

Article 243G of the Constitution mandates the legislature of a state to endow the panchayats, by law, 'such powers and authority as may be necessary to enable them to function as institutions of self-government' and, further, 'such law may contain provisions for the devolution of powers and responsibilities upon panchayats, at an appropriate level'. The same article, on the other hand, reads 'subject to such conditions as may be specified therein'. It has further circumscribed the local domain in terms of preparation of plans for economic development and social justice, and implementation of schemes for economic development and social justice, which may be entrusted to them. It is pertinent to note that panchayats have yet to have a role in the traditional domain of administration of justice. Therefore, there is enough scope for the states to play around. Thus, they can make or mar local governments, and more so panchayats. Though a role of the union in local governments is also envisaged in the Constitution, through various channels, but all of them pass through states.

It is expected that outcomes would depend a great deal on the steps taken by the states to empower, enable, facilitate and motivate local governments by institutional design in their functioning. But, equally important, are local political dynamics over which the institutional design may have little control (John and Chatukulum 2003). In the present context, where substantial funds are collected at the higher levels and many vertical schemes are administered at these levels, it becomes equally important to see the extent to which local people and representatives are involved and allowed to participate.

In a survey-based work, Shah and Shah (2006) find that the trend of governance in matters of local public affairs is reversing, though slowly but steadily, from 'local to central' (bottom up) to 'central to local' (top down) and believe that in the Twenty-First Century local governance would be based on a fresh view and vision, wherein leadership roles would be assumed in a multicentered, multiorder or multilevel system.

Dimensions of Devolution

The union government has a role on seeing that the mandatory provisions of the Constitution are followed by states in letter and spirit. It also has a role, in the spirit of cooperative federalism, to handhold and guide the states in fulfilling the discretionary provisions as well. Often, the union government motivates by providing incentives, or disincentives, to states to adopt the principle of subsidiarity in place of residuality.

The *raison de etre* for federalism and decentralization, one can see, lies in the fact of diversity and plurality of cultures, tastes and preferences on the one hand and geography, topography and resources on the other. Yet there are reasons, history apart, that people choose to be governed by one political entity, as distinguished from others, and under one political dispensation rather than others.

Some scholars working in the area of devolution have often considered political, fiscal and administrative dimensions (Kearney 1999), while others have thought it fit to consider funds, functions and enabling institutions. Then there are scholars who suggest dimensions of political, functional and financial devolutions in the Indian context (Chaudhuri 2007). Within the political dimension, Chaudhuri (2007) points out aspects of voice, autonomy and accountability, but discusses

representation of weaker sections, regularity of elections, etc. Datta (undated) thinks only of financial autonomy being important and suggests the organizational, autonomy and fiscal transfers as peripheral.

A Working Group constituted by the Government of India (2001) compiled information on matters enumerated in the XI Schedule along with funds and functionaries, in addition to the status of the District Planning Committee. The group showed concerns on the irregularity in the devolution of powers and funds by the states, and the conditionalities imposed on panchayats.

John and Chatukulam (2003) made an attempt to measure the level of decentralization in Kerala by using 20 variables around six indicators. They added a few indicators, i.e. demand for decentralization, effects in society, and theory-practice incongruity of scope, intensity and commitment, suggested in the Vengroff-Ben-Salem model. John and Chatukulam based their index on a qualitative assessment made by experts and rated Kerala at 2.0 out of maximum 4.0.

The World Bank (2000) made an attempt to assess the status of rural decentralization in seven selected states in which three dimensions of devolution, viz., political, administrative and fiscal, were considered. There were 17 broad indicators and 34 specific indicators. The Eleventh Finance Commission also attempted an index of decentralization as a criterion with 20 percent weight for devolution of grants to states for onward transfer to panchayats (Government of India 2000). The Thirteenth Finance Commission also employed an index of devolution as one of the criteria for determining the *inter-se* distribution of grants to the states for onward transfer to panchayats (Government of India 2009).

Chaudhuri (2007) rates Indian states on the political devolution, functional devolution and financial devolution. He accords positive and negative marks for their achievements in the various sub-dimensions of these dimensions. Four indicators included in political devolutions are: regular elections, women's representations, *dalit/adivasi* representation and political autonomy. The functional autonomy indicators include: transfer of functions, transfer of functionaries, district planning committee and expenditure autonomy. Within financial devolution the following are considered: transfer of funds, flow of funds and share of funds. The scores range from minus 10 for Bihar to plus 8 for Kerala while indicators receive scores in integers.

Still others look from the perspective of local autonomy. Wolman (1990) and Wolman et al. (2008) summarized the arguments for local autonomy as resting on values of economic efficiency, political responsiveness and accountability, policy diversity and consequent innovation and learning opportunities. From the viewpoint of citizens, they indicate aspects of political participation, civic education and leadership development for local autonomy.

For operationalizing and measuring local autonomy, Wolman et al. (2008) considered three dimensions, viz., local government importance, local government discretion, and local government capacity. For determining the level of local government importance, they considered five variables – two fiscal, one economic and two related with personnel, detailing how much local governments share the space of the state of which they are a derivative organ. For determining the level of the second dimension (discretion) as many as eleven variables are considered. Some of these are structural home rule, functional home rule, range of municipal authority for handling key governmental services (public health, public works, public school management), legal limits on fiscal activities of local governments (property assessment limits, property tax limits, revenue/expenditure limits, state imposition on debt limits) and variables to measure the extent that the revenues are unconstrained. For the third dimension of local government capacity, the factors taken into account were personnel capacity (per thousand citizens) and revenue stability (proxied through measures of revenue diversity). The authors had used factor analysis to convert the variables into factors. Many qualitative variables were assigned values, based on value judgements.

We find that the variables we have used for creating indicators are not totally dissimilar, but definitely anchored in our specific context. It may be pointed out that we have not critically reviewed these exercises for their deficiencies, as we intend to only provide a context for the dimensions and indicators which have been taken into consideration for the kind of exercises we have undertaken in this work.

Need for an Index

According to the practices in the modern competitive world, comparison is made of situations, events, phenomena, processes and episodes, which often influences the results and outcomes. Practically, every simple idea we pick up is multidimensional. It is trite to say that devolution is a

multidimensional concept, or idea. Even if each dimension can be given a number, it is not easy to compare two situations, or call them state of affairs. For any kind of comparison across time and/or space, we need to reduce the multidimensional variety into real numbers by constructing an index. GDP for instance is such an example.

It is in this context that the exercises for making the devolution index began. The express purpose was to see the level of autonomy and discretion panchayats have, to take independent decisions, in providing civic services, implementing schemes and generating revenues.

Since, local governments – in the Indian context, panchayats and municipalities, are derivatives of the state, it is the state which has to devolve its powers and authority, functions and functionaries, rights and duties, and funds to the structures below, and thus bring the government to the doorstep of the people. It has to be done in a variety of ways, since states vary in their complexion. For example, some states have tribal areas (V Schedule and VI Schedule of the Constitution) and others have a regional reference in the Constitution. This variety would itself be diverse in approaches, forms and content across states.

Yet a comparison is attempted even at the cost of losing some of the specificities. It was remarked by Alfred North Whitehead, an English mathematician and philosopher, that whenever a comparison is made, at least one dimension is ignored – which makes one entity different from another. But, everyone does it. With advancing civilization and increasing quantification of almost everything, index making has been increasing. Even words ‘much’ and ‘less’ or ‘pleasure’ and ‘pain’ or ‘honesty’ and ‘beauty’ are assigned numbers.

Context of Index Making

The devolution formulae for horizontal distribution of resources among states from the union have been in practice for long in India, through different institutional arrangements, e.g. Finance Commissions, Planning Commission and vertical schemes. As stated earlier, the Ministry of Panchayati Raj was set up in 2004. The Ministry organized a Chief Ministers’ conference followed by seven round tables of Ministers In-charge of panchayats to create a consensus on various aspects in the spirit of cooperative federalism. The fifth round table at Srinagar in October 2004 resolved to have an annual report on panchayats, including

the preparation of an devolution index on the basis of a concept paper prepared by V.N. Alok and Laveesh Bhandari. The paper, inter alia, advances a comment mentioned in the report of the Eleventh Finance Commission, made in the context of centrally sponsored schemes, that the transfer of functions alongwith funds and functionaries does not cause any extra financial burden. The paper delineated a number of variables under three dimensions, viz., functions, funds and functionaries, and provided a scheme of scores and values.

The National Council of Applied Economic Research (NCAER) was assigned the task to operationalize the index for fiscal 2006-07, 2007-08 and 2008-09. NCAER (2007a, 2007b) mentioned that data on half of the indicators suggested by Alok and Bhandari (2004) were not available from the given sources. While data from states was needed under the Alok and Bhandari (2004) framework, field research was required for the World Bank (1999) framework, and experts' opinions were the only inputs used by John and Chatukulam (2003).

In the very first exercise, the NCAER used three dimensions delineated in Alok and Bhandari (2004), but in the subsequent works they also included a fourth dimension and called it 'framework'. The framework dimension essentially incorporates constitutional mandatory requirements which a state must adhere to. However, they used it as an exclusionary criterion, rather than assess the progress a state made within the scope provided in the provisions.

For the year 2009-10, the present study undertakes the work of measuring the level of devolution carried out by the states. The study is based on data collected from the state governments. The data was also collected and/or validated from a few panchayats in the top ranked states, on a random basis.

4

Devolution Index: Construction and Estimation

This chapter delineates the steps taken in the construction of the devolution index and provides its estimation framework. An index has three essential steps: one of theory, another of mathematics and lastly of statistics. In actual practice, all three are interwoven and inform and interact with one another. Theory in the present context helps us in the choice of variables which have been aggregated at the levels of indicators and dimensions. Mathematics is about standardizing and normalizing the variables and deciding the aggregation scheme. Statistics is about which data has to be collected and how it has to be collected. The estimation framework deals with the dimensions and indicators, their scores and weights and the basis of assigning values to those aspects of indicators, which have been captured through several questions.

Indicators and Dimensions

In the present context, the devolution index has four dimensions called frames (mandatory), functions, finances and functionaries. Dimensional devolution indices are also computed besides the overall devolution index for each of the states. Each dimension has several indicators. Dimensions

of frames and functions have four indicators each, while those of finances and functionaries have five indicators each. Some of the broad questions in a block of indicators were clubbed where individual values attached were not very high. Indicators are reflective of a set of interrelated or kindred questions, which were set in a matrix format.

The frames, called as the framework in previous studies on the subject, contain mandatory constitutional provisions which are to be necessarily followed by each state. The previous studies used it as the qualifying criterion. The present study considers it at two stages. The first stage seeks information on the setting of the mandatory constitutional requirements institutionalized under the ‘mandatory frame’. The latter searches for the level of actual functioning and quantifies the same to find out how states differed in observance of this dimension. Negative marks have also been accorded for lapses in observance, to build-in discriminatory power into the index. It may however be pointed out that, other mandatory provisions also exist beside those included in the first dimension. But, it was reported that states do not differ much in institutionalizing these mandatory provisions.

The present study looks intensively at Article 243G and XI Schedule of the Constitution. There is often an inaccurate presentation in literature about the role and functions of the panchayats as stated in Article 243G. Scholars and commentators seem to be obsessed with the number 29 and often count matters listed in the XI Schedule as functions. A good deal of literature and perception ignores the provision in the article that stipulates that the legislature of a state to endow panchayats with respect to ‘(a) *the preparation of plans for economic development and social justice, and (b) the implementation of schemes for economic development and social justice as may be entrusted to them, including those in relation to matters listed in the Eleventh Schedule*’. Thus, the spirit of the Constitution calls for a detailed assessment of the states related to empowerment of the functions to panchayats and their involvement in vertical schemes, in addition to the functioning of *gram sabhas* and transparency mechanism devolved to panchayats.

For this purpose, a detailed score sheet was designed with descending values for empowerment, enablement, facilitation, motivation and preferring legislative action to executive action, for each of the indicators within a given dimension. *Gram Sabha*, the forum of the electorates in the village, is an important institution in a vibrant democracy. The

democracy here is direct. It is common knowledge that *gram sabha* is not a legislative body entitled to make laws. But its deliberations do impact the delivery of services, and the process of development. It is therefore important to incorporate its functioning in the dimension. Social auditing is an important instrument by which an ordinary citizen can understand how well their representatives are exercising the powers devolved, or delegated to panchayats and thus influence their decision making process. In this regard, *inter alia*, the provisions of the citizen's charter, and Right to Information Act for panchayats are captured.

Finances are considered the most crucial dimension in the present study. The score sheet, for this purpose, again employs the principle of descending importance to empowerment, enablement, facilitation, motivation and preference for legislative action over executive action, for various local taxes. Major local taxes were accorded higher values than others. Grants under the Twelfth Finance Commission were given particular significance as the Commission had done away with the encumbrances attached with the release of grants. Scores were assigned for the level of clarity and objectivity states have in the *inter se* distribution of funds between panchayats and municipalities, and among different rungs of panchayats.

Financial autonomy of panchayats is captured by computing the ratio of panchayats' own revenue to the state's own revenue. Similarly, the ratio of panchayats' total revenue to the state's total revenue is also computed which reflects the level of expenditure autonomy of panchayats. While the first variable indicates empowerment, the latter shows enablement. The dichotomy between plan and non-plan and tied and untied funds has not been stressed, as wide variations in practices are found across states. This however is the choice of the state, in our federal set up, to transfer funds to panchayats according to their own pattern.

The aspect related to the devolution of functionaries has been drawing attention for long, from scholars and practitioners. This includes deputation of state employees to panchayats to assist the elected representatives, or the discretion of the latter to employ someone from the market. To what extent employees, working with panchayats, have been made accountable to the panchayats' political executives, and whether panchayats have their own employees, are the aspects attempted to be captured in this dimension. Who has the power of superseding/over-riding the panchayats, and what role panchayats have in parallel

BOX 4.1**Frames (Mandatory)**

- State Election Commission (Art. 243 J)
- Holding regular panchayat elections (Art. 243 E)
 - Gap and dissolution
- State Finance Commission (Art. 243 I)
 - Qualification of members in the Act
 - Constitution at regular intervals
 - Acceptance of recommendations
 - Timeliness for actions thereon
- District Planning Committees and their working (Art. 243 ZD)
 - Regular meetings
 - Regular submission of plans
 - Consolidation of plans and their integration with state plans

Functions

- Functions assigned to panchayats (Art. 243 G)
 - Involvement and status of panchayats
- Involvement status of panchayats in important schemes
- Functioning of *Gram Sabha* (Art. 243 A)
 - Number and minutes of meetings
 - Approval of plans, budget, UCs and beneficiary lists
- Transparency in panchayats
 - Mechanism to deal with RTI and corruption

Finances

- Empowerment of panchayats to impose and collect revenue (Art. 243 H)
 - Share of own revenue of panchayat in the state's own revenue
- Fund availability with panchayats
- Operation of panchayat *Nidhi*/Fund (receipts and expenditures)
- Release of TFC grants to panchayats
- Set of criteria, weight to allocate fund to the panchayats
- System of fiscal management, monitoring and evaluation

Functionaries

- Accountability of functionaries to panchayats
- Panchayats own officials
- Panchayats supercession – who's power? (Art. 243 E and Art. 243 F)
- Role of panchayats in parallel bodies/institutions
- Capacity building of functionaries
- Infrastructure for efficient and effective management of panchayats

bodies, have also been considered within this dimension. In addition, capacity building of functionaries is assessed within this dimension. Superior infrastructure, including the panchayat office (*ghar*) creates enabling environment for the functionaries to perform. The same indicator is considered here.¹²

Accountability structure is an integral part of the present exercise and interwoven within different dimensions to address the needs of Panchayat Empowerment and Accountability Incentive Scheme (PEAIS) of the Government of India. Regular functions of *Gram Sabhas* including approval of plans, budgets, utilization certificates, beneficiary lists, etc., as well as conducting meetings and recording the proceedings thereof, are the essential elements of accountability. Social audit, right to information, exercise of taxation powers, accounting format and audit are the other elements of accountability, that have been taken into consideration. Hence, an index exclusively on accountability is attempted and presented in Appendix 4.2 in this chapter.

Devolution Formulae

Simple indices are linear. In other words, they are weighted sums, or averages, of the constituents, or components that go into the making of an index. They can be categorized in two broad groups – one having a unit of measurement and the other without having a unit. An example of the former is the Gross Domestic Product, and of the latter is the Consumer Price Index. Components are first converted into such quantities that they can be aggregated by adding them together. In the case of the Gross Domestic Product, quantities are multiplied by their respective prices so that they are all converted into monetary values which can be added together. In the case of the Consumer Price Index, price relatives are prepared, which are generally weighted by their expenditure shares in the total expenditure.

