About CBGA

Centre for Budget & Governance Accountability (CBGA) promotes transparent accountable and participative governance. It has been involved in research, capacity building and advocacy on budgets and public policies in India, with the objective of influencing the policy priorities of the Union and State Governments in favour of the poor and disadvantaged sections of the country's population.

CBGA

Centre for Budget and Governance Accountability

A-11, Second Floor, Niti Bagh, Khel Gaon Marg, New Delhi-110 049 INDIA

Phone: +91-11-4174 1285 / 86 /87 Fax: +91-11-2653 7603 Email: info@cbgaindia.org

www.cbgaindia.org

Local Budgeting and People's Planning

A Study of PRIs in Rajasthan and Kerala

2009

CBGA

Commissioned By
Planning Commission
Government of India
New Delhi

Local Budgeting and People's Planning

A Study of PRIs in Rajasthan and Kerala

Commissioned By
Planning Commission, Government of India
New Delhi

2009

CBGA
Centre for Budget and Governance Accountability
New Delhi
(www.cbgaindia.org)

Authors: Kaushik Ganguly and Jawed Alam Khan

Editors: Vijay Thappa and Pooja Parvati

Study Supported by: SER Division Planning Commission of India

Design & Printed by : Global Print & Pack, email: printservice1@gmail.com

For more information, please contact:

Centre for Budget and Governance Accountability

A-11, Second Floor, Niti Bagh,

New Delhi - 110 049

Tel.: 011-41741285/86/87

Fax: 011-26537603

Email: info@cbgaindia.org

Website: www.cbgaindia.org

Foreword

Panchayati Raj Institutions have historically played an important role in guiding the social, political and economic life of people in rural India. Their graduation to an independent tier of governance within the federal polity of the country is a rather recent development. Enactment of the 73rd Constitution Amendment Act in 1993 was in this context a landmark step, which introduced a three-tier system of elected councils in rural areas of all states. The Act mandated the constitution of an election commission in all states to hold elections to these institutions in a regular five–year interval. It also mandated the states to constitute a State Finance Commission (SFC) once every five year to determine the share of resources to be devolved to the Panchayati Raj Institutions (PRIs) for their efficient functioning.

The 73rd Amendment Act also made specific provisions for affirmative action to include the marginalised section of the society into the democratic and development processes in rural local governance. In this regard, one-third of all seats were exclusively reserved for women along with one-third of the presidential and vice-presidential positions in panchayat councils. Scheduled castes and scheduled tribes were allocated reserved seats in accordance with their share in population in the constituency. The PRIs with participation of different stakeholders in their constituency were envisaged to plan development works based on locally felt needs, raise revenue resources locally from assigned sources and implement development projects initiated by the Central and the State Governments. Thus, PRIs became a cornerstone in the strategy of balanced regional development with broader participation of common people in engendering greater transparency and accountability in governance.

In this backdrop, a study was undertaken by CBGA with facilitation and support from Socio-Economic Research Division of the Planning Commission in an attempt to examine and document the processes of decentralised planning and budgeting, structural bottlenecks in fiscal devolution and planning processes of the PRIs in two states viz. Rajasthan and Kerala. The study sought to provide a comparative picture of democratic decentralisation in two of the better performing states in rural local governance in the country and draw inferences based on their relative performance in having institutional arrangements in place, planning for development, resource adequacy and utilisation.

The study finds that the institutional arrangements and processes required to instil fiscal autonomy and decentralised planning within rural local governance are at different stages of development in the two states. While Rajasthan has made considerable progress in enhancing greater participation in the grassroots planning process, it is still beset with a number of first generation problems in decentralisation with limited fiscal autonomy and almost non-existent revenue base for lower tier panchayats. Bulk of the financial resources of the panchayats is tied grants from Central and State Government, which has transformed these institutions into mere implementing agencies for the higher tier of governments.

In case of Kerala the first generation problems have been overcome through active policy of devolution of plan funds from the State Budget and sharing of revenue resources and having put in place an administrative set up for each level of Panchayats. Therefore, the problems in functioning of Panchayats in Kerala are second generation in nature mostly related to procedural issues, lack of perspective planning, disjunction between the planning and budgeting cycles, appropriate areas of intervention and matters of jurisdiction.

The Study has documented the experiences in functioning of PRIs and the policy measures that are being undertaken in both the states. It has also documented perceptions from elected representatives of Panchayats and administrative functionaries at different levels of the Panchayat and State machinery.

We hope this report will add significant value to the existing discourse and debate on democratic decentralisation in the country and provide policy planners and researchers with pertinent inputs based on experiences in the two states so as to inform policy decisions on PRIs.

Yamini Mishra

Executive Director, CBGA

Acknowledgements

The study team would like to acknowledge the efforts and assistance provided by Panchayat functionaries in Rajasthan and Kerala for making available the requisite documents. Special thanks are reserved for the Panchayat Secretaries of the visited Gram Panchayats in Rajasthan, who against all odds have been helpful in providing the study team with perceptions and documents. It is also grateful for the perceptions and clarity obtained from repeated conversations with the Chief Planning Officer of Jaipur, Mr S. R. Meena, the Block Development Officer of Amer, Ms. Neetu Rajeshwar and DPC, SSS, Jaipur, Mr. Rampal Sharma.

The study team is indebted to the Panchayat functionaries and the administrative officials in Kerala for their support and assistance in obtaining the required documents and perceptions. A special note of thanks needs to be reserved for Mr. S.M. Vijayanand, Principal Secretary, Local Administration for his perception which has lent this report the required clarity on various issues pertaining to local governance in Kerala. Worthy of mention, is also the support of District Administration officials at Mallapuram, particularly Finance Officer, Mr. Somen for his guidance and logistical support. The team also benefited greatly from the interactions of the elected representatives of the Panchayats, particularly Mr. Aryadan Shoukath, President of Nilambur Gram Panchayat.

We express our deep gratitude to Ms. Shreena Ramanathan, Ms. Deepa V.K., Mr. Prasad Nambiar, Mr. K.M. Rehman, Mr. Abinash Dash and Mr. Kausik K. Bhadra for their research assistance without which the study could not have been brought to its logical conclusion. Special thanks also to Ms. Shreena Ramanathan for her untiring effort in field investigation. The team is greatly indebted to Mr. K.M. Rehman and Mr. Kausik K. Bhadra for their excellent efforts in data entry and preparation of analytical tables and to Mr. Vijay Thappa and Ms. Pooja Parvati for painstakingly going through the report and giving critical comments on various aspects of the report.

A special mention and thanks is deserved by Mr. Anurag Srivastav who had painstakingly accomplished the groundwork of the study and its field investigation from which the team benefited immensely.

We, on behalf of CBGA, are grateful to the SER Division, Planning Commission for entrusting CBGA with a crucial policy-oriented study, which has immense impact on knowledge capacity building and would influence CBGA's work for years to come.

Above all, the team is grateful to all CBGA team members for their care, cooperation and support towards the study.

Contents

Executive Summary .... **V-VIII**

Chapter 1: Overview of Panchayats in India **1-9**

I.1 Introduction 1

I.2 Constitutional Provisions for Panchayats 2

I.3 Status of Decentralization to PRIs in India: Review 4

I.4 Objectives of the Study23 8

I.5 Methodology and Data sources 9

I.6 Organisaton of the Report 9

Chapter 2: Legal Provisions and Institutions of Decentralisation in Rajasthan **13-27**

II.1 Socio-economic Status of Rajasthan 13

II.2 History of Panchayati Raj Institutions 14

II.3 Overview of Panchayat Elections in Rajasthan 16

II.4 Status of Devolution 16

II.5 SFC Recommendations and Implementation 19

II.6 Conclusion 26

Chapter 3: Fund Flow and Financial Position of Panchayats in Rajasthan **29-54**

III.1 Sources of revenue for the PRIs 29

III.2 Overview of the Survey and Data limitation 30

III.3 Analysis of Zilla Parishad Finances 31

III.4 Analysis of Block Panchayat Finances under ZP Jaipur 37

III.5 Analysis of Block Panchayat Finances under ZP Jalore 38

III.6 Analysis of Gram Panchayat Finances 47

III.7 Role of PRIs in Health and Eduacation 53

III.8 Local Planning and Budgeting : A Gender Perspective 54

III.9 Conclusion 54

Chapter 4: Legal Provisions and Institutions of Decentralisation in Kerala

IV.1 Socio-Economic Status of Kerala 57

IV.2 Panchayati Raj in Kerala: A Historical Account 58

IV.3 Status Devolution in Kerala: An Assessment 62

IV.4 Decentralized Planning: A Review of Processes 66

IV.5 Conclusion 69

Chapter 5: Fund Flow and Financial Position of Panchayats in Kerala **71-109**

V.1 Introduction 71

V.2 Recommendation of State Third Finance Commission: A Review 71

V.3 Devolution from the State Budget 74

V.4 Field Observation and Key Findings . . . 76
V.5 An Assessment of the Finances of PRIs . . . 78
V.6 Concluding Observations . . . 83
V.7 Appendix to Chapter 5: A1 to A6 . . . 84

Chepter 6: Key Findings of the Study . . . 110-115

VI.1 Findings and Suggestions for Rajasthan . . . 110
VI.2 Findings and Suggestions for Kerala . . . 113

VII References . . . 115
VIII List of Abbreviations . . . 115

Executive Summary

In the past few years, the Government of India has shown growing concern over the slow pace of progress with regard to rural decentralisation and asked state governments to strengthen legal provisions and introduce reforms making Panchayati Raj Institutions (PRIs) more effective. The case for their fiscal autonomy was mandated almost two decades ago with the enactment of the 73rd Constitution Amendment in 1992 spelling out that panchayats must be at the centre of local planning, budgeting and administration.

Key aspects of the landmark legislation are the centrality of gram sabha (GS) in the three-tier panchayat system, reservation for women and Scheduled Castes (SCs)/Scheduled Tribes (STs) and devolution of functional, financial and administrative powers in 29 subjects to the rural local bodies. The 73rd Amendment also stipulates that State Finance Commissions be set up once every five years to review the financial position of PRIs and make recommendations on fund devolution to the local bodies.

The CBGA study examines the extent of fiscal devolution in all three tiers and the constraints in local planning and budgeting in two districts each of Rajasthan and Kerala, for a cross-section view on how far local self-governance has been able to achieve the wider goal of social justice and economic development. It also tries to provide pointers to policy makers/ administrators on the critical factors that inhibit transfer of resources to the PRIs so that corrective steps may be taken.

Study Objectives: The specific objectives of the study - of PRIs in Jaipur and Jalore districts of Rajasthan and Ernakulam and Mallapuram districts of Kerala - are to: (i) Document bottlenecks in the planning, budgeting and accounting processes. (ii) Examine people's planning in the context of fund flows. (iii) Highlight structural limitations that prevent fund channelling. (iv) Suggest formalisation of budgeting, accounting/ auditing procedures within the ambit of the 73rd Amendment (v) Discuss gender responsiveness of planning/ budgeting and participation of women in the processes.

It captures financial allocations and expenditures across the study districts of Rajasthan and Kerala with zilla parishad/panchayat (ZP) at the district level, panchayat samiti (PS) at the development block level and gram panchayat (GP) at the village level while examining questions regarding local budgeting and planning in the light of fiscal autonomy.

Methodology and Data Sources: Primary and secondary data were collected from the three tiers of panchayats in the four study districts. The primary data relates to panchayat finances in the form of revenue receipts/expenditures. Perceptions of elected and non-elected functionaries were also obtained through focussed discussions on issues relating to the functioning of panchayats during the field surveys conducted in 2008.

Observations from Rajasthan: In spite of a long history of panchayats dating back to the ancient times and government legislations and notifications on decentralisation, fiscal autonomy has remained beyond the reach of the rural governing bodies in Rajasthan. The PRIs are heavily dependent on the Central and state governments for funds and functionaries, local planning is not fully institutionalised and devolution is limited to few subjects in terms of supervisory powers. Whatever power has been transferred is without funds or effective control over functionaries, barring in a few departments.

