"Key role of Panchayati Raj in building a resurgent rural India"

by

Mani Shankar Aiyar

Former Union Minister of Panchayati Raj and DoNER, Government of India

The Eleventh Five Year Plan has—identified the empowerment of Panchayati Raj Institutions as a key challenge during the plan period .Several sections of the Plan document, particularly the Chapter on Governance, emphasize the key role of PRIs in promoting at the grassroots the overarching Plan objective of 'Inclusive Growth'. The Plan document asserts that States can no longer delay or sidestep the devolution of functions, funds and functionaries to Panchayats and has identified activity mapping, the creation of a Panchayat sector window in both State and Central budgets and effective utilization of their taxation powers by Panchayats as key steps in this regard. (Paras 10.20 to 10.29). The Eleventh plan has also recognized the need to build in incentives that will encourage States to devolve functions, funds and functionaries to the PRIs.

It is the effective empowerment of the disadvantaged through the effective devolution of Functions, Finances and Functionaries to representative institutions of local self-government such as Panchayats (where part IX of the Constitution applies) and Village Councils, Village Development Boards and similar such institutions elsewhere, on the principle of subsidiarity, which states that anything which can be done at a lower level should be done at that level and no higher level, that will pave the way to the effective implementation of other measures of inclusive growth such as: .[1]

- Stepping up investment in rural areas, in rural infrastructure and agriculture;

[1] *Based on the foreword by the Prime Minister, Dr. Manmohan Singh, in Report to the People 2004 - 2008*

- Increased credit availability, particularly to farmers and others, and offering them remunerative prices for their crops;
- Increased rural employment, including the provision of an unique social safety net in the shape of the National Rural Employment Guarantee Programme;
- Increased public spending on education and health care, including strengthening the mid-day meal programme and offering scholarships to the needy;
- Investment in urban renewal, improving the quality of life for the urban poor;
- Empowering the scheduled castes, scheduled tribes, other backward classes, minorities, women and children socially, economically and educationally;
- ensuring that, through public investment, the growth process spreads to backward regions and districts of our country

The virtually three-fold increase in annual allocations to rural development and welfare, and the launching of new schemes like NREGA, BRGF and RTI, are inadequately impacting on inclusive growth because governance at the grassroots is still far from inclusive. Too large a proportion of the Centre's Rs.81, 000 crore per annum on rural development and welfare reaches the people - if it reaches them at all – through government-run or officially managed silos; too small a proportion of it is actually planned and implemented with the participation, involvement and supervision of village communities and their elected representatives. If Gram Sabhas are largely non-functional and most elected representatives (other than Panchayat Presidents) left uninvolved and, therefore, frustrated, this is because even as they see more and more money being poured into rural areas, they also see that much of it is beyond their control or responsibility. The overarching components of governance include (a) policy formulation (b) implementation (c) monitoring and evaluation. If these three components are tightly packed there is little room for manipulation and corruption.

That this should be so is an anomaly considering that the Constitution amendments have so firmly rooted Panchayati Raj in our system of governance that today, more than 2.8

million representatives stand elected to the three levels of Panchayats. Of these more than 37 percent are women, 19 percent belong to SCs and 11 percent to the STs. **(see Annexure-1)**. At the Village Panchayat level, each Panch's constituency comprises of about 340 people, (70 families) making India the largest and most intensely democratic country worldwide.

This anomaly is caused by:

(i) Inadequate effective devolution of functions, finances and functions by State legislatures/governments to the Panchayati Raj Institutions; and

(ii) Inadequate provisions for planning and implementation by PRIs in the guidelines issued by Central Ministries for Centrally Sponsored and Central Sector schemes that directly impinge on inclusive growth.

It is important that Panchayat Raj be brought centre-stage as the principal governance reform to reinforce economic reform in such a manner as to secure inclusive growth. (Parallel measures of empowering the grassroots are required in those areas, many in the North-East, which the Constitution exempts from Panchayati Raj, such as the Sixth Schedule areas).