Similarly, achievements in several dimensions can also be aggregated into a single entity by appropriately designing the index making procedure. Present levels of achievement of an entity, like country or state or district, can be divided by the maximum possible achievement.

¹² The Ministry of Panchayati Raj in its memorandum to the 13th Finance Commission has emphasized the need for a panchayat ghar in each village panchayat to enhance fiscal capacity.

This kind of exercise confines the range of index between 0 and 1. However, a group of researchers feel that attainment should be measured over the minimum possible achievement, and therefore should also be divided by the range. In other words, excess of actual achievements over minimum achievements should be divided by the maximum excess possible, that is, maximum achievement minus minimum achievement. This practice is followed by scholars, organizations and agencies engaged in the computation of the human development index. This procedure has a built-in discrimination mechanism in the index, particularly when an entity is compared with another, rather than with itself over time. And, an index if used for rating and ranking states must have it (see formula 1 in Appendix 4.1).

Once achievement components are converted into such comparable quantities, they can be aggregated by assigning different weights, or the same weights. While differentially weighted aggregation is called weighted index (average), equally weighted aggregation is often called unweighted index.

Following the principle of insufficient information, many exercises conducted in this area have adopted equally weighted aggregation procedure. However, the present study differs from adopting equal weights to each dimension as the study moves from the 3F framework to the 4F framework. The scheme for weighted index is given as formula 3 in Appendix 4.1.

The exercise is conducted not only for overall devolution, but also for each dimension. Thus, there are three levels of constructs: several achievement indicators within each of the dimensions; four dimensional indices of devolution; and one overall or composite index of devolution. Weights for achievement indicators can therefore be looked from two perspectives – one in relation to the relevant dimension, and the other in relation to the overall index. In the computation structure, the latter was adopted, and therefore the weighted aggregation at the dimension level has to be divided by the weight of the dimension in the devolution index (see formula 2 in Appendix 4.1).

One may indicate a particular weakness in these kinds of indices. The components entered in the index are supposed to be substitutes of each other. Guns and gums (chewing) are equivalents in the computation of GDP, if they are equal in market value; and bread and liquor are not different for the consumer price index. Functions and finances are,

however, more complementary in nature, than substitutes up to a level. Care is taken to overcome this weakness by introducing mutually complementary elements in the question designs which build the indicators for different dimensions.

Data Collection

Data from state governments was elicited through a well structured questionnaire with a few open ended questions. Data was also collected from the field in a few states, to supplement, or validate, the data received from states.

The questionnaire comprises four sections and each section has several sub-sections. Section I is named as the 'frames (mandatory)'. Sub-sections IA and IB cover matters related to elections. Sub-section IC contains questions related to State Finance Commission (SFC) and sub-section ID covers matters related to the District Planning Committee. Section II deals with 'functions'. Sub-section IIA is on the assignment of functions to panchayats, and the actual level of involvement therein. Sub-section IIB contains questions on involvement of panchayats in implementation of vertical schemes. Sub-section IIC comprises issues related to the responsibility and other works performed by *Gram Sabhas*. Sub-section IID covers the right to information, vigilance and mechanism for grievance redressal.

Section III seeks details on 'finances'. Sub-section IIIA contains the mechanism regarding empowerment of panchayats to impose and collect taxes, etc. while sub-section IIIB covers revenues of panchayats sourced from different windows. Sub-section IIIC asks about operations of panchayats *nidhi*. Sub-section IIID seeks information on timely release of the Twelfth Finance Commission grants. Sub-section IIIE attempts to find out whether states allocate formulae based funds. Sub-section IIIF deals with issues related to fiscal management and monitoring mechanism. Finally, section IV focuses on 'functionaries' with reference to their availability and accountability to panchayats. Sub-section IVA seeks information on the control of panchayats on government executives from different line departments and outside line departments. Sub-section IVB covers questions related to panchayats' own officials. Sub-section IVC finds out the process that deals with the supersession/dissolution of panchayats and dismissal of elected representatives. Sub-section IVD examines the role of panchayats in parallel bodies/institutions. Sub-

section IVE covers aspects related to capacity building of elected representatives. Lastly, sub-section IVF seeks information on enabling infrastructure in panchayats.

By and large, questions were structured, but some of them were open-ended or semi-open-ended so as to capture state specific traits. In the case of sections on functions and finances, many questions were clubbed in matrix form. Yet, scope was provided for giving 'qualitative' supplements.

The questionnaire is designed to keep future perspectives in view whereby a reliable database could be generated on a sustainable basis. In this direction, concerted efforts from all housekeeping departments of the government, e.g. Central Statistical Organization, Ministry of Panchayati Raj and Planning Commission are essential. These units require to work in tandem with the Reserve Bank of India, Office of the Comptroller and Auditor General and state governments. An independent institution may initiate to incubate this network for developing local public fiscal database.

It may be pointed out that the questionnaire was developed and built upon the earlier works (Alok and Bhandari 2004 and NCAER 2008; 2009). The comments and feedbacks received on previous work from the state governments and academics were handy in developing the questionnaire. Notable among them was the critique by Oommen (2009). Inputs from the Ministry of Panchayati Raj (MoPR) and comments from the Government of Karnataka on previous studies were duly incorporated.

The institute organized a workshop of Action Group on Performance Indicators for States on Devolution in collaboration with the Decentralization Community of the UN Solution Exchange in July 2009. Inputs received in the workshop were central in the construction of the questionnaire. Opinions and comments of experts and civil servants were sought on the draft questionnaire. The draft questionnaire was also uploaded on the website of the Ministry of Panchayati Raj and the UN Solution Exchange for comments. The questionnaire was pre-tested in Madhya Pradesh and further improved. The information was elicited from state governments/union territories by canvassing the questionnaire. Related state acts, manuals, state reports, government orders, etc., were also sought to make better judgments.

Some states responded in time, but many states responded towards the fag end of the study. Three states responded only in the third week of March 2010. In total, 24 states/UTs responded¹³ (Table 4.1).

Table 4.1: States/UTs from which Data Received

<i>States</i>	<i>Union Territories</i>
1. Andhra Pradesh, 2. Arunachal Pradesh, 3. Assam, 4. Bihar, 5. Chhattisgarh, 6. Goa, 7. Gujarat, 8. Haryana, 9. Himachal Pradesh, 10. Jharkhand, 11. Karnataka, 12. Kerala, 13. Madhya Pradesh, 14. Maharashtra, 15. Orissa, 16. Punjab, 17. Rajasthan, 18. Sikkim, 19. Tamil Nadu, 20. Uttar Pradesh, 21. Uttarakhand, and 22. West Bengal	1. Lakshadweep, 2. Chandigarh

In the meantime, selective state visits were conducted and data was obtained and validated. Survey teams in select states collected data from a few panchayats. The panchayats were selected on a random basis. Officials dealing with local finance in the C&AG and the XIII Finance Commission were consulted. Data obtained by the XIII Finance Commission from states and Finance Accounts published by the C&AG have been taken into consideration for various analysis. Secondary data from the official website of the Ministry of Panchayati Raj, Government of India, State Panchayati Raj Departments, Reserve Bank of India, Comptroller & Auditor General of India and State Accountant Generals have also been used.

The data, methodology and other features of the study were presented and discussed in a two-day workshop organized by the institute with the Decentralization Community of the UN Solution Exchange in March 2010. Members of the Action Group on Performance Indicators for States on Devolution of the UN Solution Exchange also participated.

¹³ There is a need to note that elections were not held in Jharkhand due to a case pending in Supreme Court. So panchayats are not in place and therefore it did not qualify for stage II. District Planning Committees were not formed in Uttarakhand, but the Act is notified and rules are under process. It was therefore accepted as qualified for further work. Chandigarh has not constituted a District Planning Committee. The same being a Union Territory, does not stand on the same pedestal as states. So the same is treated as qualified. The NCT of Delhi is out of reckoning as panchayats were superceded in 1990 and have not yet been revived.

Values and Scores

Since most of the variables in this kind of exercise are qualitative, they have to be necessarily given cardinal values for various ranges. A discussion with stakeholders helped in the choice of appropriate ranges and associated values. In this exercise, due note was taken of the factual position across states. Class intervals were chosen with care, so that they are not broad enough to disallow discrimination between levels of achievements. For example, the ratio of panchayats' own revenue to the state's revenue is calibrated at an interval of 0.5 percent points and the highest value is assigned to states showing equal, or more than 2.5 percent. Similarly, the cap for funds availability was put at 25 percent, while the cap for utilization ratio was put at the high value of 95 percent with intervals at 5 percent points. Scoring was done at the indicator level, while each of the positive cells was assigned values ranging from 1 to 5, while gaps/delays had negative values.

Care was taken to see that states do not cluster around certain values. In an earlier exercise, as many as six states scored the same values in as nuanced a dimension as functions. Part of the reason was the assignment of extreme scores, i.e. either 0 or 5 in many cases.¹⁴ In other studies also, scores are in the scale of 0 to 4 with assignments clustering at 0 and 4 (Kearney, 1999). Values were given in descending order for empowerment through legislation, empowerment through executive order, involvement in implementation, involvement in monitoring, so on and so forth. Likewise, high scores were awarded to the fact that panchayats had control over funds transferred to them. (see scoring sheets in annex).

In many cases, detailed information was sought which was used for cross checking, rather than for computation. For example, the scores secured for any level of panchayat, irrespective of their rung, are treated as equal. This was necessary, as activity mapping differs across states, depending on the regional socio-economic, cultural and spatial diversities, and capacity of panchayats at different rungs. Besides, some states have two rungs of panchayats (Article 243B of the Constitution). So, for one

¹⁴ The NCAER calculated the arithmetic mean of such distributions which had only two values far apart. In such situations, the mean ought not to be calculated, as there is no central tendency in the data.

component of a question, a state was given scores for only that rung of panchayat which secured the highest score.

To reiterate, negative marks were awarded on some components, e.g. delay in holding elections, gap of more than five years in the constitution of two consecutive SFCs, delay in action taken on the recommendations of SFC report, etc. Yet, these values were so allocated that, overall scores

Table 4.2: Maximum and Minimum Scores for Indicators

<i>Indicator</i>		<i>Maximum</i>	<i>Minimum</i>
D ₁₁	Establishing the State Election Commission	20	05
	Holding Regular Panchayat Elections		
D ₁₂	State Finance Commissions	20	02
D ₁₃	Setting up District Planning Committees	20	00
D ₂₁	Functions Assigned to Panchayats and Involvement Status of Panchayats	250	50
D ₂₂	Involvement Status of Panchayats in Important Schemes	100	20
D ₂₃	Functions of <i>Gram Sabhas</i>	20	02
D ₂₄	Transparency in Panchayats	20	00
D ₃₁	Empowerment of Panchayats to Impose and Collect Revenues	225	20
D ₃₂	Funds Available with Panchayats	25	02
	Panchayat <i>Nidhi</i> (Receipt & Expenditure)		
D ₃₃	Timely Release of Finance Commission Grants to Panchayats	10	01
D ₃₄	Use of Formula to Allocate Fund to the Panchayats	10	01
D ₃₅	System of Fiscal Management, Monitoring and Evaluation	25	04
D ₄₁	Functionary-wise Accountability of the Three Tiers of Panchayats Panchayat Officials	200	50
D ₄₂	Power to Dissolve	20	00
D ₄₃	Control of Elected Representatives of Panchayats in Parallel Bodies/Institutions	100	00
D ₄₄	Capacity Building of Functionaries	30	00
	Infrastructure for Efficient & Effective Management of Panchayats		

were not negative. In fact, the actual scores were found to be more than the logical minimum.

Each indicator comprises several questions. Some questions had ‘yes/no’ options, while others had multiple cells to be answered. Each cell against a question is given a score as per its importance, suitability, form of question and nature of expected answers. The scaling procedure, roughly speaking, accords importance in descending order of enablement, empowerment, and facilitation. Thus, the maximum numerical score is arrived at by summing up the maximum score of all questions within each subsection, or a combination of related components. It was attempted to assess certain regional variations by assigning some numerical scores to ‘others’ in some subsections. However, the score to ‘others’ is kept as low as possible, depending on the question and expected regional variation. For minimum scores, empirical facts are superimposed over logic, if the logical score is too low, as compared to the lowest score secured by any state. However, it is kept sufficiently low in order to reward each state.

Different indicators have different levels of scores. Highest scores vary from a maximum of 250 to a minimum of 10, depending on the length and complexities of a given indicator. No decimal numbers were accorded. Several questions were open-ended in order to accommodate state specific innovative practice(s). Hence, there are some minimum scores, which range from 50 to zero. The formulation needs maximum and minimum scores for standardizing and normalizing score. Table 4.2 presents maximum and minimum scores for each of the indicators.

Pattern of Weights

Earlier studies on the same subject, whether under the ‘3F’ or ‘4F’ framework, have only three dimensions in computation of the index, with each having equal weights. The present study has all four dimensions as an integral part of the index. The reasoning for according differential weights has been mentioned earlier. The weight of ‘finances’ dimension has been raised from 33.3 percent to 35.0 percent, rather than lowered *pro rata* to 25.0 percent. Similarly, ‘functions’ dimension has been assigned 30.0 percent weight which is 10 percent lower than 33.3 percent (adopted in previous exercises) but way above 25.0 percent. The rest of the weight, i.e. 35.0 percent, was divided between ‘functionaries’ and ‘frames

Table 4.3: Weights within Dimensions and for Overall Devolution

<i>Indicator</i>		<i>Weights for Index</i>	<i>Weights for Index</i>
D ₁₁	Establishing the State Election Commission	0.05	0.33
	Holding Regular Panchayat Elections		
D ₁₂	State Finance Commissions	0.05	0.33
D ₁₃	Setting up District Planning Committees	0.05	0.33
D₁	Mandatory Frames	0.15	1.00
D ₂₁	Functions Assigned to Panchayats and Involvement Status of Panchayats	0.15	0.50
D ₂₂	Involvement Status of Panchayats in Important Schemes	0.05	0.17
D ₂₃	Functions of <i>Gram Sabhas</i>	0.05	0.17
D ₂₄	Transparency in Panchayats	0.05	0.17
D₂	Functions	0.30	1.00
D ₃₁	Empowerment of Panchayats to Impose and Collect Revenues	0.10	0.29
D ₃₂	Funds Available with Panchayats	0.10	0.29
	Panchayat <i>Nidhi</i> (Receipt & Expenditure)		
D ₃₃	Timely Release of Finance Commission Grants to Panchayats	0.05	0.14
D ₃₄	Use of Formula to Allocate Funds to the Panchayats	0.05	0.14
D ₃₅	System of Fiscal Management, Monitoring and Evaluation	0.05	0.14
D₃	Finances	0.35	1.00
D ₄₁	Functionary-wise Accountability of the Three Tiers of Panchayats	0.05	0.25
	Panchayat Officials		
D ₄₂	Power to Dissolve	0.05	0.25
D ₄₃	Control of Elected Representatives of Panchayats in Parallel Bodies/Institutions	0.05	0.25
D ₄₄	Capacity Building of Functionaries	0.05	0.25
D ₄₅	Infrastructure for Efficient & Effective Management of Panchayats		
D₄	Functionaries	0.20	1.00
D	Devolution	1.00	–

(mandatory)' in the ratio of 4:3 as functionaries dimension includes some elements of infrastructure, etc., whereas the frames (mandatory) dimension was given quantitative significance for the first time.

Indicator is the lowest level, where the weight is assigned. The sum of weights of all indicators of devolution is equal to 1 (one). It is obvious that weights of indicators within a dimension are different, so that the sum of weights of indicators for that dimension is 1. Therefore, sum of weighted scores of indicators for a given dimension is divided by the weight of the dimension. See Formula II.

Annex 1 demonstrates scores for different questions, aggregation of scores for each indicator, and the equivalent weight for each indicator. Annex 2 shows assigning of scores for different aspects of questions within each component, wherever such a case arises.

APPENDIX 4.1

Standardization of Indicators

The indicator level sub-index is calculated by formula I given below.

- For k indicator of j dimension for i state

$$D_{ijk} = \frac{\text{Act } X_{ijk} - \text{Min } X_{jk}}{\text{Max } X_{jk} - \text{Min } X_{jk}} \quad \text{Formula I}$$

where X is the score at indicator level. It may be noted that achievements at the indicator level are first measured in terms of scores in relation to a certain minimum (logical and empirical). The indicator achievement is normalized by the maximum possible achievement, measured through the range of scores, so as to contain the achievement within the range of [0, 1]. It further serves the purpose of comparison with other indicators.