The apathy of local legislators and unnecessary interference of the bureaucracy and line departments are further corroding the panchayat system with its tiers having no clear-cut roles under the integrated model of decentralisation followed by the state. The ZP and PS only redistribute funds through the top-down method and are unable to support the GP with technical/other staff required for implementing various projects due to lack of assistance from the higher tiers of administration.

Fiscal devolution is still at a rudimentary stage in the state with only a few of the 29 activities listed in the Eleventh Schedule partially delegated to the districts. Wherever funds have been transferred, it is limited to payment of salaries and allowances of employees attached to the ZP and PS rather than for development. PRI allocations come mostly from state and centrally sponsored programmes - National Rural Employment Guarantee Scheme (NREGS), Sampoorna Grameen Rozgar Yojana (SGRY), Swarnjayanti Gram Swarozgar Yojana (SGSY), Indira Awas Yojana (IAY), Mid-Day Meal - a few minor projects and grants from MP Local Area Development (LAD) and MLA LAD funds, and State Finance Commission and Central Finance Commission.

The planning and budgeting infrastructure in the lower tiers of administration is weak considering the limited capacity of officials and elected functionaries to prepare area development plans and the state government not providing them adequate resources from plan packages or in the form of allocation of untied funds for the dispensation of traditional function of these bodies.

Field observations show that the people's participation (especially the role of women) in panchayat activities/planning is negligible and accountability mechanisms are practically non-existent. There is some upward accountability regarding budget/audited accounts in departments like Local Fund Audit Department (LFAD), but no downward accountability due to lack of education/awareness among citizens, rigid social and caste equations, inadequate training among panchayat functionaries to handle the jobs and too much bureaucratic control.

Observations from Kerala: Given that Kerala is one of the frontline states in the institutional reforms process, the problems of decentralisation in terms of fund flow and plan execution are mostly of a second-generation nature. Around one-third of the plan outlay is devolved to the panchayats from the state budget and funds are routed through the state treasury in the form of bills. There is no system of advances for expenditure, which acts as a safeguard against misappropriation of funds at the panchayat level; there have been allegations of corruption but these are difficult to substantiate through the financial statements of the PRIs.

Several gaps were noted in the accounting/audit process as none of the local bodies had up-to-date financial records and Annual Financial Statements (AFS) had not been audited by LFAD for 3-4 years. The lack of quality and compliance regarding audits could be due to delays in preparation of accounts by the local bodies and paucity of staff in the fund audit department. The data obtained by the study team from the three tiers of the panchayats, are therefore, not audited statements.

Another problem was that while GPs had uniform and detailed formats for budgets/AFS (with provisions for reporting up to minor heads), the block and district panchayats did not have consistent formats. Further, the staff at the GPs lacked the requisite budget literacy for correctly filling up the detailed and cumbersome budget documents/AFS.

There is also a disjunction between plan formulation, panchayat budgets and fund disbursal to PRIs by the state government. The annual budget for a panchayat is to be presented before its elected representatives and grama sabha by March-end of every fiscal, but drafting of Annual Plans begin only in May with the constitution of working groups. According to the Kerala government's guidelines, the process should be completed by August but it often stretches till November, whereby the panchayats only get the last quarter of the financial year for plan project implementation.

The panchayats receive grants in 10 equal instalments starting in May of every fiscal due to which most grants lie unutilised till finalisation of the annual plan. This is because the local bodies are barred from incurring expenditures on items not part of the annual plan or budget and are required to spend at least 70 per cent of development and other grants within the financial year, failing which they are subjected to budget cuts (of the amount of shortfall) the following year.

The delays in plan formulation and norms governing utilisation impact the quality of projects undertaken by the panchayats, most of which are reported to be small and wasteful. Owing to the procedural bottlenecks, the panchayats lack the capacity to invest in large projects with durable public assets. There is also the problem of spillover projects from every financial year that allow panchayats to bypass vetting by technical advisory groups and district planning committees. Despite institutional parameters for better PRIs functioning in Kerala, there is a need for restructuring of procedural issues and enhancement of administrative capacities.

Fiscal Devolution – A Comparative Perspective: The study broadly concludes that the status of PRIs in Rajasthan and Kerala are significantly different.

- Although Rajasthan boasts of historical precedence, concomitant devolution of funds, functions and functionaries has been achieved to maximum effect in Kerala.
- The decentralisation process is still at a very nascent stage in Rajasthan with PRIs enjoying limited or no autonomy. By contrast, in Kerala, they have maximum autonomy with every tier functioning independently but with complementarities in •their development initiatives.
- Local bodies in Kerala have full administrative control over functionaries while in Rajasthan it is practically non-existent.
- Panchayats in Rajasthan do not have uniform reporting formats for budgets/ financial statements, which makes them less transparent and accountable. Kerala has set formats but there are shortfalls in PRIs' audit performance. Hence, transparency and accountability is an issue (although at different levels) in both states.
- Rajasthan follows the integrated planning model where the lower tiers only articulate demands from the gram sabha upwards and is consolidated at the district level into five-year plans. Kerala has multi-level planning with each tier required to formulate annual plans with active participation of local citizens. It is not integrated into a district plan although the guidelines issued by the Kerala government for formulation of 11th Five-Year Plan mention consolidation of GP and block panchayat plans into a perspective plan for the district.
- Major source of revenue for rural local bodies in Rajasthan are direct transfer of funds from centrally sponsored schemes or state plan schemes with restrictive guidelines and little autonomy in implementation.
- GPs in Kerala have sizable own source of revenue (OSR) for provisioning of locally felt needs while in Rajasthan only block panchayats have significant OSR, which is used for establishment costs
- LFAD audits in Rajasthan were found to be up-to-date while Kerala had huge backlogs in conducting financial audits.

Hurdles in Implementation Process & Policy Suggestions:

It is evident from the field survey and the data analysis that the Panchayati Raj system in Rajasthan needs radical institutional reforms and the panchayats of Kerala require procedural reforms to empower the local self-government institutions and for better public service delivery. A few broad gap areas that policy-makers at the Centre and in the States could focus on are given below.

Rajasthan: Since very few of the 29 activities integral to decentralisation have been assigned to the panchayats, the state government could start with transfer of the remaining departments, particularly those of more significance to rural areas. It is also suggested that: (i) Panchayat functionaries and the required administrative machinery be delegated to the responsibility areas. (ii) Plan and non-plan funds of the state budget could be channelled to the PRIs through the 'panchayat window' of the state budget. (iii) Downward accountability mechanism set up. (iv) Functions, funds and functionaries should have clear-cut demarcations in the three tiers to overcome problems of overlapping relating to activities that have been devolved.

The state government could consider setting aside a certain percentage of funds to the panchayat sector in the form of development funds, general-purpose grants and maintenance grants released on a regular basis or in periodic instalments. It could also set up an authority on the lines of the Central Board of Direct Taxes to enable GPs to mobilise more OSR for development purposes. The norms regarding grants from centrally and state sponsored schemes need to be made more flexible for effective planning and fund utilisation as per local felt needs.

Given the lack of uniformity in accounts/audits across the three tiers of the panchayats, the Rajasthan government could explore adopting the Comptroller and Auditor General's (CAG) Technical Guidance & Supervision/Support (TGS) system format on preparation and maintenance of accounts. Besides, the strength of accounting staff, with adequate training on accounts and budget management, needs to be increased at the local level.

At the level of monitoring and supervision of development initiatives, education and capacity-building programmes could be organised and the participation of citizens and NGOs ensured in the planning and implementation of programmes/schemes. Taking a cue from Kerala, an ombudsman of the rank of a retired high court judge needs to be appointed to settle cases regarding irregularities/ malpractices at the PRIs level.

Kerala: Although PRIs in Kerala enjoy fiscal autonomy at varied levels, block panchayats are constrained in their role in local area development. They could be assigned specific areas such as village and cottage industries, promotion of vocational training and alternate learning systems for the differently-abled and creation of social infrastructures like public libraries, sports facilities or promotion of cultural activities.

There is also a need for rescheduling the planning process in the light of delays in preparation of annual plans by the panchayats and the perennial problem of spillover projects. One possible solution could be by starting the planning process for a particular year at the end of the third quarter of the preceding year, with an appraisal of the achievements in the ongoing plan. This would enable initiation of plan projects from the early part of the financial year and thereby reduce wasteful and spillover projects.

As regards audit practices, financial management and reporting, the Kerala government could also consider it worthwhile to adopt the TGS of CAG to address the problem of irregular auditing formats across the panchayat tiers besides the possibility of computerising their financial management systems for better monitoring and tracking.

Lastly, better transparency in operations could be brought about by making performance audits of the panchayats mandatory. These could be carried out by citizen's groups, ideally by the GS, and the reports made public.

Overview of Panchayats in India

1.1 Introduction

Decentralisation has now become a global trend with local self-government institutions being given the responsibility of provisioning, implementation and delivery of majority of essential public services in many countries.

In a large part of the developing world, the decentralisation process started mainly due to poor service delivery under the centralised system of governance with the top-down and supply-oriented approach leading to corruption and inefficiency. Decentralisation on the other hand, aims to address these problems through the bottom-up and demand-oriented service delivery system, with local communities playing an important role in the planning and implementation phase. Effective decentralization essentially encompasses three different aspects viz. Political decentralisation, administrative decentralisation and fiscal decentralisation.

I. *Political decentralisation*: Transfer of authority to local governments to give citizens and elected representatives at the local level decision-making power regarding local issues of development and social welfare. It also enhances electoral accountability and political participation of the local populace.

II. *Administrative decentralisation*:

Redistribution of authority to the local governments for planning, finance and management of public functions, further divided into three types as per degree of transfer of power. (a) De-concentration: Dispersion of authority to local branches and administrative units of the national government; (b) Delegation: Local governing bodies act as agents for upper-level government; and (c) Devolution: Full-scale responsibility where implementation and decision-making authority vests with the local governments.

III. Fiscal decentralisation: Transfer of decision-making power to local governing bodies for revenue collection /generation and spending.

The 73rd and 74th Constitution Amendment Act 1993 laid the ground for institutionalising decentralised governance and development planning in India. It envisaged local bodies to have significant powers over social and development sector planning, budgeting and administration. The salient features of the landmark legislations are the nodal position of Gram sabhas in decentralised governance, one-third reservation for women and Scheduled Castes/Scheduled Tribes, devolution of functional, financial and administrative power to PRIs in 29 areas of governance, formation of State Election Commissions and State Finance Commissions among others. The 73rd amendment provided for setting up of Finance Commissions every five years to review the financial condition of panchayats and make suitable recommendations for fund devolution, thereby paving the way for true autonomy of PRIs through fiscal sufficiency and independence.

Box 1: Some Facts About Rural India

- 72.2 per cent of the total population lives in rural areas.
- 59 per cent of rural population depends on agriculture and allied activities.
- The contribution of agriculture and allied activities to Gross Domestic Product (GDP) has declined over the years to stand at 18.5 per cent in 2006-07.
- Growth rate in agriculture and allied activities also slowed down since the 1990s. The average growth rate from 1998-99 to 2006-07 was 2.5 per cent.
- Rural India accounts for only 59 per cent of the literate population.
- Infant mortality is estimated at 64 per 1000 live births

Source: NSS Report different rounds; Economic Survey 2007-08, NFHS III.

The effective and autonomous functioning of Panchayati Raj Institutions (PRIs) in India has been ascribed primacy in the planning for development given the low human development indices in rural areas in terms of income, education, health and extensive social marginalisation of the poor and landless. In this context, financing rural development as per local felt needs and the role of local self-governing institutions in the provisioning for rural development is imperative. Taking the bottom-up development approach, has also been touted as the keystone to strengthen India's largely agrarian economy.

Accordingly, PRIs were given autonomy under their respective state governments to plan and implement programmes for economic development and oversee social justice in the rural areas. The Eleventh Schedule laid down a list of 29 subjects for devolution of powers to the panchayats along with funds, functions and functionaries by each state government. Not only were the PRIs given viable jurisdiction but the Schedule also listed areas such as agriculture, minor irrigation, land reforms, animal husbandry, dairy, poultry and fishing, khadi and village cottage industries, rural electrification, housing, roads and drinking water supply best suited for interventions to be carried out by the lower tiers of governance.