India ushered in this fundamental constitutional reform in favor of decentralization around the same time it launched its liberalization and economic reform programme. However, as compared to the success of the latter in accelerating growth, the equally powerful governance reform of devolution has lagged behind. For several reasons, the Constitutional provisions alone have not effectively triggered the empowerment of Panchayats in this period. Local self government is a State subject under the Constitution. Since the 73 Constitutional amendment, all States except Jharkhand have undertaken the "first generation" of reforms, such as the constitution of Panchayats, holding of regular elections to them in accordance with the Constitutional pattern, formal devolution of functions to them through State Panchayati Raj Acts, undertaking a modicum of fiscal devolution through the setting up of State Finance Commissions and sectoral efforts to expand the role of Panchayats in the delivery of local services, based on the realization that their role is crucial for sustaining the delivery of local services.

However, it is widely recognized that the process of devolution to the Panchayats is incomplete and uneven because these first generation reforms have progressed only in fits and starts, both as between States and as between sectors within and across States. Moreover, while there has been some clarity in the assignment of functions to different tiers of the Panchayati Raj system through ‘Activity Mapping’, it is also well- recognized that formal Activity Mapping alone will not result in the emergence of capable and accountable ‘institutions of self-government’ as provided for in Article 243G of the Constitution, unless accompanied by a parallel exercise in the devolution of functions and functionaries on the pattern of ‘Activity Mapping’ as well as by district planning by the PRls/DPCs in conformity with the Constitutional provisions. We find that even in States that have passed strong and sweeping legislations assigning most of the powers and functions listed in the Eleventh Schedule to the panchayats, formal transfer of functions has not been matched by the concomitant transfer of funds and functionaries for performing these functions.

These were the circumstances that existed four years back, when the Ministry of Panchayati Raj was cleaved away from the Ministry of Rural Development. Since its inception, the Ministry of Panchayati Raj has articulated a strong, consensus based agenda for Panchayati Raj reform. Following the national consensus and the State specific Conclusions, we have crossed some important milestones in our path to strong Panchayati Raj. I would highlight some of the important areas of progress at the State level :

Activity Mapping:

When we had commenced our Round Tables, only two States, Kerala and Karnataka, had taken recent steps to clarify their functional assignments to the Panchayats through an activity mapping exercise. Following the initiatives of the Ministry, at least five more

States, namely, Andhra Pradesh, Assam, Haryana, Sikkim and West Bengal have completed Activity Mapping and formally incorporated it into government directives and norms. We've had some hiccups too; In Orissa and Uttarakhand activity mapping orders were hastily issued, but we've had a resounding silence thereafter. In Arunachal Pradesh, Chhattisgarh, Madhya Pradesh, Punjab and Rajasthan, all work has been completed on the Activity Mapping and it awaits acceptance at the highest level. In Bihar, Himachal Pradesh and Tripura, existing orders on devolution are under revision, though the progress has been painfully slow.

The cases of Sikkim and Assam are typical of what States can achieve over a relatively short time, given a happy congruence of political and bureaucratic will. In Sikkim, what was probably then the best pattern of activity mapping was undertaken in mid 2006. This was followed by a modicum of fiscal devolution through the placement of untied block grants with the Panchayats. However, what made the Activity Mapping of Sikkim stand out from the rest was the meticulously designed placement of departmental officers with the Panchayats. In the case of Assam, the activity mapping issued by the State made use of a matrix that was developed by the Ministry, which covered along with the activities given to the Panchayats, the placement of funds and functionaries with the Panchayats. Following the issue of the activity mapping, concrete steps in respect of completing the process of devolution in Assam lies mainly in the transfer of funds to the Panchayats. Our experience with other States also shows that once funds are transferred to the Panchayats then the resistance to the movement of functionaries from States to Panchayats crumbles.

Assam has embarked upon the carving out of a Panchayat sector window in which budget allocations earmarked for activities devolved to the Panchayats would be placed. The sectoral allocations earmarked for the Panchayats in 2008/09 amount to Rs. 11173.5 million (non plan) and Rs. 36531 million (plan). Apart from these allocations, the Share of the States Non Loan Gross Own Tax Revenue going to the Panchayats amounts to Rs, 3480 million. The total transfers to the Panchayats would amount to Rs. 51184 million.

District Planning Committees:

District Planning Committees are mandated under the Constitution to consolidate the plans of Panchayats and Municipalities into the district development plan. However, when the Ministry was constituted, half of the 24 States covered by the constitutional provisions relating to Panchayati Raj had failed to implement this important provision of the Constitution. Seven more States have since then constituted the DPCs and these have begun to function. I might add that this has also been made possible because the Backward Regions Grant Fund administered by the Ministry and implemented in 250 of the most backward districts of the country has made the consolidation of district plans by the DPC a strict conditionality for the release of funds. Of the remaining five States, at least in four, steps are well along the way to constitute DPCs. With the sole exception of Jharkhand, where DPCs cannot be constituted because Panchayats have not been elected, I believe that we will have all stragglers in hand by October.