Dimensional Index

Dimension level index is calculated by formula II given below by a proportionate weight.

- For dimension j and state i

$$D_{ij} = \frac{\sum_k w_{jk} D_{ijk}}{w_j} \quad \text{Formula II}$$

Since indicator weights have been assigned by keeping the overall index in mind, the weighted indicator value obtained has been divided, or normalized, by the dimensional weight, again to contain the dimensional index within the range of [0, 1].

Devolution Index

The devolution index is prepared by formula III given below.

- For state i

$$X_i = \sum_j w_j D_{ij} \quad \text{Formula III}$$

which is simply the weighted sum of dimensional indices.

If formula II is substituted in formula III, one can obtain the

devolution index straight from the standardized indicator level subindices:

$$D_i = \sum_j \sum_k w_{jk} D_{ij} \quad \text{Formula IV}$$

Notations

i = State

j = Dimension such as frames (mandatory), functions, finances, functionaries

k = Indicator

X = Variable capturing an indicator

w = Weight accorded to a dimension/indicator

D_{ijk} = Value calculated for indicator k of dimension j of i th state

D_{ij} = Value calculated for dimension j of i th state

D_i = Value calculated for i th state

An Illustration

To demonstrate the calculation for one state, let us assume that the state has obtained a raw score of 150 for indicator 1 of dimension 2. Let us further assume that the lowest score was assigned, based on the empirical analysis of scores, is 50, while the maximum score is 250. The value calculated for indicator D_{21} of dimension of functions of the state is calculated as per the following formula. The subscript i on left has been avoided.

$$D_{21} = \frac{\text{Act } X_{ijk} - \text{Min } X_{jk}}{\text{Max } X_{jk} - \text{Min } X_{jk}} = \frac{150 - 50}{250 - 50} = 0.50$$

For dimension functions, the formula is

$$D_2 = \frac{\sum_k w_{jk} D_{ijk}}{w_j} = \frac{0.15 * D_{21} + 0.05 * D_{22} + 0.05 * D_{23} + 0.05 * D_{24}}{0.30}$$

If $D_{21} = 0.50$, $D_{22} = 0.70$, $D_{23} = 0.60$ and $D_{24} = 0.80$, then D_2 would come out to be 0.60.

The weights assigned to dimensions D_1 , D_2 , D_3 and D_4 are 0.15, 0.30, 0.35 and 0.20 respectively. The value calculated for the state i is given by

$$\begin{aligned}
D &= \sum_j w_j D_{ij} \\
&= w_1 D_1 + w_2 D_2 + w_3 D_3 + w_4 D_4 \\
&= 0.15 D_1 + 0.30 D_2 + 0.35 D_3 + 0.20 D_4
\end{aligned}$$

The value so calculated is in the scale of 0 to 1. For any given state and UT, value of each dimension and aggregate value will indicate how close the state is to the ideal performance (maximum score of 1).

In this sense, we will be able to quantify the relative performance of states by putting together an environment for effective devolution in rural India.

APPENDIX 4.2

An Index for Accountability

Following the resolutions of the Seventh Round Table Conference of Ministers in-charge of Panchayati Raj held at Jaipur during December 17-19, 2004, the Panchayat Empowerment and Accountability Incentive Scheme (PEAIS) was introduced as a central sector scheme to provide incentives to states on 100 per cent basis. The aims of the scheme are:

- (a) to incentivise states to empower panchayats, and
- (b) to motivate panchayats to develop an accountability framework for making them transparent and efficient.

The original idea was that the states should devolve functions, finances and functionaries through various channels and modes. In view of the fact that there exist, and would continue to exist, national-wide and state-wide programmes at least in some areas of national/state priorities, it was also envisaged that panchayats should be involved in the implementation of these schemes. This was what the Balvantray Mehta Study Team had recommended. But more importantly, panchayats should also be made accountable to people, represented through, for example, *gram sabhas*.

However, the fact of the matter is that panchayats rarely have their own employees, unlike municipalities, nor do they have enough resources, particularly at the lowest level. In order to ensure effective delivery of services and execution of development and welfare schemes, state functionaries may be made accountable to the panchayat leadership.

The original devolution index, though having a component of functionaries, had not consciously built-in any component in its formulation. As the Ministry of Panchayati Raj moved from “Panchayat Empowerment Incentive Scheme” in 2005-06 to “Panchayat Empowerment and Accountability Incentive Scheme” in 2006-07, the factor of accountability was added in the devolution index. The elements of accountability were not extracted and a separate index of accountability was not computed. In this note, those elements are extracted from the overall framework and an index of accountability is constructed.

As noted earlier, there are two distinct components of accountability viz., accountability of panchayats to people, and accountability of functionaries to panchayats.

The District Planning Committee (DPC) being an important panchayat forum deserves to be considered. This element is extracted from the mandatory frames. However, only that part which relates with the functioning of DPC is included in the accountability space.

Gram sabha is an important forum of the people where the electorate gets to participate in the decision-making process, and thus its functioning deserves to be made a part of the accountability frame. Likewise, transparency in the functioning of gram panchayats is an element of accountability. These two components are extracted in full from the functions dimension.

A lot of components within the finances dimension make an important part of accountability. An accountable panchayat should use its taxation powers in the interests of people, and should also make the fullest utilisation of funds given to it, and also should have in place a good system of fiscal management, monitoring and evaluation. However the three indicators in the devolution index, incorporating these elements, have components that are not within the power/control of panchayats. Therefore, only parts of these indicators are included in the accountability space.

Accountability of functionaries to panchayats is reflected in the control the panchayat leadership is allowed to have over them. This is a part of an indicator of the functionaries dimension.

It can be seen that around 30 percent weight is incorporated in the devolution index for accountability. See the following table.

Table: Weights of Accountability Components (in percent)

<i>Indicator</i>		<i>Weights Rounded</i>
D ₁₃ *	Constitution and Function of District Planning Committee (DPC)	3.00
D ₂₃	Functions of Gram Sabha	5.00
D ₂₄	Transparency in Panchayats	5.00
D ₃₁ *	Panchayats Collecting Revenue	5.00
D ₃₂ *	Fund Available and Utilization	6.00
D ₃₅ *	System of Fiscal Management, Monitoring and Evaluation	3.00
D ₄₁ *	Functionary-wise Accountability to the Three Tiers of Panchayats	4.00
	Total Weight of Accountability Framework in the Exercise of DI Assessment	31.00

Note: * Only a part of the indicator forms part of accountability.

5

Assessment and Analysis

In this final chapter, an empirical assessment of devolution to panchayats by the states is presented. Results are presented for each of the four dimensions of devolution, viz., frames (mandatory), functions, finances and functionaries and their respective indicators – totaling 16. The enabling environment created by a state is compared with that of others, in terms of various indicators identified in the study. The national average for each of the indicators and dimensions have also been computed.¹⁵ First, the description of computation for each dimension, or subindex, is presented in a table along with the values of their respective indicators. There is an exhibit for each sub-index. Then, states are ranked according to overall devolution index. There is an exhibit for overall index too. All values are shown in percentage terms to make comprehension easy. This is followed by a comparative analysis of dimension wise achievements in devolution by states.

Frames (Mandatory)

This section of the questionnaire, the way it has been designed, captures devolution and enabling environment beyond the qualifying criteria. As stated earlier, the questionnaire comprises four sections, and each section

¹⁵ Ideally, an index should be a weighted one. However, a very appropriate basis of weight assignment could not be chosen. Though, a few like populations, areas, number of village panchayats, etc., were considered.

consists of several objective questions and a few subjective ones. There are four sections to form three indicators for the first dimension. The first two sub-sections have been clubbed to form an indicator. They relate to elections, SFC and DPC respectively beyond the legal observance of setting up institutions. This dimension also captures components of institutional devolution, and other elements of enabling environment with a small component of accountability of panchayats.

Table 5.1 presents the computation of dimensional index along with indicator values, derived by standardizing and normalizing scores, for each of the states. The states can be compared with one and another,

Table 5.1: Sub-index for Frames (Mandatory)

<i>Rank</i>	<i>States/UTs</i>	D_{11}	D_{12}	D_{13}	D_1
1	Andhra Pradesh	100.00	22.22	90.00	70.74
2	Arunachal Pradesh	53.33	11.11	75.00	46.48
3	Assam	46.67	44.44	100.00	63.70
4	Bihar	86.67	33.33	100.00	73.33
5	Chhattisgarh	33.33	27.78	85.00	48.70
6	Goa	100.00	44.44	50.00	64.81
7	Gujarat	93.33	0.00	70.00	54.44
8	Haryana	66.67	33.33	55.00	51.67
9	Himachal Pradesh	100.00	94.44	70.00	88.15
10	Karnataka	100.00	72.22	100.00	90.74
11	Kerala	100.00	77.78	100.00	92.59
12	Madhya Pradesh	100.00	33.33	90.00	74.44
13	Maharashtra	73.33	72.22	75.00	73.52
14	Orissa	66.67	44.44	90.00	67.04
15	Punjab	66.67	55.56	65.00	62.41
16	Rajasthan	66.67	44.44	100.00	70.37
17	Sikkim	100.00	61.11	100.00	87.04
18	Tamil Nadu	100.00	88.89	80.00	89.63
19	Uttar Pradesh	100.00	50.00	90.00	80.00
20	Uttarakhand	66.67	33.33	25.00	41.67
21	West Bengal	100.00	88.89	1.00	96.30
22	Chandigarh	66.67	33.33	0.00	33.33
23	Lakshadweep	66.67	66.67	90.00	74.44
National Average		80.58	49.27	78.26	69.37

and with the national average for each of the indicators and the dimension as such.

In the dimension of frames (mandatory), West Bengal with a value of 96.3 is ahead of the rest. The state is followed by Kerala (92.6), Karnataka (90.7), Tamil Nadu (89.6), Himachal Pradesh (88.2) and Sikkim (87.0). Uttarakhand (41.7), Chhattisgarh (48.7), Haryana (51.5), Gujarat (54.4) are among the major states that secured values below the national average (69.4). Relative positions of all the states are shown in Exhibit 5.1 along with their values for the dimension of frames (mandatory), with a horizontal line depicting the national average score.

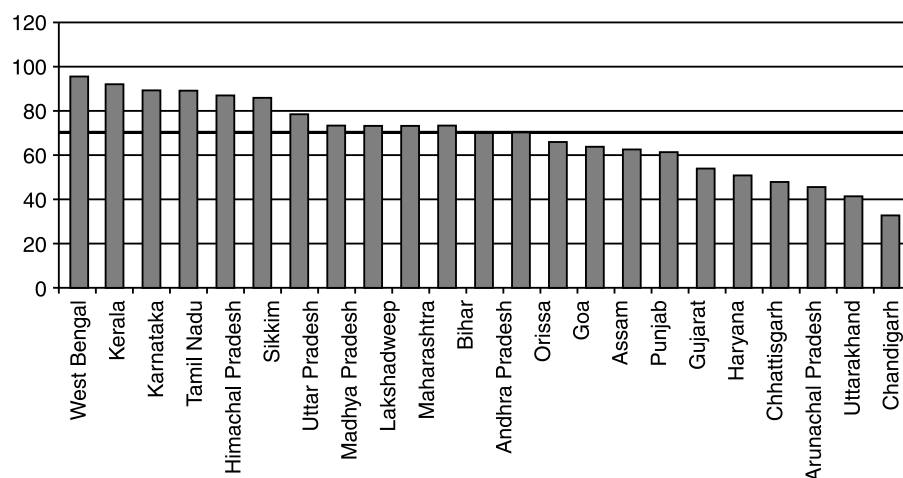


Exhibit 5.1: Mandatory Frames

An analysis of indicators shows that a significant number of states have scored high or even perfect values in indicators related to conduct of elections (D_{11}) and the working of DPC in the state (D_{13}). However, many states could not achieve high scores in respect of indicator D_{12} , which deals with the functioning of SFCs and treatment meted out by the state governments to their recommendations. Even the national average is less than 50 percent. Only Himachal Pradesh, Tamil Nadu and West Bengal secure about 90 percent. This confirms the assertion made by the Prime Minister Manmohan Singh on June 29, 2004 in the Chief Ministers' Conference '*... as far as the funds are concerned, the awards of the State Finance Commissions should be fully honoured. There are reports that State Finance Commissions are constituted, of them not*

giving awards in time, and of these awards not honoured when given, all of which erode Panchayati Raj' (Alok 2004; 2008).

Functions

The section on functions in the questionnaire has four sub-sections which are treated as four indicators for assessment and ranking. In each sub-section, questions are mainly objective. Assignment of functions to panchayats, including activity mapping, and the capacity of panchayats to undertake them, get maximum importance in the sub-index.

Table 5.2: Sub-index for Functions

Rank	States/UTs	D_{21}	D_{22}	D_{23}	D_{24}	D_2
1	Andhra Pradesh	25.50	31.25	83.33	78.95	45.01
2	Arunachal Pradesh	6.50	17.50	44.44	36.84	19.71
3	Assam	1.00	6.25	55.56	73.68	23.08
4	Bihar	42.50	66.25	72.22	57.89	53.08
5	Chhattisgarh	0.00	0.00	83.33	89.47	28.80
6	Goa	0.00	0.00	94.44	84.21	29.78
7	Gujarat	49.00	50.00	72.22	89.47	59.78
8	Haryana	18.00	62.50	77.78	73.68	44.66
9	Himachal Pradesh	35.00	40.00	88.89	89.47	53.89
10	Karnataka	72.50	93.75	72.22	84.21	77.95
11	Kerala	75.00	76.25	83.33	100.00	80.76
12	Madhya Pradesh	43.00	73.75	88.89	89.47	63.52
13	Maharashtra	46.50	70.00	88.89	94.74	65.52
14	Orissa	60.50	13.75	61.11	84.21	56.76
15	Punjab	12.50	38.75	55.56	73.68	34.25
16	Rajasthan	10.50	7.50	61.11	84.21	30.72
17	Sikkim	41.50	73.75	72.22	84.21	59.11
18	Tamil Nadu	62.50	91.25	94.44	89.47	77.11
19	Uttar Pradesh	40.00	5.00	66.67	63.16	42.47
20	Uttarakhand	10.50	32.50	61.11	47.37	28.75
21	West Bengal	64.00	82.50	66.67	84.21	70.90
22	Chandigarh	0.00	0.00	72.22	68.42	23.44
23	Lakshadweep	10.00	28.75	27.78	84.81	28.46
National Average		31.59	41.79	71.50	78.49	47.76

Involvement of panchayats in vertical schemes has also been amply covered. This captures sizeable components of devolution, empowerment and accountability of panchayats. Table 5.2 presents the values of indicators and sub-index of functions.

A vital indicator, i.e. D_{21} captures assignment of functions, activity mapping and actual involvement of panchayats. States need to make substantial improvements in the devolution under D_{21} . Kerala is the only state that touches the mark of 75 percent. However, as far as the attempt of states in involving panchayats in the implementation of vertical schemes is concerned, four states, viz., Karnataka, Kerala, Tamil Nadu and West Bengal cross the 75 percent mark under indicator D_{22} . The corresponding national average barely crosses 40 percent.

In total, Kerala tops the list in the sub-index of functions dimension, with a value of 80.8, followed by Karnataka (78.0), Tamil Nadu (77.1), West Bengal (70.9), Maharashtra (65.5) and Madhya Pradesh (63.5). Only three states score index values of more than 75 percent. Assam (23.1), Uttarakhand (28.8), Rajasthan (30.7), Punjab (34.3), Uttar Pradesh (42.5), Haryana (44.7) and Andhra Pradesh (45.0) are at the bottom among the major states, scoring less than 50 percent values. The national average value is less than 50 percent. Exhibit 5.2 shows

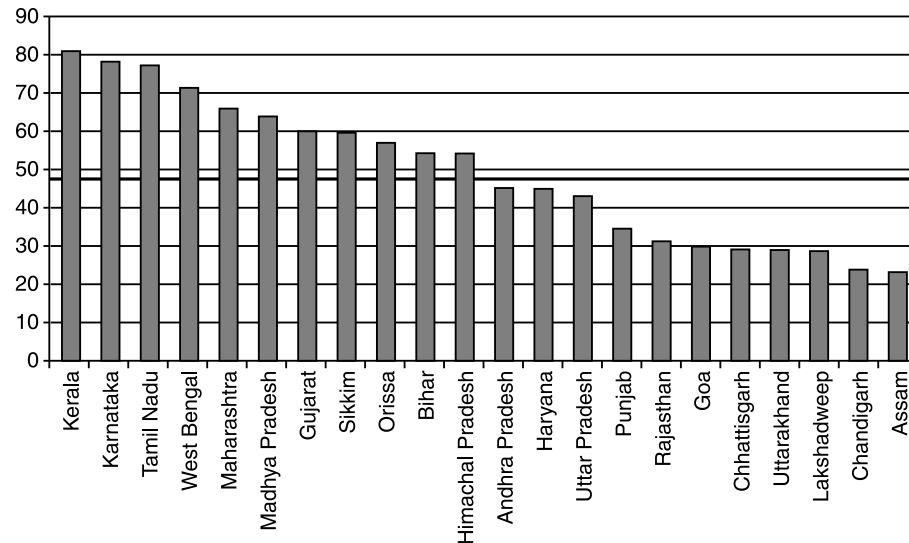


Exhibit 5.2: Functions

relative positions of all the states along with their values for the dimension of functions, with a horizontal line depicting the national average score.