1.2 Constitutional Provisions for Panchayats

The constitutional mandate of Article 243 reads: "Subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to: (a) The preparation of plans for economic development and social justice; (b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule"

The 73rd amendment spells out the responsibilities of state governments to delegate powers to the panchayats, in accordance with the Schedule list, though the extent of devolution is dependent on the state government as per local needs.

Box 2: Salient Features of 73rd Constitution Amendment

- Constitutional status for gram sabha
- Three tier panchayat system at village, intermediate and district levels except in states with populations of less than 20 lakh where intermediate panchayats may not be constituted,
- Reservation of seats and leadership positions for SCs/STs and women.
- Regular elections every 5 years.
- Establishment of independent State Election Commissions.
- State Finance Commissions to be set up once in 5 years,
- Powers to be devolved to panchayats to enable them to function as institutions of self- government (Article 243 G read with Schedule XI).
- Constitution of District Planning Committees for preparing district plans after consolidating the plan panchayats and municipalities.
- The Panchayats (Extension to Scheduled Areas) Act (PESA), 1996 for Tribal Areas

Article 243 G of the 73rd amendment lists 29 items the control and management of which are vested with PRIs, stating that if these activities are not within the jurisdiction of panchayats, the purpose of the Act stands defeated. Moreover, Article 243 N of the amendment renders the control of these activities by anybody except the panchayats as null and void.

After the 73rd amendment came into force, each state government brought out its own Panchayati Raj Act with wide degrees of variation regarding extent of devolution. (See Table 1.2 on status of devolution of funds, functions and functionaries (3Fs) to PRIs across the states). States like Karnataka, Kerala, Sikkim, Rajasthan and Maharashtra made substantial efforts in strengthening their PRIs through concomitant transfer of funds and functionaries along with functions while most other states delegated the functions but failed to address the other two Fs – funds and functionaries.

Table 1.1: Subjects Listed in Eleventh Schedule (for devolution to PRIs)

1. Agriculture, including agricultural extension	16. Poverty alleviation programme.
2. Land improvement, implementation of land reforms	17. Education, including primary and secondary schools.
3. Minor irrigation, water management and watershed development	18. Technical training and vocational education.
4. Animal husbandry, dairying and poultry.	19. Adult and non–formal education.
5. Fisheries.	20. Libraries.
6. Social forestry and farm forestry.	21. Cultural activities.
7. Minor forest produce.	22. Markets and fairs.
8. Small scale industries, including food processing industries.	23. Health and sanitation, including hospitals, primary health centres and dispensaries
9. Khadi, Village and Cottage Industries	24. Social Welfare
10. Rural Housing.	25. Women and child development.
11. Drinking Water.	26. Social welfare, including welfare of the handicapped and mentally retarded.
12 Fuel and fodder.	27. Welfare of the weaker sections, and in particular, of the Scheduled Caste and the Scheduled Tribes.
13. Roads, culverts, bridges, ferries, waterways	28. Public distribution system.
14. Rural electrification, including distribution of electricity	29. Maintenance of community assets.
15. Non-conventional energy sources	

Source: Ministry of Panchayati Raj

1.3 Status of Decentralization to PRIs in India: Review

Several studies have pointed out that lack of control over functionaries and inability to mobilise significant resources adversely affect the planning and budgeting of PRIs since in most states, the local bodies are dependent on funds from CSSs and state plan schemes for developmental activities. Untied grants from state governments and own revenue sources are usually too little to encourage local level planning, budgeting and execution. There is also no clear demarcation of powers and functions between the three tiers of PRIs in some areas.

Table 1.2: Status of Devolution of 3Fs to PRIs in India: Select States

States	No. of Departments /Subjects Transferred to Panchayats		
	Funds	Functions	Functionaries
Karnataka	29	29	29
Kerala	26	26	26
Orrisa	9	25	21
Rajasthan	18	29	18
Maharashtra	18	18	18
Gujarat	15	15	15
West Bengal	12	29	12
Uttrancahal	-	11	11
Chhattisgarh	10	29	9
MP	18	29	17
Uttar Pradesh	4	12	6
Andhra Pradesh	5	17	2
Bihar	8	25	Only functional control

Source: Ministry of Panchayati Raj, Govt. of India.

Inadequate devolution of powers and functions to the PRIs has affected political and administrative accountability as well as the local planning and budgeting processes in many states. Since bureaucratic control over funds and implementation of developmental schemes persist, the political accountability of elected PRI representatives has become practically redundant. It is also virtually impossible for officials to monitor implementation of the numerous schemes, which in turn, has led to gaps with regard to administrative accountability of PRIs.

The staff shortage is also a major reason for ineffective functioning of PRIs especially at the Gram Panchayat level, which is the nodal agency for village administration, implementing rural development programmes and organising Gram Sabha meetings. GPs in some states like Kerala work with a proper administrative set-up due to which there is better delivery and maintenance of public services at the local level. However, in many states like Rajasthan the responsibility of GPs rests entirely with a single Panchayat Secretary from implementing and monitoring major schemes to holding GS meetings, managing finances and preparing account statements to maintaining records and dispensing other administrative functions of the village.

Box 3: Status of Devolution to Panchayats

- Most state governments have devolved bulk of the functions without matching funds & functionaries.
- Major source of funds for panchayats are centrally sponsored schemes (CSSs) and state plan schemes.
- Proportion of plan funds at discretion of panchayats and non-plan funds for maintenance and upgrading existing services are negligible.
- Limited power to collect resources; tax base is poor with no specialised staff for tax collection.
- Vertical imbalances, fiscal dependency and borrowing constraints affect functioning of panchayats.
- In absence of data on finances of PRIs, most SFCs could not emphasise link between revenue raising and expenditure responsibility.
- Limited staff at Gram Panchayat level with many of them on deputation; hence, political accountability of grass root level staff and executives has been compromised; and more often bureaucracy decide on the course of direction for panchayats.

Dearth of requisite staff is also quite prominent at the Block and District Panchayat level. A particular area of weakness is that given the huge amount of fund flow to these institutions, there is a severe lack of trained accountants or fund managers and a very low emphasis on a harmonized system of process documentation and reporting even within the states.

Grassroots Planning and PRIs

Effective decentralized planning is the basis of any inclusive, balanced and sound development strategy. In case of rural development it is even more pertinent given the variegated facets of deprivation and poverty experienced across the country and therefore the huge diversity in remedial measures and type of assets that needs to be created in this sector. To encourage peoples' participation in local planning and ensure their needs and aspirations are captured in the process, Gram Sabhas formed the primary bedrock of Panchayati Raj system. Gram Sabhas were also necessary to ensure social audit of schemes and programs already being implemented and also guarantee accountability of elected representatives and administrative officials.

Gram Sabhas should also be responsible for (a) Approving plans, programmes and projects for economic and social development before these are taken up for implementation by panchayats at the village level; (b) Identifying/selecting beneficiaries for poverty alleviation and other programmes; and, (c) Issuing certificates of utilisation of funds by panchayats for the plans, programmes and projects already being implemented. Application of such well-intentioned provisions in the Constitution needs to be strengthened and universalized. Given that common people are often unaware of the programmes/schemes declared by the government and their guidelines, legal provisions may be necessary to make it mandatory for at least a block level official to attend the meetings of Gram Sabha and explain to the people recent policy initiatives by the State Governments or the Union Government, their financial details and the peoples' initiative that is required.

Dependence of PRIs on centrally sponsored schemes (CSSs) for financing rural development and social sector development programmes, essentially compromises fiscal autonomy of the PRIs and often fail to complement local planning as articulated through Gram Sabhas. One way of rectifying this anomaly would be to provide panchayats with block grants with a flexible set of guidelines enumerating broad areas of spending - specific percentages to be devoted in each sector of development so that these local bodies can complement the initiatives undertaken through the CSSs and the State Plan schemes. Further, for better implementation of the programmes/schemes productivity norms of employment programmes and unit costs for provisioning public services like housing, water and sanitation could be determined through line department officials at the district or block level and technical advisory groups set up for the purpose.

The preparation of district level five-year plans such as perspective planning by several states in the country is a welcome initiative, but there has been a persistent need to support it through plan grants from the state governments. The Backward Region Grant Fund (BRGF) seeks to address regional imbalances by providing untied funds to the panchayats where existing inflow funds are not enough to bridge the development deficits. BRGF has made the constitution of district planning committees mandatory in all states, has provisions for dovetailing other schemes and allocates funds according to the backwardness of the panchayats.

Local Budgeting and Fiscal Autonomy for PRIs

Government initiatives for decentralisation and giving fiscal autonomy to PRIs for planning and budgeting their development programmes has had limited success in the country due to the inability of local self-government institutions to raise resources on their own. The PRIs receive funds from: (1) their respective states as per the recommendations of the SFCs; (2) Grants-in–aid as per the Central Finance Commission award; (3) Centrally Sponsored Schemes; (4) Own Source of Revenue (OSR); and (5) MP LAD/MLA LAD funds.

The flow of finances from CSSs has been quite high, transfers from Center and States inadequate and generation from OSRs negligible (Table 1.4). Since PRIs do not have allocations in advance for particular financial years, it becomes very difficult for them to annually budget development grants for the GPs.

Table 1.3 Funds flowing Directly to PRIs through Centrally Sponsored Schemes

Name of Schemes	2006-07(RE)	2007-08 (RE)	2008-09 (BE)	11th Plan Outlay
Sampoorna Grameen Rozgar Yojana (SGRY)	3452.44	1715.01	-	5600
National Rural Employment Guarantee Scheme (NREGS)	8640.86	11939.35	15939	100000
Swarnajayanti Gram Swarozgar Yojana (SGSY)	1164.77	1702.24	2115.65	17803
Indira Awas Yojana (IAY)	2907.53	4032.7	5394.2	26882.21
Integrated Wasteland Development Programme (IWDP)	484.9	-	-	17372
Drought Prone Areas Programme (DPAP)	359	-	-	
Desert Development Programme (DDP)	269	-	-	
Integrated Watershed Management Programme (IWMP)	-	1114.44	1650	
Central Rural Sanitation Programme	738.06	957	998	7815.66
MPs Local Area Development Fund (MPLAD)	1580	1580	1580	-
Total	19596.56	23040.74	27676.85	175472.87

Source: Background Note: National Convention, CBGA 2008.

PRIs across the country have generally been facing problems in mobilising revenue for development activities due to several reasons. (a) Village panchayats have a poor tax base of areas with limited potential like house/property tax, octroi on animals and pilgrim tax whereas the bulk of agricultural revenues go to the state. (b) The administrative mechanism for collection of taxes in the villages is very weak. (c) In most states, there is an ambiguity regarding which tier of the panchayat has the jurisdiction over tax/non-tax collection. (d) The proximity of GP functionaries to the voters acts as a hindrance in collecting taxes or fees from them. This could be addressed by assigning the task to higher tiers of the panchayats and the parameters for distribution well defined and deliberated through the SFCs. (e) Non-tax handles like fees (birth, death, residence certificates and patta fees for land allocation) and user charges (on water and other civic amenities) too have limited revenue generation potential. Table 1.4 gives a break-up of revenue receipts across all tiers of PRIs in India with revenues from own tax and non-tax sources extremely low.

Table 1.4 Revenue Receipts of the PRIs (All Tiers) in India

(in percentage)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Own Tax	3.64	3.04	3.24	3.61	3.87
Own Non-Tax	3.07	2.95	2.86	2.77	2.98
Own Revenue	6.71	5.99	6.10	6.38	6.84
Assignment + Devolution	30.20	29.23	28.10	27.46	27.69
Grants-in-Aid	56.34	58.92	57.76	58.85	58.95
Others	6.75	5.85	8.04	7.32	6.52
Total Other Revenue	93.29	94.01	93.90	93.62	93.16
Total Revenue (A + B)	100	100	100	100	100

Source of Basic Data: Report of the Twelfth Finance Commission, Govt. of India.

Role of State Finance Commission and Central Finance Commission

The 73rd amendment requires the state government to appoint a State Finance Commission every five years to review the financial position of PRIs and make recommendations with regard to: (a) distribution of net proceeds of taxes between the state and the local bodies; (b) determination of taxes/duties/tolls/fees that can be assigned exclusively to PRIs; and (c) grants-in-aid from the consolidated fund of the state. The SFCs were also to suggest measures to improve the financial performance of the local bodies.