Empowerment of Women in Panchayati Raj:

Following our pressure on States to do away with policies that have the unintended consequence of hampering the participation of women in the Panchayats, in five States, the norm that anybody with more than two children cannot stand for Panchayat elections has been lifted. (Himachal Pradesh, Haryana, Chattisgarh, Madhya Pradesh). In several State the practice of cyclic rotation of the reservation matrix once every five years is proposed to be slowed down, to a rotation every two or more terms. This follows the example of Tamilnadu and gives women who are elected on a reserved seat the opportunity to stand for elections again for a second term on the same reserved seat. Without any pressure from the Centre, Bihar took the bold step of reserving 50% of the Panchayat seats for women. Currently, elected women representatives are in place in 54 percent of seats in Bihar's panchayats.

Bihar's example was emulated by Sikkim, which increased their reservations for women to 40% and held their elections under the new arrangement in January 2008. Chattisgarh, Madhya Pradesh, Rajasthan and Uttarakhand have passed laws increasing the reservations for women in Panchayats to 50 percent. These changes will apply to the next elections to Panchayats in these States.There can be no greater evidence for the fact that not only has Panchayati Raj attracted women to politics in large numbers, but also that this wish to contest for elections seems to be most keenly felt among the women belonging to the SCs and STs.

Implementation of Schemes of Line Ministries

While the task of ensuring that the devolution of funds to Panchayats matches functional assignment is far from complete, there has been considerable success in giving Panchayats a clear and pivotal role in planning and implementation of key Central interventions in the direction of alleviating poverty and improving service delivery in rural areas and in particular, the Flag programme of the Central Government.

Thus, slowly but surely, Panchayats appear to be accepted in the implementation of schemes of line ministries. The most important of these is of course, the National Rural Employment Guarantee Programme, where the Panchayats at the district, intermediate and village levels have been given major implementation and planning responsibilities. These have been designated as principal authorities for planning and implementation. Under the NREGA, at least 50 percent in terms of value of the works taken up shall be by the Village Panchayats. I might add that progress reports from States reveal that 72 percent of NREGA works are being taken up at the Village Panchayat level.

The ‘Bharat Nirman’ approach is a focused strategy where six schemes in, 7 rural roads, irrigation, electricity distribution, housing for the poor drinking water supply and telecommunications have been put on the fast track. These are the Pradhan Mantri Gram Sadak Yojana for roads, the Accelerated Irrigation Development Progamme, the Accelerated Rural Drinking Water Supply Programme, The Rajiv Gandhi Grameen Vidyutikaran Yojana for rural electricity distribution, the Indira Awas Yojana for rural housing and the Village Public Telephone Programme. All these schemes, have assigned a range of important responsibilities to the Panchayats and depend upon them for grassroots implementation.

In addition, there are several important flagship programmes of the Centre, which are aimed at provisional essential services through the Panchayat level. These are the National Rural Health Mission, the Sarva Shiksha Abhiyan for primary education, the Midday Meals Programme, and the Integrated Child Development Scheme. Since the UPA government came to power in 2004, the allocations to these existing and new programmes has grown in leaps and bounds. What is equally important, is that the Ministry of Panchayati Raj has been largely successful in modifying schematic design to provide for the centrality of Panchayats in planning and implementation of these schemes.

I would like to point out that new programmes that are likely to roll out this year, such as the Rashtriya Madhyamik Shiksha Abhiyan, a programme which aims to do for secondary education what SSA has done for primary education and a basket of three programmes aimed at comprehensive agricultural development, namely, the National Food Security Mission, the Rashtriya Krishi Vikas Yojana and the Planning Commission driven Comprehensive Agricultural Development Programme are all based on the concept of grassroots level planning through Panchayats, culminating in the dovetailing of the agricultural plan into the district plan developed by the District Planning Committee.(The details of the important CSSs over the past four years is given at Annexure-II)

The National Development Council has constituted an Empowered sub Committee of which I am the Chairperson, on the matter of administrative and financial strengthening of the Panchayats. This committee is constituted of four of my cabinet colleagues, namely, the Ministers of Rural Development Finance & Company Affairs Social Justice

& Empowerment and Tribal Affairs, the Deputy Chairman, Planning Commission and eight Chief Ministers, of Assam, Bihar, Gujarat, Karnataka, Kerala, Madhya Pradesh, Punjab and Rajasthan. The Empowered sub-Committee has met five times over the past two years and has made detailed recommendations on state level and central level reform of Panchayati Raj. The Committee has also regularly reviewed progress made in this regard.

