



सत्यमेव जयते

EMPOWERMENT OF PANCHAYATS BY THE STATES THROUGH DEVOLUTION

An Empirical Assessment
2010-11

V.N. Alok



Ministry of Panchayati Raj
Government of India
www.panchayat.gov.in



The Indian Institute of Public Administration
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Foreword

In 2005-06, Ministry of Panchayati Raj, Government of India, introduced the Panchayats Empowerment and Accountability Incentive Scheme (PEAIS) to motivate (a) States to empower the panchayats, and (b) Panchayats to put in place accountability systems to make their functioning transparent and efficient. Incentive funds under this scheme are given to States/UTs in accordance with their performance as measured in the Devolution Index (DI) formulated by an independent agency. For three years, i.e. 2006-07, 2007-08 and 2008-09, National Council of Applied Economic Research (NCAER) developed DI pursuing the "3F" framework and measured the extent to which the States had devolved functions, finances, and functionaries (3Fs) 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. The 'framework' dimension tests if States/UTs have fulfilled the four mandatory provisions of the Constitution, i.e. establishing the State Election Commission, holding regular panchayat elections, establishing State Finance Commissions at regular intervals, and setting up of District Planning Committees. These mandatory 'framework' requirements are to be fulfilled by the States/UTs to qualify for the second stage of evaluation on the extent of devolution of 3Fs, on which States are subsequently ranked.

The study for 2009-10 was assigned to the Indian Institute of Public Administration (IIPA). The IIPA study while used the two-stage approach of NCAER, it also improved the previous work in its mechanics and scope. The first stage shortlisted States that passed all four mandatory criteria and the second stage calculated the sub-indices of devolution by assigning positive and negative scores under various parameters and ranked the states/UTs. The study, instead of merely assessing whether or not States had fulfilled the framework criteria, made an assessment of how well these had been implemented and such assessment was included in the calculation of DI. Moreover, the study sought responses from States and others on a comprehensive list of 52 local functions that include 29 matters enumerated in the 11th Schedule. Improvements were also made through the use of weighted scores that reflect the importance of the criteria used and differentiated scoring by grading various responses. The study accorded special importance to the functioning of Gram Sabhas and transparency in the panchayats.

These improvements were carried forward in the study conducted for 2010-11, as well, with some more refinements. In the 2010-11 study, in addition to cumulative achievement of the States, the incremental achievement since April 1, 2009 was also measured. States are also being rewarded on their current achievements, so that any State, including one starting from a low base, can win an award. Moreover in the 2010-11 study, field verification of the information given by States was undertaken for all States, as against only the top 9 States in 2009-10. This makes the data firmer, the study more authentic and useful in respect of all States.

The study in 2011-12 will bring about further refinements by developing a base line, ensuring greater participation from States through regional workshops, streamlining indicators to focus on core issues/standards and making fieldwork more rigorous.

All States are urged to review the progress of devolution in their States and give further impetus to the task of empowering and enabling the Panchayats and Gram Sabha.

I especially compliment Smt. Rashmi Shukla Sharma, Joint Secretary, Ministry of Panchayati Raj and IIPA (Shri V. N. Alok & Shri P. K. Chaubey) for their hard & quality work.



A. N. P. Sinha

Secretary to the Government of India
Ministry of Panchayati Raj

New Delhi
April 15, 2011

Acknowledgements

The volume is based on the report of the study on “Construction of a Devolution Index in respect of Panchayats Empowerment and Accountability Incentive Scheme (PEAIS) for 2010-11 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. The first author of this volume began working on the subject in 2003 during his stint in 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 the IIPA.

We’re thankful to the Ministry of Panchayati Raj, Government of India for entrusting this study to us. We’re particularly thankful to Shri A. N. P. Sinha, Secretary to the Government of India, Dr. Sudhir Krishna, Special Secretary, Smt. Rashmi Shukla Sharma, Joint Secretary and Dr. Avtar Singh Sahota, Joint Secretary who extended full support and offered their valuable comments. Ms. Susan George, Director, Shri H. G. Upreti and others also helped at various stages of this study.

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V. N. Alok

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Chapter 1

Introduction

Large parts of the twentieth century, around the globe, witnessed a strong tendency towards centralisation of governance though democratic in form. This tendency reversed towards the last quarter of the last century and a realisation has been growing, the world over, that decentralised form of governance, inter alia, deepens democracy and provides efficient delivery of local public goods. As a result, more and more political, fiscal and administrative responsibilities are being devolved to the local units of government. It is also being felt that fiscal decentralisation can help mobilisation of resources by introducing local solutions and promote equitable growth by mainstreaming the poor in development—thus enmeshing welfare and development concerns together and making the processes of governance more participatory. A careful analysis of the recent developments shows a distinct movement away from over-governance as well as from over-centralisation.

India has kept pace with the trend early stage. Through consensus and compromise, local governments crept into the statute book in 1993. Part IX was inserted by the Constitution (73rd Amendment) Act, 1991 w.e.f. April 24, 1993 for panchayats and Part IXA was inserted by the Constitution (74th Amendment) Act, 1992 w.e.f. June 1, 1993 for municipalities,¹ making state legislatures responsible for devolving power and authority to local governments in order to enable them to carry out devolved responsibilities.

Notwithstanding, local governments both panchayats and municipalities, are not completely autonomous of the state, like they used to be

once upon a time in recorded history—for which they have been praised by the scholars and thinkers. The present panchayats are part of state governance structure. A fresh lease of life is breathed into them by the respective states, of course under the general direction in the Constitution. They are actually organised under the Dillon's principle, enunciated in late nineteenth century, which holds that local governments are derivative of the state. They are created by the state and they can be decimated by it. It is true that the march of history cannot be reversed easily, yet we cannot turn a blind eye to the fact that the whole structure has been evolved by the state. The local governments in India carry out the functions and responsibilities assigned to them with devolution of power and authority for the purpose. The same was the case before 73rd and 74th Amendments. The difference is that states now have constitutional obligation to keep them alive and not to relegate them to abeyance for indefinite period. Yet, it is for the states to create an enabling environment in which they can function like self-governing units.

The Constitution of India has clearly demarcated legislative areas between the Union and the States. It is within the province of state list of the Schedule VII, under Article 246, that local governments have to function. Despite constitutional status being accorded to panchayats, it is the state legislature which empowers panchayats in any real sense. It is under the Conformity Acts² of the states that panchayats are governed in the respective states and in turn they govern public affairs in their jurisdictions.

Under the Constitution Amendment Act (CAA), the state legislature is supposed to devolve responsibilities, powers and authorities to panchayats to enable them to function as institutions of self-government. The legislature

¹ Earlier, in the original text, Part IX with Article 243 dealing with territories in Part D of the First Schedule was repealed by the Seventh Amendment 1956 for reorganisation of the States. That is the reason all articles in Part IX and Part IXA are numbered with 243.

² The 73rd Constitutional Amendment Act is the Union Act to establish the third tier of governments and the conformity Acts are state legislations.

of a state may authorise the panchayats to levy, collect and appropriate certain taxes, duties, tolls and fees etc, and also 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.

New fiscal arrangements necessitate every state under Article 243 I to constitute, at a regular interval of five years, a State Finance Commission (SFC), and assign it the task of reviewing the financial position of panchayats and making

recommendations on the sharing and assignment of various taxes, duties, tolls, fees etc. and grants-in-aid to be given to the panchayats from the consolidated fund of the state. The conformity acts of the CAA are required to provide for the composition of the commission, the qualifications for its members and the manner of their selection. Every recommendation of the commission is to be laid before the legislature of the respective state.

It is close to twenty years now since Part IX was incorporated into the Constitution. During the

Table 1.1: Election of Panchayats last held in States/UTs

Sl.No.	Name of State/UT	Elections Last Held
1	Andhra Pradesh	DP & IP-July 2006; GP -August 2006
2	Arunachal Pradesh	26 May, 2008
3	Assam	January 2007
4	Bihar	April 2011
5	Chhattisgarh	January 2010
6	Goa	GP-January 2007; DP-January 2010
7	Gujarat	IP & DP, October 2010 ; GP-December 2007
8	Haryana	June 2010
9	Himachal Pradesh	December 2010
10	Jammu and Kashmir	April 2011
11	Jharkhand	November-December 2010
12	Karnataka	July 2010
13	Kerala	October 2010
14	Madhya Pradesh	January 2010
15	Maharashtra	GP, July-December 2010; DP & IP, June 2010
16	Manipur	GP & DP-September 2007
17	Odisha	February 2007
18	Punjab	May 2008
19	Rajasthan	January 2010
20	Sikkim	October 2007
21	Tamil Nadu	October 2006
22	Tripura	July 2009
23	Uttar Pradesh	October-November 2010
24	Uttarakhand	March 2008
25	West Bengal	May 2009
Union Territory		
26	Andaman & Nicobar Island	September 2005
27	Chandigarh	DP-July 2005; IP-January 2007; GP-January 2009
28	Dadra & Nagar Haveli	October 2005
29	Daman & Diu	September 2005
30	Delhi	Not applicable
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 (www.panchayat.gov.in) and State Governments

last two decades, one could find enough reasons to cheer. Conformity acts have been enacted in all the states. Regular elections for panchayats have been conducted in all states³ (Table 1.1). All states have constituted SFC. Some states have constituted even their fourth generation SFC. These positive developments notwithstanding, panchayats in almost all states continue to be starved of finances, causing major impediment in their growth and effective functioning. Seen with the expanding role and responsibilities of the panchayats, the problem becomes compounded after the CAA became effective.

Generally, the functional responsibilities are closely linked with the financial powers delegated to the local government, however, in practice there is a mismatch between the two, leading to a severe fiscal stress at the local level. Sufficient panchayats' own revenues are not enough even to meet their Operation and Maintenance (O&M) requirements, therefore, they are dependent on the higher tiers of government to finance their activities. The role of SFCs in this context becomes critical in examining not only the revenue-sharing arrangements between the state governments and their panchayats, but also the entire range of subjects concerning assignment of taxes, transfers of power and such other subjects for improving the financial health of the panchayats.

It is pertinent to mention here that substantial funds are being transferred to the panchayats through the centrally sponsored schemes (CSSs) and additional central assistances (ACAs). For long, these CSS transfers were administered and utilised mainly by line departments. In recent years, the panchayats are being increasingly recognised as implementing institutions for the Plan schemes of line ministries. The most important among these is the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), where the panchayats at the district, intermediate and village levels have been given specific roles and responsibilities as principal

authorities for planning and implementation and 50% of the works in terms of funds are to be executed through panchayats. For other works also, they have been entrusted with some responsibilities.

Under the CAA, several schemes have started assigning a range of responsibilities to the panchayats and depend upon them for grassroots implementation. In addition, there are several important flagship programmes of the union, which aim at provisioning basic essential services across the country through the panchayats. Institutional mechanism is expected to provide centrality to the panchayats in their planning and implementation.

Against this backdrop, this study aims at rating the states and union territories (UTs) of India and quantifies the current environment that the states/UTs have created under the framework of the Constitution for devolution of functions, finances and functionaries to various levels of panchayats. In other words, the study endeavours to quantify the current environment that the panchayats function under. The attempt is to assess how 'free' the panchayats are to take independent decisions and implement them.

No doubt the actual performance of the individual panchayats differs and depends upon many other factors; these factors are specific to the state and to the different levels of the panchayats. The enabling environment is also determined by village level factors. To reiterate, the study seeks to measure the 'enabling environment' for the functioning of the panchayats that state governments have been able to create.

The Objective

At the initial stage of its inception, the MoPR in 2004 organised seven round tables of Ministers In-charge of panchayats in states. In the Fifth Round Table held at Srinagar in October 28-29, 2004, it was agreed upon to have the annual

³ Jammu and Kashmir is the last state to conduct its first election for panchayats.

reports on the state of the panchayats including the preparation of a Devolution Index (DI) in the format indicated by Alok and Bhandari (2004).

Subsequently, in 2005-06, the MoPR, Government of India, introduced the Panchayat Empowerment and Accountability Incentive Scheme (PEAIS) with the objective to: (a) incentivise states to empower the panchayats, and (b) incentivise panchayats to put in place accountability systems to make their functioning transparent and efficient. Funds under this scheme are allocated to states and UTs in accordance with their performance as measured in the Panchayat 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) developed the Devolution Index based on the work of Alok and Bhandari (2004). For subsequent two years, that is for 2009-10 and 2010-11, the Indian Institute of Public Administration (IIPA) was requested to carry out the assessment. The Institute was also suggested to measure incremental panchayat devolution in 2010-11.

Initially, the NCAER used the '3F' (functions, finances and functionaries) 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 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:

- Establishing the State Election Commission (SEC)
- Holding regular panchayats elections
- Establishing SFCs at regular intervals
- Setting up of District Planning Committees (DPCs).

These mandatory requirements are to be fulfilled by the states/UTs so that they qualify to be included in the estimation of the DI.

Accordingly, a two-stage approach for the calculations of DI has been used in both the years for which IIPA conducted the exercise. The first stage shortlists states that pass the framework criteria and thereafter, the second stage calculates the index and ranks the states/UTs. Introduction of framework dimension plays a dual role in our work; it will become dearer in subsequent sections.



Chapter 2

Panchayats in India: Organisation and Finance*

As in many other federations, rural local governments in India are supposedly responsible for rendering essential services, including sanitation, drinking water supply, street lighting, and rural roads. They are also empowered to collect certain tax and non-tax revenues. In most cases, however, a considerable gap between own resources and requirements can easily be seen. 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 the Panchayat

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. These village communities were the centres of administration and the custodians of social harmony. As Sir Charles Metcalfe, provisional Governor General of India from 1835 to 1836, remarked,

“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 that earlier expression:

“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 in the *Rig Veda*¹ 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 the 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 organisation. (Mookerji 1958, 4)

With the advent of British rule, attention shifted from rural to urban local bodies.

* The chapter draws heavily on Alok 2006.

¹ 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 little from those practiced today in Hinduism. It is the source of much Indian thought, and many consider its study essential to understanding India.

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 had perhaps the most enduring influence on the subsequent debates and discussions on panchayats. In the immediate post Independence period, during the debates on the drafting of India’s constitution, sharply discrepant views of panchayats were expressed. In the Constituent Assembly on November 4, 1948, Dr. B. R. Ambedkar, chairman of the Drafting Committee, called 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 November 25, 1948 and panchayats were included only in the non-justiciable part of the Constitution, under Directive Principles of State Policy, which reads, “The state shall take steps to organise village panchayats (VPs) 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* also 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 back burner in the overall development plan, which was deeply committed to industrialisation, 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 Balwant Rai Mehta recommended that “public participation in community work should be organised 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 October 2, 1959, India’s first prime minister (Pandit Jawaharlal Nehru) inaugurated independent India’s first panchayat at Nagaur in Rajasthan. By the mid 1960s, panchayats began to be established in all parts of India. Ironically, with the passage of time, panchayats were marginalised and weakened. The Asoka Mehta Committee was appointed in 1977 to study the weaknesses of panchayats. The committee recognised 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 and bypass the state governments. The bill was passed in the Lok Sabha (lower house of Parliament) but failed in the Rajya Sabha (RS) (upper house of Parliament) by two votes on October 15, 1989.

Over the time, consensus in favour of panchayats grew among all political parties. The National Front government that came into power for a short period introduced a bill for panchayats on September 7, 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 April 24, 1993.

The Legal Framework

With the passage of the CAA, panchayats were recognised in the statute book as institutions

of self-government.² Under the CAA, it became mandatory for each state to enact conformity acts and make the following provisions:

- 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 marginalised 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 in all panchayats, with elections held within six months in cases of premature dissolution.
- Constitution of a SEC to supervise and organise free and fair elections to panchayats at all levels.
- Setting up of a SFC at a regular interval of five years to review and revise the financial position of panchayats.
- Establishment of DPC.
- Establishment of a Gram Sabha (GS) (village assembly) in each village, to exercise such powers and perform such functions at the village level as the state may provide by law.

Table 2.1: Number of Panchayats by State and Union Territory, March 1, 2011

S. No.	Name of State/UT	Panchayats by Tier			Total	Average Rural population per village Panchayat
		Village	Intermediate	District		
1	Andhra Pradesh	21809	1097	22	22928	2540
2	Arunachal Pradesh	1751	150	16	1917	497
3	Assam	2202	185	20	2407	10543
4	Bihar	8463	531	38	9032	8781
5	Chhattisgarh	9734	146	18	97504	1710
6	Goa	189	0	2	191	3582
7	Gujarat	13738	223	26	13987	2310
8	Haryana	6083	119	21	6223	2471
9	Himachal Pradesh	3243	77	12	3332	1691
10	Jammu and Kashmir	4562	212	24	4798	1672
11	Jharkhand	4423	259	24	4706	4737
12	Karnataka	5627	176	30	5833	6200
13	Kerala	978	152	14	1144	24105
14	Madhya Pradesh	23012	313	50	23375	1929
15	Maharashtra	27937	351	33	28321	1997
16	Manipur	165	4	6	175	9641
17	Meghalaya	0	0	3	3	-
18	Mizoram	707	0	0	707	633
19	Nagaland	1110	0	0	1110	1484
20	Odisha	6234	314	30	6578	5019
21	Punjab	12447	141	20	12608	1293

² Special legal dispensation under the Panchayats (Extension of the Scheduled Area) Act 1996 is given to the panchayats in tribal areas of nine states: Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra, Odisha 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 recognising the rights of tribal population over natural resources (Singh 2000).