However, when it comes to village level performance, scores in many states are significant. Indicators D_{23} and D_{24} are respectively about the functioning of *Gram Sabhas* and transparency in panchayat functioning and administration. The national average in these indicators crosses 70 percent and 80 percent respectively. It is heartening to note that *gram sabhas* are evolving as significant institution of local democracy and community participation, and showing an admirable level of transparency.¹⁶

Finances

The section of finances has six sub-sections in the questionnaire. Two sub-sections are clubbed together, leaving only five indicators for assessing devolution in states in the respective dimension. Indicator D_{31} attempts to capture taxing powers of panchayats and its exercise in reality. The indicator is assigned about one-third weight in the dimension. Funds availability and its utilization have also been given significant weight.

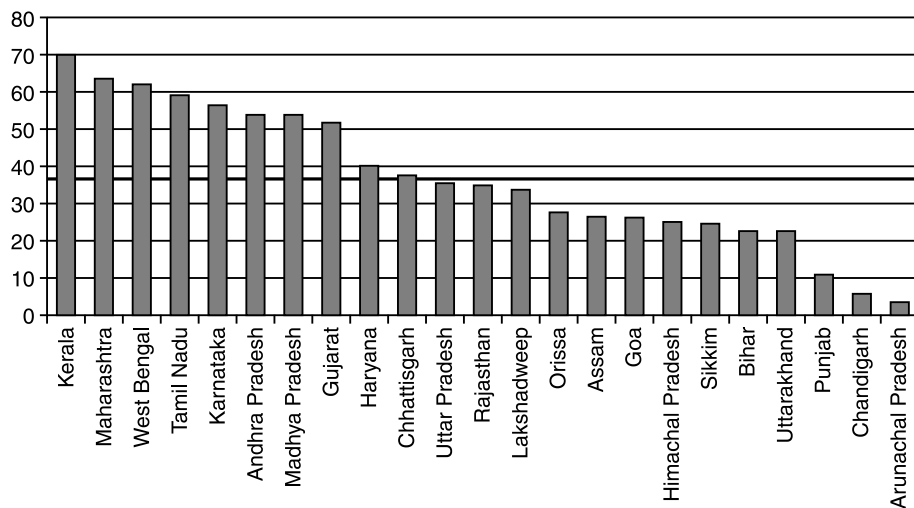


Exhibit 5.3: Finances

¹⁶ The Ministry of Panchayati Raj, Government of India is observing the year commencing October 2, 2009 as the Year of *Gram Sabha*.

The evaluation is through objective questions, except a small component. Table 5.3 presents the values of indicators and the sub-index of finances.

Table 5.3 reveals the top ranking of Kerala in the dimension of finances with a value of about 70 percent. Maharashtra (62.8), West Bengal (61.6), Tamil Nadu (58.8), Karnataka (56.1), Andhra Pradesh (53.8), Madhya Pradesh (53.5) and Gujarat (51.6) are the only states crossing the hump of 50 percent. Moreover, the national average is well below 40 percent. Abysmally low scorers among the major states are Punjab (11.1), Bihar (22.7), Assam (26.6) and Orissa (27.2). Exhibit 5.3 depicts relative

Table 5.3: Sub-index for Finances

<i>Rank</i>	<i>States/UTs</i>	D_{31}	D_{32}	D_{33}	D_{34}	D_{35}	D_3
1	Andhra Pradesh	52.68	52.17	100.00	33.33	33.33	53.77
2	Arunachal Pradesh	0.00	0.00	0.00	22.22	0.00	3.17
3	Assam	33.17	30.43	0.00	11.11	47.62	26.56
4	Bihar	19.51	4.35	88.89	22.22	0.00	22.69
5	Chhattisgarh	15.12	30.43	88.89	33.33	47.62	37.28
6	Goa	41.95	8.70	33.33	22.22	23.81	25.81
7	Gujarat	42.93	39.13	100.00	44.44	52.38	51.56
8	Haryana	28.78	43.48	88.89	33.33	14.29	40.15
9	Himachal Pradesh	30.73	26.09	0.00	44.44	19.05	25.30
10	Karnataka	68.78	43.48	44.44	33.33	90.48	56.11
11	Kerala	60.98	65.22	66.67	77.78	90.48	69.62
12	Madhya Pradesh	45.37	43.48	66.67	44.44	85.71	53.50
13	Maharashtra	56.10	65.22	77.78	33.33	85.71	62.78
14	Orissa	20.98	21.74	77.78	22.22	4.76	27.17
15	Punjab	10.24	17.39	0.00	22.22	0.00	11.07
16	Rajasthan	11.22	4.35	88.89	33.33	90.48	34.83
17	Sikkim	0.00	13.04	0.00	55.56	90.48	24.59
18	Tamil Nadu	48.29	47.83	88.89	44.44	85.71	58.76
19	Uttar Pradesh	18.54	30.43	100.00	44.44	4.76	35.31
20	Uttarakhand	31.71	30.43	0.00	33.33	0.00	22.52
21	West Bengal	66.34	26.09	100.00	55.56	90.48	61.56
22	Chandigarh	2.44	0.00	0.00	33.33	0.00	5.46
23	Lakshadweep	23.90	26.09	0.00	33.33	100.00	33.33
National Average		31.73	29.11	52.66	36.23	45.96	36.65

positions of all the states along with their values for the dimension of finances, with a horizontal line showing the national average.

It is heartening to note that four states have secured perfect scores in transferring the Twelfth Finance Commission (TFC) grants to panchayats in time as captured in indicator (D_{33}). They are Andhra Pradesh, Gujarat, Uttar Pradesh and West Bengal. Since many other major states are also above the score of 75, it signifies that one of the stipulations of the 12th Finance Commission¹⁷ and the monitoring mechanism of the Ministry worked well in many states. However, instances can be seen from Table 5.3 that many states were reluctant in adhering to the stipulation of the Commission. This brings down the national average just above 50 percent. The same is the case in the adoption of criteria-based allocation of grants (D_{34}) where the national average is only 36.2 percent. Kerala is the only state that secures above 75 percent.

Functionaries

Six sub-sections constitute the section on functionaries in the questionnaire. There are only four indicators as the first two and the last two subsections are clubbed for scoring purposes. All the indicators are assigned equal weights. All questions are objective.

Table 5.4 shows that Karnataka ranks the highest in the dimension of functionaries with a value of 64 followed by Kerala (61.3) and Madhya Pradesh (54.2). Only these three states secure over 50 percent marks. Among the other major states, Tamil Nadu (49.6), West Bengal (46.3) Gujarat (44.6), Maharashtra (44.2), Punjab (40.2) and Haryana (40.2) obtain more than 40 percent values above the national average of 37.4. Uttar Pradesh (23.2), Chhattisgarh (26.3) and Rajasthan (28.0) are states with values well below 30 percent and Bihar (30.3) and Orissa (31.7), with values around 30 percent. Exhibit 5.4 highlights relative positions of all the states along with their values for the dimension of functionaries, with a horizontal line showing the national average.

Only indicator D_{42} , among the four indicators, shows a national average of 75 percent. This indicator shows the formal arrangement

¹⁷ The Twelfth Finance Commission recommended that the states have to pass on the grants within 15 days from receipt from the Union government. The 13th Finance Commission has reemphasized this point and reduced the duration.

Table 5.4: Sub-index for Functionaries

<i>Rank</i>	<i>States/UTs</i>	D_{41}	D_{42}	D_{43}	D_{44}	D_4
1	Andhra Pradesh	18.00	50.00	22.00	53.00	35.83
2	Arunachal Pradesh	0.00	65.00	20.00	0.00	21.25
3	Assam	4.00	0.00	0.00	46.67	12.67
4	Bihar	8.00	90.00	0.00	23.33	30.33
5	Chhattisgarh	16.67	55.00	0.00	33.33	26.25
6	Goa	13.33	90.00	0.00	33.33	34.17
7	Gujarat	23.33	75.00	30.00	50.00	44.58
8	Haryana	6.67	65.99	39.00	50.00	40.17
9	Himachal Pradesh	17.33	90.00	18.00	50.00	43.83
10	Karnataka	65.33	90.00	51.00	50.00	64.08
11	Kerala	36.00	90.00	39.00	80.00	61.25
12	Madhya Pradesh	55.33	55.00	43.00	63.33	54.17
13	Maharashtra	52.67	65.00	29.00	30.00	44.17
14	Orissa	18.67	90.00	18.00	0.00	31.67
15	Punjab	17.33	90.00	30.00	23.33	40.17
16	Rajasthan	5.33	90.00	0.00	16.67	28.00
17	Sikkim	7.33	90.00	0.00	63.33	40.17
18	Tamil Nadu	39.33	90.00	19.00	50.00	49.58
19	Uttar Pradesh	9.33	75.00	5.00	3.33	23.17
20	Uttarakhand	0.00	90.00	0.00	33.33	30.83
21	West Bengal	24.00	90.00	21.00	50.00	46.25
22	Chandigarh	0.00	55.00	10.00	0.00	16.25
23	Lakshadweep	23.33	90.00	15.00	36.67	41.25
National Average		20.06	75.22	17.78	36.52	37.40

most states have adopted in the dismissal of panchayats and their members. Ideally, only the legislative body of the state ought to be authorized to dismiss elected government at the local level. Other indicators related to the accountability of functionaries to panchayats (D_{41}), role of panchayats in parallel bodies (D_{43}), and panchayats' capacity building and basic infrastructure (D_{44}) show low values with two exceptions of Kerala and Karnataka. This proves the need to extensively improve the fiscal capacity of panchayats. The Memorandum of the Ministry of Panchayati Raj to the 13th Finance Commission amply

stresses on the point (Alok 2009). The counterpart of the Ministry in the urban sector also made this point in its respective memorandum.

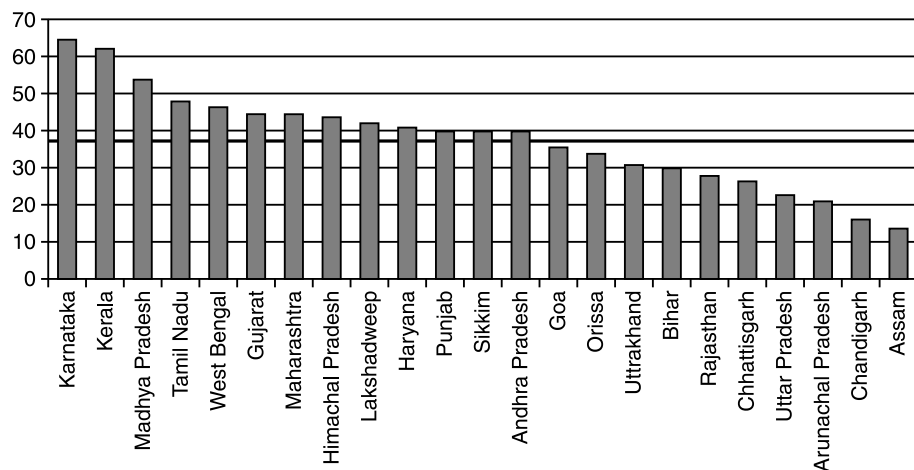


Exhibit 5.4: Functionaries

Composite Devolution Index

Aggregating the four dimensional sub-indices, the composite devolution index is computed for the states/UTs and presented in Table 5.5. Sub-indices on each dimension are also presented alongside. States/UTs are arranged in descending order of the values of the overall devolution index.

Kerala is ranked first with a value close to 75 percent followed by Karnataka (69.5), Tamil Nadu (68.9) and West Bengal (66.5). They all scored values above 65 percent. The scores of Maharashtra and Madhya Pradesh hover around 60 percent, whereas Gujarat and Andhra Pradesh score above 50 percent. It may be noted that Sikkim (a north eastern state) secured scores above the national average of 45. Exhibit 5.5 presents comparative ranks of all the states with their respective values for the composite devolution index, with a horizontal line showing the national average.

It is indeed a sorry state of affairs that the achievement of our states in devolution to panchayats, whether considered in a composite manner, or severally, is less than 50 percent, except in one dimension that is about the observance of constitutionally mandated requirements. Even achievements in the dimension capturing the assignment of functions

Table 5.5: Devolution Index (D) and Sub-indices

<i>Rank</i>	<i>States/UTs</i>	D_1	D_2	D_3	D_4	D
1	Kerala	92.59	80.76	69.62	61.25	74.73
2	Karnataka	90.74	77.95	56.11	64.08	69.45
3	Tamil Nadu	89.63	77.11	58.76	49.58	67.06
4	West Bengal	96.30	70.90	61.56	46.25	66.51
5	Maharashtra	73.52	65.52	62.78	44.17	61.49
6	Madhya Pradesh	74.44	63.52	53.50	54.17	59.78
7	Gujarat	54.44	59.78	51.56	44.58	53.07
8	Andhra Pradesh	70.74	45.01	53.77	35.83	50.10
9	Sikkim	87.04	59.11	24.59	40.17	47.43
10	Himachal Pradesh	88.15	53.89	25.30	43.83	47.01
11	Haryana	51.67	44.66	40.15	40.17	43.23
12	Orissa	67.04	56.76	27.17	31.67	42.93
13	Uttar Pradesh	80.00	42.47	35.31	23.17	41.73
14	Bihar	73.33	53.98	22.69	30.33	41.20
15	Lakshadweep	74.44	28.46	33.33	41.25	39.62
16	Rajasthan	70.37	30.72	34.83	28.00	37.56
17	Goa	64.81	29.78	25.81	34.17	34.52
18	Chhattisgarh	48.70	28.80	37.28	26.25	34.24
19	Punjab	62.41	34.25	11.07	40.17	31.54
20	Uttarakhand	41.67	28.75	22.52	30.83	28.92
21	Assam	63.70	23.08	26.56	12.67	28.31
18	Arunachal Pradesh	46.48	19.71	3.17	21.25	18.25
19	Chandigarh	33.33	23.44	5.46	16.25	17.19
National Average		69.37	47.76	36.65	37.40	45.04

and involvement of panchayats in vertical programmes, falls below any acceptable level.

It can be inferred from a comparative analysis of the dimensions of functions and finances that devolution in the financial domain, in general, falls short of in the functional domain. It is also found that the achievement in all the dimensions except frames (mandatory) is below par. This corroborates the statement made in the Chief Ministers conference 2004 presented in Chapter 2 of the book (Government of India, 2004). It is safe to state that functional devolution needs to be coupled with the concomitant financial devolution at a faster pace to

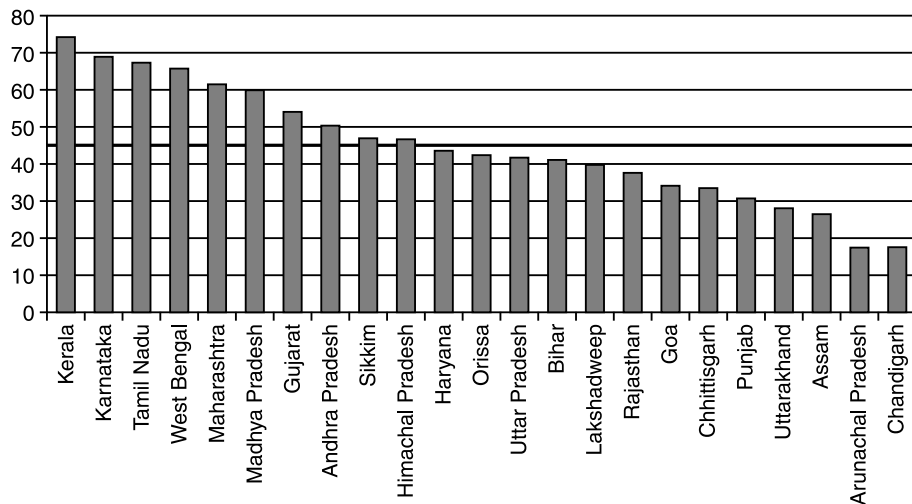


Exhibit 5.5: Overall Devolution Index

enable the panchayats. In fact, panchayats need to be enabled to collect revenues from the small kitty of tax and non-tax own sources.