Most of the state governments however have not been regular in setting up SFCs and are often reluctant to implement fully their recommendations. In this regard, the Twelfth Finance Commission (TFC) 2005-2010 states: "*We find that most states are yet to appreciate the importance of this institution in terms of its potential to carry the process of democratic decentralisation further… The delays in constitution of the SFCs, their constitution in phases, frequent reconstitution, qualification of persons chosen, delayed submission of reports and delayed tabling of action taken report (ATR) in the legislature have in many cases defeated the very purpose of this institution.*"

The pace of decentralisation and granting of fiscal autonomy to the panchayats has been slow in several states partly due to imbalances in sharing of resources between the Centre and the states, lack of coordination of fund award periods between the Central Finance Commission and SFCs, and the high committed expenditures like salaries, pensions and interest payments in the state budgets.

Apart from exploring ways to augment the resources of the states, the CFC and SFCs also nee to deliberate on the quantum of Central funds meant for rural and urban local bodies. The TFC in this context has awarded Rs 20,000 crore to PRIs for improvement of quality of civic services (mostly water and sanitation) while also admonishing the states for lack of accurate information on the financial position of their local bodies. It also reported that the previous CFC (Eleventh Finance Commission) had awarded a corpus of around Rs 683 crore for creation of databases by the local bodies for maintenance of accounts and only 30 per cent of it had been utilised.

The CFC could consider setting aside specific grants to strengthen the administration of PRIs through internal controls like management information systems (MIS). It has also been suggested that centrally sponsored schemes aimed at the lower tiers of government be devolved in the form of block grants or as direct Central assistance to district plans in states that have overcome the first-generation problems of public service delivery and made progress in empowering the panchayats.

Such a policy would enhance administrative and operational capacities of panchayats in states like Kerala where the Panchayati Raj system has made headway and work as incentives to states like Rajasthan that are lagging behind to take up administrative/ institutional reforms for better performance of the local bodies.

An index of decentralisation using transparency and backwardness in terms of revenue capacity as denominators could also be applied to categorise and determine eligibility of states for grants to be allocated to the PRIs. The CFC has already has a set of detailed criteria, drawn by the Eleventh Finance Commission and known as "Index of Decentralisation", for allocating funds to urban local bodies. This was renamed "Index of Deprivation" by the TFC on the grounds that the decentralisation objectives had been achieved.

1.4 Objectives of the Study

The study tries to examine whether or not fiscal decentralisation is in practice and to what extent its overall goal is being realised while identifying constraint areas in the implementation processes and suggesting corrective policy measures. It also details the bottlenecks in Panchayat planning, budgeting and audit of accounts that would be relevant to the Central and state governments for remedial action.

While exploring the relatively new research area of budgeting and planning of local self-governments in relation to fiscal decentralisation, the study team encountered problems in understanding panchayat budgets/ Annual Financial Statements (AFS) particularly in Rajasthan. The GPs and Panchayat Samitis in Rajasthan neither followed the systematic procedure used in preparation of state and Union budgets, nor the norms of accounting fixed by the Comptroller and Auditor General of India (CAG). In Kerala, the institutional parameters for functioning of panchayats were evident but there was a need for restructuring of procedural issues and enhancement of administrative capacity.

The study of rural local bodies in Jaipur and Jalore districts of Rajasthan and Ernakulam and Mallapuram districts of Kerala examines in detail the panchayat finances, local planning and budgeting while keeping a sharp focus on critical factors that inhibit transfer of funds/ resources to the PRIs, with suggested corrective measures.

Its key objectives are to:

- highlight structural limitations within overall fiscal architecture that prevent fund channelling to panchayats;
- document bottlenecks in accounting, planning and budgeting;
- examine people's planning in terms of fund flow at local level;
- suggest formalising the budgeting, accounting and auditing procedures; and administrative action within the ambit of the 73rd amendment;
- understand the gender responsiveness of the planning and budgeting and participation of women in the process, in particular the emphasis given to earmarking allocations for women

beneficiaries. In this context, accounts up to the GP level will be studied.

- The study involves budget analyses of
- The amount of resources allocated by Rajasthan and Kerala to the local bodies in terms of the 29 listed functions.
- How much of these allocations are actually transferred to the local bodies and by what mechanism.
- Accounts and financial statements at the panchayat level on how much is spent on social sectors and how much of it is controlled by the GPs.

It captures financial allocations and expenditures across the study districts of Rajasthan and Kerala encompassing ZPs, Panchayat Samitis and GPs while examining questions regarding local budgeting and planning in the light of fiscal autonomy at the state level

1.5 Methodology and Data Sources

Primary and secondary data were collected from the three tiers of the panchayats during field visits of two district panchayats (ZPs of Jaipur and Jalore in Rajasthan and Ernakulam and Mallapuram in Kerala) in each state, two intermediate panchayats from each ZP and two GPs from each intermediate panchayat. The primary data are related to the finances of panchayats in the form of revenue receipt and expenditure to assess the extent of decentralisation. Elected and non-elected functionaries have also been interviewed through structured questionnaires on constraints of fiscal decentralisation and local budgeting and planning from the field survey.

Surveyed PRIs – *Rajasthan:* Zilla parishads of Jaipur and Jalore districts. Jaipur ZP study area comprises panchayat samitis of (i) Amer (ii) Jamua Ramgarh and Gram panchayats of (i) Jalsu (ii) Anchrol (iii) Mahangi (iv) Andhi. Jalore ZP area consists of the panchayat samitis of (i) Jalore (ii) Sanchore and Gram panchayats of (i) Bhadroona (ii) Suthadi (iii) Bagra and (iv) Devki

Kerala: Zilla Panchayats of Mallapuram and Ernakukulam districts. Mallapuram ZP

consists of block panchayats of (i) Mallapuram (ii) Vypin (iii) Kothamangalam and grama panchayats of (i) Perumpadappa (ii) Alamkode (iii) Nilambur (iv) Amarambalam

Ernakulam ZP area includes block panchayats of (i) Nilambur (ii) Perumpadappa and grama panchayats of (i) Njarakkal (ii) Pallipuram (iii) Nellikushi (iv) Kootampuzha

Major documents collected from the field include Annual Financial Statements (AFS), Budget documents of panchayats and the two state governments, Plan documents, data on health and education, report of the State Finance Commissions and annual reports of the Department of Panchayati Raj and Rural Development. The secondary data has been gathered from more than one source, i.e. published and unpublished government documents/research papers such as annual reports of Ministry of Panchayati Raj and Ministry of Rural Development at the Central and state levels, Planning Commission and CFC reports etc. Simple statistical tools have been used to analyse the data.

1.6 Organisation of the Report

The research study consists of six chapters. The introductory chapter gives an overview of the functioning and constraints of PRIs in India besides discussing the methodology and data sources. Chapter 2 deals with legal provisions and institutions of decentralisation in Rajasthan and chapter 3 looks at fund flow and financial position of PRIs in Rajasthan through analysis of field data. Chapter 4 covers aspects of legal provisions and institutions of decentralisation in Kerala while Chapter 5 looks at fund flow and financial Position of PRIs of Kerala. Chapter 6 presents key observations and summary findings of the study.

RAJASTHAN:
LOCAL PLANNING AND BUDGETING

Legal Provisions and Institutions of Decentralisation in Rajasthan

This chapter deals with legal provisions and institutions of decentralisation in Rajasthan, including salient features of the Rajasthan Conformity Act, 1994; status of devolution of power to PRIs; key recommendations of SFC reports and status of local planning, budgeting and auditing. Before going into the legal provisions,

It is important to look at the socio–economic indicators of the two study districts - Jaipur district has high development indicators while Jalore falls among the low category districts - to asses the status of local planning and budgeting in Rajasthan.

2.1 Socio-economic Status of Rajasthan

Geographic and demographic factors: Rajasthan is the largest state in the country in terms of land mass but it has very poor socio-economic development indices partly because a substantial area of this northwestern border state fringes on the Thar Desert, and that it is predominantly rural with 76.61 per cent of the population living in villages. As per current statistics, 70 per cent of the people are engaged in agricultural activities. The state consists of 32 districts, 222 towns and 41,353 villages.

In the case of Jalore district, 92 per cent of the population lives in rural areas and it has a low literacy rate (46.49 per cent) and per capita income (Rs 13,050 as compared to the state average of Rs 16,260 and the national average of Rs 24,256). On the other hand, state capital Jaipur has a rural population of 50 per cent, literacy rate of 69.9 per cent and per capita income of Rs 21,937. (See Table 2.1, which gives various development indices for the two study districts and comparisons with all-India figures)

Table 2.1: Status of Socio Economic Development of the State and Districts

	Indicators	India	Rajasthan	Jaipur	Jalore
1	Area	32.87Lakh Sq.Km	3.42Lakh Sq.Km	11143(sq.km)	10640(sq.km)
2	Population (2001)	102.86 crore	5.65 crore	5251071	1448940
	Urban	27.8	23.4	49.36	7.59
	Rural	72.2	75.6	50.64	92.41
	Female per 1000 male	933	921	897	964
	SC (per cent)	16.2	17.2	14.81	18.03
	ST (per cent)	8.2	12.6	7.86	8.75
3	Literacy (per cent)	64.8	60.4	69.9	46.49
	Male	75.26	75.7	82.8	64.72
	Female	53.67	43.9	55.52	27.8
4	Life Expectancy(2006)	59.4	57.5	62.22(2001)	63.42
	Male	63.9	62.2		
	Female	66.9	62.8		
4	Infant Mortality Rate (2006)	57	67	63.19(2004)	58.48 (2004)
5	Per Capita Income	24256 (2007)	16260 (2007)	21937(2004)	13050(2004)

6	Rural Population services per PHC	-	-	30216	26779
7	Workers participation rate (per cent)(2001)	-	-	35.5	50.19
	Rural	-	-	40.44	51.73
	Urban	-	-	30.43	31.47
8	Share of Primary sector (percent)(2001)	-	-	41	77.5
9	Share of secondary & Tertiary sectors (per cent)	-	-	59	22.5
	Human Development Index (2007)	-	0.710	0.778	0.527

Source: Human Development Report, 2008, Govt of Rajasthan

2.2 History of Panchayati Raj Institutions

Pre-Independence Era: The Panchayati Raj system in Rajasthan dates back to the ancient times although little is known about its status, structure and function. Ancient scriptures like the *Mahabharat*, *Ramayana* and Kautilya's seminal treatise on statecraft during the Mauryan period *Arthashashtra* mention the functioning of local self-governance in rural areas. Legend has it that king Prithu who colonised the area between the rivers Ganga and Yamuna introduced the panchayat system in Rajasthan.

According to A S Altekar - who has written several books on the status of women in ancient India and on Hindu tradition and polity - gram sabhas existed in Rajasthan during the Gupta period. Several prominent writers mentioned that the executive committee of panchayats was called *Panchkula* headed by a *mukhya* or *mahant*. In those times, it was important to inform panchayats about the donation of revenue to them by the states. Another chronicler A D Dashrath Sharma writes that panchayats existed in Rajasthan circa 750 to 1000 AD. During the Mughal period, there were caste panchayats as well as village panchayats and their functions were related to settlement of disputes, watch and ward, education, sanitation and organisation of festivals.

During British period panchayat system suffered due to indifferent attitude of government towards panchayat and removal of their judicial and other administrative powers. *Dyarchy* system led to the establishment of local self-government and various acts were passed for village panchayat in many princely state. After the creation of the state in 1949, a new legislation was passed in 1953 to establish a comprehensive panchayati raj system.

Post-Independence Role of Panchayats: The new legislation passed in 1953 established a comprehensive Panchayati Raj system though it was based on the Gram panchayats and Nyaya Panchayats. The Directive Principles (Article 40) unequivocally advocated that village panchayats should be organised and endowed with all such powers that are necessary to enable them to function as units of self-government. Rajasthan was the first state to implement the recommendations of the Balwant Rai Mehta committee (formed to assess performance of community development programmes and national extension services) report, 1957, and create the three-tier PRI system. The panel had recommended, "There should be devolution of power and a decentralisation of machinery controlled and directed by popular representatives of the local area." As a result, Rajasthan Panchayat Samiti and Zilla Parishad Act came into force in 1959 and three-tier systems of PRIs began at Nagore on October 2, 1959. Before the 73rd constitutional amendment, PRIs in Rajasthan were functioning under the following acts and rules:-

(i) Rajasthan Panchayat Act, 1953.