S. No.	Name of State/UT	Panchayats by Tier			Total	Average Rural population per village Panchayat
		Village	Intermediate	District		
22	Rajasthan	9177	248	33	9458	4718
23	Sikkim	165	0	4	169	2915
24	Tamil Nadu	12618	385	29	13032	2768
25	Tripura	511	23	4	538	5193
26	Uttar Pradesh	51914	821	72	52807	2536
27	Uttarakhand	7541	95	13	7649	837
28	West Bengal	3351	333	18	3702	17233
Union Territory						
29	Andaman & Nicobar Island	67	7	1	75	3581
30	Chandigarh	12	1	1	14	7677
31	Dadra & Nagar Haveli	11	0	1	12	15457
32	Daman & Diu	10	0	1	11	10086
33	NCT of Delhi (e)	0	0	0		-
34	Lakshadweep	10	0	1	11	3368
35	Puducherry	98	10	0	108	3324
	All India	239899	6363	585	334335	3095

Source: updated from Alok (2006)

Note: — means not available.

- In almost all states, it is known as the gram panchayat.
- 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, Anchal 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, Odisha, Punjab, and Rajasthan.
- It is also known as Zilla Panchayat (ZP)/Parishad in many states.
- For traditional village and district councils that exist in these states.
- Panchayat has yet to be revived.

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 authorise the 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. The 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 stand elected to the three levels of panchayats. About 37% are women, and 27% belong to SCs and STs. (Table 2.2) At the village panchayat level, each elected person's constituency comprises about 340 people or 70 families (Government of India (GoI) 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

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 centres 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 the 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 National Finance Commission gave these classifications to the functions enumerated in the 11th Schedule.

Table 2.2: Representation of Weaker Sections and Women in Panchayats

(As of March 1, 2011)

Sl. No.	States/UT	Panchayats at all levels: Number of Elected Representatives								
		General (Non-SC/ST) Categories	SC		ST		OBC	Total	Women	
			No.	%	No.	%			No.	No.
1	Andhra Pradesh	172,136	34,025	15.2	17,842	8.0		224,003	74,019	33.0
2	Arunachal Pradesh	NA	NA	NA	8,260	100.0		8,260	3,183	38.5
3	Assam	23,206	1,344	5.3	886	3.5		25,436	9,903	38.9
4	Bihar	109,767	19,440	14.9	884	0.7		130,091	70,400	54.1
5	Chhattisgarh	76,062	17,553	10.9	66,933	41.7		160,548	54,159	33.7
6	Goa	1,378	NA	NA	181	11.6		1,559	534	34.3
7	Gujarat	83,982	7,970	7.0	22,235	19.5		114,187	38,068	33.3
8	Haryana	54,786	15,019	21.5	NA	NA		69,805	25,503	36.5
9	Himachal Pradesh	16,706	6,575	26.8	1,300	5.3		24,581	9,552	38.9
10	Jammu & Kashmir	NA	NA		NA			NA	NA	
11	Jharkhand	NA	NA		NA			NA	NA	
12	Karnataka	67,920	17,859	18.6	10,311	10.7		96,090	41,210	42.9
13	Kerala	16,256	1,997	10.8	229	1.2		18,482	6,518	35.3
14	Madhya Pradesh	231,246	59,106	14.9	106,350	26.8		396,516	136,196	34.4
15	Maharashtra	176,874	25,269	11.0	27,597	12.0		229,740	76,581	33.3
16	Manipur	1,656	39	2.2	41	2.4		1,736	758	43.7
17	Odisha	52,333	16,007	17.3	24,114	26.1		92,454	33,630	36.4
18	Punjab	62,614	28,349	31.2	NA			90,963	31,809	35.0
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	A & N Islands	856	NA		NA			856	296	34.6
27	Chandigarh	153	34	18.2	NA			187	62	33.2
28	Delhi									
29	D & N 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		2,818,290	1,039,058	36.9

Source: Ministry of Panchayati Raj, Government of India

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

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 the devolution of powers and functions to the panchayats.

Almost all states and UTs claim that they have transferred responsibilities in varying degrees to the 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 the intermediate panchayats (IPs) or the district panchayats (DPs) 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 realised that the transfer of additional functions requires the 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 set up. Almost all of the subjects enumerated in the 11th Schedule are state concurrent, involving duplication and overlapping.

Another challenge before the state government has been the allocation of activities to the appropriate tier of the panchayat system. Traditionally, the lowest level panchayat—the VP—has been the most active in almost all states. Generally, the VPs carry out major functions, including core functions, whereas intermediate and DPs 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 being undertaken at any higher level.³

In most states, the functions devolved to 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 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)

It is a general perception that panchayats are financially and technically under equipped to perform even the core functions, much less the 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 the parallel parastatals. As a result, the per capita total expenditure of panchayats remains abysmally low in all states except Andhra Pradesh, Chhattisgarh, Goa, Gujarat, Jammu & Kashmir, Karnataka, Kerala, Maharashtra and Rajasthan. (Table 2.3)⁴

Own-Source Taxes

The power of panchayats to impose taxes was considered imperative to enshrine in the constitution under Article 243H, to impart certainty, continuity and strength to panchayats. The Union Minister of State for Rural Development,

³ The Union Ministry of Panchayati Raj, created on May 27, 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 the timeframe. There was a consensus, during the roundtables, among all states to complete activity mapping by August 31, 2005 (Government of India 2006, 12) based on Government of India, 2001.

⁴ However, the data pertaining to local governments in the reports of 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 2.3: Per capita Expenditure in Panchayats (All Tiers)

S. No.	State	Per capita (Rs)			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	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	1,293.50	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 and Kashmir	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	25.5	493.1	10.4
16	Meghalaya	81.6	51.6	379.8	15.3
17	Nagaland	—	—	557.5	46.3
18	Odisha	65	37	544.1	18.4
19	Punjab	70	85	130.9	5.4
20	Rajasthan	218.9	361.6	66.9	10.9
21	Sikkim	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	539.9	25.9
	All (26 States)	148	324	327.8	17.7

Source: Updated from Alok (2006)

Note: — means not available or the data not reliable.

G. Venkat Swamy said while moving the Constitution (73rd Amendment) Bill in Parliament,

“Constitution (73rd) Amendment cast a duty on the centre as well as the states to establish and nourish the VPs 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 could be said to be

in the exclusive domain of panchayats. Even these essential services require huge funds. To this end, the devolution of taxes to the three tiers of the panchayats needs to be linked to the activity mapping for the devolution of functions and functionaries. (GoI 2004e)

Table 2.4 shows that a variety of taxes have been devolved to different levels of panchayats. The relative importance of these taxes varies from state to state. The intermediate and district panchayats are endowed with powers to collect very few taxes, whereas VPs are given substantial taxing powers. In a number of cases, under the tax rental arrangement, the VPs 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, non-motor vehicle tax, octroi, user charges and the like contribute the maximum to the small kitty of own-source revenue, which contributes only 6 to 7% of the total expenditure of panchayats (Alok 2006). In most states, the 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 in the dispensation to 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 variation. However, typical examples

of assigned revenue 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 revenue 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 panchayat 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 the state government in the form of shared taxes and grants. (Tables 2.6 and 2.7) State taxes are shared according to the recommendations of the SFC. Constitution of the SFC at a regular interval of five years is a mandatory requirement for states.⁵ 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 Constitutional Amendment, following the recommendation of the

⁵ The Conformity Acts of the CAA provide for the composition of the SFC, the qualifications of its members, and the manner of their selection. Every recommendation of the commission is to be laid before the 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 the SFC similar to the provisions of the Union 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 SFCs should be fully honoured. There are reports that SFCs are not constituted, of them not giving awards in time, and of these awards not honoured when given, all of which erode panchayat raj" (GoI 2004b). However, all but three states (Arunachal Pradesh, Bihar and Jharkhand) have received their first SFC report, and a few states (Andhra Pradesh, Haryana, Kerala, Punjab, Rajasthan, Uttar Pradesh and West Bengal have even constituted their third commissions.

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	Odisha	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						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 firewood and slaughter houses		V									V					
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	V										
Vehicle tax	V	V		V			V		V	V	V		V		V	
Animal tax				V					V	V	V				V	
Conservancy rate	V	V	V	V			V	V	V		V	V			V	V
Lighting rate	V	V, D	V, I, D	V		V		V	V	V	V	V	I		V, I, D	V, I, D
Water rate	V	V, D	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.

Table 2.5: Own Revenue of Panchayats (All Tiers) as % of Respective State Own Revenue (Rs. 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	30057.0	1.38
2	Arunachal Pradesh	—	465.0	0.00
3	Assam	13.1	5176.0	0.25
4	Bihar	5.5	4639.8	0.12
5	Chhattisgarh	26.3	6472.4	0.41
6	Goa	13.2	2156.2	0.61
7	Gujarat	111.5	22986.6	0.49
8	Haryana	270.4	14590.2	1.85
9	Himachal Pradesh	6.1	2986.8	0.20
10	Jammu and Kashmir	0.8	2653.4	0.03
11	Jharkhand	0.4	4566.1	0.01
12	Karnataka	198.0	26419.8	0.75
13	Kerala	292.7	12824.4	2.28
14	Madhya Pradesh	56.4	13070.3	0.43
15	Maharashtra	582.3	50523.1	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	Odisha	10.1	8232.3	0.12
21	Punjab	125.9	15147.2	0.83
22	Rajasthan	15.2	14995.1	0.10
23	Sikkim	—	838.3	0.00
24	Tamil Nadu	258.5	30014.6	0.86
25	Tripura	1.3	427.4	0.30
26	Uttar Pradesh	88.0	27364.8	0.32
27	Uttarakhand	6.9	3000.8	0.23
28	West Bengal	58.0	12983.4	0.45
	All States	2610.6	313749.3	0.83

Source: Basic data obtained from Panchayati Raj Department of various States, the 13th Finance Commission and Finance Accounts of the C & AG

Note: — means data not available

10th Finance Commission (1995–2000), a certain percentage of all union taxes has been 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 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 understand the entire economy and take

considered views to make their own annual budgetary exercises. In other words, it induces local governments to generate their own revenue generation and to mobilise additional resources. Fourth, the state government can be neutral in pursuing tax reforms without considering whether a particular tax is sharable with local governments.

This brings the issue related to composition of divisible pool. Notwithstanding these reasons, Table 2.8 reveals wide variations across states in defining the divisible pool and the principle

Table 2.6: Per Capita Own Revenue of Panchayats (All Tiers)

S.	State	Per capita (Rs)		
		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 and 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	Odisha	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: Updated from Alok (2006).

Note: NA – data not available in given source.

Table 2.7: Own Revenue of Panchayats (All Tiers)**(Rs. Crore)**

S. 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 and 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	Odisha	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	Uttrakhand	9.5	10.9	0.3	-33.0
24	West Bengal	73.7	100.3	-	-
	All (24 States)	2430.7	2664.6	2736.4	8.4

Source: Updated from Alok (2006) with the data from Panchayati Raj Department of various states and the 13th Finance Commission.

of sharing it among the panchayats and the municipalities. The SFCs of Andhra Pradesh, Assam and Goa have included the share of union taxes in the state tax and non-tax revenues to form the divisible pool. However, the first SFCs of Kerala, Madhya Pradesh and Sikkim, and the second SFCs of Odisha and Uttarakhand have not included the share of union taxes and have suggested including only the state tax and non-tax 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 “non-loan gross own-revenue receipts” in defining the divisible pool. Table 2.7 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% of the net proceeds of five taxes to the local governments, namely, stamp duty, motor vehicle tax, electricity duty, entertainment tax, and entertainment tax on cinematography. Significant interstate variations can be noted in the mechanisms of revenue sharing because different SFCs made different sets of recommendations.

National Finance Commission (NFC)

So that the SFC does not deter the state legislatures from transferring responsibilities and revenue to the local governments, the CAA goes out of the way to provide that the NFC should suggest measures to augment states’ consolidated funds in light of the recommendations of SFCs. So far, four NFCs (the 10th, 11th, 12th and 13th) have made their recommendations.⁶ All these commissions were severely constrained for reasons emanating partly from the practice and partly

from the design of the new fiscal arrangement: the lack of synchronisation of the periods covered by the SFCs with those covered by the NFC; the absence of a timeframe for action by the state government on the recommendations of the SFC; a lack of clarity in assigning functions, finances, and functionaries to local governments; and heterogeneity in approach, content and period covered by the various SFCs.

Nevertheless, all the Commissions except the 13th Finance Commission recommended ad hoc lump sum grants to panchayats. The 10th NFC made a provision for Rs. 4381 crore, at Rs. 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 Central government could release only Rs. 3570 crore. Further, the 11th NFC recommended a grant of Rs. 10000 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 of the fund. The intention of the grant was to induce the panchayats to act as institutions of self-government. The Central government accepted the recommendations, with a caveat compelling panchayats to raise suitable matching resources.

The grant could not be fully utilised. Many state governments and panchayats raised this point during their interactions with the 12th NFC.⁷ The commission had to emphasise the issue in its report: *“The central government should not impose any condition other than those prescribed by us, for release or utilisation of these grants”* (GoI 2004d, 262). In its recommendations, the commission attempted to adopt the equalisation principle and allocated Rs. 20000 crore to improve service delivery by the panchayats primarily for water supply and sanitation. The grants of the NFC are generally ordained for operation and maintenance and therefore differ from those of the union ministries and the

⁶ The 10th NFC 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

⁷ State governments also raised this point in the memoranda that they submitted to the 12th NFC (see <http://www.fincomindia.nic.in>)

Table 2.8: SFC Recommendations for Share in State Resources

State	%	Share of PRIs and Urban Bodies	Basis of distribution
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
Jammu and Kashmir (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
Odisha (II)	10.0	80% and 20%	Population, density, number of holdings, revenue efforts
Sikkim (I)	1.0	100% and 0%	ULB 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 decentralisation and for ULBs 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
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
West Bengal (II)	16.0	Breakup as per population district wise	Population 50% and 7% to other variables, 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	-	-
Odisha (III)	15.0	-	-
Punjab (III)	4.0	-	-
Rajasthan (III)	3.50	-	-

Source: Updated from Alok (2008).

Notes: \$ 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.

1* 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.

Planning Commission. Through this transfer, the commission intended for the panchayats to take over all of the central schemes related to drinking water, including Swajaldhara, which had not been operational because funds were not available for operation 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 recommendation of the 13th Finance

Commission, the grant 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% in 2010-11 to 2.28% 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 is equivalent to 1.50% 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 from 2010-12 will be 0.50% for the year 2011-12 and one% thereafter, up to 2014-15. Only those states which meet the nine stipulations outlined by the Commission have access to the performance grant (GoI 2009).

This is a major development with regard to the predictable devolution of finances to panchayats. This is also a positive step towards creating/enhancing the fiscal capacity of Panchayats. In a memorandum to the 13th Finance Commission, the MoPR pleaded the 13th Finance Commission to recommend 5% share in the union divisible pool to the states for panchayats that could be earmarked, inter alia, for operation and maintenance of panchayats. Similarly, the

Ministry of Urban Development also urged 3% 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 organised 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).⁸ 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

Table 2.9: Criteria Adopted by NFCs for Distribution of Grants to States for Panchayats

Criteria	Weight assigned by		
	11 th NFC	12 th NFC	13 th NFC
Population	40	40	50
Area	10	10	10
Distance	20	20	20
Decentralisation/ Devolution index (DI)	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 utilisation index	Not adopted	Not adopted	5

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

⁸ The states' contribution to the CSSs was generally 50% in the eight decades, which was reduced to one-fourth in the 1990s because of the tight fiscal situations of the states. The share of the states is being reduced further. Some of the schemes are entirely funded by the national government.

- 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.

It has been argued that CSSs should be converted to block transfers. The request of the prime minister, in his speech to all chief ministers on June 29, 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 optimise their resource potential” (Government of India 2004b, 8) can be seen in that perspective.

In a landmark development on September 7, 2005, the Government of India (GoI) enacted the National Rural Employment Guarantee Act, to ensure employment of adult unskilled manual workers for a minimum of 100 days in a financial year. With the union and state governments, panchayats at all levels participate actively in the implementation of the Act.

Hence, substantial tied funds are being transferred to the panchayats through the CSSs and additional central assistance (ACAs). For long, the CSS transfers were administered and utilised mainly by the line departments. In recent years, the panchayats are being increasingly recognised as implementing institutions for the plan schemes of line ministries. The most important of these is the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), where the panchayats at the district, intermediate and village levels have been given specific responsibilities as principal authorities for planning and implementation. VPs are required to take minimum 50% value of the works. Progress reports from states show an even more encouraging number of 72%.