Ranking of States

From Table 5.6, it is clear that Kerala is ranked at the top in the composite devolution index, as well as in two most important sub-indices of functions and finances. Indicator-wise analysis shows that the state has devolved the maximum in terms of functions/activities for which a detailed activity mapping was carried out. The transparency mechanism of the state is also found the best. The panchayats in the state of Kerala have been found to have good capacity to collect revenues and utilizing the funds. In other words, panchayats in Kerala have been made more autonomous than in other states. Kerala is far ahead in using criteria based objective allocation formulae for panchayats. The state has also developed the best structure for physical infrastructure and capacity building.

Karnataka follows Kerala in the composite devolution index. Karnataka is at the top in the sub-index for functionaries and occupies the second place in functions. Panchayats in Karnataka have the maximum role in vertical schemes. The state has also devolved a good number of functions to panchayats, in that respect the state is second only to Kerala. Panchayats in the state also have an effective role in

Table 5.6: States with Devolution Indices according to Ranks and Values

Rank	D_1		D_2		D_3		D_4		D	
1	West Bengal	96.3	Kerala	80.8	Kerala	69.6	Karnataka	64.1	Kerala	74.7
2	Kerala	92.4	Karnataka	78.0	Maharashtra	62.8	Kerala	61.3	Karnataka	69.5
3	Karnataka	90.7	Tamil Nadu	77.1	West Bengal	61.6	Madhya Pradesh	54.2	Tamil Nadu	67.2
4	Tamil Nadu	89.6	West Bengal	70.9	Tamil Nadu	58.7	Tamil Nadu	49.6	West Bengal	66.5
5	Himachal Pradesh	88.1	Maharashtra	65.5	Karnataka	56.1	West Bengal	46.3	Maharashtra	61.5
6	Sikkim	87.0	Madhya Pradesh	63.5	Andhra Pradesh	53.8	Gujarat	44.6	Madhya Pradesh	59.8
7	Uttar Pradesh	80.0	Gujarat	59.8	Madhya Pradesh	53.5	Maharashtra	44.2	Gujarat	53.1
8	Madhya Pradesh	74.4	Sikkim	59.1	Gujarat	51.6	Himachal Pradesh	43.8	Andhra Pradesh	50.1
9	Lakshadweep	74.4	Orissa	56.8	Haryana	40.2	Lakshadweep	41.3	Sikkim	47.4
10	Maharashtra	73.5	Bihar	54.0	Chhattisgarh	37.3	Punjab	40.2	Himachal Pradesh	47.0
11	Bihar	73.3	Himachal Pradesh	53.9	India	36.7	Haryana	40.2	India	45.0
12	Andhra Pradesh	70.7	India	47.8	Uttar Pradesh	35.3	Sikkim	40.2	Haryana	43.2
13	Rajasthan	70.4	Andhra Pradesh	45.0	Rajasthan	34.8	India	37.4	Orissa	42.9
14	India	69.4	Haryana	44.7	Lakshadweep	33.3	Andhra Pradesh	35.8	Uttar Pradesh	41.7
15	Orissa	67.0	Uttar Pradesh	42.5	Orissa	27.2	Goa	34.2	Bihar	41.2
16	Goa	64.8	Punjab	34.3	Assam	26.6	Orissa	31.7	Lakshadweep	39.6
17	Assam	63.7	Rajasthan	30.7	Goa	25.8	Uttarakhand	30.8	Rajasthan	37.6
18	Punjab	62.4	Goa	29.8	Himachal Pradesh	25.3	Bihar	30.33	Goa	34.5
19	Gujarat	54.4	Chhattisgarh	28.8	Sikkim	24.6	Rajasthan	28.0	Chhattisgarh	34.2
20	Haryana	51.7	Uttarakhand	28.8	Bihar	22.7	Chhattisgarh	26.3	Punjab	31.5
21	Chhattisgarh	48.7	Lakshadweep	28.5	Uttarakhand	22.5	Uttar Pradesh	23.2	Uttarakhand	28.9
22	Arunachal Pradesh	46.5	Chandigarh	23.4	Punjab	11.1	Arunachal Pradesh	21.3	Assam	28.3
23	Uttarakhand	41.7	Assam	23.1	Chandigarh	5.5	Chandigarh	16.3	Arunachal Pradesh	18.3
24	Chandigarh	33.3	Arunachal Pradesh	19.7	Arunachal Pradesh	3.2	Assam	12.7	Chandigarh	17.2

parallel bodies and control over line department functionaries. Interestingly, panchayats in the state enjoy maximum taxing power, and has the best system of fiscal management and monitoring among all states. Kerala follows Karnataka in this respect.

Tamil Nadu is ranked third in the overall devolution index as well as in the sub-index of functions, and occupies fourth place in all other sub-indices. The SFC in Tamil Nadu is found to be effective, second only to Himachal Pradesh. The state government constitutes the commission timely and prepares action taken reports in time. Tamil Nadu substantially involves panchayats in vertical schemes. It is reported that gram sabhas conduct their various roles thoroughly.

West Bengal is ranked fourth in the composite devolution index along with the sub-index of functions, and is ranked first in the sub-index of frames (mandatory), third in that of finances. The state finance commission in West Bengal is found to be as effective as in Tamil Nadu. The state has devolved a good number of tax handles to panchayats. In this connection, the state is second only to Karnataka. The state has a robust fund flow management system, and did not default in even a single instalment of Twelfth Finance Commission grant to panchayats. The state shares this position with Andhra Pradesh, Gujarat and Uttar Pradesh.

Maharashtra occupies the fifth place in the overall devolution index and the sub-index of functions. However, the state is second to only Kerala in the most important sub-index of finances. Panchayats in the state utilize funds adequately and shares the top slot with their counterparts in Kerala, insofar as the indicator related with fund utilization is concerned. The provisions related to *gram sabhas* in the state are considered far better than in many other states. The functioning of panchayats in the state is considered transparent and ranked second only to Kerala.

Madhya Pradesh is ranked sixth in the overall index and sub-index of functions. The state scored high and ranked third in the sub-index of functionaries. It seems the state attaches utmost importance to panchayats having a role in parallel bodies involved in development activities. The state is ranked second only to Karnataka in this indicator. The panchayat related fiscal management and monitoring mechanism in the state is found good. The state is behind only to Kerala and Karnataka in this indicator. Functionaries at the local level are accountable to panchayats

in Madhya Pradesh. In this indicator, the state is second only to Karnataka. Similarly, the state is second to Karnataka in the indicator related to the role of panchayats in parallel bodies.

This analysis suggests that various states have moved with a differential pace vis-à-vis one another and have not observed changes in different dimensions in a concomitant manner. It is further observed that no state has secured the same rank in all dimensions, but it also shows that high ranking states have shown a remarkable congruity in most of the indicators of devolution.

It is clear from the study that though panchayats are evolving, states have to go a long way in the devolution of functions, finances and functionaries to enable them as institutions of self-government.

APPENDIX 5.1

Assessment of Accountability

Raw scores obtained by the states are first standardized and normalized so that they are in intervals of [0, 1]. Using formula 2 as given in the Appendix 4.1 of Chapter 4, the values of accountability index are computed for the states (see following table).

Table 5A.1: Accountability Index

Rank	States	Value	Rank	States	Value
1	Maharashtra	68.32	12	Rajasthan	42.56
2	Kerala	66.81	13	Orissa	40.75
3	Karnataka	62.52	14	Gujarat	40.63
4	Tamil Nadu	59.79	15	Lakshadweep	40.09
5	Madhya Pradesh	59.41	16	Uttar Pradesh	39.24
6	Haryana	55.64	17	Chhattisgarh	36.58
7	West Bengal	54.41	18	Assam	34.02
8	Andhra Pradesh	52.04	19	Bihar	31.71
9	Himachal Pradesh	47.42	20	Punjab	28.58
10	Sikkim	47.10	21	Uttarakhand	27.62
11	Goa	43.60	22	Arunachal Pradesh	24.84
			23	Chandigarh	22.98
National Average					44.64

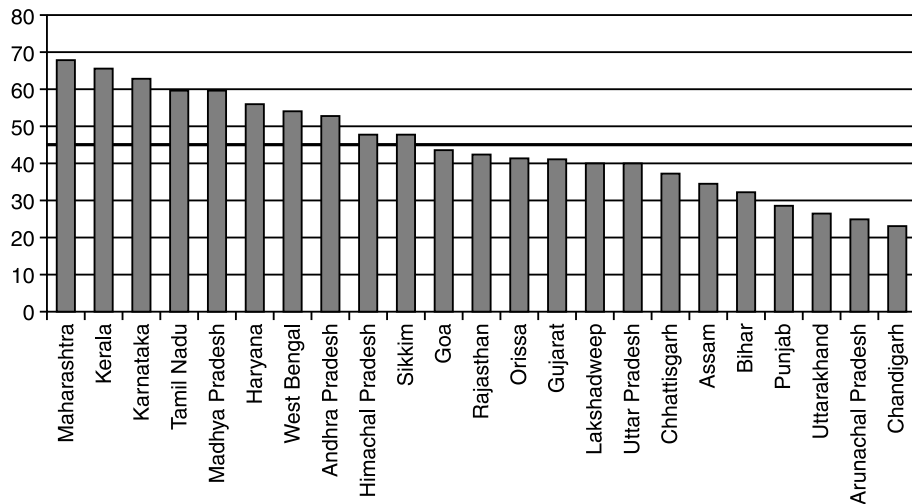


Exhibit: Ranking of States by the Accountability Index

It can be seen from the table that ten states secured better values than the national average. Maharashtra occupies the first slot followed by Kerala, Karnataka, Tamil Nadu and Madhya Pradesh. The next five places go to Haryana, West Bengal, Andhra Pradesh, Himachal Pradesh and Sikkim.

Annexes

ANNEX 1: SCORING SCHEME

Annex Table 1.1: D₁: Frames (Mandatory)

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
D₁ – Frames (Mandatory)				
<i>I A: Elections conducted post 73rd Amendment 1992</i>				
Is the State Election Commission in place for conducting Panchayat Elections?	Qualifying			
Whether, provision for removal of the SEC is same as that of a Judge of High Court?	Yes = 5			
	No = 0			
General elections conducted by SEC post 73rd Amendment – for newly created states, elections of parent state before the formation of new states will be counted	1st Election = 5			
	2nd Election = 8			
	3rd Election = 10			
Holding Regular Elections	Qualifying			
Gap between two general elections	Gap > 5 & ½ yrs, ≤ 6 yrs – score = (-)1			
	Gap > 6 yrs, ≤ 6 & ½ yrs – score = (-)2			
	Gap > 6 & ½ yrs – score = (-)3			
<i>I B: Dissolutions and Bye Elections</i>				
Total number of Panchayats dissolved (prematurely) in four years as percentage of the total number of Panchayats in state	No dissolution, score = 0			
	Dissolution ≤ 1%, score = (-)1			
	Dissolution ≤ 2%, score = (-)2			
	Dissolution ≤ 3%, score = (-)3			

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
	Dissolution \leq 4%, score = (-)4			
	Dissolution $>$ 4%, score = (-)5			
Total number of Panchayats for which election not conducted in the same period as percentage of total number of above dissolutions	Elections not conducted \leq 5% – score = (-)1			
	\leq 10% – score = (-)2			
	\leq 15% – score = (-)3			
	\leq 20% – score = (-)4			
	$>$ 20% – score = (-)5			
Whether there is provision of reasonable opportunity of Panchayat's view being heard at the time of premature dissolution of Panchayats	Yes = 5			
	No = 0			
D₁₁ – Election Matters	Maximum Score = 20 = equivalent to 5% weight	0.05	20	5
<i>I C: State Finance Commission (SFC)</i>				
Establishing State Finance Commission	Qualifying			
Whether qualifications and manner of selection of members of SFC are prescribed in the Act/Rules	Yes = 5			
	No = 0			
SFC Constituted – (for newly created states, SFC constituted in parent state before the formation of new states will be counted)	1st SFC = 5			
	2nd SFC = 8			
	3rd SFC = 10			
Gap is more than 5 year in the constitution of two SFCs	Gap $>$ 5 & $\frac{1}{2}$ yrs, \leq 6 yrs – score = (-)1			

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
	Gap > 6 yrs, ≤ 6 & ½ yrs – score = (-)2			
	Gap > 6 & ½ yrs – score = (-)3			
Submission of report by the SFCs from the date of constitution	> 2 yrs, ≤ 3 yrs – score = (-)1			
	> 3 yrs, ≤ 4 yrs – score = (-)2			
	> 4 yrs – score = (-)3			
ATR laid before the Legislature from the date of submission of report by SFC	> 6 months, ≤ 1 year – score = (-)1			
	> 1year, ≤ 1 & ½ year – score = (-)2			
	> 1 & ½ year – score = (-)3			
Most important recommendations of SFC accepted	Subjective evaluation, score in a scale of 5 to 0			
D₁₂ – State Finance Commission (SFC)	Maximum Score = 20 = equivalent to 5% weight	0.05	20	2
<i>I D: Constitution and Function of District Planning Committee (DPC)</i>				
Setting up of District Planning Committees	Qualifying			
Whether notification/order for DPC is issued by State Government	Yes = 5			
	No = 0			
Whether DPCs is actually functional, e.g. holding meetings for planning purposes; integrating grass root rural and urban plans to District Plans	Yes = 5			
	No = 0			

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
Whether Chairperson of DPC is an elected representative of Panchayats/Municipal bodies	Elected representative of Panchayats/Municipal bodies – score = 5			
	Other elected representative – score = 3			
	Professional Expert – score = 2			
	Government Executive – score = 0			
Number of DPCs submitted integrated plan to state government in 2008-09 as percentage of the total number of districts of the state	No Plan– score = 0			
	≤ 25% – score = 1			
	> 25%, ≤ 40% – score = 2			
	> 40%, ≤ 60% – score = 3			
	> 60%, ≤ 80% – score = 4			
	> 80% – score = 5			
D₁₃ – District Planning Committee (DPC)	Maximum Score = 20 = equivalent to 5% weight	0.05	20	0
	Total Weight = 15%	0.15		

Annex Table 1.2: D₂: Functions

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
D₂ – Functions				
D₂₁ – II A: Functions Assigned to Panchayats and Actual Involvement Status of Panchayats	Sum of score as per separate table = 250 = equivalent to 15% weight	0.15	250	50
D₂₂ – II B: Actual Involvement Status of Panchayats in Important Schemes	Sum of score as per separate table = 100 = equivalent to 5% weight	0.05	100	20
II C: Functions of Gram Sabha				
Whether minutes of the meetings of Gram Sabhas are prepared	Yes = 3			
	No = 0			
Whether minutes of the meetings of Gram Sabhas are available to public	Yes = 2			
	No = 0			
Average number of Meetings per Gram Sabha in the year 2008-9	≤ 12 – score = 5			
	≤ 8, < 12 – score = 4			
	≤ 5, < 8 – score = 3			
	≤ 3, < 5 – score = 2			
	< 3 – score = 1			
	No meeting – score = 0			
Whether it approves Plan	Yes = 2			
	No = 0			
Whether it approves UC	Yes = 2			
	No = 0			
Whether it approves Beneficiary List	≤ two beneficiary list, score = 2			
	One beneficiary list, score = 1			
	No = 0			

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
Whether it does Social Audit	Yes = 2			
	No = 0			
Any Other Work done by Gram Sabha	Yes = 2			
	No = 0			
D₂₃ – Functions of Gram Sabha	Maximum Score = 20 = equivalent to 5% weight	0.05	20	2
<i>II D: Transparency in Panchayats</i>				
Whether Panchayats provide information under RTI Act	Yes = 5			
	No = 0			
Who is the 2nd Appellate Authority under RTI Act	State RTI Commission, Score = 5			
	Other State Level Authority, Score = 3			
	Regional/District Level Authority = 1			
Whether details of different Schemes are displayed in Panchayat Building/other Public Places	Yes = 5			
	No = 0			
Mechanism to deal with Corruption in Panchayats	Subjective evaluation, score in a scale of 5 to 0			
Whether there is an institution of Ombudsman for Panchayats				
D₂₄ – Transparency in Panchayats	Maximum Score = 20 = equivalent to 5% weight	0.05	20	1
	Total Weight	0.3		

Annex Table 1.3: D₃: Finances

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
D₃ – Finances				
D₃₁ – IIIA: Empowerment of Panchayats to Impose and Collect Revenue	Sum of score as per separate table = 225 = equivalent to 10% weight	0.1	225	20
III B: Fund Available with Panchayats				
Panchayats Own Revenue as percentage of sum of Panchayats Own Revenue and State’s Own Revenue	≥ 2.5%, score = 10			
	≥ 2%, score = 8			
	≥ 1.5%, score = 6			
	≥ 1%, score = 4			
	≥ 0.5%, score = 2			
	> 0 & < 0.5%, score = 1			
	Nil, score = 0			
Total Revenue of Panchayats as percentage of total Revenue of the State	≥ 25%, score = 10			
	≥ 20%, score = 9			
	≥ 15%, score = 8			
	≥ 10%, score = 7			
	≥ 5%, score = 6			
	≥ 4%, score = 5			
	≥ 3%, score = 4			
	≥ 2%, score = 3			
	≥ 1%, score = 2			
	> 0 & < 1%, score = 1			
Nil, score = 0				

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
<i>III C: Panchayat Nidhi/Fund Receipt & Expenditure</i>				
Utilization/Expenditure as percentage of the total Fund available (Average of 2007-09)	≥ 95%, score = 5			
	≥ 90%, score = 4			
	≥ 85%, score = 3			
	≥ 80%, score = 2			
	< 80%, score = 1			
D₃₂ – Fund Available and Utilization	Maximum Score = 25 = equivalent to 10% weight	0.1	25	2
<i>III D: Timely Release of Twelfth Finance Commission (TFC) Grants to the Panchayats</i>				
Number of release of grants on time (within 15 days) as percentage of total number of grants received from TFC during 2005-06 and 2009-10	100% on time, score = 10			
	≥ 90%, score = 9			
	≥ 80%, score = 8			
	≥ 70%, score = 7			
	≥ 60%, score = 6			
	≥ 50%, score = 5			
	≥ 40%, score = 4			
	≥ 30%, score = 3			
	≥ 20%, score = 2			
< 20%, score = 1				
D₃₃ – Timely Release of Twelfth Finance Commission (TFC) Grants to the Panchayats	Maximum Score = 10 = equivalent to 5% weight	0.05	10	1
<i>III E: Criteria of Allocation of Grants to the Panchayats</i>				
Standardized Formulae for Allocation of TFC/SFC and other Grants to Panchayats	Subjective evaluation, score in a scale of 10 to 0.			