(ii) Rajasthan Panchayat Samitis and Zilla Parishads Act, 1959.

(iii) *Set of rules framed under Rajasthan Panchayat Act, 1953-General Rules and Election Rules.*

(iv) *Set of rules framed from time to time under Rajasthan Panchayat Samitis and Zilla Parishads Act, 1959, relating to functioning of PRIs.*

PRIs in India acquired constitutional status for the time after the enactment of the 73rd Constitution Amendment Act in 1992. Subsequently, the state government introduced the Rajasthan Panchayati Raj Act, 1994, which came into force on April 23, 1994. The Act incorporated mandatory provisions of the 73rd amendment besides a few others such as procedure of Gram Sabhas, reservation in membership and chairpersonship for members of Other Backward Classes (OBCs). The conformity Act provides for various functions and powers of PRIs.

The Rajasthan Panchayati Raj (Election) Rules, 1994, were framed for the conduct of free and fair elections and the Rajasthan Panchayati Raj Rules, 1996, which became effective from 30th December of that year, were framed for smooth functioning of PRIs in several areas. To extend these provisions to the Scheduled Areas, the Rajasthan Panchayat (Extension to Scheduled Areas) Act, 1999 was enacted.

Before analysing the financial data and field observations as to the constraints regarding devolution, local planning and budgeting, some important sections of the conformity Act need to be briefly examined.

Table 2.2: Conformity Act, 1994

S.N.	Items	Sections	Salient Features
1	Definition of Panchayats	1	Panchayats to work as institutions of self –governance at the village, block or district levels.
2	Gram sabha and Gram panchayat	2	Each panchayat to have a GS consisting of voters within the panchayat area. GPs to consist of elected representatives of GS such as *sarpanch* and *panch*.
3	Gram sabha Meetings	Sub section 3 & 4 of 8 A	GS to hold at least two annual meetings in the first and last quarters of fiscal for taking financial decisions and presenting budget. GS is convened on request in writing by one third of its total numbers.
4	Quorum for GS and GP meetings	4	1/10th of total voters for GS 1/3rd of total elected number; s*arpanch* of GP will preside over the meeting.
6	Standing committees	55-A 56 57 58	Every tier of the panchayat shall constitute standing committees, one each for 1) Administration, 2) Finance, and taxation 3) Production programmes (agriculture, animal husbandry, minor irrigation, cooperation, cottage industries etc) 4) Education including social education 5) Social justice and social services (water, supply, health, sanitation, *Gram Dan,* communication, welfare of weaker section). Every Standing committee shall consist of five elected members amongst members of PRIs. *Sarpanch* would be ex -officio member and chairperson of some of the standing committees.
7	Taxes	65 68 69	The taxes that the panchayat may impose are: **GP-** a) Building /property tax b) An octroi on animal or goods brought within the panchayat circle c) Vehicle Taxes except for cultivation d) A tax for arranging the supply water within the panchayat e) Pilgrim tax f) A tax on commercial crops g) Any tax assigned by state legislature. **Panchayat Samiti-** a) A tax on such trades, callings ,professions and industries as may be prescribed b) Primary education cess c) A tax on *mela* (fairs) **ZP-** a) A fee for license for *mela* b) Water tax c) surcharge

Source: Rajasthan Panchayati Raj Conformity Act 1994, Government Rajasthan

8	District Planning Committee	121	District Planning Committee has to be constituted in every district for preparation of District Development Plan
9	Accounts and Audit	75	Provisions relating to Accounts and Audit of PRIs

2.3 Overview of Panchayat Elections in Rajasthan

The state government in Rajasthan has been regularly conducting panchayat polls in keeping with the constitutional provision for local bodies' elections once every five years. The last panchayat election was held in 2005 with 64.09 per cent voter turnout for Zilla Parishads (34.32 per cent men and 29.77 per cent women); 64.32 per cent voting for Panchayat Samitis (65.78 per cent men and 62.73 per cent women) and 77.16 per cent balloting for Gram panchayats (76.19 per cent men and 78.23 per cent women). The next panchayat election is due in 2010. Tables 2.3 and 2.4 give an overview of the panchayat profiles and details about the 2005 election.

An encouraging trend during the last panchayat elections was that a large number of those elected belonged to marginalised sections like SCs, STs, OBCs and women with their actual representation surging beyond the reserved seats limit. Their percentage share of representation reflects the increasingly inclusive nature of local governance in Rajasthan over the last decade.

Table 2.3: Total Number of PRIs and Average Population Covered by them

	Three Tiers of PRIs	Total Number	Average Population Covered
1	Zilla Parishad	32	13.5 lakh
2	Panchayat Samiti	237	1.8 lakh
3	Gram panchayat	9188	4.3 thousand

Source: Rajasthan Election Commission's Report, 2005-06

Table 2.4: Number of Elected Panchayat Representatives in the Three Tiers

Designation	Number of Elected Representatives from Elections 2005					
	General	SC	ST	OBC	Total	Women
Sarpanch	1767	1692	2030	3688	9177	3338
Percentage	19.25	18.44	22.12	40.19	100	36.37
Ward Panch	19584	22426	18214	44140	104364	36674
Percentage	18.77	21.49	17.45	42.29	100	35.14
PS Parmukh	1190	1058	980	2028	5256	2013
Percentage	22.64	20.13	18.65	38.58	100	38.30
Zilla Parmukh	257	188	186	376	1007	377
Percentage	25.52	18.67	18.47	37.34	100	37.44

Source: Rajasthan Election Commission's Report, 2005-06

2.4 Status of Devolution in Rajasthan

The Rajasthan government issued an order on June 19, 2003, regarding devolution of powers to PRIs in the 29 subjects listed in the Eleventh Schedule; more than a decade after the 73rd constitutional amendment on decentralisation of rural bodies came into force. Only the functions of 18 departments and funds and functionaries of 16 departments were transferred through the Government Order and the state government subsequently stayed the transfer of staff of the Public Health Engineering Department (PHED), Food and Public Work Department (PWD) departments.

A fresh exercise of activity mapping on the lines of the Ministry of Rural Development's Task Force Report (2001) has now been completed for 18 Departments. These are Primary Education, Fisheries, Health, Social Welfare, PHED, Ayurveda, Agriculture and Agricultural Extension, Land and Water Conservation, Integrated Child Development Services (ICDS), Animal Husbandry, Rajasthan Akhshay Urja, Irrigation, forestry, PWD, Tourism, Industry, Technical Education and Food and Civil Supplies. The matter is currently pending the state government's approval.

Devolution at Three Levels

The Government Order of 2003 stated that 18 functions and 16 funds and functionaries were delegated to the PRIs but interviews of government officials and elected representatives in the two study districts of Rajasthan indicate that devolution of the 3Fs at the ground level was radically different (see tables 2.5, 2.6 & 2.7).

Zilla Parishad: Functions of only 8 to 10 departments have been

Table 2.5: Devolution of 3Fs to Zilla Parishad

S.N	Functions	Functionaries	Funds
1	Agriculture Department	Surplus and non-performing staffs transferred to ZP but line departments still working separately	Only pay and allowance being transferred for few employees.
2	Minor Irrigation Department	-do-	-do-
3	Forest Department	-do-	-do-
4	PHED	Kept in abeyance	
5	Education	Line departments still exist	Some funds for scholarship distribution and Mid-Day Meal scheme
6	Social Welfare Department	Very few lower level officials transferred, line departments still exist	Only pay and allowance is being transferred for few employees.
7	Woman and Child Development Department	Functionaries under supervision, line departments still functioning	No funds available under disposal of ZP
8	Soil Conservation Department	Some junior level officials transferred, line departments still exist	Only pay and allowance being transferred for few employees.
9	Fisheries Department	Surplus and non-performing staff transferred to ZP but line departments still working separately	-do-

Source: CBGA Field Surveys 2008 - Interviews with officials of ZP, PS and GP devolved to the Zilla Parishads as against the GO for functional devolution of 18 departments to the PRIs, according to ZP officials. Moreover, the state-level line departments still have full control over funds and functionaries in the 8-10 devolved departments, they said. Surplus and non-performing staff have been transferred to the ZPs but are attached to their parent departments for all practical purposes. The ZP only disburses salaries sent by the line departments and the transferred staff are engaged in routine office work of ZP and Panchayat Samitis rather than the work of the department concerned (eg, Irrigation, Agriculture). The ZP officials said no plan funds are available for development work in keeping with the functions devolved on paper. Field observations show that the ZPs have no meaningful role in terms of actual empowerment of the 3Fs in the districts.

Panchayat Samiti: The field surveys indicate that PSs are assisting GPs in plan formulation and implementation of all schemes sponsored by the Central and state governments. SFC and CFC grants too are being utilised with technical help of the Panchayat Samiti since Gram panchayats do not have the technical expertise or work force at their disposal. As far as functional decentralisation is concerned, seven departments have been devolved, of which staff from only three departments are attached with the PS. Employees from the remaining four departments only come to sign the attendance register, PS officials said adding that the Samitis are not receiving any development funds against the transferred staff. Like in the case of ZPs, the parent departments are still in control of the line departments. Effectively, all the activities at the PS level continue to be under the Block Development Officer (BDO) with limited consultation of Samiti members.

Table 2.6: Devolution of 3Fs to Panchayat Samiti

S.N	Functions	Functionaries	Funds
1	Women and Child Development Department	Child Development Project Officer (CDPO) in control of department	No funds available to Panchayat Samitis
2	Agriculture Department	Agriculture extension worker and some technical staff	-do-
3	Forest Department	Junior level officials	-do-
4	Education	Block Education Officer works in coordination with BDO	Funds with line departments
5	Minor Irrigation Department	Junior level officials	Fund not available for repair and construction
6	Industries Department	Khadi inspector	No relevant funds available
7	Medical and Health Department	Primary Health Centre and its staff, PS has supervisory role	Fund is with line department.

Source: Field Surveys 2008 - Interviews with officials of ZP, PS and GP

Gram panchayat: Functional devolution at the Gram panchayat level has been restricted to the Rural Development Department in the form of funds from Centrally sponsored schemes and CFC grants. Agriculture, PHED, Medical and Health, Education; ICDS have been officially transferred to the GP but it gets no direct funds from these departments. The Sarpanch and Gram sabha are assisted by the gram *sevak* for planning and implementation of development programmes while Panchayat Secreteries are under the control of the GP. Going by field observations, most GPs in Rajasthan have only the supervisory roles and little control over funds and functionaries.

Table 2.7: Devolution of 3Fs to Gram panchayat:

S.N	Functions	Functionaries	Funds
1	Agriculture	Agriculture worker	No fund available with GP
2	PHED	Hand-pump *mistry* (plumber)	-do-
3	Medical and Health	Ayurveda and health sub-centre	-do-
4	Education	Primary and upper primary school	No fund available with GP except for Mid-Day Meal scheme
5	ICDS	*Anganwadi* worker	No fund available with GP
6	Rural development	Panchayat Secretary / *Gram Sewak* (look after more than one GP)	Central Scheme funds and grants

Source: Field Surveys 2008 - Interviews with officials of ZP, PS and GP

Devolution of powers to PRIs in Rajasthan have remained more or less stagnant in the past 15 years, since the state government formally accepted the provisions of the 73rd constitutional amendment, with the exception of holding of panchayat elections. The CBGA field surveys found the process of rural fiscal decentralisation impeded by improper functional assignments and fund devolution at each tier of the PRIs, lack of political will and, most importantly, bureaucratic interference in the functioning of the rural local bodies.

Further, the SFC has been unable to perform its role (as per provisions of Article 243-I of the Constitution) towards fiscal devolution of the PRIs through effective financial management/ accountability and providing incentives for resource mobilisation at the local level. The state has merely replicated the constitutional tasks entrusted to SFCs and incorporated *de jure* only some of the 29 functions listed in the Eleventh Schedule without adequate support in terms of infrastructure and work force.