Since 2004, schemes, as shown in the Table 2.10, have started assigning a range of

responsibilities to the panchayats and depend upon them for grassroots implementation. In addition, there are several important flagship programmes of the Union, which aim at provisioning basic essential services across the country through the panchayats. Since 2004, the allocations to the programmes, entailing the involvement of the panchayats, have shown a 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

Realisation 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 mobilise 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 the 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 the existing budgetary procedures, significant control and discretion for making financial allocations to panchayats rests with the state government officials. Similar powers are vested in district level officials. As a result, the 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 amounts as well as on time. As a consequence, the quality of expenditure is adversely affected. Over time, a dependency syndrome is created.⁹

This example is consistent with one of the points taken for action in the chief ministers’ conference:

⁹ Recognising this problem, the 12th NFC specified a time limit of a maximum of 15 days for the state governments to transfer the 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. (GoI 2004a, 3)

In many cases, panchayats must seek permission from the local authorities to spend even the available funds. In some cases, they are not subject to any clearance up to a certain amount. For example, Panchayats in Kerala and Madhya Pradesh can undertake a project worth up to Rs. 100,000 and Rs. 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). Others assert that own source revenues are not essential for panchayats in 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, on the other decentralised authorities are reluctant to impose taxes as it adversely affect 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 mobilisation of local revenue.

Table 2.10: Allocation of Each Scheme that Entails a Role of the Panchayats

(Rs. in crore)

Scheme	2004-05	2008-09
National Rural Employment Guarantee Scheme/SGRY	10000	16000
National Rural Health Mission (NHRM)		11974
Mid Day Meal (MDM)	1507	8000
Sarva Shiksha Abhiyan (SSA)	4754	13100
Pradhan Mantri Gram Sadak Yojana	2468	7530
Accelerated Rural Drinking Water Supply Programme (ARDWSP)	2900	7300
Integrated Child Development Scheme (ICDS)	1934	5665
Indira Aawas Yojana (IAY)	2500	5400
Swarnjayanti Gram Swarozgar Yojana (SGSY)	1000	2150
Rajiv Gandhi Grameen Vidyutikaran Yojana		5055
Backward Region Grant Fund (BRGF)		4670

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)

However, the 12th NFC in its approach attempted to strengthen the fiscal domain of local governments and advocated the financing of local public goods by the potential beneficiaries. At the same time, the Commission discouraged the reluctance on the part of decentralised authorities to generate revenue. “The principle of equalisation 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 decentralisation raises many issues of different dimensions. A few are listed below:

- *Integrated view and action* – Legislative, political, fiscal and administrative dimensions of decentralisation are interwoven and need to be addressed simultaneously. Reforms in one aspect of decentralisation need to be

accompanied by necessary changes in others. Legislative changes made 17 years ago were not coupled with suitable administrative and fiscal reforms. The administration has persisted in 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 the panchayats by the SEC 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 exist in India.
- *Autonomous institutions* – Elected representatives, autonomous SFCs, and other local institutions are the key to decentralised governance. These institutions need to be central and exogenous to the state government for their technical capacity enhancement and true autonomy.
- *Strong fiscal information system* – The system for designing, implementing, and evaluating decentralisation 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 drawn in the reports of the NFCs and the SFCs. This data is badly flawed and inflates the funds actually managed by panchayats considerably.¹⁰
- *Higher level government as role model* – The higher-level government, particularly the union government, needs to abide by its own rules. Delaying the transfer of funds for panchayats to state governments, affixing

strange and ambiguous conditionalities to the fiscal transfers, and consequently retaining unspent funds at the union level erode the foundation of decentralisation.

- *Authority to identify local needs and preferences* – The panchayats must have a say in the design of the scheme or grant programme. The CAA recognised the significance of identifying local needs and developing capabilities at the local level in the formulation of the PRI's own plan. The provision for a DPC 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 at the district planning committee. The consolidated district plan is then forwarded to the state government for integration into the state plan. Although DPCs have been constituted in many states, such detailed grassroots planning is undertaken nowhere.
- *Ability to monitor and evaluate the system* – The legislative changes in the form of a central act need 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 the state governments, through an incentive or reward 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.

To this end, the subsequent sections deal with the present exercise that assesses the enabling environments created by states for panchayats.

¹⁰ However, the 11th National Finance Commission has initiated the process by advocating for scientific accounts, databases, and computerisation. Subsequently, the comptroller and auditor general of India prescribed a format of accounts for the Panchayats. Most states have accepted the format.



Chapter 3

Panchayat Devolution Index: The Context*

Devolution

The word devolution is used in many contexts. It is both compared and contrasted with decentralisation, delegation and deconcentration. Some scholars have articulated that decentralisation involves devolution, delegation and deconcentration. Other feels that decentralisation may proceed without devolution whereas devolution necessarily leads to decentralisation. Passing down or descent through successive stages can easily be defined as any of these four processes.

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 of jurisdiction to a lower level jurisdiction and making them autonomous in decision making. Many a time the lower level jurisdiction is referred to as subordinate or substitute, which may not always be true. For example, in India, much of transfer of funds takes place from the union to the states under the direction of the Constitution and yet the states are not necessarily subordinate to the union. This phenomenon is termed as downscaling government to bring government closer to the people or elected to the electorate. (Chaudhri, 2007) It may be noted that the discussion revolves around a situation of extant centralised polity.

The Commission on Scottish Devolution (2008) defines devolution as a process of decentralisation in which power and responsibility is moved outwards and downwards

and hence closer to the people. This definition comes closest to our purpose as in India the state, comprising the union and the states, have tried to move the governance closer to the people by putting the third tier of government on a firmer footing by bringing in 73rd and 74th Constitutional Amendments which mandate the states to carry out Conformity Acts. Since the Scottish parliament is a body without legislative power it is akin to our Gram Sabha (GS) which can deliberate on every single issue concerning the public affairs and such affairs which can be considered public good in a larger context, like social justice.

However, in a federal structure like ours, the local governments draw and derive their authority from superior legislative bodies and do not have any legislative power of their own (though they may enjoy considerable decision-making power). The theory of state preeminence over local governments was pronounced by John Forrest Dillon in a judgement in Iowa Supreme Court as early as 1868 that, to quote:

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 the powers of states, which are unlimited but for restrictions imposed by the constitution, local governments have only those powers which have expressly been granted to them by their state. This strong opinion did not go unchallenged. Thomas Cooley did not agree with Dillon and in a judgement in Michigan Supreme Court in 1871 argued that 'local government is matter of absolute right' (of the people) and 'State cannot take it away'. But the fact of the matter is that local governments are being established and treated according to Dillon's principle. Much we may talk of Gandhi and ancient panchayats in India our local

* The chapter draws on Alok and Chaubey 2010.

governments, panchayats and municipalities, continue to derive not only their powers but also functions from their respective States.

Devolution to Panchayats

Situation in India is slightly different from that of countries like the USA. Unlike the USA, local governments in India do not derive rights from a state constitution as there is none. All governments including local governments draw their existence from the Constitution. Though the Constitution of India has granted most of the subject matters related with local public affairs to the states, local governments do enjoy certain constitutional rights, which make it obligatory for the states to move forward, through legislative and administrative channels, on devolution of power and authorities as well as duties and responsibilities.

The Article 243G has specifically asked 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 appropriate level'. But the same Article does suggest '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 economic development and social justice, as may be entrusted to them. Therefore, there is a lot of scope for the states, as ought to be the case in consistency with federal principles, to play around. They can make or mar local governments and more so panchayats. But there is a little role for the union too but it has to move through the state only even though by way of a formality.

It is verily expected that outcomes would depend a great deal on the steps taken by the states to empower, enable and facilitate the local governments in their functioning as also the interest shown by the latter. In a real context where a lot of funds are collected at higher levels and country-wide schemes are launched in

areas of national importance, 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 out that the trend of governance in the matters of local public affairs is reversing though slowly but steadily from 'local to central' to 'central to local' and holds that 21st century local governance would be based on a new view and vision wherein leadership role would be assumed in a multi-centred, multi-order or multi-level system.

Dimensions of Devolution

The Union Government has a role to play in ensuring that the constitutional amendments are followed in letter and spirit and it has shown willingness to help and provide incentives for states to follow the principle of subsidiarity in place of residuality.

The *raison de etre* for federalism and decentralisation 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 dispensation as distinguished from others.

Some scholars working in the area of devolution have often considered political, fiscal and administrative matters (Kearney, 1999) whereas others have thought it fit to consider funds, functions and enabling institutions. Then there are scholars to suggest dimensions of political, functional and financial devolutions in Indian context (Chaudhuri, 2007). Within the political dimension, Chaudhuri points to the issues of voice, autonomy and accountability but discusses representation of weaker sections, regularity of elections, etc. A Working Group constituted by the GoI (2001) has compiled information in terms of number of items from Schedule XI transferred on functions, functionaries and funds along with the status of District Planning Committee (DPC). They have put emphasis on the aspects of regularity

and conditionality in the devolution of powers and funds.

John and Chatukulum (2003) made an attempt to measure the level of attempt of decentralisation made in Kerala by six indicators through around 20 variables. The indicators they considered were scope, intensity, commitment, demand for decentralisation, effects in society and theory practice congruity. Based on qualitative assessment and knowledge of experts they rate Kerala at 2.0 out of a maximum of 4.0. One may note that some are demand side factors and others are supply side ones.

World Bank (2000) also tried to assess the status of rural decentralisation in seven selected States of India in which three dimensions of devolution, viz., political, administrative and fiscal were considered. There were 17 broad indicators and 34 specific indicators. The 11th Finance Commission also used an index of decentralisation, based on 10 parameters, as a criterion with 20% weight for devolving its grants to states for onward transfer to panchayats.

Chaudhuri (2007) rates Indian States on political devolution, functional devolution and financial devolution. He accords positive and negative marks for their achievements in various subdimensions within these dimensions. Four indicators included in political devolution are: regular elections, women's representations, dalit/ adivasi representation and political autonomy. Within functional autonomy are included: transfer of functions, transfer of functionaries, DPC and expenditure autonomy. Within financial devolution, transfer of funds flow of funds and share of funds are considered. The scores across states vary from (-)10 for Bihar to (+) 8 for Kerala while indicators receive score in integers.

Still others look from the perspective of local autonomy. Wolman (1990) and Wolman et al (2008) summarised the arguments for local autonomy as resting upon values of economic efficiency, political responsiveness and accountability, policy diversity and consequent innovation and learning opportunities. From the citizens viewpoint, they indicate a political

participation, civic education and leadership development.

For the sake of operationalising and measuring local autonomy, Wolman et al (2008) have considered three dimensions, viz., local government importance, local government discretion, and local government capacity. For determining the level of local government importance, they have considered five variables—two within fiscal, one within economic and two related with personnel, detailing the extent to which local governments share the space of the state of which they are derivative organ. For determining the level of second dimensions (discretion) as many as eleven variables are considered. Some of them 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). For the third dimension of local government capacity, the factors taken into account were personnel capacity (per thousand citizens), revenue stability (proxied through measures of revenue diversity).

These authors had used factor analysis to convert the variables into factors. Many qualitative variables were assigned the values based on value judgments.

It is possible to critically review these exercises for their deficiencies, however, that would not serve our purpose; for we intend to provide a context for the dimensions and indicators which have gone in consideration for the kind of exercises undertaken in this work.

The variables used in this study for creating indicators are not totally dissimilar but definitely anchored in our specific context.

Need for an Index

Given the nature of civilised man, we are inclined to make comparison of situations, events, phenomena, processes and episodes—sometimes

for pure curiosity and more often for influencing the results and outcomes which are more likely to be universal. Practically, every simple idea we pick up is multi-dimensional. Even if each dimension can be given a number, it is not easy to make a comparison between two situations or call them state of affairs. For any kind of comparison across time and of or space, we need to reduce the multi-dimensional variety into (real) numbers by constructing an index. GDP, for instance, can be cited as an example.

It is in this context that the exercise of evolving devolution index initiated. The express purpose is to see how 'free' the panchayats are to take independent decision in the spheres devolved to them and to gauge the extent to which they are involved and are able to participate in the decision making process. Since, again, local governments—panchayats in the present context, are derivative of the states, it is the state which has to decentralise itself and devolve its powers and authority, its functions and functionaries, its rights and duties and its funds and accountability to the structures below and thus bring the government to the doorstep of the people. It has to be achieved in a variety of ways since states vary in their complexion. For example, some states have Schedule V areas and some have Schedule VI areas and others have regional reference in the Constitution¹. This variety of ways, itself diverse by in approaches, forms and contents across the states.

Yet comparisons are often made though at the cost of losing the specificities. It was remarked by whitehead, a mathematician, that whenever a comparison is made, at least one dimension has to be missed, which makes one entity different from another. But we all tend to do it. With the advances in civilisation and quantification of things, index making has been on increase. Even words 'much' and 'less' need to be assigned some numbers.

Context of Index Making

Devolution formulae for horizontal distribution of resources among states from the union have

been in vogue for long in India whether they were under the recommendations of the Finance Commissions or the Planning Commission Resources under many of the centrally sponsored schemes are likewise devolved to the states.

However, when a separate MoPR was set up in 2004, the Prime Minister convened a meeting of the Chief Ministers on June 29, 2004 and decided to have seven round table deliberations with the State Ministers In-charge of panchayats. The theme of the fifth round table held at Srinagar was on the annual reports of Panchayats including a devolution index. V N Alok and Laveesh Bhandari presented a concept paper on rating the policy and functional environment of PRIs in different states of India, which incorporated the views of a large cross-section of stakeholders, while retaining ease of analysis and index creation. This work takes a cue from a comment in the report of the 11th Finance Commission, made in the context of centrally sponsored schemes, that the transfer of functions along with that of funds and functionaries does not create any extra financial burden, they delineated a number of variables under three dimensions viz., functions, funds and functionaries.

For operationalising the concept of such an index, the work was assigned to the National Council of Applied Economic Research (NCAER) in 2006-07, 2007-08 and 2008-09. NCAER (2007a, 2007b) found that data was not available from the given sources on some of the indicators suggested by Alok and Bhandari (2004). While data from states was needed under the Alok-Bhandari (2004) framework, field research was needed from the states under the World Bank (1999) framework, and experts opinion was enough for John and Chatukulam (2003).

In the very first exercise, the NCAER used three dimensions delineated in Alok and Bhandari (2004), but in the later exercises they also included a fourth dimension and called it framework. The framework dimension essentially incorporates the constitutionally mandatory requirements which a state must adhere to. However, they used it as

¹ This refers Article 244 of the Constitution.

an exclusionary criterion rather than to assess the progress a state made within the scope provided in the mandatory provisions.

In the year 2009-10, the Indian Institute of Public Administration (IIPA) was commissioned to carry out the work of measuring the level of devolution carried out by the states. Information was officially received from the state government that was cross-validated in nine top - ranking - states. Further validations were introduced such as referring to the reports of important institutions such as the CAG and the 13th Finance Commission. An index was constructed and the top ranked states were awarded by the Prime Minister on Panchayat Day celebrated on the April 24, 2010 at Vigyan Bhawan. Kerala was ranked the first state in the index followed by Karnataka. The Planning Commission used the index in the Third Chapter

of the Mid -Term Appraisal for the Eleventh Five Year Plan, 2007-2012.

This year in 2010-11, we use a similar framework for ranking and rating the various states of India. Though some changes were made in the variables and indicators used and the weighting system, the broad framework and consistency checks have been retained. The cross-validation was done in a selection of best panchayats (as informed to the team by the state governments) across all tiers of panchayats. The central theme is to measure the commitment of the state and UT to empower panchayats and promote the accountability of panchayat. The focus of all dimensions is on these two key themes of PEAIS. In addition, an incremental devolution index was also computed, which has been based on the initiatives undertaken by states in several areas of devolution. The detailed methodology is given in later sections.



Chapter 4

Construction of the Index

Construction of an index has three essential steps: one of theory (field), another of mathematics (formulation) and finally that of statistics (estimation). In actual practice all three interact in some way. Theory in the present context helps us in choice of variables. Mathematics is about method of normalising the variables and deciding the aggregation scheme. Many aggregation schemes also use linear weights.

Theory

The devolution from a state to its panchayats in our consideration has four dimensions which we designate as framework, functions, finances and functionaries. The framework is related to institution building as mandated largely in the Constitution and need to be followed by each state. It is intended to be a qualifying criterion. The framework needs to be seen at two levels. We sought information on details of the functioning of the constitutional institutions set up under the framework and quantified them to find out how various states differed in observance of this dimension under the spirit of the Constitution. For example, sub clause Article 243 I (4) related to the submission of the report of the State Finance Commission (SFC) with an explanatory memorandum before legislature is silent on the time frame without intention. As per the spirit of the Constitution, we assume that six months should have been the ideal time frame for each state government to consider the recommendations of its SFC. We even accorded negative marks for lapses in observance to build in discriminatory power into the index. Autonomy of panchayats has also been considered in this block.

Functions known as expenditure assignment in the literature of public finance have been given

less weight than the dimension of finances. We read the Article 243G more thoroughly than it is usually done with a fixation on the 29 items enumerated in the XI Schedule of the Constitution. We thought it proper to ascertain in details about empowerment for functions, involvement in schemes, functioning of gram sabha and transparency mechanism devolved to panchayats. Formulating a detailed score sheet that assigned of descending weights to empowerment, enablement and facilitation and preferring legislative action to executive action, for each of the indicators within the dimension, the scores for states were arrived.