Undoubtedly, these Sector-specific approaches are demonstrating considerable success, at least as evidenced in the accelerated progress in bridging the rural infrastructure gap. However, there is another important dimension to rapid local development that must be kept in mind. Unless we strengthen local governance by addressing the need for cross-cutting systems of participatory planning and decision-making, local taxation, audit, financial management and procurement, these impressive gains will begin to rapidly fall away. We will build expensive roads, water supply schemes and irrigation systems, but in the absence of strong Panchayats that can maintain and protect them, they will inevitably deteriorate and a few years later, we will be rebuilding them at considerable expense. Similar would be the case with programmes that focus on soft inputs rather than on infrastructure, such as the ICDS, the Sarva Shiksa Abhiyan

Backward Regions Grant Fund programme :

It is here that I would like to highlight the Backward Regions Grant Fund programme of the Ministry of Panchayati Raj. An attempt at a cross cutting approach has been put in place through the BRGF, which is administered by the Ministry of Panchayati Raj This programme signifies a new approach to addressing persistent regional imbalances in development. Participative planning by rural and urban local bodies constitutes the core of the approach to BRGF. Panchayats at the Village, Intermediate and District levels and Municipalities constituted under Part IX and lX-A of the Constitution are positioned as institutions for planning and implementing the programme. The BRGF Programme covers 250 Districts in 27 States and has a budget of Rs. 46700 million per year. There are three features of BRGF that make it truly unique among initiatives to combat backwardness. First, the approach of putting the Panchayats at the centre stage of tackling chronic regional backwardness is one that has never been tried at this vast scale, barring the implementation of NREGA. Second, no central funding stream is as 'untied' as the BRGF — the funds can be applied to ä preference of the Panchayat, so long as it fills a development gap and the identification of the work is decided with peoples' participation. Third, no other programme spends as much funds, nearly, 11 percent of the total allocation, for capacity building and staff provisioning.

Panchayat Empowerment and Accountability Incentive Scheme:

Since implementation of Panchayati Raj is dependent on policies that cut across several sectors of economic development and social justice, the Government of India will now need to look at how its fiscal relationships with States through CSSs and regulatory interventions pertaining to these sectors can be used to encourage a progress on strengthening Panchayats, across the range of differing state contexts.

A key instrument available to Gol is thus to provide fiscal incentives to state governments that can encourage them to strengthen local governance, in pursuance of the national strategy. The Panchayat Empowerment and Accountability Incentive Scheme has been proposed as such an instrument.(*Brief details of the PEAlS are provided at Annexure-III*) The outputs of the proposed Panchayat Empowerment and Accountability Incentive Scheme are to provide a well-designed system OF INCENTIVES,which is hoped would provide an effective mechanism for the Government of India to undertake the following measures:

- Make a signal and fundamental systemic contribution to the overarching Plan objective of 'Inclusive Growth'.
- Incentivise and support States to effectively devolve more functions, functionaries and finances to the Panchayats, apart from constituting effectively empowered District Planning Committees to fulfill their Constitutional functions.
- Encourage and facilitate States to restructure the system of self-government at the Panchayat level to achieve the Constitutional objective of making them 'institutions of self-government'.

- Incentivise Panchayats to be transparent in their transactions and accountable to their respective Gram Sabhas and then to motivate and assist Panchayats to use their newly enlarged responsibilities in an efficient, honest, focused and productive manner so that a much larger share than at present of the vast resources being made available for rural development and welfare reaches the targeted beneficiaries and attains the targeted objectives, including, particularly the Bharat Nirman targets and the National Millennium Development Goals.
- Ensure that Panchayats achieve standards that meet norms set out for public accountability including public financial accountability, both upward as well as downward to the people. This would particularly cover responsibilities and obligations under various legislations such as those relating to Right to Information, Social Audit, and Fiscal Responsibility.
- The Outcomes of the Scheme would be the greater effective devolution of, functionaries and finances by the States to the Panchayati Raj Institutions and making the DPCs and PRIs the fulcrum for the planning and implementation of economic development and social justice. Moreover, the Scheme aims at empowering Gram Sabhas to effectively monitor and exercise vigilance over the work of their elected representatives to secure both effectively gains in service delivery by the Panchayats and promote transparent, responsive and accountable grassroots development through grassroots democracy.