2.5 SFC Recommendations and Implementation

With reference to Article 243-I, the 73rd amendment makes it mandatory for every state to constitute a Finance Commission to review the financial position of the panchayats and make recommend to the principles for:

- The distribution between the state and the local bodies of the net proceeds of the taxes, duties, tolls and fees leviable by the state and the allocation between the Panchayats at all levels of their respective shares of such proceeds
- The determination of the taxes, duties, tools and fees that may be assigned to, or appropriated by the Panchayats

- The grants-in-aid to the panchayats from the Consolidated Fund of the State
- The measures needed to improve the financial position of the Panchayats
- Any other matter referred to the Finance Commission by the Governor in the interests of sound finance of the panchayats.

Article 243-Y has similar provisions for constituting SFCs to review the financial position of urban local bodies (ULBs, municipalities etc) and make recommendations to the Governor. Rajasthan has till date set up three SFCs and the major recommendations (in terms of revenue devolution to the PRIs) of their reports are presented in Table 2.8

Table 2.8: Major Recommendations of Rajasthan SFC

State Finance Commissions	Date of Constitution	Date of Report Submission	Total time taken	Major Recommendations
First	23rd April, 1994	December 1995	19 months	Devolution 2.18 % of the state's net own tax revenue to PRIs and ULBs
Second	7th May, 1999	August 2001	26 months	Devolution of 2.25 % of the state's net own tax revenue to PRIs and ULBs
Third	15th Sept, 2005	27th Feb, 2008	31 months	Devolution of 3.5 % of net proceeds of the state's own tax revenue to PRIs and ULBs

Source: State Finance Commission Report, Government of Rajasthan, 2008

The Third SFC became fully functional only in February 2006, four months after it was constituted. It faced a constant shortage of staff, in the absence of personnel deputed by the state government, and had engage people on contract who were frequently changed by the recruiting agency. It also had difficulty in collecting authentic data of income and expenditure from the 9,189 gram panchayats spread across Rajasthan. The SFC was able to collect data for 1,198 GPs of various districts.

It recommended devolution of 3.5 per cent of the net proceeds of the state's own tax revenue to PRIs and ULBs of which 0.5 per cent would be earmarked as incentives to these local bodies for mobilising revenue from their own sources. Distribution of the PRIs' share of net own tax revenue amounted to Rs 1,395.27 crore for the three tiers of GPs, PSs and ZPs. The shares of the tax amount were 85 per cent for gram panchayats, 12 per cent for panchayat samitis and three per cent for zilla parishads - meant as untied funds meant for upgrading and maintenance of civic services, creation of civic facilities etc and not for payment of salaries, salary arrears or General Provident Fund (GPF) etc in any case.

After analysing the socio-economic indices of the local body areas, the Third SFC adopted district wise parameters for disbursing funds for onward devolution to PRIs (see Table 2.9).

Table 2.9 Parameters for Distribution of Funds (in %age)

60	:	Population;
20	:	Geographical Area
5	:	Poverty represented by number of families living below poverty line
5	:	Level of illiteracy;
5	:	SC population
5	:	ST population

Source: State Finance Commission Report, Government of Rajasthan, 2008

Local Planning and its Present Status: Since the First Five-Year Plan was launched in 1951, Planning Commission has been focussing on the bottom-up approach to development with decentralised planning starting at the ward sabha and moving up to gram panchayat, panchayat samiti, zilla parishad and so on. (Similarly, in urban planning it starts from wards sabha to municipality etc). In this regard, Article 243-Z D of the Constitution requires the state governments to set up district planning committees (DPCs) for consolidation of plans prepared by PRIs and municipalities.

DPCs have been set up in all 32 districts of Rajasthan in accordance with Section 121 of the Rajasthan Panchayati Raj Act, 1994 for preparing integrated district annual plans. The line departments, PRIs and ULBs from the ward sabha level onwards are all involved in the plan making stage where the ZP acts as the nodal body. Elections are held as per the Rajasthan Panchayati Raj Rules, 1996, which envisages that four fifths of the DPC membership be from elected members of the ZP. The zilla parishad chairperson also chairs the DPC.

Field Assessment: Field studies of Jaipur and Jalore ZPs show that both districts have constituted DPCs following the integrated approach to decentralised planning. The district plans incorporate five-year perspective plans and annual plans in accordance with guidelines of the state Rural Development and Panchayati Raj Department. For the first time, panchayats in Rajasthan prepared a five-year perspective plan for 2007-2012.

The state government has identified 13 plan sectors which include drinking water supply, bridges and culverts, education, health, animal husbandry and development of grazing land, water conservation, forest, housing, sanitation, other development work, nutrition and agriculture. Panchayats have to collect data on socio-economic indicators, basic amenities and infrastructure development before starting on plan formulation in these sectors. Targets and priorities are set keeping in mind development deficits and availability of resources.

Steps in District Annual Plan (DAP) formulation: Wards sabhas, gram panchayats and panchayat samitis prepare their plans for rural areas while the corresponding divisions of the municipalities draw up their annual plans for urban areas. The planning process is integrated at each level from the grass roots upwards into a Draft District Annual Plan, which at the local body level, is approved at a ZP meeting.

In Rajasthan, the planning process involves several stages – (1) Ward sabhas comprising voter populations of 150 articulate their demands. (2) Demands from all ward sabhas are discussed and vetted at gram sabha level. (3) Demands appraised by GPs and then sent to the panchayat samitis. (4) Further vetted, prioritised and consolidated at block level by BDO with help from block level officers (BLOs), affiliated line departments and elected representatives; broad areas discussed with BLOs keeping in mind norms, demands and justification of various plans. (5) Consolidated plans sent to zilla parishad where it is scrutinised district level officers (DLOs) from different line departments. (6) It is then placed before the DPC, which scrutinises it and incorporates relevant changes, before preparing a consolidated plan for both for urban and rural areas of the district. (7) This integrated plan is sent to the state Planning Department and then on to the Planning Commission for final approval.

Plan Expenditure Shares of PRIs: The share of PRIs as implementing agencies in plan expenditure for 2007-08 from total state plan outlay was 9.27 per cent while for central share (for CSS) in district plans it was 16.72 per cent. According to official estimates, the PRIs share in total plan expenditure in DAP stands at around 26 per cent though the net proceeds are not entirely spent by the GPs and other tiers since it also goes to the line departments and ULBs.

DAP Bottlenecks: The DPCs have been unable to prepare bottom-up DAPs as enshrined in the Constitution due to several reasons such as inadequate plan funds, weak capacities of GPs and low people's participation in the planning process. In the actual plan formulation, DPCs are involved in mere collection and preparation of annual statistics of fund allocations and disbursement gathered from various departments, while the plans of GPs read more like charters of demands than efforts to focus on key local requirements for overall development. The ground reality, from field observations and interviews with various officials and functionaries, is that line departments have full control over plan formulation (of even devolved departments), and do so without consultation and participation of the DPCs.

Gps and PSs, moreover, are unclear about the quantum of available financial resources before the start of the planning process, since DPCs are not informed in advance about fund allocations by the state Planning Department. Hence, the DPC is unable to assess expenditure priorities of the line departments, PRIs, ULBs in the DAP.

Local Budgeting and Women: There is no gender sub-plan in the planning process in Rajasthan. The guidelines for preparing DAPs have no mention of any women-related component apart from stating that there should be greater participation of women in the process of plan formulation and in decision-making to make it more inclusive. The CBGA field survey, however, shows that women's participation in the planning process is negligible at every tier of the PRIs.

Also, the financial records (AFS, balance sheets, cashbooks) of the panchayats indicate that no funds have been apportioned separately for women's development. Except for a few centrally sponsored schemes like IAY, SGSY and NREGS, where intended beneficiaries are women, the state government has not taken any special initiatives to boost gender empowerment through fiscal decentralisation, especially in the rural pockets where ancient traditions, religion and caste-based patriarchy still play a dominant role in society and gender-related development indices are abysmally low.

Rajasthan has a very low sex ratio of 910 females per 1000 males, high maternal mortality, high malnutrition among girls and women, low gender literacy and is one of the few places where Sati and child marriage are still rampant. The state government has a policy on gender empowerment but it has not been able to take any concrete measures to bridge the hiatus between policy and practice.

Local Budgeting and Present Status: As a corollary to Article 243-A of the Constitution holding that powers and functions of the GS be conferred by state legislatures, the Rajasthan Panchayat Conformity Act, 1994, has made it mandatory for the GP to place financial/development details before it in the first and last quarters of the fiscal. The financial/development papers include statements of accounts, reports on administration, development programmes and proposals and statements of expenditure and budget of the panchayat. Further, the Rajasthan Panchayati Raj Act, 1994, requires the GP to place the following papers before the GS at the meeting held in the first quarter of the financial year:

- Accounts of Annual Financial Statement of previous financial year
- Report on administration of previous fiscal
- Other development programmes proposed for the financial year
- Last audit report and replies made thereto

Another clause of the Act requires the GP to place the following papers before the GS during the meeting convened in the last quarter:

- Statement of expenditure incurred during the year
- Physical and financial programmes undertaken in the financial year
- Proposals with regard to changes made in various spheres of activities proposed in the meeting held in the first quarter
- Budget of the panchayat as prepared under the provisions

of the Act

•In practice, most GPs are not submitting annual financial statements, reports on administration of the preceding financial year, details of development/other programmes proposed and the last audit reports/ replies during first quarter meetings. Likewise, statements of expenditure, physical and financial programmes undertaken and the budgets of the panchayats are not being tabled during the GS last quarter meetings

Hurdles in Local Budgeting:

- Lack of close monitoring of budget-making process and its presentation before GS by state government
- GP not bound by any statute to present budget to GS as state government is made responsible by the Constitution to the state legislature
- Opinion of GS is just advisory with gram panchayat not obligated to act on its decisions/ directions
- Gram sabhas/ward panchs (ward members) not aware of GP budget or sources of funds received by it for various rural development schemes accruing from the Centre or state
- No provisions in state budget for plan and non-plan funds to the PRIs through a separate 'panchayat window' - fixed amount is provisioned for PRIs but it is unclear on fund shares for each tier.
- Low revenue generation sources of panchayats make them dependent on grants from the Central and state governments.
- Difficulty in tracking PRIs' financial data due to poor bookkeeping and insufficient trained staff, resulting in irregular audits and unreliable accounting system.

Audit of Accounts – Status: The audit of PRI accounts in Rajasthan is carried out by the Local Fund Audit Department (LFAD). According to Section 75 of Rajasthan Panchayati Raj Act, 1994, test audits are also done by CAG. LFAD conducts annual audits of all units of the Panchayati Raj Department as per provisions of Rajasthan Local Audit Fund Rule, 1955, framed under Section 16 of Rajasthan LFAD, 1954 (Act). These include test audits and special audits. Despite the Rajasthan government's claims that CAG's Technical Guidance and Supervision/Support (TGS) system is being followed for panchayat auditing, the accounts are not being prepared in the CAG format at any level.

This is largely due to unclear demarcations in the functional devolution of PRIs, untrained accounting staff and limited budgetary provisions for the panchayats. In the ZPs, there is a single accounts officer, three junior accountants and one cashier. At the block level, there are two junior accountants while in the GPs, there are no accountants and the gram sevak is responsible for upkeep of accounts and implementation of the schemes. There are no separate Public Accounts Committees (PACs) for reviewing audits of panchayats or institutional mechanisms like a distinct Fiscal Responsibility Act for the elected local authorities.

The following audit procedures exist in the state:

- No internal audits by Panchayati Raj Department; only chartered accountants (CA), LFAD and Auditor General (AG) audits take place
- Special audits conducted in cases of perceived irregularities
- CA audits conducted through empanelled CAs as recommended by state office
- Local fund audits at block and gram panchayat levels
- AG audit conducted around December
- CA audit starts May-June and ends by September

Balance sheets (goshwara) and other financial records available in the study districts of Jaipur and Jalore indicate an increase in coverage of local fund audits over the past two-three years but a poor quality of audits. The eight surveyed GPs had audited accounts though on careful scrutiny, there were mounting arrears of audits and irregularities like outstanding advances taken by panchayat functionaries, unreconciled balances, excess expenditure over allotted funds, unspent balances besides long overdue utilisation certificates (UCs) in all the three tiers. The database of panchayat finances is in extremely poor condition in terms of preparation, updating, maintenance and conformity.