Finances were taken as the most important dimension in our reckoning. This was also the consensus view of the domain experts who participated in the National Workshop on March 15, 2011. We again made a score sheet, using the principle of descending importance to empowerment, enablement and facilitation and preference for legislative action over executive action, for various possible taxes—where major local taxes, e.g. property tax were accorded a value higher than others. But the prevailing reality that a transfer of funds, with preference over untied to tied, is a good substitute for empowerment. Grants under the National Finance Commission (NFC) both the 12th and the 13th were given specific place as the provisions for them had removed the encumbrances imposed by states.

Functionaries have been getting attention for long from scholars and practitioners alike. The extent the government employees working with panchayats have been made accountable to panchayats' political executives and whether panchayats have their own employees were weighty considerations. Capacity building of functionaries — both elected and selected, and infrastructure are also considered.

The primary objective in all the dimensions is to measure the commitment of the state and UT to empower panchayats and promote the accountability of panchayat. The focus of all dimensions is on these two key themes of PEAIS.

Framework

- State Election Commission (SEC) (Art. 243 J)
- Holding regular panchayats elections (Art. 243 E)
 - ◆ Gap, bye-elections and dissolution?
- SFC (Art. 243 I)
 - ◆ Qualification of members in the Act?
 - ◆ Constitution at regular interval?
 - ◆ Acceptance of recommendations?
 - ◆ Timeliness of actions thereon?
 - ◆ Fiscal transfers to panchayats on account of SFC?
- District Planning Committees (DPCs) and their working (Art. 243 ZD)
 - ◆ Regular meeting?
 - ◆ Regular submission of plans?
 - ◆ Consolidation of plans and its integration with state plan?
- Autonomy of panchayats (Art 243F)
- Reservation of Seats for SC/ST and Women prescribed in the Conformity Acts (Art. 243D).

Functions

- Functions assigned to panchayats (Art. 243G)
 - ◆ Involvement status of panchayats?
- Involvement status of panchayats in important schemes
- Functioning of *Gram Sabha* (Art. 243A)
 - ◆ Number and minutes of meetings?
 - ◆ Approval of plans, budget, UCs and beneficiary lists?
- Transparency in panchayats
 - ◆ Mechanism to deal with RTI and corruption?
- Initiatives undertaken since April 2009

Finances

- Empowerment of panchayats to impose and collect revenue (Art. 243H)
 - ◆ Share of own revenue of pin State own revenue?
- Fund availability with panchayats (last two years)
- Operation of panchayat *Nidhi*/Fund (receipt & expenditure)
- Release of NFC grants to the panchayats
- Set of criteria, weight to allocate fund to the panchayats

- System of fiscal management, monitoring and evaluation
- Initiatives undertaken since April 2009.

Functionaries

- Accountability of functionaries to panchayats
 - ◆ Appointment
 - ◆ Transfer
 - ◆ Disciplinary matter
- Panchayat's own officials
- Capacity building of elected representatives
- Capacity building of official functionaries
- Infrastructure for efficient & effective management of panchayats
- Initiatives undertaken since April 2009.

Mathematics

Simple indices are known to be linear. In other words, they are weighted sums or averages of the constituents or components that go into making the index. They can be categorised in two broad groups—one having a unit of measurement and the other without having a unit. An example of the former is Gross Domestic Product (GDP) and that of the latter is Consumer Price Index (CPI). Components are first converted into such quantities that they can become comparable so that they can be aggregated by adding together. In the case of GDP, 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 CPI, price relatives are prepared, which are generally weighted by their expenditure share in the total expenditure.

Similarly, achievements in several dimensions can also be aggregated into a single whole by appropriately designing the index making procedure. Present level of achievement of an entity, like country or state or district, can be divided by the maximum possible achievement. This kind of exercise would confine the range of index between 0 and 1. However, certain index makers feel that achievement should be measured over the minimum possible achievement and therefore should also be divided by the maximum achievable range. In simple words, excess of actual achievement over minimum achievement

should be divided by the maximum excess possible which is maximum achievement minus minimum achievement. This practice is followed by the scholars, organisations and agencies engaged in the business of computation of human development index (HDI). One advantage of this procedure is that better discrimination is built-in in the index, particularly when an entity is compared with another rather than when it is compared with itself over time. And an index if used for rating and ranking entities must have it. See formula 1 in the Appendix to this chapter.

Once achievement components are converted into such comparable quantities, they can be aggregated by assigning separate weights or the same weights. While differentially weighted aggregation is called weighted index (average) equally weighted aggregation is often called un-weighted index. Technically speaking, they are cases of linear aggregation, see formula II and III.

Many exercises conducted in this area have adopted, following the principle of information asymmetry, equally weighed aggregation procedure. It is not a principle of non-discrimination. However, we differed from adopting equal weights as we progressed from 3F framework to 4F framework. We raised the weight of finances from 35.0% used in last year exercise to 40.0% in the present one. This was also the view of the experts who participated in the National Workshop on March 15, 2011. We assigned 20.0% weight to functions, 10% points lower than what we assigned last year. The rest of the weights available, that is 40.0%, were divided between functionaries and framework in the ratio of 3:5 as functionaries include some elements of infrastructure and capacity inducement/enhancement etc. whereas framework was given quantitative framework as was done last year.

However, the exercise is conducted not only for overall devolution but also for dimensions. So, there are three levels of constructs: several achievement indicators within each of the dimensions, four dimensional indices of devolution and one overall, or call it, composite index of devolution. Weights for achievement indicators within the relevant dimension

follow the order of decreasing importance from empowerment, enablement and facilitation.

There is a specific characteristic that needs to be maintained in creating such indices. The components of the final index need not to be complementary if the right results are to be achieved. We know fully well that functions and finances are more complementary in nature than substitutes whereas formulas adopted consider them substitutes. We have taken care in introducing mutually complementing elements in designing questions which build the indicators for different dimensions.

Statistics

Questionnaire/Instrument; Canvassing

Besides secondary statistics primary data have been collected from the state governments, panchayats, office of the Accountant General and office of the State Local Fund through a well designed questionnaire.

The study was commissioned on September 27, 2010 vide sanction letter number N-39011/52/2010-PEAIS/Pol. A questionnaire was prepared in consultation with the Ministry of Panchayati Raj (MoPR), Government of India. Inputs received from the study conducted last year were also used. The questionnaire was canvassed to state through post and email on November 29, 2010. The MoPR, Government of India also followed up. In addition, a number of documents were also sought in order to make sound judgment about certain qualitative questions.

The draft questionnaire had four distinct blocks on framework, functions, finances and functionaries. By and large questions were structured but some open options were also provided, mostly to capture state specific traits. The block pertaining to functions and finances also provided scope for clubbing questions in a matrix form. Yet there was a provision for giving 'qualitative' supplements.

Investigators visited 23 states and data was obtained and validated. Survey team in the states collected data from a handful of panchayats. These

Panchayats were selected on the basis of the information provided by states. Officials dealing in local finance in the C&AG and the 13th Finance Commission were consulted. Data obtained by the 13th Finance Commission from states and Finance Accounts published by the C&AG have been taken into consideration for various analyses. Secondary data from the official website of the MoPR, GoI, State Panchayati Raj Departments, Reserve Bank of India, C&AG of India and State Accountant Generals have also been used.

A presentation on the methodology was made at the National Workshop of State Secretaries and State Nodal Officers on February 7, 2011. In view of the comments received last year, some indicators have been included in the exercise for 2010-11 as compared to that of 2009-10. Moreover, variables have been brought in different dimensions and scoring patterns have also undergone a change. As a result, the score of each state is not comparable with last year's score. The data, results and the other features of the study were presented and discussed at a one-day workshop of the domain experts, which was organised by the Institute with the Decentralisation Community of UN Solution Exchange on March 15, 2011.

States/UTs Covered in the Study

Following states participated in the Devolution Index Survey. The state of Jammu and Kashmir and Punjab are notable for their absence as the States did not respond despite several reminders. It is to be noted that panchayat elections have by now been conducted including Jammu and Kashmir. We have included Jharkhand in our analysis as the State has just conducted its panchayat election and is framing the rules for constitution of DPC.

Table 4.1: States/UTs from whom Survey Responses received as on March 15, 2011.

States/UTs
(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) Manipur (16) Odisha (17) Puducherry (18) Rajasthan (19) Sikkim (20) Tamil Nadu (21) Tripura (22) Uttar Pradesh (23) Uttarakhand and (24) West Bengal

Mizoram, Meghalaya and Nagaland had been kept out of the purview of the 73rd Amendment Act under Article 243 (M), hence they have not been considered in the study. The NCT of Delhi is out of reckoning as panchayats were superseded in 1990 and have not yet been revived.

Standardisation of Indicators

The indicator level sub-index is calculated by formula I as below:

- For k indicator of j dimension for i state

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

where X is the score at indicator level. It may be noted that achievements at indicator level are first measured in terms of scores in relation to a certain minimum (logical and empirical). The indicator achievement is normalised 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 Indices

Dimension level indices are calculated by formula II below by proportionate weight:

- For dimension j state i

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

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

Panchayat Devolution Index (PDI)

The state index is prepared by formula III below:

- For state i

$$D_i = \sum_j w_k D_{ijk} \quad \text{Formula III}$$

which is simply the weighted sum of dimensional indices.

If formula II is substituted in formula III, one can obtain the SDI straight from standardised indicator level subindex:

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

Notations

i = State

j = Dimension such as Framework, Function, Finance, 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

To demonstrate the calculation for one State, let us assume that the state has obtained 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.

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

For Dimension Function, 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 weight 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.

$$D_i = \sum_j w_j D_{ij} = w_1 D_1 + w_2 D_2 + w_3 D_3 + w_4 D_4$$

$$= 0.15 D_1 + 0.30 D_2 + 0.35 D_3 + 0.20 D_4$$

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 far away the State is from an ideal performance (maximum score of 1).

In this way, we are able to quantify the relative performance of the States in putting together an environment for effective devolution in rural India.



Chapter 5

Empirical Assessments and Analysis

Introduction

This final chapter presents an empirical assessment of devolution to panchayats by the states. Results are presented for each of the four dimensions of devolution, viz. framework, functions, finances and functionaries. The enabling environment created by a state is compared with that of others in

terms of various dimensions in the study. National averages for each of the dimensions have also been computed. States are ranked according to overall/composite PDI as well as by each of four dimensions. All values are shown in percentage term to make comprehension easy. This is followed by a comparative analysis of dimension-wise achievements in devolution by states.

We have computed two sets of indices. One relates to cumulative performance and the other to incremental performance. We had canvassed in our state questionnaire some close-ended and some open-ended questions about the initiatives undertaken by the states towards devolution to panchayats since April 2009. Scores on open-ended questions pertaining to initiatives had

Table 5.1: Panchayat Devolution Index (PDI) and Sub-indices

Rank	State/UTs	D ₁	D ₂	D ₃	D ₄	D
		Framework	Functions	Finances	Functionaries	
1	Kerala	86.21	79.07	66.58	63.14	70.01
2	Karnataka	54.16	68.20	78.53	39.73	62.39
3	West Bengal	76.56	59.52	66.24	45.00	59.56
4	Rajasthan	52.07	70.00	52.31	45.86	53.89
5	Maharashtra	48.15	64.67	49.97	52.83	53.58
6	Tamil Nadu	68.46	67.69	38.55	58.82	53.45
7	Madhya Pradesh	74.50	71.19	35.14	56.65	52.74
8	Gujarat	45.22	73.54	41.35	40.04	47.78
9	Andhra Pradesh	50.41	63.64	43.80	41.33	47.69
10	Chhattisgarh	51.61	54.56	41.76	49.60	47.66
11	Haryana	56.31	55.83	39.10	40.18	44.49
12	Himachal Pradesh	45.06	53.79	41.80	29.50	40.83
13	Odisha	63.22	40.35	18.35	61.01	40.03
14	Uttar Pradesh	54.37	48.35	23.17	22.83	31.22
15	Puducherry	17.01	40.51	36.20	19.17	30.03
16	Uttarakhand	25.82	26.80	30.05	27.50	28.21
17	Bihar	54.69	54.78	20.56	3.33	25.65
18	Goa	32.56	24.67	16.34	18.33	20.23
19	Jharkhand	35.00	12.00	2.00	16.67	11.70
North Eastern States						
1	Sikkim	70.60	65.58	41.96	50.88	60.22
2	Tripura	60.90	42.50	32.77	33.00	45.60
3	Manipur	57.54	34.70	36.54	13.33	39.31
4	Assam	38.35	29.20	33.51	0.00	31.08
5	Arunachal Pradesh	12.81	11.97	17.56	3.33	19.70
	National Average	51.32	50.55	37.67	34.67	42.38

been used to compute the index on incremental performance. Further, we have shown the North Eastern States separately in the Tables.

Panchayat Devolution Index: Overall

Tables 5.1 and 5.2 and Figures 5.1 through 5.5 enunciate the cumulative exercise. Table 5.1 and Figure 5.1 present the values of sub-indices or dimensional devolution indices as well as the overall PDI. However, states have been ranked by the overall PDI. The Table 5.2 has been designed in such a manner that states are ranked according to individual dimensions.

Based on the weighted aggregation of the four dimensional sub-indices, the composite PDI shows that Kerala is ranked first with value of 70% followed by Karnataka (62.4), West Bengal (59.6) and Rajasthan (53.9). The next three

states in order, viz. Maharashtra, Tamil Nadu, and Madhya Pradesh have also scored over 50%. However, the national average is 42.4. The states of Gujarat, Andhra Pradesh, Chhattisgarh and Haryana have also scored a value over the national average.

It may (NER) be noted that among the North-Eastern States, Sikkim has scored well above the national average and actually ranks third after Karnataka and fares better than West Bengal. Tripura is another state that has scored more than the national average.

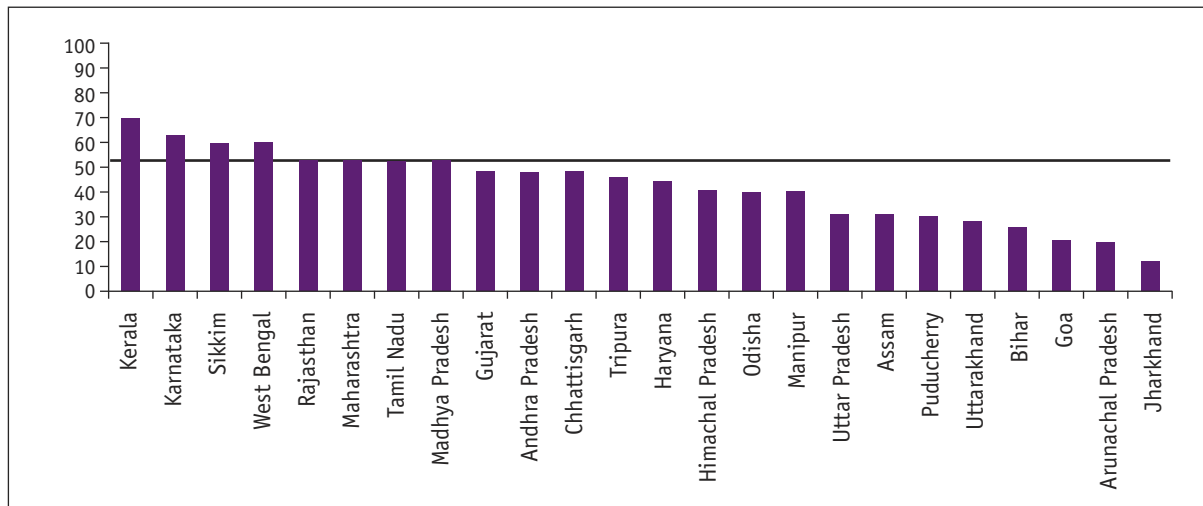
Cumulative Index: Dimensional

Table 5.2 presents the dimensional indices or devolution sub-indices. They are visually presented by Figures 5.2 through 5.5. The states have been serialised according to their ranks in

Table 5.2: Panchayat Devolution Sub-Indices according to Overall Ranks

Sr. No.	Framework (D1)		Functions (D2)		Finances (D3)		Functionaries (D4)	
	State/UT	Value	State/UT	Value	State/UT	Value	State/UT	Value
1	Kerala	86.21	Kerala	79.07	Karnataka	78.53	Kerala	63.14
2	West Bengal	76.56	Gujarat	73.54	Kerala	66.58	Odisha	61.01
3	Madhya Pradesh	74.50	Madhya Pradesh	71.19	West Bengal	66.24	Tamil Nadu	58.82
4	Tamil Nadu	68.46	Rajasthan	70.00	Rajasthan	52.31	Madhya Pradesh	56.65
5	Odisha	63.22	Karnataka	68.20	Maharashtra	49.97	Maharashtra	52.83
6	Haryana	56.31	Tamil Nadu	67.69	Andhra Pradesh	43.80	Chhattisgarh	49.60
7	Bihar	54.69	Maharashtra	64.67	Himachal Pradesh	41.80	Rajasthan	45.86
8	Uttar Pradesh	54.37	Andhra Pradesh	63.64	Chhattisgarh	41.76	West Bengal	45.00
9	Karnataka	54.16	West Bengal	59.52	Gujarat	41.35	Andhra Pradesh	41.33
10	Rajasthan	52.07	Haryana	55.83	Haryana	39.10	Haryana	40.18
11	Chhattisgarh	51.61	Bihar	54.78	Tamil Nadu	38.55	Gujarat	40.04
12	Andhra Pradesh	50.41	Chhattisgarh	54.56	Puducherry	36.20	Karnataka	39.73
13	Maharashtra	48.15	Himachal Pradesh	53.79	Madhya Pradesh	35.14	Himachal Pradesh	29.50
14	Gujarat	45.22	Uttar Pradesh	48.35	Uttarakhand	30.05	Uttarakhand	27.50
15	Himachal Pradesh	45.06	Puducherry	40.51	Uttar Pradesh	23.17	Uttar Pradesh	22.83
16	Jharkhand	35.00	Odisha	40.35	Bihar	20.56	Puducherry	19.17
17	Goa	32.56	Uttarakhand	26.80	Odisha	18.35	Goa	18.33
18	Uttarakhand	25.82	Goa	24.67	Goa	16.34	Jharkhand	16.67
19	Puducherry	17.01	Jharkhand	12.00	Jharkhand	2.00	Bihar	3.33
North Eastern States								
1	Sikkim	70.60	Sikkim	65.58	Sikkim	41.96	Sikkim	50.88
2	Tripura	60.90	Tripura	42.50	Manipur	36.54	Tripura	33.00
3	Manipur	57.54	Manipur	34.70	Assam	33.51	Manipur	13.33
4	Assam	38.35	Assam	29.20	Tripura	32.77	Arunachal Pradesh	3.33
5	Arunachal Pradesh	12.81	Arunachal Pradesh	11.97	Arunachal Pradesh	17.56	Assam	0.00
	National Average	51.32	National Average	50.55	National Average	37.67	National Average	34.67

Figure 5.1: Panchayat Devolution Index



each of the dimensions and the values have been reported in the table. The presentation helps identify the value distance between competing states. Besides, the table facilitates quick comparison for readers.