It is important to note that the Parliamentary Standing Committee on Rural development, in its 21st Report on Demand for Grants 2006-07 of the Ministry of Panchayati Raj, has noted as follows:

"The Ministry has launched a new scheme viz. Panchayat Empowerment Incentives Scheme meant to reward the State Governments which are serious on the issue of implementation of various provisions of Part IX of the Constitution. Seven reform areas based on which the incentives will be provided to State Governments have been

identified. The Committee are glad to observe that as many as 8 State namely Chattisgarh, Haryana, Karnataka, Kerala, Orissa, Sikkim, Uttar Pradesh and West Bengal have come forward by putting proposals to the Ministry of Panchayati Raj Committee hope that the initiatives taken by the Department would motivate State Governments to really empower the Panchayati Raj Institutions".

It is particularly emphasized that the strengthening of grassroots level self- government is in itself a public good recognized and highlighted by the Constitution and endorsed by the Eleventh Five Year Plan reinforced by the detailed guidelines on district planning issued by the Planning Commission in August 2006.A well-structured and empowered Panchayati Raj system will translate into substantial efficiency gains in service delivery, particularly through convergence, and critically contribute to the universally accepted goal of 'Inclusive Growth', which has not been the case thus far in the stand-alone social sector schemes delivered through administrative silos insulated from one another and structurally inimical to attempts at convergence. We expect that the *Panchayat Empowerment Incentives Scheme* would incentivise State Governments to exponentially accelerate the devolution of powers and responsibilities to Panchayati Raj Institutions at all three levels in line with the provisions of Article 243G read with the Eleventh Schedule of the Constitution, and in broad conformity with the conclusions of the seven Round Tables and bilateral Statements/MoUs signed between the Union Minister of Panchayati Raj and Chief Ministers of States, and to match such devolution of functions with the devolution of funds and functionaries on the pattern of the activity map for Functions .

Annexure-I

Table I

Panchayat level	Number	Elected represent-atives	Women		Scheduled Castes		Scheduled Tribes	
			number	%	number	%	number	%
District Panchayats	542	15613	5810	37	2729	17	1723	11
Intermediate Panchayats	6094	156794	58191	37	32968	21	11406	7
Viliage Panchayats	232855	2645883	975057	37	485825	18	304350	12
Total	**239491**	**2818290**	**1039058**	**37**	**521522**	**19**	**317479**	**11**

These figures are as of May 2008.

Annexure-II

Table 2:

		2004-05 Allocation	2008-09 Allocation	% Increase over four years
1.	NREGS/SGRY	10000	16000	60

2	NRHM		11974	
3	Mid Day Meal	1507	8000	431
4	Sarva Shiksha Abhiyan	4754	13100	176
5	PMGSY	2468	7530	205
6	ARWSP	2900	7300	152
7	ICDS	1934	5665	193
8	Indira Aawas Yojana	2500	5400	116
9	SGSY	1000	2150	115
	Total	**17063.5**	**77119.5**	**352**

Annexure-III

Brief details of the PEAlS are as follows:

Incentives to States would be given in the form of awards, as follows:

Table 3:

Sl	Prize details	Prize value (Rs. Cr)	No of prizes	Total allocation (Rs.

				Cr)
1	First Prize	100.00	1	100.00
2	Second Prize	75.00	2	100.00
3	Third Prize	50.00	2	150.00
4	Fourth Prize	25.00	4	100.00
	Total		**10**	**500.00**

Operation of the Panchayat Incentive window:

Incentives for Panchayats would be as detailed below:

Sl	Prize details	Prize value (Rs. Cr)	No. of prizes	Total allocation (Rs. crore)
1	Prizes for District Panchayats	2.00	44*	100.00
2	Prizes for best Intermediate Panchayats	0.20	500**	
3	Prizes for best Village Panchayats	0.03	10000**	
	Total		**10550**	**500.00**