In the audit of local bodies (2003-04), the AG observed that although the audit was carried out annually, it was pending at every level of the PRIs while audits for 1,317 GPs were due for an average of five years. It noted that the main reason of pendency was non-production of records by GPs and criticised LFAD for not taking action under Section 7 of LFAD, 1954 (Act) which provides for fines against defaulters. The AG further stated that no consolidated record of special audits and action taken reports was maintained by the Director, Panchayati Raj Department.

NGOs like Mazdoor Kisan Shakti Sangathan (MKSS) have helped broadbase the social auditing practice in Rajasthan given that the Rajasthan Panchayati Raj Act incorporates provisions of the Right To Information Act, 2005, which the civil rights group vigorously campaigned for in the 1990s

Fund Flow Mechanism: There are two major sources of fund transfer to the districts - funds from state budget routed through treasury and funds bypassing state budget sent to bank accounts of the district implementation society. In the case of PRIs, CSS funds are sent to each tier by through bank cheques. Funds related to state plan schemes, SFC and CFC take the treasury route to the ZP level; below that it is sent by cheque.

Fund Allocation through State Budget: Rajasthan is among seven states having a panchayat window in the state budget though it has been unable to allocate funds through it. Funds are instead disbursed to the PRIs via individual departments Table 2.9, compiled from state budget documents, gives an account of the extent of devolution to panchayats by each department.

Table 2.9: Subjects Devolved to PRIs, 2007-08

1	2	3	4	5	6
Sl. No.	**Subjects (in Eleventh Schedule)**	**Major Head Numbers (in state budget documents)**	**Title in Budget Document (as per CAG codes)**	**Budgetary Allocation for PRIs**	**PRI %age**
1	Agriculture, including Agricultural Extension	2401	Crop Husbandry	Yes	0.05
2	Land Improvement, Implementation of Land Reforms, Land Consolidation, Soil Conservation.	2402	Soil and Water Conservation	Yes	81.4
3	Minor Irrigation, Water Management, Watershed Development	2702	Minor Irrigation	Yes	3.3
4	Animal Husbandry, Dairying, Poultry	2403/2404	Animal Husbandry. (Poultry included in Dairying)	No allocation	
5	Fisheries	2405	Fisheries	Yes	13.4
6	Social Forestry, Farm Forestry	2406	Forestry, Wildlife	Yes	5

7	**Minor Forest Produce**	**2406**	**Forestry, Wildlife**	**Yes**	**5**
8	Small Scale Industries	2851	Village and Small Scale Industries	No	0
9	Khadi, Village and Cottage Industries		Not devolved as per Govt Notification		
10	Rural Housing		-do-		
11	Drinking water	2215	Water Supply, Sanitation	Yes	2.62
12	Fuel and fodder	√	Not traced		
13	Roads, Culverts, Bridges, Ferries, Waterways and Other means of communication	3054	Roads and Bridges	Window exists But no allocation	0
14	Rural Electrification	2801	Electricity	No	0
15	Non-Conventional Energy	2810	Non-Conventional Energy	Yes	20
16	Poverty Alleviation		Not devolved as per Govt Notification		
17	Primary Education	2202	Primary Education	Yes	19.8
18	Technical Training and Vocational Education	2203	Technical Training	No	0
19	Adult Non-Formal Education		Not devolved as per Govt Notification		
20	Libraries		Not traced (Given in broad terms)		
21	Cultural Activities		-do-		
22	Markets and fairs		-do-		
23	Health and Sanitation (including hospitals, primary health centres and dispensaries)	2210	Medical and Public Health	Window exists But no allocation	0
24	Family Welfare	2211	Family Welfare	No	0
25	Women and Child Development	2235	Included in Social Security and Welfare	Yes	0.9
26	Social Welfare, including welfare of the handicapped and mentally retarded	2235	Social security and Welfare	Yes	0.9
27	Welfare of Weaker Sections, particularly Scheduled Castes/ Scheduled Tribes.	2225	Welfare of SCs,STs and other backward classes	Yes	3.6
28	Public Distribution System	3456	Included under Civil Supplies	No	0
29	Maintenance of community assets		Not traced		

Source: State Budget Documents, 2007-08 Note: Subjects not devolved by the state government have not been dealt with in the budget analysis

There has been a severe shortfall in overall allocation to PRIs through the state budget, with a lot of inter-departmental variation relating to devolution of the 3Fs. The funds devolved have been way below the 100 per cent norm set by the 73rd amendment, particularly in core sectors like agriculture (crop husbandry – 0.05 per cent) while no allocations have been made for health and sanitation, despite panchayat windows for these subjects and the state government's assurances to the Ministry of Panchayati Raj. Several subjects have not been devolved like Khadi, Village and Cottage Industries, considering that Rajasthan earns quite a bit of foreign revenue from handloom and handicrafts displayed in melas like the world-famous Pushkar fair.

On the positive side, the state government has taken initiatives to ensure over 80 per cent devolution under the head of soil and water conservation to the rural local bodies, though a lot needs to be done for minor irrigation, water management and watershed development in the backdrop of the arid climate of the region.

Table 2.9: Subjects Devolved to PRIs, 2007-08

(Rs crore)

	2005-06	2006-07	2007-08	2008-09
Allocation of funds to PRIs (BE)	583.24	765.1	741.9	925.94
Total size of state budget (BE)	30145.38	33602.76	36100.99	40884.77
% of fund allocation to PRI in total state budget	1.93	2.28	2.06	2.26

Source: (1) Annual Reports of Department of Rural Development and Panchayati Raj.
(2) Data compiled by BARC, Rajasthan

Table 2.10, based on the state budget estimates (BE), shows a marginal increase in the percentage of fund allocations to PRIs from the annual budget in the past 4-5 years from 1.9 to 2.3 per cent, which reflects the low devolution of funds to the rural local bodies.

2.6 Conclusion

Despite the Government Order of June 2003 on devolution of power to the local bodies, fiscal decentralisation has remained beyond the reach of PRIs in Rajasthan since they are largely dependent for funds and functionaries from the Central and state governments. Local planning and budgeting has not been fully institutionalised and PRIs have limited functional devolution over a few subjects in terms of monitoring and supervision. Whatever power has been transferred is without funds or effective control over functionaries, barring in a few departments. At the ZP level, a few functionaries of five devolved departments have been transferred but the line departments are still operating in full swing.

Unnecessary interference from local MPs/MLAs and civil servants in panchayat affairs seems to be eroding the very tenets of autonomy while the decentralisation model followed by Rajasthan has proved ineffective. With the GP as the primary unit, the PS plays the lead role in execution of schemes/ programmes and the ZP works as the supervisory body. In practice, the ZP and PS are only redistributing funds through the top-down method and unable to support the gram panchayat with technical/other staff required for implementing various projects due to lack of assistance from the higher tiers of administration.

It is evident from the CBGA study that devolution of finances to the PRIs is still at a very rudimentary stage. Of the 29 subjects listed in the Eleventh Schedule, state departments like minor irrigation, forest, agriculture, social welfare, soil and water conservation and fisheries have been partially delegated to the ZP. Wherever funds are disbursed to the lower tiers, they are limited to payment of salaries and allowances of employees attached to ZP and PS rather than for development purposes.

At the PS level, funds are not available for devolved functions except in PHED and rural water supply departments. At the GP level, funds come for the Mid-Day Meal Scheme, IAY, NREGS, rural sanitation programmes and maintenance grants from SFC and CFC. However, major areas of rural development and control over expenditure in these areas are kept out of the purview of the three tiers of panchayats.

The local planning and budgeting process is also skewed as line departments have control over almost 80 per cent of plan funds, leaving PRIs entirely dependent on government officials for plan formulation. Added to that, the officials and elected functionaries do not have the requisite skills to prepare comprehensive area development plans.

The study team found the people's participation in day-to-day functioning of PRIs to be minimal, especially in gram sabha meetings where 1-2 per cent voters participated as against the required quorum of 10 per cent while the role of women was almost zero. This has in turn also influenced the accountability mechanism, which remains at the official level (i.e., LFAD, Panchayati Raj department officials) as far as presentation of budgets/audited accounts is concerned. Downward accountability (at the PRI level) is practically non-existent owing to low people's participation in GS meetings, low levels of education/awareness among villagers, rigid social and caste equations, lack of motivation and training among panchayat members and too much bureaucratic control.

Fund Flow and Financial Position of PRIs in Rajasthan

The present chapter has tried to capture the various kinds of fund flows and financial position of PRIs in Rajasthan. It has analyzed the field data collected from two Zilla Panchayats, four Block Panchayats and eight Gram Panchayats.

The analysis has focused on the sector wise, scheme wise receipt and expenditure as percentage of total, percentage of utilization to total available fund in a year, Own Source Revenue (OSR) as percentage of total receipt and expenditure and flow of fund to PRIs in the areas of health and education.

3.1 Sources of Revenue for the PRIs

Major sources of finance of PRIs come in the form of grants and schematic funds. The bulk of these development funds are being utilised by GPs for rural development in the form of CSS, State Plan schemes, MLALAD and MPLAD. GPs also get grants from SFC and CFC for maintenance expenditure. The shares of OSR are part of the total revenue receipts and expenditure of panchayats incurred as recurring costs.

Table 3.1: Grants and Schematic Funds for PRIs

S.N.	Grants	Schematic Funds	Departmental Funds/ State Plan Schemes
1	Funds from CFC	SGRY	Funds being used by various departments in villages with some help from PRIs
2	Funds from SFC	IAY	Apna Kam Apna Gaon
3		EAS	32 Zilla 32 Kam
4		NREGA	Gurugolwalkar Yojna
5		TSC	
6		MLALAD	
7		MPLAD	
		MDM	

Source: CBGA Field Surveys 2008

Own Source Revenue: Taxes to be collected by PRIs as per provisions of the Rajasthan PR Act 1994 are given below:

Table 3.1: Grants and Schematic Funds for PRIs

S.N	Gram Panchayat	Panchayat Samiti	Zilla Parishad
1	Building /Property Tax	Tax on rent payable for use or occupation of agricultural land	Fees for licenses for *melas* (fairs)
2	Octroi on animals or goods	Tax on trades, professions and industries as may prescribed	Water rate where supply of drinking or irrigation water is being made by ZP

3	Vehicle tax except for those used for cultivation	Primary Education cess	Surcharge up to five per cent on stamp duty on sale of property in rural areas
4	Pilgrim tax	Panchayat Samiti *melas*	Surcharge up to 0.5 per cent on market fee on agriculture produce
5	Tax for arranging drinking water		
6	Tax on commercial crops		
7	Special tax on adult members for any public works		
8	License fees		

Source: Second Sate Finance Commission Report, Government of Rajasthan, 2001

Table 3.3: Non-Tax Revenues Assigned to Panchayats

(Provision of non-tax revenues to be collected by panchayats as per Rajasthan PR Act 1994)

S.N.	Fess for use of common resources	Fees and charges for public facilities	New powers recommended by SFCs
1	Fee for use of panchayat shelters	Water rates	House tax
2	User charges for schools and hospitals	Lighting fees	Tax on pumps and tractors
3	For common resources like grazing land	Street cleaning fees	Tax on highway services
4	Fee on markets and weekly bazaar	Conservancy fees	Tax on village produce sold in regulated market
5	Fee on animal sold etc	Drainage fees	Tax on telephone and cable TV
6		Sanitary fees	Professional Tax (Non-agricultural)
7		Pilgrimage fees	

Source: Second State Finance Commission Report, Government of Rajasthan, 2001

The major sources of own revenue for ZP are supposed to be royalties from mining and quarrying, fisheries, surcharge on stamp duty but ZP is not able collect from these sources. In Jaipur and Jalore ZP major revenue is being generated from auction of ponds for fishing. Panchayat samitis are able to collect tax and non-tax revenues in the form of primary education cess, bone contracts, rents from shops or any other assets and contract of fish mandis (markets). At the GP level, tax and non-tax revenue are being collected from public contributions, various types of fees, shop rents and education fees.