Framework Dimensional Index

In the Framework dimension, an attempt is made to include indicators on provision and functioning of the constitutional institutions set up by states/UTs. These are quantified to determine how states differed in observance of this dimension under the spirit of the Constitution. For example, sub clause Article 243 I (4) related to the submission of the report of the State Finance Commission (SFC) with an explanatory memorandum before Legislature is

silent on the time frame without intention. As per the spirit of the Constitution, we assume six months should have been the ideal time frame for each state government to consider the recommendations of its SFC. We even accorded negative marks for lapses in observance to build in discriminatory power into the index. Autonomy of panchayats has also been considered in this block.

Table 5.2 shows that Kerala ranks first with value more than 86%. The state is followed by West Bengal (76.6), Madhya Pradesh (74.5), Tamil Nadu (68.5) and Odisha (63.2). The national average of this dimension is 51.3. Haryana, Bihar, Uttar Pradesh, Karnataka, Rajasthan are the other states that have crossed the national average. Three NER states, viz. Sikkim,

Figure 5.2: Framework Sub-Index



Tripura and Manipur are also above the national average.

Functions Dimensional Index

In the dimension of functions, four sets of questions were canvassed. In each set, mainly objective questions were asked. Assignment of functions to panchayats, including process and activity mapping along with the tasks to be performed at each level, gets maximum importance in the sub index. Involvement of panchayats in vertical schemes has also been significantly covered. Functioning of gram sabha (GS) and the accountability framework have been focused in this dimension. This captures sizable components of state’s commitment towards devolution and empowerment to panchayat as well as accountability of panchayats to their constituents.

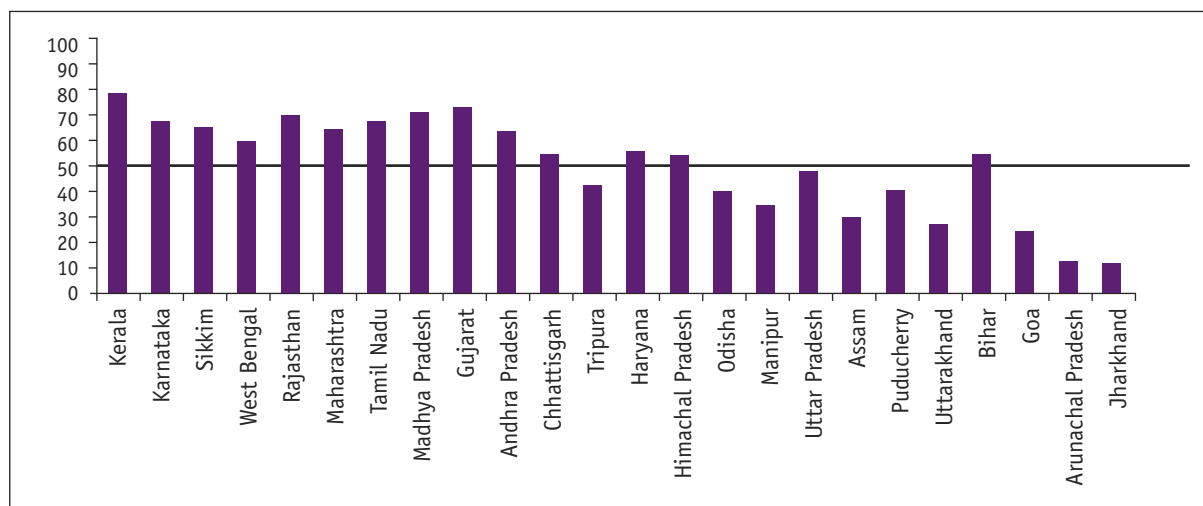
In this dimension, Kerala tops the list with an index value of about 80%. Gujarat, Madhya Pradesh and Rajasthan follow with scores of 73.5%, 71.2% and 70.0% respectively as presented in Table 5.2 and Figure 5.3. Karnataka, Tamil Nadu, Maharashtra and Andhra Pradesh follow them with scores over 60.0%. The national average of this

Finances Dimensional Index

The finances is the most important section in the study. Seven blocks of questions in the section encompass wide range of subjects. They include empowerment of panchayats to collect revenue — both *de jure* and *de facto*, fund availability with panchayats and its utilisation, release of finance commission grants by states to panchayats, criteria adopted by states to allocate funds to panchayats and system of fiscal management, monitoring & evaluation. A number of questions pertain to new initiatives taken by states in the recent year. These indicators significantly capture attempts made by a state to empower panchayats financially and create accountability system thereon.

In this dimension, the state of Karnataka has scored the highest with an index value of 78.5%. It is pertinent to mention that this stock sub-index includes substantial flow variables. Table 5.2 and Figure 5.4 show that Kerala and West Bengal are way behind Karnataka with values of 66.6 and 66.2% respectively. Rajasthan and Maharashtra have also scored more than 50%.

Figure 5.3: Functions Sub-Index



dimension is 50.5. Fourteen states have scored more than the national average in this sub-index. Sikkim with score close to 66% ranks seventh among all states.

The national average for this parameter itself is low of 37.7%. Thirteen states have crossed this average. Sikkim is the only state in north east to have scored better than the national average.

Figure 5.4: Finances Sub-Index



Functionaries Dimensional Index

The dimension of functionaries incorporates questions on level of panchayat control on functionaries, own staff of panchayat, capacity enhancement of functionaries—both elected and appointed and physical infrastructure. All these questions were objective. Substantial weight has been assigned to this dimension in the overall PDI.

As can be seen from Table 5.2 and Figure 5.5, Kerala ranks highest in the dimension of functionaries with a value of 63.1%. Odisha has emerged as number two in this dimension with a score of 61%. Tamil Nadu (58.8), Madhya Pradesh (56.6) and Maharashtra (52.8) are above

50% and Chhattisgarh with an index value of 49.6% is almost at par. The State of Sikkim in the NER has also scored more than 50%. This national average is 34.7%. Thirteen states have secured more than the national average in this dimension.

General Observations

It can be inferred from a comparative analysis of the dimensions of functions and finances that devolution in financial domain, in general, falls short of that in functional domain. This corroborates the assertions made by scholars and policy makers in a number of occasions about grave inadequacy of finances and dependence of panchayats on the upper level of governments.

Figure 5.5: Functionaries Sub-Index



It is clear that Kerala is ranked at the top of the composite panchayat devolution index as well as in the three sub-indices of framework, functions and functionaries. In-depth analysis shows that the State has devolved the maximum in terms of functions/activities for which a detailed activity mapping has been carried out. The transparency mechanism of the State is also considered worth emulating. The panchayats in the State of Kerala have been found to have the good capacity to collect revenue and utilise them. In other words, panchayats in Kerala have been made more autonomous than that of others. Kerala is ahead in using criteria based objective allocation formulae for panchayats. The State has also developed the best structure for physical infrastructure and capacity building. The State is best placed to empower panchayats and create accountability mechanism for panchayats for the people.

Karnataka follows Kerala in the composite panchayat devolution index. Karnataka is at the top of the sub-index for finances and occupies fifth place in respect of functions. Panchayats in Karnataka have substantial role in the vertical schemes. Panchayats in the State also have an effective role in parallel bodies and exercise effective control over line department functionaries. Interestingly, panchayats in the state enjoy considerable taxing power and has a healthy system of fiscal management and monitoring among all the states.

West Bengal is ranked third in the composite panchayat devolution index along with the sub-index of finances and is ranked second in the sub-index of framework. The State Finance Commission in West Bengal is found to be as effective as in Tamil Nadu. The State has devolved good number of tax handles to panchayats. The State also has a robust fund flow management system and did not default an installment of National Finance Commission grant to panchayats.

This analysis suggests that various states have moved with 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.

Incremental Index

The Incremental Devolution Index is based on the new initiatives the states have undertaken since April 2009. The index is created on two categories of initiatives. First, the initiatives are listed by the states under various heads of Framework, Functions, Finance and Functionaries. Second, they are scored on three parameters: (a) Institutional Strengthening of panchayats, (b) Improvement in Process, and (c) Improvement in Delivery of Services. Major initiatives taken by some States, as listed, are considered good practices in our analysis. These are presented in Appendix 5.1.

Each initiative is awarded one mark for each of the parameters. Thus, it can score a maximum of three points if the initiative qualifies for all parameters. We have taken a maximum of fifteen initiatives under taken by the states. Henceforth, each state can be awarded with a maximum of forty five marks. The exercise has been undertaken on the basis of data provided by each State.

Using the six parameters induced by the 13th Finance Commission report, each state has been awarded one mark for each parameter fulfilled. Each state is awarded a maximum of six marks. The six parameters are the following:

- a. Supplement to State Budget for panchayats.
- b. Placing the Annual Report of Panchayat Audit before the State Legislature.
- c. Electronic funds transfer system for panchayats.
- d. Prescribing qualifications of SFC members following central legislation and rules meant for National Finance Commission (NFC).
- e. Strengthening Panchayat to levy Property Tax.
- f. Setting standard for the delivery of essential civic services.

Each state therefore has received scores on 15 major initiatives as well as 6 initiatives under the 13th Finance Commission report. These scores

are then aggregated using an equal weights approach. This has yielded the final scores on the basis of which states have been ordered.

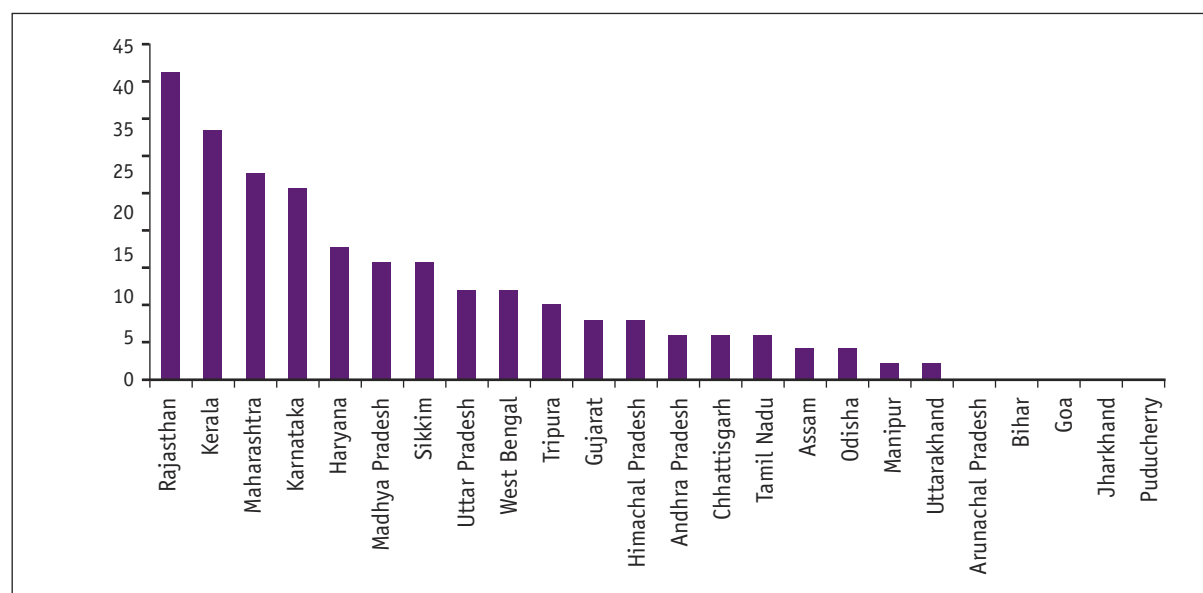
Results of the incremental exercise are presented in Table 5.3 and Figure 5.6. There are in all 19 States

that have reported initiatives undertaken since April 2009. We can see from this table, Rajasthan has done the best. Kerala and Maharashtra follow in this regard. Other significant scorers are Karnataka, Haryana, Madhya Pradesh and Sikkim.

Table 5.3: Incremental Panchayat Devolution Index (PDI)

Rank	State	Score
1	Rajasthan	41.18
2	Kerala	33.33
3	Maharashtra	27.45
4	Karnataka	25.49
5	Haryana	17.65
6	Madhya Pradesh	15.69
6	Sikkim	15.69
8	Uttar Pradesh	11.76
8	West Bengal	11.76
10	Tripura	9.8
11	Gujarat	7.84
11	Himachal Pradesh	7.84
13	Andhra Pradesh	5.88
13	Chhattisgarh	5.88
13	Tamil Nadu	5.88
16	Assam	3.92
16	Odisha	3.92
18	Manipur	1.96
18	Uttarakhand	1.96
20	Arunachal Pradesh	0
20	Bihar	0
20	Goa	0
20	Jharkhand	0
20	Puducherry	0

Figure 5.6: Incremental Devolution Index



Good Practices initiated by States since April, 2009 to Strengthen Panchayats

The following are considered good practices initiated by some states that could be emulated by others. The initiatives that were undertaken only since April 2009 have been considered. For example, *panchtantra* system initiated by Karnataka, though a good system, could not be considered as it was introduced in April 2007 well before April 2009.

Rajasthan devolved five departments

The state government has transferred functions, functionaries & funds of five departments viz. Elementary Education, Agriculture, Medical & Health, Women & Child Development and Social Justice & Empowerment Department to panchayats.

Madhya Pradesh framed recruitment rules for GP Secretaries

Recruitment Rules for Gram Panchayat (GP) Secretaries (23012 in number) have been prepared and Chief Establishment Officers, District Panchayats (DPs) have been authorised to appoint them. The rules also provide for transfer of the GP secretaries within the district.

Karnataka created Panchayat Development Officer (PDO)

A post of PDO has been created on 10 March 2010. Schedule-1 to Section 58 of the Karnataka Panchayat Raj Act, 1993, lists out the various functions to be performed at gram panchayat level. Besides this, under the various union and state government schemes such as MGNREGS, the 13th Finance Commission, Gram Swaraj, etc., substantial amounts are being transferred to GPs. Related financial management has also been entrusted to these institutions. However, to cope with the responsibilities of programme implementation and financial accountability, the

Government has created 5628 posts of PDOs in the rank of manager or superintendent, in each gram panchayat. Subsequently applications were invited for filling up of 2500 posts under direct recruitment. The process of recruitment has been completed last year. Further, the task of selection of another 1250 posts has been entrusted to Karnataka Public Service Commission during 2010-11. The remaining posts are being filled up by way of promotion from the cadre of gram panchayats secretaries' grade-1.

Haryana involved panchayats in drinking water supply system

GPs have been involved in drinking water supply system by the Public Health Engineering Department, Haryana.

Kerala: ANERT went with local government

ANERT (The Agency for Non Conventional Energy and Rural Technology) jointly with the District Panchayats, Municipal bodies has taken up a corporate initiative of floating a new company 'Kerala renewable energy development company Pvt Ltd' for decentralised power generation in March 2011. A mechanism for customer relations management and direct marketing of renewable energy services has been launched jointly with the block panchayats. ANERT has also launched a 'Centre for Capacity Building in New and Renewable Energy and Energy Conservation, with academic institutions for the supply of resource needs of local governments in the renewable energy and rural electrification sector. 450 gram panchayats in the state have jointly taken up an initiative of creating baseline data on energy consumption for the preparation of local level integrated energy plan with the support of the recognised institutions.

Maharashtra: Prosperous Village and Contended Villagers

The Rural Development Vision - Maharashtra is conceptualised in a signature statement "Samruddha Gram, Sampanna Gramstha", meaning "Prosperous Village, Contended Villagers". To transform this vision into a reality, the state has adopted the following three pronged development strategy through panchayats where the role of the state is of a facilitator:

- Create physical infrastructure (roads, drainage, solid waste management, liquid waste management, energy requirements, drinking water, sanitation)
- Provide social needs (health, education, nutrition, social security)
- Ensure livelihood opportunities (skilled and unskilled, production and service oriented).