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
D₃₄ – Criteria of Allocation of Fund to the Panchayats	Maximum Score = 10 = equivalent to 5% weight	0.05	10	1
<i>III F: System of Fiscal Management, Monitoring and Evaluation</i>				
Whether there is a Panchayat window/Head in the budget of development departments	Yes = 5			
	No = 0			
If Yes, whether such funds are finally transferred to and spent by Panchayats	Yes = 5			
	No = 0			
Whether Budget & Account format for Panchayats as prescribed by C&AG is followed	C&AG format followed, score = 5			
	Standardized State Format, score = 4			
	No standardized format, score = 2			
Number of Panchayats audited during one (latest available) financial year as percentage of the total number of Panchayats (all tiers taken together)	≥ 95%, score = 10			
	≥ 90%, score = 9			
	≥ 85%, score = 8			
	≥ 80%, score = 7			
	≥ 75%, score = 6			
	≥ 70%, score = 5			
	≥ 65%, score = 4			
	≥ 60%, score = 3			
< 60%, score = 2				
D₃₅ – System of Fiscal Management, Monitoring and Evaluation	Maximum Score = 25 = equivalent to 5% weight	0.05	25	4
	Total Weight	0.35		

Annex Table 1.4: D₄: Functionaries

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
D₄ : Functionaries				
<i>IV A: Functionary-wise Accountability to the three tiers of Panchayats</i>	Sum of score as per separate table = 150			
<i>IV B: Panchayat's Own Officials</i>				
Whether there is State Panchayat Service	Yes = 25			
	No = 0			
Actual number of employees as percentage of the total sanctioned strength	≥ 95%, score = 25			
	≥ 90%, score = 20			
	≥ 85%, score = 15			
	≥ 80%, score = 10			
	≥ 75%, score = 5			
	< 75%, score = 0			
D₄₁ – Functionary Control	Maximum Score = 200 = equivalent to 5% weight	0.05	200	50
<i>IV C: Power to Dissolve/Dismiss</i>				
Dismissal/Dissolution of Gram Panchayats (lowest level)	Legislature Committee, score = 10			
	State Government, score = 8			
	Divisional Commissioner, score = 5			
	District Magistrate, score = 3			
	Lower than District Magistrate, score = 0			

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
Dismissal of Representatives of Gram Panchayats (lowest level)	State Government, score = 10			
	District Panchayat Chairman, score = 9			
	Divisional Commissioner, score = 8			
	District Magistrate, score = 7			
	Sub-Divisional Magistrate, score = 3			
	Lower than Sub- Divisional Magistrate, score = 0			
D₄₂- Power to Dissolve/Dismiss	Maximum Score = 20 = equivalent to 5% weight	0.05	20	0
D₄₃ - IV D: Control of Elected Representatives of Panchayats in Parallel Bodies/Institutions	Sum of score as per separate table = 100 = equivalent to 5% weight	0.05	100	0
<i>IV E: Capacity Building of Functionaries</i>				
Number of representatives of all levels undergone training for ≥ 5 days as percentage of total number of representatives	$\geq 95\%$, score = 10			
	$\geq 90\%$, score = 9			
	$\geq 85\%$, score = 8			
	$\geq 80\%$, score = 7			
	$\geq 75\%$, score = 6			
	$\geq 70\%$, score = 5			
	$\geq 65\%$, score = 4			
	$\geq 60\%$, score = 3			
	$\geq 55\%$, score = 2			
	$\geq 50\%$, score = 1			
$< 50\%$, score = 0				

<i>Variable</i>	<i>Score Matrix</i>	<i>Weight</i>	<i>Maximum Score</i>	<i>Minimum Score</i>
Number of representatives of all levels undergone training for < 5 days as percentage of total number of representatives	≥ 95%, score = 5			
	≥ 90%, score = 4			
	≥ 85%, score = 3			
	≥ 80%, score = 2			
	≥ 75%, score = 1			
	< 75%, score = 0			
<i>IV F: Infrastructure for efficient & effective management of Panchayats</i>				
Number of Gram Panchayats having own building as percentage of the total number of Gram Panchayats	≥ 90%, score = 5			
	≥ 80%, score = 4			
	≥ 70%, score = 3			
	≥ 60%, score = 2			
	≥ 50%, score = 1			
	< 50%, score = 0			
Number of Gram Panchayats having two sets of Tables and Chairs as percentage of the total number of Gram Panchayats	≥ 90%, score = 5			
	≥ 80%, score = 4			
	≥ 70%, score = 3			
	≥ 60%, score = 2			
	≥ 50%, score = 1			
	< 50%, score = 0			
Number of Panchayats of all levels having Computers as percentage of the total number of Panchayats	≥ 50%, score = 5			
	≥ 40%, score = 4			
	≥ 30%, score = 3			
	≥ 20%, score = 2			
	≥ 10%, score = 1			
	< 10%, score = 0			
D₄₄ – Capacity Building, Basic Infrastructure and Capability	Maximum Score = 30 = equivalent to 5% weight	0.05	30	0
	Total Weight	0.2		

ANNEX 2 – SCORING SHEET

Annex Table 2.1: Functions Assigned to Panchayats and Actual Involvement Status of Panchayats

<i>Functions</i>	<i>Delegated by Legislature</i>	<i>Executive Order Issued</i>	<i>Activity Mapping Done</i>	<i>Panchayats Actually Undertaking</i>				<i>Total Score</i>
				<i>Plan-ning</i>	<i>Imple-menting</i>	<i>Spend Funds</i>	<i>Moni-toring</i>	
Drinking Water, Water Supply for Domestic Purpose	2	1	2	1	1	2	1	10
Water Supply for Agriculture Purpose, Minor Irrigation, Water Management	1	–	1	1	1	1	–	5
Water Supply for Commercial and Industrial Purpose	1	–	1	1	1	1	–	5
Watershed Development	1	–	1	1	1	1	–	5
Agriculture and Agricultural Extension Land Improvement	1	–	1	1	1	1	–	5
Implementation of Land Reforms, Land Consolidation	1	–	1	1	1	1	–	5
Soil Conservation	1	–	1	1	1	1	–	5
Animal Husbandry, Dairying, Poultry, Fisheries	1	–	1	1	1	1	–	5
Social Forestry, Farm Forestry, Minor Forest Produce	1	–	1	1	1	1	–	5
Poverty Alleviation Programme	2	1	2	1	1	2	1	10
Family Welfare	2	1	2	1	1	2	1	10
Women & Child Development	2	1	2	1	1	2	1	10

<i>Functions</i>	<i>Delegated by Legislature</i>	<i>Executive Order Issued</i>	<i>Activity Mapping Done</i>	<i>Panchayats Actually Undertaking</i>				<i>Total Score</i>
				<i>Plan-ning</i>	<i>Imple-menting</i>	<i>Spend Funds</i>	<i>Moni-toring</i>	
Social Welfare, Welfare of Handicapped & Mentally Retarded Welfare of the Weaker Sections, and in Particular, of the Scheduled Castes & the Scheduled Tribes	1	–	1	1	1	1	–	5
Public Distribution System	2	1	2	1	1	2	1	10
Vital Statistics Including Registration of Births and Deaths	1	–	1	1	1	1	–	5
Roads	2	1	2	1	1	2	1	10
Culverts, Bridges, Ferries, Waterways, Other Means of Transportation	1	–	1	1	1	1	–	5
Building Control, Land Use and Building Regulation	1	–	1	1	1	1	–	5
Maintenance of Community Assets	1	–	1	1	1	1	–	5
Elementary Education	2	1	2	1	1	2	1	10
Adult and Non-formal Education	1	–	1	1	1	1	–	5
Secondary Schools, Technical Training and Vocational Education	1	–	1	1	1	1	–	5
Libraries, Promotion of Cultural, Educational and Aesthetic Aspects	1	–	1	1	1	1	–	5
Street Lighting, Parking Lots, Bus Stops	2	1	2	1	1	2	1	10

<i>Functions</i>	<i>Delegated by Legislature</i>	<i>Executive Order Issued</i>	<i>Activity Mapping Done</i>	<i>Panchayats Actually Undertaking</i>				<i>Total Score</i>
				<i>Plan-ning</i>	<i>Imple-menting</i>	<i>Spend Funds</i>	<i>Moni-toring</i>	
Social Welfare, Welfare of Handicapped & Mentally Retarded Welfare of the Weaker Sections, and in Particular, of the Scheduled Castes & the Scheduled Tribes	1	–	1	1	1	1	–	5
Public Distribution System	2	1	2	1	1	2	1	10
Vital Statistics Including Registration of Births and Deaths	1	–	1	1	1	1	–	5
Roads	2	1	2	1	1	2	1	10
Culverts, Bridges, Ferries, Waterways, Other Means of Transportation	1	–	1	1	1	1	–	5
Building Control, Land Use and Building Regulation	1	–	1	1	1	1	–	5
Maintenance of Community Assets	1	–	1	1	1	1	–	5
Elementary Education	2	1	2	1	1	2	1	10
Adult and Non-formal Education	1	–	1	1	1	1	–	5
Secondary Schools, Technical Training and Vocational Education	1	–	1	1	1	1	–	5
Libraries, Promotion of Cultural, Educational and Aesthetic Aspects	1	–	1	1	1	1	–	5
Street Lighting, Parking Lots, Bus Stops	2	1	2	1	1	2	1	10

Annex Table 2.2: Actual Involvement Status of Panchayats in Important Schemes

<i>Central Government Schemes</i>	<i>Panchayats Actually Undertaking</i>					<i>Total Score</i>
	<i>Select Beneficiary</i>	<i>Plan-ning</i>	<i>Imple-menting</i>	<i>Spend Funds</i>	<i>Moni-toring</i>	
National Horticulture Mission	1	1	1	1	1	5
Macro Management of Agriculture (MMA) Scheme	1	1	1	1	1	5
Micro Irrigation	1	1	1	1	1	5
Accelerated Rural Water Supply Programme (ARWS)	–	1	1	2	1	5
Central Rural Sanitation Programme (CRSP)	1	1	1	1	1	5
National Programme of Nutritional Support to Primary Education (MDM)	–	1	1	2	1	5
Sarva Shiksha Abhiyan	1	1	1	1	1	5
National Rural Health Mission (NRHM)	1	1	1	1	1	5
Integrated Watershed Management Programme (DPAP, DDP & IWDP)	–	1	1	2	1	5
National Rural Employment Guarantee Programme (NREGA)	2	2	2	2	2	10
Rural Housing//IAY	2	2	2	2	2	10
SGSY	2	2	2	2	2	10
Pradhan Mantri Gram Sadak Yojana (PMGSY)		2	2	4	2	10
Integrated Child Development Services (ICDS)	1	1	1	1	1	5
State Government Schemes						
Others, Score = 10						10
Total Score						100
Total Maximum Score of 100 is equivalent to 5% weight						

Annex Table 2.3: III A: Empowerment of Panchayats to Impose and Collect revenues

<i>Name of Revenues</i>	<i>Collected by State agencies on behalf of</i>	<i>Panchayats Actually</i>		<i>Total Score</i>
		<i>Empowered to Collect</i>	<i>Actually Collecting</i>	
House or property tax	6	10	10	20
Surcharge on house or property tax	3	5	5	10
Tax on agriculture land for specific purpose	3	5	5	10
Cess on land revenue or surcharge	3	5	5	10
Surcharge on additional stamp duty	3	5	5	10
Tax on professions, trades, calling, and so forth	3	5	5	10
Octroi	1	3	2	5
Entertainment tax	3	5	5	10
Pilgrim tax or fees	1	3	2	5
Tax on advertisements	3	5	5	10
Education cess	1	3	2	5
Tolls	3	5	5	10
Tax on sale of firewood and slaughter houses	1	3	2	5
Tax on goods sold in a market, haat, fair, and so forth	1	3	2	5
Tax on shops and services	1	3	2	5
Vehicle tax	3	5	5	10
Animal tax	1	3	2	5
Conservancy rate	3	5	5	10
Lighting rate	3	5	5	10
Water rate	3	5	5	10
Drainage rate	3	5	5	10
Special tax for community civic services or works	1	3	2	5
Surcharge on any tax imposed by Gram panchayat	1	3	2	5
Others State Specific				30
Total Score				225
Total Maximum Score of 225 is equivalent to 10% weight				

Annex Table 2.4: IV A: Functionary-wise Accountability for the Three Tiers of Panchayats

	<i>Panchayats Control</i>				<i>Total Score</i>
	<i>Appoint-ment</i>	<i>Transfer</i>	<i>Disciplinary Matter</i>	<i>Others</i>	
Primary School Teacher	4	3	2	1	10
Secondary School Teacher	4	3	2	1	10
High School Teacher	4	3	2	1	10
Para Teachers	4	3	2	1	10
CDPO or equivalent in ICDS	4	3	2	1	10
Angan Wadi Worker (AWW)	4	3	2	1	10
Medical/Veterinary Officer (MO/VO)	4	3	2	1	10
Primary Health Worker	4	3	2	1	10
Accredited Social Health Activist (ASHA)	4	3	2	1	10
Agriculture Extension Officer (AEO)	4	3	2	1	10
Agriculture Extension Worker (AEW)	4	3	2	1	10
Block Development Officer	4	3	2	1	10
Village Level Worker (VLW)	4	3	2	1	10
Best score of 15 officials will be considered irrespective of the designations in our list or state specific designation					
Total					150

Annex Table 2.5: IV D: Control of Elected Representatives of Panchayats in Parallel Bodies/Institutions

<i>Status/Parallel Bodies</i>	<i>DRDA</i>	<i>District Unit of Water & Sanitary Mission</i>	<i>District Unit of NRHM</i>	<i>District Unit of SSA Mission</i>	<i>Other</i>	<i>Total Score</i>
Parallel body merged with Panchayat Institution	10	5	5	5		
Parallel body made an unit of Panchayat Institution	8	4	4	4		
Function of parallel body limited to Fund/ accounts Management	7	3	3	3		
Parallel Body remains separate, but under the control of Panchayat Institutions	3	2	2	2		
Parallel Body remains separate and not under the control of Panchayat Institutions	1	–	–	–		
Parallel body is Presided/ Chaired by Elected Representatives of Panchayats	5	3	3	3		
Elected Representatives of Panchayats are represented in Board of the body	5	2	2	2		
Total Score	20	10	10	10		100
One of the other parallel bodies may be ITDA. Score for other State specific bodies is kept at 50. Score will be given in only one of the first five rows, limiting maximum to 10/5. Scores will be given both of the last two rows.						