Out of the three components mentioned above, the state government has formulated a programme viz. *Paryavaran Santulit Gram Vikas Abhiyan* (Environmentally Balanced Village Development Campaign) for creation of physical infrastructure in villages through community initiatives. The reuse, recycle and restore practices are adopted while creating village infrastructure both, community & household. For this purpose villages have to fulfill the following conditions in the first year of the campaign, i.e. during April 1, 2010 to March 31, 2011:

- Panchayat should plant and nurture trees equal at least to the population of village.
- At least 60% families in the panchayat should have toilet facilities in working conditions.
- Complete ban on the use of plastic in the village.
- Panchayat should participate in the flagship rural development programmes of the state government, viz. Sant Gadgebaba Clean Village Sanitation Campaign which is a competition for sanitation among the gram panchayats, dispute free village campaign which is a competition for making village dispute free and Yashwant Gram Abhiyan a

competition for good governance amongst gram panchayats.

- Panchayat should recover at least 60% of the taxes levied at prescribed rate.

The gram panchayats fulfilling above conditions will be given untied grants ranging from Rs.2 lakh to Rs.12 lakh based on the population. The money can be utilised by the GPs for creation of environmental friendly quality infrastructure.

The gram panchayats claiming to have complied with these conditions are examined through a four tier verification system. First, by the block level team, secondly by the district level team, thirdly by the divisional level team and fourthly by the state level team. The successful GPs at the end of the final state level verification will be given financial support in a function organised at state level.

In the next year, i.e. in 2011-12, the GPs will have to scale up the performance in the first year to be eligible to get funding for the subsequent year, e.g. at least 50% of the plantation in the first year should survive, coverage & use of toilets should be 80% tax recovery to be scaled up from 60% to 80%. Then only a GP will be considered for grant of funds for the next year. In addition to the scaling up of the conditions laid down in the first year, they will have to fulfill additional conditions in the next years viz. converting at least 50% of the street lights in the GP to solar or LSD, adoption of scientific method for solid and liquid waste management

In the third year, all the conditions will be further scaled up so that villages go for perfection and zero tolerance. In short, "reform, perform and advance" is the theme behind the scheme.

On February 28, 2011, 12588 GPs out of total 28920 GPs were found to be eligible under the programme and are eligible to receive funds to the tune of Rs.401 crore.



Annex 1: Scoring Scheme

Annex Table 1.1 D1: Framework

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
I: Framework					
<i>I A: Elections conducted post 73rd Amendment 1992</i>					
	Is the State Election Commission (SEC) in place for conducting panchayat Elections?	Qualifying			
	Whether, provision for removal of the SEC is same as that of a Judge of High Court?	Emoluments Yes = 1		1	0'00
		Emoluments No = 0			
		Service conditions Yes = 1		1	'00
		Service conditions No = 0			
		Removal Yes = 3		3	'00
		Removal No = 0			
	General elections conducted by SEC post 73 rd Amendment- (For newly created states, 1 st and 2 nd elections will be deemed as 2 nd and 3 rd elections respectively)	1 st Election = 5		10	5
		2 nd Election = 8			
		3 rd Election = 10			
	Gap between two General Elections < 5 years + 6 months at least once	Qualifying			
	Gap between two general elections (Table 1.2)	Gap > 6 & ½ yrs - score = (-)3			
		Gap > 6 yrs, ≤ 6 & ½ yrs - score = (-)2			
		Gap > 5 & ½ yrs, ≤ 6 yrs - score = (-)1			
<i>I B: Dissolutions and Bye Elections</i>					
	Total number of panchayats for which election not conducted in the same period as percentage of total number of above dissolutions.	Elections not conducted 50 - 100% - score = (-)5			
		25 - 49% - score = (-)4			
		15 - 24% - score = (-)3			
		5 - 14% - score = (-)2			
		0 - 4% - score = (-)1			
<i>IA & IB on Election Matters</i>		Maximum Score = 15	20	15	-3
<i>I C: Autonomy of Panchayats</i>					
	Dismissal/Dissolution of Gram Panchayats (lowest level)	State Legislature, score = 10		10	0
		State Government, score = 8			
		Divisional Commissioner, score = 5		0	
		District Magistrate, score = 3			
		Lower than District Magistrate, score = 0			

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	Dismissal of Representatives of Gram Panchayats (GPs) (lowest level)	State Legislature, score = 10		10	0
		State Government, score = 8			
		Divisional Commissioner, score = 5			
		District Magistrate, score = 3			
		Lower than District Magistrate, score = 0			
	New Initiative(s) that has/have been undertaken since April 2009			3	0
	<i>I C: Autonomy of Panchayats</i>	Maximum Score = 20	20	20	0
	<i>I D: Role of Panchayats in Parallel Bodies/ Institutions (TABLE 1.1)</i>	Sum of score as per separate table = 100	20	100	0
	New Initiative(s) that has/have been undertaken since April 2009			3	0
	Establishing State Finance Commission	Qualifying			
	Whether qualifications and manner of selection of members of SFC are prescribed in the Act/Rules	Yes = 5		5	0
		No = 0			
	SFC Constituted- (For new states, 1 st SFC, 2 nd SFC, & 3 rd SFC will be deemed as 2 nd , 3 rd , & 4 th SFC respectively)	1 st SFC = 2		10	2
		2 nd SFC = 5			
		3 rd SFC = 8			
		4 th SFC = 10			
	Gap is more than 5 year in the constitution of two SFCs (Table 1.3)	Gap > 6 & ½ yrs - score = (-)3			
		Gap > 6 yrs, ≤ 6 & ½ yrs -score = (-)2			
		Gap > 5 & ½ yrs, ≤ 6 yrs - score = (-)1			
	Submission of report by the SFCs from the date of constitution (Table 1.4)	> 4 years - score = (-)3			
		> 3 years, ≤ 4 years - score = (-)2			
		> 2 years, ≤ 3 years - score = 0			
	ATR laid before the Legislature from the date of submission of report by SFC (Table 1.5)	> 1 & ½ year - score = (-)3			
		> 1 year, ≤ 1 & ½ year - score = (-)2			
		> 6 months, ≤ 1 year - score = (-)1			
	Most important recommendations of SFC accepted	Subjective evaluation, score in a scale of 5 to 0		5	0
	Fiscal Transfer to panchayats on account of the SFC recommendations (%) 2007 - 08	100 - 80% - Score = 5		5	1
		79 - 60% - Score = 4			
		59 - 40% - Score = 3			
		39 - 20% - Score = 2			
		19 - 0% - Score = 1			
	Fiscal Transfer to panchayats on account of the SFC recommendations (%) 2008 - 09	100 - 80% - Score = 5		5	1
		79 - 60% - Score = 4			
		59 - 40% - Score = 3			
		39 - 20% - Score = 2			
		19 - 0% - Score = 1			

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	Fiscal Transfer to panchayats on account of the SFC recommendations (%) 2009 – 10	100 - 80% - Score = 5 79 - 60% - Score = 4 59 - 40% - Score = 3 39 - 20% - Score = 2 19 - 0% - Score = 1		5	1
	Fiscal Transfer to panchayats on account of the SFC recommendations (%) 2010 – 11 (Till date)	100 - 80% - Score = 5 79 - 60% - Score = 4 59 - 40% - Score = 3 39 - 20% - Score = 2 19 - 0% - Score = 1		5	1
	<i>I E: State Finance Commission (SFC)</i>	Maximum Score = 20	20	40	6
	<i>I F: Constitution and Function of DPCs</i>				
	Setting up of District Planning Committees	Qualifying			
	Whether notification/order for DPC is issued by State Government	Yes = 5 No = 0		5	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		5	0
	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 No Plan-score = 0	0	5	0
	Number of DPCs submitted integrated plan to state government in 2009-10 as percentage of the total number of districts of the state	100 - 80% - Score = 5 79 - 60% - Score = 4 59 - 40% - Score = 3 39 - 20% - Score = 2 19 - 0% - Score = 1		5	1
	<i>I F: Constitution and Function of DPC</i>	Maximum Score = 20	20	20	1
		Total Weight of Framework = 10%	100		

Annex Table 1.2 D2: Functions

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
II: Functions					
	<i>II A: Functions Assigned to Panchayats and Actual Involvement Status of Panchayats (Table 2.1)</i>	Sum of score as per separate table = 600	30	600	100
	New Initiative(s) that has/have been undertaken since April 2009			3	0
	<i>II B: Actual Involvement Status of Panchayats in Important Schemes (Table 2.2)</i>	Sum of score as per separate table = 200	30	200	50
	New Initiative(s) that has/have been undertaken since April 2009			3	0
	<i>II C: Functions of Gram Sabha (GS)</i>				
	Whether minutes of the meetings of GSs are prepared.	Yes = 3 No = 0		3	0
	Whether minutes of the meetings of GSs are available to public	Yes = 2 No = 0		2	0
	New Initiative undertaken since April 2009 to strengthen "Gram Sabha"			10	0
	Minutes Preparation	2			
	Number of meetings	2			
	Conduct of Training Programmes.	2			
	Incentives/Prizes for good Gram Sabha	2			
	Any Other, Please specify	2			
	Average number of Meetings per GS in the year 2009-10	≥ 10 - score = 5 9 - 7 - score = 4 6 - 4 - score = 3 3 - 1 - score = 1 No meeting - score = 0		5	0
	Whether it approves Plan	Yes = 2 No = 0		2	0
	Whether it approves UC	Yes = 2 No = 0		2	0
	Whether it approves Beneficiary List	≥ 2, score = 2 One beneficiary, score = 1 No = 0		2	0
	Any Other, Please specify	Yes = 2 No = 0		2	0
	Any Other, Please specify	Yes = 2 No = 0		2	0
	<i>II C: Functions of GS</i>	Maximum Score = 30	20	30	0
	<i>II D: Transparency in Panchayats</i>				
	Whether panchayats provide information under RTI Act	Yes = 5 No = 0		5	0

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	Who is the Information Officer under RTI Act	Panchayat secretary, Score = 5		5	0
		Any Other Authority, Score = 3			
		None, Score = 0			
	Who is the 1 st Appellate Authority under RTI Act	Panchayat Sarpanch, Score = 5		5	0
		Any Other Authority, Score = 3			
		None, Score = 0			
	Who is the 2 nd Appellate Authority under RTI Act	Mukhia, Score = 5		5	0
		Any Other Authority, Score = 3			
		None, Score = 0			
	Whether details of different Schemes are displayed in Panchayat Building/other Public Places	Yes = 5		5	0
		No = 0			
	Which institution undertakes the complaints of panchayat	Ombudsman or Lokayukta, Score = 5		5	0
		Govt. Agency, Score = 3			
		Any Other, Score = 1			
		No Institution, score = 0			
	New Initiative(s) that has/have been undertaken since April 2009			3	0
	<i>II D: Transparency in Panchayats</i>	Maximum Score = 30	20	30	0
		Total Weight of function = 20%	100		

Annex Table 1.3 D3: Finances

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
III: Finances					
	<i>III A: Empowerment of Panchayats to Impose and Collect Revenue (Table 3.1)</i>	Sum of score as per separate table = 250	30	250	20
	New Initiative(s) that has/have been undertaken since April 2009			3	0
<i>III B: Fund Available with Panchayats</i>					
	Panchayats Own Revenue as percentage of sum of Panchayats Own Revenue and State's Own Revenue	≥ 2.5%, score = 10		10	0
		2 - 2.4%, score = 8			
		1.9 - 1.5%, score = 6			
		1.4 - 1%, score = 4			
		0.9 - 0.5%, score = 2			
		0.4 - 0.1%, score = 1			
		Nil, score = 0			
<i>III C: Panchayat Nidhi/Fund Receipt & Expenditure</i>					
	Utilisation/Expenditure as percentage of the total Fund available (Average of 2008-09 & 2009 - 10) Table 3.3	100 - 90%, score = 5		5	1
		89 - 80%, score = 4			
		79 - 60%, score = 3			
		59 - 40%, score = 2			
		less than 40%, score = 1			

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	New Initiative(s) that has/have been undertaken since April 2009			3	0
	<i>IIIB & IIIC on Fund Available and Utilisation</i>	Maximum Score = 15	15	15	1
	<i>III D: Release of 12th Finance Commission Grants to the Panchayats</i>				
	Number of release of grants on time (within 15 days) as percentage of total number of grants received from 12 th Finance Commission during 2006-07 and 2010-11	100% on time, score = 10		10	1
		99 - 90%, score = 8			
		89 - 85%, score = 6			
		84 - 80%, score = 4			
		79 - 75%, score = 2			
		less than 75%, score = 1			
	<i>III D: Release of 12th Finance Commission (TFC) Grants to the Panchayats</i>	Maximum Score = 10	20	10	1
	<i>III E: New Initiatives</i>				
	Supplement to State Budget for panchayats	Yes = 1		1	0
		No = 0			
	Placing the Annual Report of panchayat Audit before the State Legislation	Yes = 1		1	0
		No = 0			
	Electronic funds transfer system for panchayats	Yes = 1		1	0
		No = 0			
	Prescribing qualifications of SFC members following central legislation and rules meant for NFC	Yes = 1		1	0
		No = 0			
	Strengthening panchayat to levy Property Tax.	Yes = 1		1	0
		No = 0			
	Setting standard for the delivery of essential civic services.	Yes = 1		1	0
		No = 0			
	<i>III E: New Initiatives (Used in Incremental Index)</i>			6	0
	<i>III F: Criteria of Allocation of Grants to the Panchayats</i>				
	Standardised Formulae for Allocation of 12 th Finance Commission/SFC and other grants to panchayats	Subjective evaluation, score in a scale of 10 to 0.		10	0
	Whether State allocates untied funds to Panchayats for local plans	Yes = 10		10	0
		No = 0			
	<i>III F: Criteria of Allocation of Fund to the Panchayats</i>	Maximum Score = 20	20	20	0
	<i>III G: System of Fiscal Management, Monitoring and Evaluation</i>				
	Whether there is a panchayat window/Head in the budget of development departments	Yes = 5		5	0
		No = 0			
	If Yes, whether such funds are finally transferred to and spent by panchayats.	Yes = 5		5	0
		No = 0			
	Whether Budget & Account format for Panchayats as prescribed by C&AG is followed	C&AG format followed, score = 5		5	0
		Standardised format, score = 3			
		No format, score = 0			

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	Number of panchayats audited during one (latest available) financial year as percentage of the total number of panchayats (all tiers taken together)	100 - 80% - Score = 5		5	1
		79 - 60% - Score = 4			
		59 - 40% - Score = 3			
		39 - 20% - Score = 2			
		19 - 0% - Score = 1			
	Whether there is Performance Audit for panchayats?	Yes = 5		5	0
		No = 0			
	If Yes, Performance Audit conducted for panchayats during the last financial year, 2009 - 10	Yes = 5		5	0
		No = 0			
	<i>III G: System of Fiscal Management, Monitoring and Evaluation</i>	Maximum Score = 30	15	30	1
	New Initiative(s) that has/have been undertaken since April 2009			3	0
		Total Weight of Finance = 40%	100		

Annex Table 1.4 D4: Functionaries

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
IV: Functionaries					
	<i>IV A: Functionary-wise Accountability to the three tiers of Panchayats (Table 4.1)</i>	Sum of score as per separate table = 150	30	150	20
	New Initiative(s) that has/have been undertaken since April 2009			3	0
<i>IV B: Panchayat's Own Officials</i>					
	Whether there is State Panchayat Service	Yes = 25		25	0
		No = 0			
	Actual number of employees as percentage of the total sanctioned strength (see table 4.2)	100 - 75% - Score = 25		25	0
		74 - 50% - Score = 20			
		49 - 25% - Score = 15			
		24 - 5% - Score = 10			
		5 - 1% - Score = 5			
		0% - score = 0		0	
	IV B: Panchayat's Own Officials	Maximum Score = 50	25	50	0
<i>IV C: Capacity Building of Functionaries</i>					
	Number of elected representatives of all levels undergone training as percentage of total number of elected representatives	100 - 50% - Score = 10		10	0
		49 - 40% - Score = 8			
		39 - 30% - Score = 6			
		29 - 20% - Score = 4			
		19 - 10% - Score = 2			
		9-0% - score = 0			

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	Number of officials at panchayat secretariat of all levels undergone training as percentage of total number of officials at panchayat secretariat	100 - 50% - Score = 10		10	0
		49- 40% - Score = 8			
		39 - 30% - Score = 6			
		29 - 20% - Score = 4			
		19 - 10% -Score = 2			
		9-0% - score = 0			
	Whether training institutes exist at division/ district level?	Yes = 5		5	0
		No = 0			
	Whether in-house faculty (training staff) exists in the institutes?	Yes = 5		5	0
		No = 0			
	New Training Initiative(s) that has/have been undertaken since April 2009			3	0
	<i>IV C: Capacity Building of Functionaries</i>	Maximum Score = 30	20	30	0
	<i>IV D: Physical Infrastructure of Panchayats</i>				
	Number of GPs having own building as percentage of the total number of GPs	100 - 75% - Score = 10		10	0
		74 - 50% - Score = 8			
		49 - 25% - Score = 6			
		24 - 5% - Score = 4			
		5 - 1% - Score = 2			
		0% -score =0			
	Number of GPs having computers & printers as percentage of the total number of GPs	100 - 75% - Score = 10		10	0
		74 - 50% - Score = 8			
		49 - 25% - Score = 6			
		24 - 5% - Score = 4			
		5 - 1% - Score = 2			
		0% - score = 0			
	Number of GPs of all levels having accounting tools/software's as percentage of the total number of panchayats	100 - 75% - Score = 10		10	0
		74 - 50% - Score = 8			
		49 - 25% - Score = 6			
		24 - 5% - Score = 4			
		5 - 1% - Score = 2			
		0% - score = 0			
	Number of GPs having Piped drinking water Supply facilities as percentage of the total number of GPs	100 - 75% - Score = 10		10	0
		74 - 50% - Score = 8			
		49 - 25% - Score = 6			
		24 - 5% - Score = 4			
		5 - 1% - Score = 2			
		0% - score = 0			

	Variable	Score Matrix	Weight	Maximum Score	Minimum Score
	Number of GPs having community toilets as percentage of the total number of Gram Panchayats	100 - 75% - Score = 10		10	0
		74 - 50% - Score = 8			
		49 - 25% - Score = 6			
		24 - 5% - Score = 4			
		5 - 1% - Score = 2			
		0% - score = 0			
	Number of GPs of all levels having any other as percentage of the total number of panchayats	100 - 75% - Score = 10		10	0
		74 - 50% - Score = 8			
		49 - 25% - Score = 6			
		24 - 5% - Score = 4			
		5 - 1% - Score = 2			
		0% - score = 0			
	<i>IV D: Physical Infrastructure of Panchayats</i>	Maximum Score = 60	25	60	0
		Total Weight of Functionary = 30%	100		

Annex 2: Scoring Sheet

Annex Table 2.1 I D: Role of Panchayats in Parallel Bodies/Institutions

Status/Parallel Bodies	Parallel body merged with Panchayat Institution	Parallel body made an unit of Panchayat Institution	Function of parallel body limited to Fund/accounts Management	Parallel body is Presided/Chaired by Elected Representatives of Panchayats	Elected Representatives of Panchayats are represented in Board of the body	Parallel Body remains separate, but under the control of Panchayat	Parallel Body remains separate and not under the control of Panchayat Institutions	Total Score
DRDA	20	15	10	5	5	5	0	20
ITDA	10	8	5	2	2	2	0	10
District unit of Water & Sanitary Mission	10	8	5	2	2	2	0	10
District unit of NRHM	10	8	5	2	2	2	0	10
District Agriculture Corporation	10	8	5	2	2	2	0	10
District unit of SSA Mission	10	8	5	2	2	2	0	10
Other	10	8	5	2	2	2	0	10
Other	10	8	5	2	2	2	0	10
Other	10	8	5	2	2	2	0	10
Total Score								100

Annex Table 2.2 II A Functions Assigned to Panchayats and Actual Involvement Status of Panchayats

S. No.	Functions	Delegated by Legislature	Executive Order Issued	Activity Mapping Done	Panchayats Actually Undertaking			Total Score
					Planning	Implementing	Spend Funds	
1	Drinking Water, Water Supply for Domestic Purpose	2	2	1	1	2	1	10
2	Water supply for Agriculture Purpose, Minor Irrigation, Water Management	2	2	1	1	2	1	10
3	Water supply for Commercial and Industrial Purpose	2	2	1	1	2	1	10
4	Watershed Development	2	2	1	1	2	1	10
5	Agriculture & Agricultural Extension	2	2	1	1	2	1	10
6	Land Improvement	2	2	1	1	2	1	10
7	Implementation of Land Reforms	2	2	1	1	2	1	10
8	Land Consolidation	2	2	1	1	2	1	10
9	Soil Conservation	2	2	1	1	2	1	10
10	Animal Husbandry	2	2	1	1	2	1	10
11	Dairying	2	2	1	1	2	1	10
12	Poultry	2	2	1	1	2	1	10
13	Fisheries	2	2	1	1	2	1	10
14	Social Forestry	2	2	1	1	2	1	10
15	Farm Forestry	2	2	1	1	2	1	10
16	Minor Forest Produce	2	2	1	1	2	1	10
17	Poverty Alleviation Programme	2	2	1	1	2	1	10
18	Family Welfare	2	2	1	1	2	1	10
19	Women & Child Development	2	2	1	1	2	1	10
20	Social Welfare, Welfare of Handicapped & mentally retarded	2	2	1	1	2	1	10

S. No.	Functions	Delegated by Legislature	Executive Order Issued	Activity Mapping Done	Panchayats Actually Undertaking			Total Score
					Planning	Implementing	Spend Funds	
21	Welfare of the weaker sections, and in particular, of the Scheduled Castes & the Scheduled Tribes	2	2	1	1	2	1	10
22	Public Distribution System	2	2	1	1	2	1	10
23	Vital Statistics Including Registration of Births & Deaths	2	2	1	1	2	1	10
24	Roads	2	2	1	1	2	1	10
25	Culverts	2	2	1	1	2	1	10
26	Bridges	2	2	1	1	2	1	10
27	Ferries	2	2	1	1	2	1	10
28	Waterways	2	2	1	1	2	1	10
29	Other means of Transportation	2	2	1	1	2	1	10
30	Building Control	2	2	1	1	2	1	10
31	Land Use and Building Regulation	2	2	1	1	2	1	10
32	Maintenance of Community Assets	2	2	1	1	2	1	10
33	Elementary Education	2	2	1	1	2	1	10
34	Adult & non-Formal Education	2	2	1	1	2	1	10
35	Secondary Schools	2	2	1	1	2	1	10
36	Technical Training & Vocational Education	2	2	1	1	2	1	10
37	Libraries	2	2	1	1	2	1	10
38	Promotion of Cultural, Educational and Aesthetic Aspects	2	2	1	1	2	1	10
39	Street Lighting, Parking Lots, Bus Stops	2	2	1	1	2	1	10
40	Public Conveniences	2	2	1	1	2	1	10

S. No.	Functions	Delegated by Legislature	Executive Order Issued	Activity Mapping Done	Panchayats Actually Undertaking			Total Score
					Planning	Implementing	Spend Funds	
41	Parks, Gardens, Playgrounds (Civic Amenities)	2	2	1	1	2	1	10
42	Market & Fairs	2	2	1	1	2	1	10
43	Cremation & Burial	2	2	1	1	2	1	10
44	Public Safety (Noxious Vegetation, Pests & Vermins)	2	2	1	1	2	1	10
45	Slum Improvement & Up gradation	2	2	1	1	2	1	10
46	Public Health (PHCs, CHCs)	2	2	1	1	2	1	10
47	Sanitation & Solid Waste Management	2	2	1	1	2	1	10
48	Regulation of Slaughter Houses	2	2	1	1	2	1	10
49	Prevention of Cruelty to Animals	2	2	1	1	2	1	10
50	Fire Services	2	2	1	1	2	1	10
51	Small Scale Industries	2	2	1	1	2	1	10
52	Food Processing Industry	2	2	1	1	2	1	10
53	Khadi, Gram & Cottage Industry	2	2	1	1	2	1	10
54	Rural Housing	2	2	1	1	2	1	10
55	Rural Electrification & Distribution	2	2	1	1	2	1	10
56	Non-conventional Energy	2	2	1	1	2	1	10
57	Other (Specify)	2	2	1	1	2	1	10
58	Other (Specify)	2	2	1	1	2	1	10
59	Other (Specify)	2	2	1	1	2	1	10
60	Other (Specify)	2	2	1	1	2	1	10
Total Score								600

Annex Table 2.3 II B Actual Involvement Status of Panchayats in Important Schemes

Central Government Schemes	Panchayats Actually Undertaking				Total Score	
	Select Beneficiary	Planning	Implementing	Spend Funds		Monitoring
National Horticulture Mission	2	2	2	2	2	10
Macro Management of Agriculture (MMA) Scheme	-	2	3	3	2	10
Micro Irrigation	2	2	2	2	2	10
Accelerated Rural Water Supply Programme (ARWS)	2	2	2	2	2	10
Central Rural Sanitation Programme (CRSP)	2	2	2	2	2	10
National Programme of Nutritional Support to Primary Education (MDM)	-	2	3	3	2	10
Sarva Shiksha Abhiyan (SSA)	-	2	3	3	2	10
National Rural Health Mission (NRHM)	-	2	3	3	2	10
Integrated Watershed Management Programme (DPAP, DDP & IWDP)	-	2	3	3	2	10
Mahatma Gandhi National Rural Employment Guarantee Programme (MNREGA)	10	10	10	10	10	50
Rural Housing/IAI	2	2	2	2	2	10
SGSY	2	2	2	2	2	10
Pradhan Mantri Gram Sadak Yojana (PMGSY)	-	2	3	3	2	10
Integrated Child Development Services (ICDS)	2	2	2	2	2	10
State Government Schemes						
Pension Scheme	2	2	2	2	2	10
Other (Specify)	2	2	2	2	2	10
Total Score						200

Annex Table 2.4 III A: Empowerment of Panchayats to Impose and Collect revenue

S. No.	Name of Revenues	Collected by State agencies on behalf of Panchayats	Panchayats Actually		Total Score
			Empowered to Collect	Actually collecting	
1	House or property tax	6	10	10	20
2	Surcharge on house or property tax	3	5	5	10
3	Tax on agriculture land for specific purpose	3	5	5	10
4	Cess on land revenue or surcharge	3	5	5	10
5	Surcharge on additional stamp duty	3	5	5	10
6	Tax on professions, trades, calling, and so forth	3	5	5	10
7	Octroi	1	3	2	5
8	Entertainment tax	3	5	5	10
9	Pilgrim tax or fees	1	3	2	5
10	Tax on advertisements	3	5	5	10
11	Education cess	1	3	2	5
12	Tolls	3	5	5	10
13	Tax on sale of firewood and slaughter houses	1	3	2	5
14	Tax on goods sold in a market, haat, fair, and so forth	1	3	2	5
15	Tax on shops and services	1	3	2	5
16	Vehicle tax	3	5	5	10
17	Animal tax	1	3	2	5
18	Conservancy rate	3	5	5	10
19	Lighting rate	3	5	5	10
20	Water rate	3	5	5	10
21	Drainage rate	3	5	5	10

S. No.	Name of Revenues	Collected by State agencies on behalf of Panchayats	Panchayats Actually		Total Score
			Empowered to Collect	Actually collecting	
22	Special tax for community civic services or works	1	3	2	5
23	Surcharge on any tax imposed by Gram panchayat	1	3	2	5
24	Sand collection charge	1	3	2	5
25	Minor Minerals Tax	1	3	2	5
26	Pond/Tank Lease	1	3	2	5
27	Village Land Lease	1	3	2	5
28	Shops lease	1	3	2	5
29	Any Other (Please Specify)	3	5	5	10
30	Any Other (Please Specify)	3	5	5	10
31	Any Other (Please Specify)	3	5	5	10
	Total Score				250

Annex Table 2.5 IV A: Functionary-wise Accountability to the three tiers of Panchayats

S. No.	Panchayats Control					Total Score
	Functionaries	Appointment	Transfer	Disciplinary matter	Others	
1	Primary School Teacher	4	3	2	1	10
2	Secondary School Teacher	4	3	2	1	10
3	High School Teacher	4	3	2	1	10
4	Para Teachers	4	3	2	1	10
5	CDPO or equivalent in ICDS	4	3	2	1	10
6	Anganwadi Worker (AWW)	4	3	2	1	10
7	Medical/Veterinary Officer (MO/VO)	4	3	2	1	10
8	Primary Health Worker	4	3	2	1	10
9	Accredited Social Health Activist (ASHA)	4	3	2	1	10
10	Agriculture Extension Officer (AEO)	4	3	2	1	10
11	Agriculture Extension Worker (AEW)	4	3	2	1	10
12	Block Development Officer	4	3	2	1	10
13	Village Level Worker (VLW)	4	3	2	1	10
14	Any Other (Please Specify)	4	3	2	1	10
15	Any Other (Please Specify)	4	3	2	1	10
	Total					150

Annex 3: Questionnaire

Devolution Index Survey for States-2010 –11 As on December 31, 2010. (To be answered by the State Government)

Name of the State : _____
 Nodal Officer's Name : _____ Designation : _____
 Nodal Officer's Phone Numbers : (office) _____ (mobile) _____ Email: _____

Instructions:

1. Please read carefully the following notes as well as note (s) against each question.
2. Please tick (✓) the appropriate box against each question/information sought, unless mentioned otherwise. Tick (✓) indicates 'Yes' (means positive selection). Please make multiple selections, if needed. If a box is not ticked, it will be treated as 'No' filled in that box.
3. Please provide figure in rupees lakh wherever amount is to be mentioned.
4. Please add more rows if need arises and give explanatory notes/observations wherever required. Please read the following table for acronyms.
5. The information sought in this exercise is for research and index making purpose only.

Acronym	Expansion	Acronym	Expansion
AEO	Agriculture Extension Officer	ITDA	Integrated Tribal Development Agency
AEW	Agriculture Extension Worker	IWDP	Integrated Wasteland Development Programme
AG	Chief Auditor General	MDM	Mid Day Meal Programme
ARWS	Accelerated Rural Water Supply Programme	MIS	Management of Information System
ASHA	Accredited Social Health Activist	MMA	Macro Management of Agriculture
ATR	Action Taken Report	MO	Medical Officers
AWW	Angan Wadi Worker	NREGA	National Rural Employment Guarantee Act
BPL Card	Below Poverty Line Card	NRHM	National Rural Health Mission
C&AG	Comptroller and Auditor General	PHC	Primary Health Centre
CHC	Community Health Centre	PMGSY	Pradhan Mantri Gram Sadak Yojana
CRSP	Central Rural Sanitation Programme	RTI	Right to Information Act
DDP	Desert Development Programme	SEC	State Election Commission
DP	District Plan	SFC	State Finance Commission
DPAP	Drought Prone Area Programme	SGSY	Swarna Jayanti Gram Swarajgar Yojana
DPC	District Planning Committee	S. No.	Serial Number
DRDA	District Rural Development Agency	SSA	Sarva Shiksha Abhiyan
FY	Financial Year	UC	Utilisation Certificate
IAY	Indira Awas Yojana	VLW	Village Level Worker
ICDS	Integrated Child Development Scheme	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, Indian Institute of Public Administration, IP Estate, New Delhi, 110002. Please email soft copies of reports/documents/any other relevant material and questionnaire to vnalok@gmail.com.

Sl No.	Documents	Whether such Act/document made	Year of Publication/ Enactment/Order	Sending all document		
				Yes	Some	Some
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 2009 - 2010					
16	Panchayat Rules					
17	Compilation of Acts/Amendments/Rules					
18	Any other (please specify)					
19						
20						
21						

Section I: Framework

I A: Elections conducted post 73rd Amendment 1992

Please fill up the boxes as per the questions in respective rows.		Please answer in "Yes" or "No"	
Is the State Election Commission in place for conducting Panchayat Elections?			
Whether, the SEC (state election commissioner) is at par with a Judge of High Court with respect to:		Emoluments	Service Conditions
			Removal
Sl. No.	Constitutional Provisions	Gram Panchayat	Intermediate Panchayat
1	Please write here the name of each level of Panchayat as mentioned in State Act		District Panchayat
2	Number of Panchayats at each level		
3	Number of elected representatives for the entire state at each level of Panchayats		
4	What is the percentage of reservation for Women?		
5	What is the percentage of reservation for Scheduled Castes (SC)?		
6	What is the percentage of reservation for Scheduled Tribes (ST)?		
7	Panchayat elections conducted by SEC (Please mention Month/Year).	1 st Election	
		2 nd Election	
		3 rd Election	
		4 th Election	
8	Please mention reason if the gap between two general elections is more than 5 years.		
9	Please write the nomenclature of 'GS' as mentioned in the State Act.		

I B: Dissolutions and Bye Elections

Please give numbers in the following table:

Items	Gram Panchayat					Intermediate Panchayat					District Panchayat				
	2006-7	2007-8	2008-9	2009-10	2010-till present	2006-7	2007-8	2008-9	2009-10	2010-till present	2006-7	2007-8	2008-9	2009-10	2010-till present
Number of panchayats dissolved before the completion of five year terms since 1 st April 2006															
Of which, the number of bye elections conducted within 6 months															
Number of Head/Member of panchayat suspended															
Number of Head/Member removed.															
Was the election for panchayat due in the year 2010 ending December 31?															
If so, which date it was due?															
Was the election conducted by the date?															
If not, reason thereon.															

I C: Autonomy to Panchayats

Please write the designation(s) of the authority (ies) who has/have the power to Suspend or Super cede (Dissolve) Panchayats/Suspend or Dismiss Representatives of Panchayats/resend the resolutions for reconsideration or quash such resolutions.[Please name the authority/official whose approval is needed.]

Category	Level of Panchayats	Suspend representatives/Panchayats	Resend for reconsideration of resolutions	Dismiss/Super cede/Dissolve/Quash
Representatives of	District		*****	
	Intermediate		*****	
	Gram		*****	
Panchayat Bodies of	District		*****	
	Intermediate		*****	
	Gram		*****	
Resolutions of	District			
	Intermediate			
	Gram			
Please mention new initiative(s) that has/have been undertaken since April 2009.				