<i>Acronym</i>	<i>Expansion</i>
CRSP	Central Rural Sanitation Programme
DDP	Desert Development Programme
DP	District Plan
DPAP	Drought Prone Area Programme
DPC	District Planning Committee
DRDA	District Rural Development Agency
FY	Financial Year
IAY	Indira Awas Yojana
ICDS	Integrated Child Development Scheme
ITDA	Integrated Tribal Development Agency
IWDP	Integrated Wasteland Development Programme
MDM	Mid Day Meal Programme
MIS	Management of Information System
MMA	Macro Management of Agriculture
MO	Medical Officers
NREGA	National Rural Employment Guarantee Act
NRHM	National Rural Health Mission
PHC	Primary Health Center
PMGSY	Pradhan Mantri Gram Sadak Yojana
RTI	Right to Information Act
SEC	State Election Commission
SFC	State Finance Commission
SGSY	Swarna Jayanti Gram Swarajgar Yojana
Sl. No.	Serial Number
SSA	Sarva Siksha Abhiyan
UC	Utilisation Certificate
VLW	Village Level Worker
VO	Veterinary Officers

Documents Sought

Please send the following reports/documents/any other relevant material and questionnaire duly filled in to Dr V.N. Alok, The Indian Institute of Public Administration, IP Estate, New Delhi, 110002.

106 PANCHAYATS IN INDIA

<i>Sl. No.</i>	<i>Documents</i>	<i>Whether such Act/ Document Made</i>	<i>Year of Publication/ Enactment/ Order</i>	<i>Sending All Documents</i>	
				<i>Yes</i>	<i>Some</i>
1	Panchayat Act of State				
2	Amendments on State Panchayat Act				
3	Enactment/notification on SFC				
4	Amendment on SFC				
5	Report of SFCs				
6	ATR on report of SFCs				
7	Office orders on the ATRs				
8	Act on SEC				
9	Amendments on SEC				
10	Circulars on and by SEC				
11	Election Notification by SEC				
12	Act on DPC				
13	Amendment on DPC				
14	Circulars on DPC				
15	Annual Report on Panchayats for the year 2008-09				
16	Any other (please specify)				

Section I: Frames (Mandatory)***I A: Elections conducted post 73rd Amendment 1992***

Please fill up the boxes as per the questions in respective rows.	Please Tick, if answer is “Yes”
Is the State Election Commission in place for conducting Panchayat Elections.	
Whether, provision for removal of the SEC is same as that of a Judge of High Court?	

<i>Sl. No.</i>	<i>Constitutional Obligation</i>	<i>Gram Panchayat</i>	<i>Intermediate Panchayat</i>	<i>District Panchayat</i>
1	Please write here the name of each level of Panchayat as mentioned in State Act			
2	Number of Panchayats at each level			
3	Number of representatives for the entire state at each level of Panchayats			
4	General elections conducted by SEC (Please mention Month/Year)			
	1st Election			
	2nd Election			
	3rd Election			
	4th Election			
Please mention reasons if the gap between two general elections is more than 5 years.				

I B: Dissolutions and Bye Elections

Please give numbers in the following table.

<i>Constitutional Obligation</i>	<i>Gram Panchayat</i>				<i>Intermediate Panchayat</i>				<i>District Panchayat</i>			
	2005-6	2006-7	2007-8	2008-9	2005-6	2006-7	2007-8	2008-9	2005-6	2006-7	2007-8	2008-9
Number of Panchayats dissolved before the completion of five year terms since 1st April 2005												
Of which, the number of bye elections conducted within 6 months												
Please state the broad reasons of dissolutions and for not conducting bye elections, if any.												
Whether there is provision of reasonable opportunity of Panchayat's view being heard at the time of premature dissolution of Panchayats.												

I C: State Finance Commission (SFC)

Please fill up the boxes as per the questions in respective rows.	Please Tick, if answer is “Yes”
Whether qualifications and manner of selection of members of SFC are prescribed in the Act/Rules	

	<i>SFC Constituted for the Period</i>	<i>MM/YY of Formation</i>	<i>MM/YY of Submission of Report</i>	<i>MM/YY of ATR Laid Before the Legislature</i>
1st SFC				
2nd SFC				
3rd SFC				
4th SFC				

Please state the reasons, if the gap is more than 5 year in the constitution of two SFCs, if there is substantial delay in submission of report by the SFCs or there is substantial delay in laying of the same in the Legislature.

Please list 5 most important recommendations of last SFC on which ATR is laid before the legislature. Also illustrate the ATR on those recommendations. Please state, if major recommendations have been accepted, e.g. Resource Sharing, Assignment of Tax Proceeds, and Grants. State the amount actually transferred as per the recommendations of the SFC in last three financial years, i.e. 2006-07, 2007-08 and 2008-09.

I D: Constitution and Function of District Planning Committee (DPC)

Please tick if the answer is “Yes” in question no. 1 to 3. Please mention numbers in question no. 4 and 5.

<i>Sl. No.</i>	<i>Questions</i>	<i>Responses</i>
1	Whether notification/order for DPC is issued by State Government	
2	Whether DPCs is actually functional, e.g. holding meetings for planning purposes; integrating grass root rural and urban plans to District Plans	
3	Whether Chairperson of DPC is an elected representative of Panchayats/Municipal bodies	
4	How many DPCs submitted integrated plan to state government in 2008-09	
5	How many DPCs have submitted integrated plan to state government in 2009-10 till date	
<p>Please write the composition of DPC. Please mention, from which background nominated members are taken. What is the ratio of elected representatives of Panchayats and Municipalities in the total membership of DPC.</p>		

Section II: Functions

II A: Functions Assigned to Panchayats and Actual Involvement Status of Panchayats

Please tick the appropriate box, if answer is “Yes”. Add other important functions but not the revenue collecting functions in this table at the end.

Sl. No.	Functions	Delegated by Legislature	Executive Order Issue	Activity Mapping Done	Panchayats Actually Undertaking											
					Gram Panchayats				Intermediate Panchayats				District Panchayats			
					Plan-ning	Imple-menting	Send Funds	Moni-toring	Plan-ning	Imple-menting	Send Funds	Moni-toring	Plan-ning	Imple-menting	Send Funds	Moni-toring
1	Drinking Water, Water Supply for Domestic Purpose															
2	Water supply for Agriculture Purpose, Minor Irrigation, Water Management															
3	Water supply for Commercial and Industrial Purpose															
4	Watershed Development															
5	Agriculture & Agricultural Extension															
6	Land Improvement															
7	Implementation of Land Reforms															
8	Land Consolidation															
9	Soil Conservation															
10	Animal Husbandry															
11	Dairying															
12	Poultry															
13	Fisheries															
14	Social Forestry															
15	Farm Forestry															
16	Minor Forest Produce															
17	Poverty Alleviation Programme															

Sl. No.	Functions	Delegated by Legislature	Executive Order Issue	Activity Mapping Done	Panchayats Actually Undertaking											
					Gram Panchayats				Intermediate Panchayats				District Panchayats			
					Plan-ning	Imple-menting	Send Funds	Moni-toring	Plan-ning	Imple-menting	Send Funds	Moni-toring	Plan-ning	Imple-menting	Send Funds	Moni-toring
38	Promotion of Cultural, Educational and Aesthetic Aspects															
39	Street Lighting, Parking Lots, Bus Stops															
40	Public Conveniences															
41	Parks, Gardens, Playgrounds (Civic Amenities)															
42	Market and Fairs															
43	Cremation and Burial															
44	Public Safety (Noxious Vegetation, Pests & Vermins)															
45	Slum Improvement and Upgradation															
46	Public Health (PHCs, CHCs)															
47	Sanitation & Solid Waste Management															
48	Regulation of Slaughter Houses															
49	Prevention of Cruelty to Animals															
50	Fire Services															
51	Small Scale Industries															
52	Food Processing Industry															
53	Khadi, Gram and Cottage Industry															
54	Rural Housing															
55	Rural Electrification and Distribution															
56	Non-conventional Energy															
57	Others-Please Specify															

Sl. No.	Important Central Government Schemes	Actually Undertaking												
		Gram Panchayats					Intermediate Panchayats				District Panchayats			
		Select Beneficiary	Plan-ning	Imple-menting	Spend Funds	Moni-toring	Plan-ning	Imple-menting	Spend Funds	Moni-toring	Plan-ning	Imple-menting	Spend Funds	Moni-toring
10	National Rural Employment Guarantee Programme (NREGA)													
11	Rural Housing/IAY													
12	SGSY													
13	Pradhan Mantri Gram Sadak Yojana (PMGSY)													
14	Integrated Child Development Services (ICDS)													
	<i>State Government Schemes</i>													
15	Pension Schemes													
16														
17														

II D: Transparency of Panchayats

Please mention the designation against the question starting with 'Who'.
In case of others, please tick if answer is "Yes".

	<i>Gram Panchayat</i>	<i>Intermediate Panchayat</i>	<i>District Panchayat</i>
Whether Panchayats provide information under RTI Act			
Who is the Information Officer under RTI Act			
Who is the 1st Appellate Authority under RTI Act			
Who is the 2nd Appellate Authority under RTI Act			
Whether details of different Schemes are displayed in Panchayat Building/ other Public Places			
Please write a brief note on the mechanism to deal with Corruption in Panchayats at each level.			

Please fill up the boxes as per the questions in respective rows.	Please Tick, if answer is "Yes"
Whether there is an institution of Ombudsman for Panchayats	

Section III: Finances

III A: Empowerment of Panchayats to Impose and Collect Revenues (Taxes/Fee/Duties/Cess/Toll/Rent, etc.)

Please tick appropriate boxes, if Panchayats are empowered and/or actually collecting taxes. Please name any other important Panchayat revenue not in the table.

<i>Sl. No.</i>	<i>Name of Revenues</i>	<i>Collected by State Agencies on Behalf of Panchayats</i>	<i>Gram Panchayats</i>		<i>Intermediate Panchayat</i>		<i>District Panchayat</i>	
			<i>Empowered to Collect</i>	<i>Actually Collecting</i>	<i>Empowered to Collect</i>	<i>Actually Collecting</i>	<i>Empowered to Collect</i>	<i>Actually Collecting</i>
1	House or property tax							
2	Surcharge on house or property tax							
3	Tax on agriculture land for specific purpose							
4	Cess on land revenue or surcharge							
5	Surcharge on additional stamp duty							
6	Tax on professions, trades, calling, and so forth							
7	Octroi							
8	Entertainment tax							
9	Pilgrim tax or fees							
10	Tax on advertisements							
11	Education cess							

<i>Sl. No.</i>	<i>Name of Revenues</i>	<i>Collected by State Agencies on Behalf of Panchayats</i>	<i>Gram Panchayats</i>		<i>Intermediate Panchayat</i>		<i>District Panchayat</i>	
			<i>Empowered to Collect</i>	<i>Actually Collecting</i>	<i>Empowered to Collect</i>	<i>Actually Collecting</i>	<i>Empowered to Collect</i>	<i>Actually Collecting</i>
12	Tolls							
13	Tax on sale of fire-wood and slaughter houses							
14	Tax on goods sold in a market, haat, fair, and so forth							
15	Tax on shops and services							
16	Vehicle tax							
17	Animal tax							
18	Conservancy rate							
19	Lighting rate							
20	Water rate							
21	Drainage rate							
22	Special tax for community civic services or works							
23	Surcharge on any tax imposed by Gram panchayat							

III B: Funds Available with Panchayats

Please give figures in Rs. Lakh. Please enter the figures only against the appropriate level of Panchayats.

Sl. No.	Break Up of Revenue	Panchayats			
		District	Intermediate	Gram	Total
FY 2007-08					
1	Revenue collected by State agencies under heads of Table IIIA on behalf of Panchayats and transferred to Panchayats by State				
2	Share of Panchayats in the revenue collected by State other than Sl. No. 1 above				
3	Panchayats own revenue including collection from rental, lease, etc.				
4	Plan grant transferred by state to Panchayats untied to any scheme				
5	Plan grant transferred by state to Panchayats tied to schemes				
6	Non-plan grant transferred by state to Panchayats untied to any scheme				
7	Non-plan grant transferred by state to Panchayats tied to schemes				
8	Any other transfer – Please specify				
9	Any other transfer – Please specify				
	Total				

<i>Sl. No.</i>	<i>Break Up of Revenue</i>	<i>Panchayats</i>	<i>Sl. No.</i>	<i>Break Up of Revenue</i>	<i>Panchayats</i>
FY 2007-08					
1	Revenue collected by State agencies under heads of Table IIIA on behalf of Panchayats and transferred to Panchayats by State				
2	Share of Panchayats in the revenue collected by State other than Sl. No. 1 above				
3	Panchayats own revenue including collection from rental, lease, etc.				
4	Plan grant transferred by state to Panchayats untied to any scheme				
5	Plan grant transferred by state to Panchayats tied to schemes				
6	Non-plan grant transferred by state to Panchayats untied to any scheme				
7	Non-plan grant transferred by state to Panchayats tied to schemes				
8	Any other transfer – Please specify				
9	Any other transfer – Please specify				
	Total				

III C: Panchayat Nidhi/Funds Receipts and Expenditures

	2007-08	2008-09
Total Fund Available(from all sources) in all Panchayats of the state		
Total Expenditure made by all Panchayats of the state		

III D: Release of Twelfth Finance Commission (TFC) Grants to the Panchayats

Please furnish amount in Rs. Lakh and Date/Month/Year in the format DD/MM/YYYY.

<i>Installments of TFC Grants</i>	<i>Released by TFC</i>		<i>Released by State</i>	
	<i>Amount</i>	<i>Released by State on DD/MM/YYYY</i>	<i>Amount</i>	<i>Released to Panchayats on DD/MM/YYYY</i>
1st for the year 2005-06				
2nd for the year 2005-06				
1st for the year 2006-07				
2nd for the year 2006-07				
1st for the year 2007-08				
2nd for the year 2007-08				
1st for the year 2008-09				
2nd for the year 2008-09				
1st for the year 2009-10				
2nd for the year 2009-10				

III E: Criteria of Allocation of Fund to the Panchayats

Please write a note on the allocation mechanism of fund between Panchayats and Municipalities and among various levels of Panchayats. If standardized formulae are adopted for different revenue/fund allocation, then please give the criteria and the respective weights of major revenue/fund distribution.	
1.	
2.	
3.	

III F: System of Fiscal Management, Monitoring and Evaluation

Please tick appropriate box if answer is “Yes”.

<i>Sl. No.</i>	<i>Questions</i>	<i>Responses</i>
1	Whether there is a Panchayat window/Head in the budget of development departments	
	If yes, whether such funds are finally transferred to and spent by Panchayats.	
2	Whether Budget & Account format for Panchayats as prescribed by C&AG is followed	
3	Number of Panchayats audited during one (latest available) financial year	
4	Whether there is performance audit for Panchayats	
5	If yes, performance audit conducted for Panchayats during one (latest available) financial year	
Please mention the name of Departments having Panchayat Window/Head:		

Sl. No.	Functionary	District Panchayats				Intermediate Panchayats				Gram Panchayats			
		Appoint- ment	Trans- fer	Discipli- nary matter	Others	Appoint- ment	Trans- fer	Discipli- nary matter	Others	Appoint- ment	Trans- fer	Discipli- nary matter	Others
11	Agriculture Extension Worker (AEW)												
12	Block Development Officer												
13	Village Level Worker (VLW)												
14	Collector												
15													
16													
17													
18													
19													
20													

IV B: Panchayat Officials

Please fill up the boxes as per the questions in respective rows.	Please Tick, if answer is "Yes"
Whether there is State Panchayat Service	

Please give sanctioned and actual staff position of Panchayat's own office only (not other officials under its control) for the entire State/UT.

<i>Sl. No.</i>	<i>Designation of Employee</i>	<i>Designation of Recruiting Authority</i>	<i>Sanctioned Strength</i>	<i>Actual Number</i>
Gram Panchayat				
1				
2				
3				
4				
5				
6				
7				
8				
Intermediate Panchayat				
1				
2				
3				
4				
5				
6				
7				
8				
9				

<i>Sl. No.</i>	<i>Designation of Employee</i>	<i>Designation of Recruiting Authority</i>	<i>Sanctioned Strength</i>	<i>Actual Number</i>
District Panchayat				
1				
2				
3				
4				
5				
6				
7				
8				
9				

IV C: Autonomy of Panchayats

Please write the designation(s) of the authorit(y/ies) who has/have the power to suspend or supercede (dissolve) Panchayats/suspend or dismiss representatives of Panchayats/resend the resolutions for reconsideration or quash such resolutions.