I D: Role of Panchayats in Parallel Bodies/Institutions

Please tick in appropriate box to show the nature of control of Panchayats on parallel bodies? The list is only indicative. Please add other important parallel bodies.

Status/Parallel Bodies	DRDA	ITDA	District unit of Water & Sanitary Mission	District unit of NRHM	District Agriculture Corporation	District unit of SSA Mission	Other	Other	Other
Parallel body merged with the Panchayat Institution									
Parallel body made an unit of the Panchayat Institution									
Function of parallel body limited to Fund/ accounts Management									
Parallel body is Presided/Chaired by Elected Representatives of the Panchayat									
Elected Representatives of Panchayats are represented in Board of the parallel body									
Parallel Body remains separate, but under the control of the Panchayat.									
Parallel Body remains separate and not under the control of the Panchayat Institution									
Please mention new initiative(s) that has/have been undertaken since April 2009.									

I E: State Finance Commission (SFC)

				Please answer in "Yes" or "No"
Whether qualifications and manner of selection of members of SFC are prescribed in the Act/Rules				
Period Covered	MM/YY of Formation	MM/YY of Submission of Report	MM/YY of ATR laid before the Legislature	
1 st SFC				
2 nd SFC				
3 rd SFC				
4 th SFC				
Please state the reasons, if the gap is more than 5 years 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 of (e.g. Resource Sharing, Assignment of Tax Proceeds, and Grants) have been accepted.				
Whether any fresh allocation, on the basis of SFC, has been made for Panchayats since April 2009?				

Fiscal Transfer to Panchayats on account of the SFC recommendations (Rs. Lakhs)

Year	Amount Recommended	Amount Budgeted	Amount Sanctioned	Amount Released
2007 - 08				
2008 - 09				
2009 - 10				
2010 - 11 (till date)				

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

Please answer question no. 1 to 3 in "Yes" or "No". Please mention numbers in question no. 4 and 5

S. No.	Questions	Responses
1	Whether notification/order for DPC is issued by the 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 2009 - 10?	
5	How many DPCs have submitted integrated plan to state government in 2010 - 11 till date?	
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?		

II B: Actual Involvement Status of Panchayats in Important Schemes

Please tick the appropriate box (es) indicating respective activities undertaken by Panchayat under each scheme.

S. No.	Important Central Government Schemes	Panchayats Actually Undertaking															
		Gram Panchayats			Intermediate Panchayats			District Panchayats			Monitoring						
		Select Beneficiary	Planning	Implementing	Spend Funds	Monitoring	Select Beneficiary	Planning	Implementing	Spend Funds	Monitoring	Select Beneficiary	Planning	Implementing	Spend Funds	Monitoring	
1	National Horticulture Mission																
2	Macro Management of Agriculture (MMA) Scheme																
3	Micro Irrigation																
4	Accelerated Rural Water Supply Programme (ARWS)																
5	Central Rural Sanitation Programme (CRSP)																
6	National Programme of Nutritional Support to Primary Education (MDM)																
7	Sarva Shiksha Abhiyan (SSA)																
8	National Rural Health Mission (NRHM)																
9	Integrated Watershed Management Programme (DPAP, DDP & IWDP)																
10	Mahatma Gandhi National Rural Employment Guarantee Programme (MNRGA)																
11	Rural Housing/TAY																
12	Swarna Jayanti Gram Swarajgar Yojana (SGSY)																
13	Pradhan Mantri Gram Sadak Yojana (PMGSY)																
14	Integrated Child Development Services (ICDS)																
15	State Government Schemes																
16	Pension Schemes																
17																	
18																	
19																	
Please mention new initiative(s) that has/have been undertaken since April 2009.																	

II C: Functions of Gram Sabha

		Please answer in "Yes" or "No"
Whether minutes of the meetings of Gram Sabhas are prepared.		
Whether minutes of the meetings of Gram Sabhas are available to public		
New initiatives undertaken since April 2009 to strengthen "Gram Sabha"		
If so, please state with respect to the following:		
a	Minutes Preparation	
b	Number of meetings	
c	Conduct of Training Programmes.	
d	Incentives/Prizes for good Gram Sabha	
e	Any Other, Please specify	

In the following table, please mention number in first column. Please answer in "Yes" or "No" in other columns. Examples of schemes-pension schemes, cycle distribution scheme etc.

Average number of Meetings per Gram Sabha in the year 2009 -10	Whether it approves Plan	Whether it approves UC	Whether it approves Beneficiary List			Any Other-Please specify	Any Other-Please specify	Any Other-Please specify
			BPL	IAY	Other			

II D: Transparency in Panchayats?

Please mention the designation against the question starting with 'Who'. In case of others, please answer in "Yes" or "No".

	Gram Panchayat	Intermediate Panchayat	District Panchayat
Whether Panchayats provide information under RTI Act?			
Who is the Information Officer under RTI Act?			
Who is the 1 st Appellate Authority under RTI Act?			
Who is the 2 nd Appellate Authority under RTI Act?			
Whether details of different Schemes are displayed in Panchayat Building/other Public Places			
Which institution undertakes the complaints of Panchayat?			
a) Ombudsman			
b) Lokayukta			
c) Govt Agency			
d) Any Other (Please specify)			

Please describe, if any new initiatives have undertaken since April 2009 with respect to the transparency in Panchayats.

Section III: Finances

III A: Empowerment of Panchayats to Impose and Collect revenue (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.

S. No.	Name of Revenues	Collected by State agencies on behalf of Panchayats	Gram Panchayats		Intermediate Panchayat		District Panchayat	
			Empowered to Collect	Actually collecting	Empowered to Collect	Actually collecting	Empowered to Collect	Actually collecting
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, etc							
7	Octroi							
8	Entertainment tax							
9	Pilgrim tax or fees							
10	Tax on advertisements							
11	Education cess							
12	Tolls							
13	Tax on sale of firewood and slaughter houses							
14	Tax on goods sold in a market, haat, fair, etc							
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							

S. No.	Name of Revenues	Collected by State agencies on behalf of Panchayats	Gram Panchayats		Intermediate Panchayat		District Panchayat	
			Empowered to Collect	Actually collecting	Empowered to Collect	Actually collecting	Empowered to Collect	Actually collecting
24	Sand Collection charge							
25	Minor Minerals Tax							
26	Pond/Tank Lease							
27	Village Land Lease							
28	Shops Lease							
29	Any other							
30								
31								

Please describe, if any new initiatives have undertaken since April 2009 to improve the own revenue of Panchayats:

III B: Fund Available with Panchayats

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

S. No.	Break up of Revenue	Panchayats			
		District	Intermediate	Gram	Total
	FY 2008 - 09				
1	Revenue transferred to Panchayats by State				
2	Panchayats Own Revenue including collection from rental, lease, etc.				
3	Plan Grant transferred by state to Panchayats untied to any scheme				
4	Plan Grant transferred by state to Panchayats tied to schemes				
5	Non-Plan Grant transferred by state to Panchayats untied to any scheme				
6	Non-Plan Grant transferred by state to Panchayats tied to schemes				
7	Any other transfer-Please specify				
8	Any other transfer-Please specify				
	Total				
	FY 2009 - 10				
1	Revenue transferred to Panchayats by State				
2	Panchayats Own Revenue including collection from rental, lease, etc.				
3	Plan Grant transferred by state to Panchayats untied to any scheme				
4	Plan Grant transferred by state to Panchayats tied to schemes				
5	Non-Plan Grant transferred by state to Panchayats untied to any scheme				
6	Non-Plan Grant transferred by state to Panchayats tied to schemes				
7	Any other transfer-Please specify				
8	Any other transfer-Please specify				

III C: Panchayat Nidhi/Fund Receipt & Expenditure

	2008 - 09	2009 - 10
Total Fund Available (from all sources) in all Panchayats of the state		
Total Expenditure made by all Panchayats of the state		
Any Government orders issued to improve the funds of Panchayats; If so, please describe.		

III D: Release of National Finance Commission (NFC) Grants to the Panchayats

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

Instalments of NFC Grants	NFC Grants Released by Govt of India		Released by State	
	Amount	Received by state on <u>DD/</u> <u>MM/YYYY</u>	Amount	Released to Panchayats on <u>DD/MM/</u> <u>YYYY</u>
1 st for the year 2006 - 07				
2 nd for the year 2006 - 07				
1 st for the year 2007 - 08				
2 nd for the year 2007 - 08				
1 st for the year 2008 - 09				
2 nd for the year 2008 - 09				
1 st for the year 2009 - 10				
2 nd for the year 2009 - 10				
1 st for the year 2010 - 11				
2 nd for the year 2010 - 11				

III E: New Initiatives

Please mention new initiatives undertaken since April 2009 with respect to the following:

a. Supplement to State Budget for Panchayats	
b. Placing the Annual Report of Panchayat Audit before the State Legislation	
c. Electronic funds transfer system for Panchayats	
d. Prescribing qualifications of SFC members following central legislation and rules meant for National Finance Commission (NFC).	
e. Strengthening Panchayat to levy Property Tax.	
f. Setting standard for the delivery of essential civic services.	

III F: Criteria of Allocation of Funds to the Panchayats

<p>Please write a note on the allocation mechanism of fund between Panchayats and Municipalities and among various levels of Panchayats. If standardised formulae are adopted for different revenue/fund allocation, then please give the criteria and the respective weights of major revenue/fund distribution.</p>	<p>1.</p>
<p>2.</p>	<p>3.</p>
<p>4. Whether State allocates untied funds to Panchayats for local plans</p>	<p>Please answer in "Yes" or "No".</p>

III G: System of Fiscal Management, Monitoring and Evaluation

Please answer in "Yes" or "No".

Sl. No.	Questions	Responses
1	Whether there is a Panchayat window/Head in the budget of line 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 financial year	
4	Whether there is Performance Audit for Panchayats?	
5	If Yes, Performance Audit conducted for Panchayats during the last financial year, 2009 - 10	

Please mention the name of Departments having Panchayat Window/Head:

Please describe, if any new initiatives have been undertaken in this respect since April 2009.

Section IV: Functionaries

IV A: Functionary-wise Devolution to the three tiers of Panchayats.

The list is only indicative. Please alter and/or add designations. Please tick in appropriate box. Please specify other controls if any.

S. No.	Functionary	District Panchayats				Intermediate Panchayats				Gram Panchayats			
		Appointment	Transfer	Disciplinary matter	Others	Appointment	Transfer	Disciplinary matter	Others	Appointment	Transfer	Disciplinary matter	Others
1	Primary School Teacher												
2	Secondary School Teacher												
3	High School Teacher												
4	Para Teachers												
5	CDPO or equivalent in ICDS												
6	Angan Wadi Worker (AWW)												
7	Medical/Veterinary Officer (MO/VO)												
8	Primary Health Worker												
9	Accredited Social Health Activist (ASHA)												
10	Agriculture Extension Officer (AEO)												
11	Agriculture Extension Worker (AEW)												
12	Block Development Officer (BDO)												
13	Village Level Worker (VLW)												
14	Collector/Deputy Commissioner												
15													
16													

Any new developments in this regard since April 2009?

IV B: Panchayat Officials

Whether there is State Panchayat Service
If yes, which year it was introduced

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

S. No.	Designation of Employee	Designation of Recruiting Authority	Sanctioned Strength	Actual Number
Gram Panchayat				
1				
2				
3				
4				
5				
6				
7				
8				
Intermediate Panchayat				
1				
2				
3				
4				
5				
6				
7				
8				

S. No.	Designation of Employee	Designation of Recruiting Authority	Sanctioned Strength	Actual Number
District Panchayat				
1				
2				
3				
4				
5				
6				
7				
8				

IV C: Capacity Building of Functionaries

(a) Please fill up numbers with respect to elected representatives.

Level and Year	Number of elected representatives	Number of elected representatives trained	Number of Mandays trained
District			
2007 - 08			
2008 - 09			
2009 - 10			
Intermediate			
2007 - 08			
2008 - 09			
2009 - 10			
Gram			
2007 - 08			
2008 - 09			
2009 - 10			

(b) Please write the numbers with respect to officials at Panchayat secretariat.

Level and Year	Number of officials at Panchayat Secretariat	Number of Officials trained	Number of Mandays trained
District			
2007 - 08			
2008 - 09			
2009 - 10			
Intermediate			
2007 - 08			
2008 - 09			
2009 - 10			
Gram			
2007 - 08			
2008 - 09			
2009 - 10			

(c) Name of the Nodal Institute at the State:	
Whether training institutes exist at division/district level?	
Whether in-house faculty (training staff) exist in the institutes?	
Training initiatives under taken since April 2009 with respect to	
(i) Faculty Development	
(ii) Infrastructure development	

IV D: Physical Infrastructure of Panchayats

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

Sl. No.	Equipments & Applications	District Panchayats	Intermediate Panchayats	Gram Panchayats
1	How many Panchayats have Own Building?			
2	How many Panchayats have Computers & Printers?			
3	How many Panchayats have Telephone?			
4	How many Panchayats have Internet?			
5	How many Panchayats have Accounting Tools/Software's?			
	Any other			
	Any other			
	Any other			
	Any other			
	Any other			
6	How many Gram Panchayats have created Piped Drinking Water Supply Facilities?			
7	How many Gram Panchayats have created Community Toilets?			
	Any other			
	Any other			
	Any other			
	Any other			
	Any other			

Section V: Best Panchayats

Please mention 20 best panchayats from all three levels with a minimum of 5 from each (District/Intermediate/Gram) of your state (Preferably Near the Capital):

District Panchayat Level			
Sl. No.	Panchayat Name	Name of Panchayat's Head	District
1			
1			
2			
3			
4			
5			
6			
7			
8			
Intermediate Panchayat Level			
Sl. No.	Panchayat Name	Name of Panchayat's Head	District
9			
10			
11			
12			
13			
14			
15			
16			
Gram Panchayat Level			
Sl. No.	Panchayat Name	Name of Panchayat's Head	District
17			
18			
19			
20			
21			
22			
23			
24			

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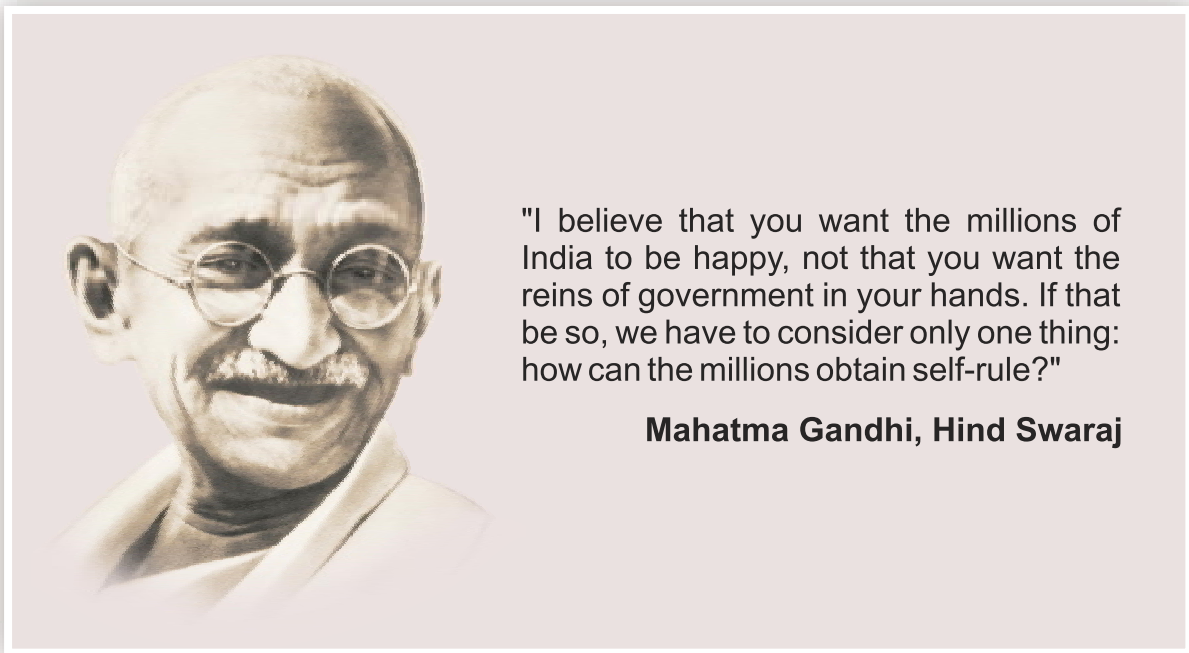
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"We are a large, young and restless nation. On the move. There is no other way to include the aspirations of all our people to guide our collective destiny other than to develop a strong local government system. Inclusive growth, which is the motto of the 11th five year plan, can be achieved only through inclusive governance. And the key to this is an effective, well functioning system of Panchayats."

Prime Minister of India, January 16, 2009



"I believe that you want the millions of India to be happy, not that you want the reins of government in your hands. If that be so, we have to consider only one thing: how can the millions obtain self-rule?"

Mahatma Gandhi, Hind Swaraj

"To the people of India, let us ensure maximum democracy and maximum devolution. Let there be an end to the power-brokers. Let us give power to the people."

**Prime Minister Rajiv Gandhi
Lok Sabha, 15 May 1989.**



**Ministry of Panchayati Raj
Government of India**