<i>Category</i>	<i>Level of Panchayats</i>	<i>Suspend Representatives/ Panchayats/Resend for Reconsideration of Resolutions</i>	<i>Dismiss/ Super cede/ Dissolve/ Quash</i>
Representatives of	District		
	Intermediate		
	Gram		
Panchayat Bodies of	District		
	Intermediate		
	Gram		
Resolutions of	District		
	Intermediate		
	Gram		

IV E: Capacity Building of Functionaries

Please write the number of Elected Representatives trained.

<i>Level and Year</i>	<i>Training Duration</i>	
	<i>< 5 Days</i>	<i>> 5 Days</i>
District		
2006-07		
2007-08		
2008-09		
Intermediate		
2006-07		
2007-08		
2008-09		
Gram		
2006-07		
2007-08		
2008-09		
Please mention the topics/course covered in different training programme(s).		

IV F: Infrastructure for efficient & effective management of Panchayats

Please write numbers. The list is only indicative. Please add other most important infrastructures in last rows.

<i>Sl. No.</i>	<i>Equipments & Applications</i>	<i>District Panchayats</i>	<i>Intermediate Panchayats</i>	<i>Gram Panchayats</i>
1	How many Panchayats have Own Building			
2	How many Panchayats have at least two sets of Tables and Chairs			
3	How many Panchayats have Televisions			
4	How many Panchayats have Computers			
5	How many Panchayats have Printers			
6	How many Panchayats have Telephones			
7	How many Panchayats have Fax machines			
8	How many Panchayats have Scanners			
9	How many Panchayats have Photo Copiers			
10	How many Panchayats have Internet			
11	How many Panchayats have MIS			
12	How many Panchayats have Accounting Tools/Softwares			
13	How many Panchayats have Project Management/ Monitoring Tools			
14				
15				

<i>Sl. No.</i>	<i>Equipments & Applications</i>	<i>District Panchayats</i>	<i>Intermediate Panchayats</i>	<i>Gram Panchayats</i>
16				
17				
18				
19				
20				
1	How many Gram Panchayats have created Piped Drinking Water Supply Facilities			
2	How many Gram Panchayats have created Community Toilets			
3				
4				
5				

References

- Alok, V.N., 2004. State Finance Commissions in Indian: An Assessment. *Indian Journal of Public Administration* 50(3): 716–32.
- , 2006. Local Government Organization and Finance: Rural India, in Anwar Shah (ed.),
- , 2008a. The Role of State Finance Commissions in Fiscal Decentralization in India, in M A Oommen (ed.), *Fiscal Decentralisation to Local Governments in India*, Newcastle upon Tyne, Cambridge Scholars Publishing.
- , 2008b. Devolution of Resources to Local Governments: Role of the 13th Finance Commission, Theme Paper presented in the Conference on ‘Issues before the Finance Commission: Empowering the Panchayati Raj Institutions’ Organized during December 22-23, 2008 at IRMA, Anand.
- , 2009. Share of Local Governments in the Union Divisible Pool: An Option before the 13th Finance Commission, *Indian Journal of Public Administration*, 55(1).
- Alok, V.N. and Laveesh Bhandari, 2004. ‘Rating the Policy and Functional Environment of Panchayats in Different States of India – A Concept Paper.’ Paper presented at the Fifth Roundtable of Ministers in Charge of Panchayati Raj, Srinagar, India, October 28-29. <http://www.panchayat.gov.in>.
- Agranoff, Robert, 2008. A Review of *The Architecture of Government*:

- Rethinking Political Decentralization* by Daniel Treisman. *Publius* 38(4): 739-741.
- Ahmad, Ehtisham, Giorgio Brosio and Vito Tanzi, 2008. Local Service Provision in selected OECD Countries: Do Decentralized Operations Work better? *in* Ingram and Hong (eds).
- Bahl, Roy, 1999. *Implementation Rules for Fiscal Decentralization*, Georgia State University, Atlanta,
- , 2008. Opportunities and Risk of Fiscal Decentralization. *In Smart Growth Policies: An evaluation of Programs and Outcomes*, *in* Ingram and Hong (eds)
- Bardhan, P. and D. Mookherjee, 2007. *The Rise of Local Governments: An Overview* *in* Bardhan; P. and D. Mookherjee (eds)
- (eds), 2007. *Decentralisation and Local Governance in Developing Countries: A Comparative Perspective*, New Delhi, Oxford.
- Bennett, Robert J. (ed.), 1990. *Decentralization, Local Governments, and Markets*. Oxford, Clarendon Press.
- Bird Richard and Christine Wallich, 1993. *Fiscal Decentralization and Intergovernmental Relations in Transition Economies*, Policy Research Working Papers (Public Economics) No. 1122, The World Bank.
- Blochliker, Hansjorg and David King, 2006. Less than you thought: The Fiscal Autonomy of Sub-central Governments. *OECD Economic Studies* 2:43(2): 156-188.
- Brueckner, J., 1999. *Fiscal Decentralization in LDCs: The Effects of Local Corruption and Tax Evasion*, Department of Economics, University of Illinois at Urbana (Mimeo).
- Chaturvedi, T.N., 2007. Message under Article 200 of the Constitution of India to the Karnataka Legislative Assembly and the Karnataka Legislative Council in respect of The Karnataka Panchayat Raj (Amendment) Bill, 2007 (L.A. Bill No. 29 of 2007).
- Chaubey, P.K., 1998. Towards an Ideal System of Federal Governance: An Attempt to Develop a Prototype Fraternal Model, *Indian Journal of Public Administration*, 44(3).
- , 2004. *Urban Local Bodies: Governance with Self-Reliance*, New Delhi, Indian Institute of Public Administration.
- , 2008. Urban Public Expenditure by Urban Government, *Local Government Quarterly*, Vol. 78, No. 1.

- , 2009. Local Governance by Panchayats: Delineating the Fiscal Principle of Self-Governance, *Jharkhand Journal of Development and Management Studies*, 6(6).
- Chaudhuri, Shubham, 2007. What Differences Does a Constitutional Amendment Make? The 1994 Panchayati Raj Act and the Attempt to Revitalize Rural Local Government in India, in *Bardhan; P. and D. Mookherjee (eds)*.
- Census of India, 1991. *Final Population Totals*. New Delhi: Government of India.
- , 2001. *Final Population Totals*. New Delhi: Government of India.
- Connolly, Katrina, David Brunori and Michael Bell, 2009. *Are State and Local Finances becoming more or less Decentralized and why should we care?* Paper presented at Lincoln/GWIPP Property Tax Roundtable. Washington, DC, February 13.
- Ebel, Robert and Serdar Yilmaz, 2003. On the Measurement and Impact of Fiscal Decentralization. in Martinez, J. Vazquez and J. Alm (eds.).
- Feesha, Yonatan and Coel Kirkby, 2008. A Critical survey of subnational autonomy in African states. *Publius* 38(2): 248-271.
- Fisman, R. and Gatti, R., 1999. Decentralization and Corruption: Cross-country and Cross-State Evidence. World Bank, mimeograph.
- Gandhi, M.K., 1962. *Village Swaraj*. Ahmedabad, Navajivan Publishing House.
- Geon, Gysuck and Geoffrey Turnbull, 2004. *The Effect of Home Rule on Local Government Behavior: Is there no Rule like Home Rule?* Working paper No. 04-05, Andrew Young School of Policy Studies, Atlanta, Georgia State University.
- Government of India, 2000. *Report of the Eleventh Finance Commission for 2000–2005*, New Delhi, Government of India.
- , 2001. *Report of the Task Force on Devolution of Powers and Functions upon Panchayati Raj Institutions*, New Delhi, Ministry of Rural Development.
- , 2004a. 'Background Note and Action Points.' Paper prepared for the Chief Ministers' Conference on Poverty Alleviation and Rural Prosperity through Panchayati Raj, New Delhi, June 29. <http://www.panchayat.gov.in>.
- , 2004b. 'Inaugural Address by the Prime Minister.in Chief

- Ministers' Conference on Poverty Alleviation and Rural Prosperity through Panchayati Raj, New Delhi, June 29.
- , 2004c. *Report of the Task Force of Officials in Charge of Panchayati Raj in States to Examine the Centrally Sponsored Schemes*, Ministry of Panchayati Raj, New Delhi.
- , 2004d. *Report of the Twelfth Finance Commission (2005–10)*, Government of India, New Delhi.
- , 2004e. Resolution of the First Round Table of Ministers in Charge of Panchayati Raj, Kolkata, July 24–25. <http://www.panchayat.gov.in>.
- , 2005. *Indian Public Finance Statistics, 2004–2005*. New Delhi, Ministry of Finance.
- , 2006. *Annual Report 2005–2006*. New Delhi, Ministry of Panchayati Raj.
- , 2007. *Local Governance: An Inspiring Journey into the Future*, Sixth Report of the Second, Administrative Reforms Commission, New Delhi.
- , 2009. *Thirteenth Finance Commission*, Volume I Report and Volume II Report (2010-2015).
- Government of India, Committee on Plan Projects, 1957. *Report of the Team for the Study of Community Projects and National Extension Service*. Vol. I. New Delhi, National Development Council.
- Gulati, I.S., 1994. Financial Devolution to Local Bodies: Role of State Finance Commissions, *Economic and Political Weekly*, XXIX, No. 9.
- IIPA, 2009. Report of the Technical Committee of the Ministry of Panchayati Raj to prepare Draft Joint Memorandum on behalf of Panchayats to the 13th Finance Commission, New Delhi, Indian Institute of Public Administration (Chairman: V Ramachandran).
- Ingram, Gregory and Yu-Hung Hong (eds), 2008. *Smart Growth Policies: An Evaluation of Programs and Outcomes*, Cambridge, MA: Lincoln Institute of Land Policy.
- Jha, Shikha, 2000. 'Fiscal Decentralization in India: Strengths, Limitations, and Prospects for Panchayati Raj Institutions.' Background Paper 2, *Overview of Rural Decentralization in India*, Vol. 3. Washington, DC, The World Bank.

- , 2002. *Fiscal Decentralization in India: Strengths, Limitations and Prospects for Panchayati Raj Institutes* Background Paper 2, Overview of Rural Decentralization in India, vol. 3. Washington DC, The World Bank.
- , 2004. 'Panchayats – Functions, Responsibilities, and Resources.' Paper presented at the National Institute of Rural Development, Hyderabad, January 23 (Mimeo).
- Jha, S.N. and P.C. Mathur (eds), 1999. *Decentralisation and Local Politics: Readings in Indian Government and Politics*, vol. 2, London, Sage.
- John, M.S. and Jose Chathukulam, 2003. Decentralized Planning in the Productive Sectors, *Review of Development and Change*, vol. VIII, No. 1, January-June.
- Johnson, Craig, 2003. 'Decentralisation in India: Poverty, Politics, and Panchayati Raj.' Working Paper 199, London, Overseas Development Institute,.
- Karnik, Ajit, Abhay Pethe and Dilip Karmarkar, 2002. *Devolution of Fund from State Government to Local Bodies: A Quantitative Approach*, Working Paper UED(CAS)2(2)/2002, University of Bombay, Mumbai, Department of Economics.
- Kearney, Christine, 1999. Decentralization Index, www.econ.brown.edu/faculty/hendrson/decentralization.pdf
- Kohli, Atul, 1987. *The State and Poverty in India: The Politics of Reform*. Cambridge, U.K.: Cambridge University Press.
- Malaviya, H.D., 1956. *Village Panchayats in India*. New Delhi, Economic and Political Research Department, All India Congress Committee.
- Manor, James, 1999. *The Political Economy of Democratic Decentralization*. Directions in Development Series. Washington, DC, The World Bank.
- Martinez, J. Vazquez and J. Alm (eds.), 2003. *Public Finance in Developing and Transitional Countries*. London: Edward Elgar.
- Mathew, George (ed), 2000. *Status of Panchayati Raj in the States and Union Territories of India*, Delhi, Institute of Social Sciences.
- Mookerji, Radhakumud, 1958. *Local Government in Ancient India*. Delhi, Motilal Banarasi Dass.

- Mukarji, Nirmal and Abhijit Datta, 1996. *New Perceptions on Local Government*. New Delhi, Institute of Social Sciences, ISS Occasional Paper Series-20.
- NCAER, 2007. Working Index of Devolution for Assessing Environment for Panchayati Raj Institutions in the States: Empirical Assessment (January) submitted to UNDP and Ministry of Panchayati Raj. New Delhi, National Council of Applied Economic Research (Mimeo).
- , 2008. Working Index of Devolution for assessing Environment for Panchayati Raj Institutions in the States: Empirical Assessment. New Delhi, National Council of Applied Economic Research (Mimeo).
- , 2009. An Index of Devolution for Assessing Environment for Panchayati Raj Institutions in the States (March) prepared for Ministry of Panchayati Raj. New Delhi, National Council of Applied Economic Research (Mimeo).
- Oommen, M.A., 1995. 'Panchayat Finances and Issues Relating to Inter-Governmental Transfers' in Oommen and Datta.
- , 1999. 'Panchayat Finance and Issues Relating to Inter-governmental Transfers' in Jha and Mathur (eds.).
- , 2004. 'Basic Services, Functional Assignments, and Own Revenue of Panchayats – Some Issues in Fiscal Decentralization for the Consideration of the Twelfth Finance Commission.' Paper presented at National Institute of Rural Development, Hyderabad, January 23 (Mimeo).
- , 2004. Fiscal Decentralization in Kerala. In G. Sethi (ed.), *Fiscal Decentralization to Rural Governments in India*. New Delhi, Oxford University Press.
- , 2009. Devolution Index, Ranking of States and the Ministry of Panchayati Raj, *Economic and Political Weekly*, Volume 44, July 18-25.
- Oommen, M.A. and Abhijit Datta, 1995. *Panchayats and Their Finance*, New Delhi: Institute of Social Sciences.
- Rajaraman, Indira, 2003. *Fiscal Domain for Panchayats*. New Delhi, Oxford University Press.
- Rao, M.G., H.K. Amar Nath and B.P. Vani, 2004. 'Fiscal Decentralization in Karnataka' in Sethi, G. (ed.).

- Sethi, G. (ed.), 2004. *Fiscal Decentralization to Rural Governments in India*, New Delhi, Oxford University Press.
- Shah, Anwar (ed), 2006. *Local Governance in Developing Countries*, Washington DC, The World Bank.
- Shah, Anwar and Sana Shah, 2006. *The New Vision of Local Governance and the Evolving Roles of Local Governments* in Anwar Shah (ed).
- Singh, S.K., 2000. 'Panchayats in Scheduled Areas' in Mathew (ed.).
- Singh, Satyajit and Pradeep K. Sharma (eds), 2007. *Decentralization: Institutions and Policies in Rural India*, New Delhi, Oxford University Press.
- Smith, B.C., 1985. *Decentralization: The Territorial Dimension of the State*. London, Allen & Unwin.
- Stegarescu, Dan, 2005. Public Sector Decentralization: Measurement, Concepts, and Recent Intergovernmental Trends. *Fiscal Studies* 26(3): 301-333.
- Stephens, G. Ross, 1974. State Centralization and the Erosion of the Local Autonomy. *Journal of Politics* 36(1): 44-76.
- Shylendra, H.S. and S.S. Rajput, 2009. Issues before the Finance Commission: Empowering the Panchayati Raj Institutions (Report of the Conference Organized during December 22-23, 2008 at IRMA), Anand, IRMA.
- Tiebout, C., 1961. *An Economic Theory of Fiscal Decentralization in Public Finance: Need, Sources and Utilization*, Princeton, Princeton University Press.
- Wikipedia, *John Forrest Dillon*.
- Wolman, Harlod, 1990. Decentralization: What It is and Why We should Care' in Bennett (ed.).
- , 2008. Comparing Local Governments across Countries: Conceptual and Methodological Challenges to Building a Field of Comparative Local Government Studies. *Government and Policy* 26(1) (February), 87-103.
- Wolman, Hal, Robert McManmon, Michael Bell and David Brunori, 2008, Comparing Local Government Autonomy Across States, GWIPP Working Paper, Washington, The George Washington University.

- World Bank, 2000. *Overview of Rural Decentralization in India*, Delhi, The World Bank.
- , 2004. *India: Fiscal Decentralization to Rural Governments*. Vol. I. Washington, DC: The World Bank.
- , 2007. *West Bengal Fiscal Decentralization to Rural Governments: Analysis and Reform Options* (unpublished).
- OECD, 2006. *Fiscal Autonomy of Sub-central Governments*. OECD Network on Fiscal Relations Across Levels of Government, Working Paper No. 2. Paris.