3.2 Overview of the survey and Data limitations

Surveyed PRIs: Panchayat finances of the Zilla Parishads of Jaipur and Jalore were chosen for the study keeping in mind the human development indicators of the two districts.

A) (i) Zilla Parishad
   - Jaipur

   (ii) Panchayat Samitis
   - a) Aamer
     b) Jamua Ramgarh

   (iii) Gram Panchayats
   - a) Jalsu
     b) Anchrol
     c) Mahangi
     d) Andhi

B) (i) Zilla Parishad
   - Jalore

   (ii) Panchayat Samitis
   - a) Jalore
     b) Sanchore

   (iii) Gram Panchayats
   - a) Bhadroona
     b) Suthadi
     c) Bagra
     d) Devki

Data Limitations: (1) Data on panchayat finances is not available with State and Central government departments. (2) Data on panchayat finances could be collected only from the respective tiers of each panchayats studied. (3) Most panchayats are unable to prepare AFS annually on a regular basis. (5)

Formats of AFS adopted by panchayats differ from one GP to another, one block panchayat to another and from one ZP to the other; the formats vary from tier to tier. (6) Financial accounts lack authenticity due to irregular audits by LFAD. (7) No clarity on items of expenditure booked against receipt amount for schemes/grants during the year. (8) The grand totals of receipts and expenditures do not match at times due to callous preparation of financial accounts by officials. (9) Entries in financial accounts are at places vague and illegible, making it difficult to analyse. (10) Multiple sources of fund flow also create difficulties for Panchayat secretaries in accounts preparation.

3.3 Analysis of Zilla Parishad Finances

Until 2005-06, the District Rural Development Agency (DRDA) used to work as an independent entity but after its merger with the ZP, two cells were formed - Rural Development (RD) and Panchayati Raj (PR) – for execution of rural development schemes/programmes. The PR cell has since been handling funds of transferred departments, SFC/CFC grants and some CSS and SSS funds while the RD cell deals with rural development funds. As the two cells prepare separate balance sheets, there is no consolidated data on ZP funds.

To understand the status of devolution of finances at the ZP level, three tables have been prepared - summary table and tables for RD and PR cells – for both the study districts.

Zilla Paridhad Jaipur

Table 3.4: Summary Table of ZP Finances of Jaipur (amount in Rs)

	2004-05		2005-06		2006-07	
Name of Scheme	**Amount Received**	**Scheme Expenditure**	**Amount Received**	**Scheme Expenditure**	**Amount Received**	**Scheme Expenditure**
TOTAL RD Cell	271917700	202063549	330629700	240446843	373371140	244316754
Per cent	29.2	36.4	33.2	33.6	43.8	42.4
TOTAL PR Cell	657420577	352663255	663446203	469802656	476165911	331663300
Per cent	70.5	63.5	66.5	65.6	55.9	57.6
Own Income	3126524	804203	3213261	5800904	2262753	78051
Per cent	0.34	0.14	0.32	0.81	0.27	0.01
TOTAL ZP	932464801	555531007	997289164	716050403	851799804	576058105

Source: Annual Financial Statements and Balance Sheets of RD and PR cells

In the above table, the amount received by RD cell of ZP is shown over the three years. It was 29 percent of total ZP receipt in 2004, it has increased to 33 in 2005-06, and there was sharp increase to 44 in 2006-07. Whereas, the expenditure side of RD cell shows that it has declined in 2005-06 to 34 from 36 percent in 2004-05, but sharply increased to 42 percent in 2006-07. The receipt side of PR cell shows decreasing trend in the total receipt, it has declined to 65 percent in 2005-06 from 70 percent in 2004-05. Further, it has declined to 56 percent in 2006-07. Here it can be inferred that the allocation towards CSS meant RD has increased over the years. The expenses done by PR cell has increased to 66 percent and declined to 58 percent in 2006-07. The share of own source income is very small in total and showing a declining trend over the years.

Table 3.5: Rural Development Cell Finances - ZP Jaipur (amount in Rs)

	2004-05		2005-06		2006-07	
Name of Scheme	**Amount Received**	**Scheme Expenditure**	**Amount Received**	**Scheme Expenditure**	**Amount Received**	**Scheme Expenditure**
DDP iii-vii	19148700	13483602	6900000	11205986	12600000	8553585
Per cent	2.05	2.43	0.69	1.56	1.48	1.48
IAY (CONSOLIDATED)	22212000	21764403	49870700	48141700	52035700	51901550
Per cent	2.38	3.92	5.00	6.72	6.11	9.01
MLA LAD	90000000	46845889	90000000	71282864	90000000	35971281
Per cent	9.65	8.43	9.02	9.96	10.57	6.24
MP LAD	40000000	23653195	80000000	28550863	72650190	34950084
Per cent	4.29	4.26	8.02	3.99	8.53	6.07
SGRY	77879000	84039735	90696000	81198940	91545000	95740820
Per cent	8.35	15.13	9.09	11.34	10.75	16.62
SGSY	11869000	9198303	5926000		13876000	11702376
Per cent	1.27	1.66	0.59	0.00	1.63	2.03
PMGY	3635000			10890		58850
Per cent	0.39	0.00	0.00	0.00	0.00	0.01
DRDA (ADM.)	7174000		7237000		8141000	
Per cent	0.77	0.00	0.73	0.00	0.96	0.00
EAS Watershed Mgt		3078422		55600		
Per cent	0.00	0.55	0.00	0.01	0.00	0.00
Water resources					32523250	
Per cent	0.00	0.00	0.00	0.00	3.82	0.00
Anganwadi and others						5438208
Per cent	0.00	0.00	0.00	0.00	0.00	0.94
Grants-in-aid/ expenditure on schemes other than state-run schemes	58139768	36492054	95190185	67390853.98	52377500	64825698
Per cent	6.24	6.57	9.54	9.41	6.15	11.25
TOTAL RDC	271917700	202063549	330629700	240446843	373371140	244316754
Per cent	29.16	36.37	33.15	33.58	43.83	42.41
TOTAL ZP	932464801	555531007	997289164	716050403	851799804	576058105

Source: Annual Financial Statement and Balance Sheet, RD cell, Jaipur

Table 3.5 indicates the scheme wise percentage share of receipt and expenditure of RD cell of ZP receipt and expenditure. The table shows that receipt and expenditure has increased mainly in IAY, SGRY, MLALAD, MPLAD and in other SSOs over three

Table 3.6: Panchayati Raj Cell Finances - ZP Jaipur (amount in Rs)

	2004-05		2005-06		2006-07	
	Amount Received	Scheme Expenditure	Amount Received	Scheme Expenditure	Amount Received	Scheme Expenditure
2515 CDP	372036050	265178278	290617494	241261194	68671054	45470170
Per cent	39.90	47.73	29.14	33.69	8.06	7.89
2202 Education	1215086	5320	-296589	0	-237735	0
Per cent	0.13	0.00	-0.03	0.00	-0.03	0.00
2406 Forest Department	3437000	3437000	4800000	4800000	5000000	5000000
Per cent	0.37	0.62	0.48	0.67	0.59	0.87
2402 Water conservation	5989000	5989000	11148000	10509000	4863000	4863000
Per cent	0.64	1.08	1.12	1.47	0.57	0.84
2225 Social Development	5810900	4375632	11025613	3801649	14104964	4631240
Per cent	0.62	0.79	1.11	0.53	1.66	0.80
2405 Fisheries	760365	682000	898365	820000	908365	830000
Per cent	0.08	0.12	0.09	0.11	0.11	0.14
4202 Water Development	-1000	0	-1000	0	-1000	0
Per cent	0.00	0.00	0.00	0.00	0.00	0.00
2701 Medium Irrigation			312000	156000	2410000	2410000
Per cent	0.00	0.00	0.03	0.02	0.28	0.42
2245 natural calamity			3000000	0	3000000	2199717
Per cent	0.00	0.00	0.30	0.00	0.35	0.38
2216grant to PS			1536355	0	1536355	0
Per cent	0.00	0.00	0.15	0.00	0.18	0.00
4515 grant to ZP			675000	675000	675000	0
Per cent	0.00	0.00	0.07	0.09	0.08	0.00
2401 Agriculture Department	12653000	12653000				
Per cent	1.36	2.28	0.00	0.00	0.00	0.00
2501 barren land			870000	870000		
Per cent	0.00	0.00	0.09	0.12	0.00	0.00
3604 SFC royalty					2116000	0
Per cent	0.00	0.00	0.00	0.00	0.25	0.00
Education total	169750530	30301630	264381378	157968608	290407770	195151429
Per cent	18.20	5.45	26.51	22.06	34.09	33.88
RD	27035322	23821277	8830210	7169045	-3710837	6764658

Per cent	2.90	4.29	0.89	1.00	-0.44	1.17
Other social devt total	4244166	2750000	8514386	5805000	3719386	1629000
Per cent	0.46	0.50	0.85	0.81	0.44	0.28
Health and Nutrition total	1259141	517161	2181894	277000	1978336	965372
Per cent	0.14	0.09	0.22	0.04	0.23	0.17
other devt schemes	48981996	2026493	46298696	34896500	11553136	151160
Per cent	5.25	0.36	4.64	4.87	1.36	0.03
Miscellaneous total	4249021	926464	8654401	793660	69172117	61597554
Per cent	0.46	0.17	0.87	0.11	8.12	10.69
TOTAL PRC	657420577	352663255	663446203	469802656	476165911	331663300
Per cent	70.50	63.48	66.52	65.61	55.90	57.57
TOTAL ZP	932464801	555531007	997289164	716050403	851799804	576058105

Source: Annual Financial Statement and Balance Sheet, PR Cell, Jaipur

The table-3.6 presents the major head and department wise receipt and expenditure Pancahayati Raj Cell of ZP in total ZP receipt and expenditure. From the above PRC table it could be seen that community development programme (2515 –CDP) has a major share in total ZP receipt and expenditure, it received 40 percent, 29 percent respectively in years 2004-05, 2005-06 but it declined to 8 percent in 2006-07. The expenditure was found to be very high which is 48 percent, 34 percent and it declined to 8 percent of total in 2006-07. The grants from state finance commission and union finance commission can be found in the major head 2515. The receipt and expenditure by other department are to seen to negligible in total except in RD and other programme.

Zilla Parishad Jalore

Table 3.7: Summary Table ZP Finances of Jalore (amount in Rs)

	2004-05		**2005-06**	
Name of Scheme	**Amount Received**	**Total Expenditure**	**Amount Received**	**Total Expenditure**
Total PR Cell	249455150	219493012	287566100	275266267
Per cent	46.30	53.92	49.57	60.75
Total RD Cell	288363502	186889240	292167377	177689917
Per cent	53.52	45.91	50.36	39.21
Total Own income	1008085	718444	390763	174590
Per cent	0.19	0.18	0.07	0.04
Grand Total ZP	538826737	407100695.8	580124240	453130774

Source: Annual Financial Statements and Balance Sheets of RD and PR cells, Jalore

The above table shows the percentage share of received amount of PR cell which has increased in 2005-06 to 49 percent from 46 in 2004-05; the expenditure side has also experienced an increase in 2005-06. The percentage share of RD cell has marginally declined 50 in 2005-06 from 53 in 2004-05. The own source has very low share (less than 1 percent) in total receipt and expenditure and it has also declined in 2005-06.

Table 3.8: Rural Development Cell Finances - ZP Jalore (amount in Rs)

	2004-05		2005-06	
Name of Scheme	**Amount Received**	**Total Expenditure**	**Amount Received**	**Total Expenditure**
SGSY	12981000	13065450	15981000	13262195
Per cent	2.41	3.21	2.75	2.93
SGRY	53684000	49664306	61959000	61526719
Per cent	9.96	12.20	10.68	13.58
IAY NEW / PGRD CSS	23712000	22251650	27329000	28426750
Per cent	4.40	5.47	4.71	6.27
PMGY	3890000	4109340		292535
Per cent	0.72	1.01	0.00	0.06
MPLAD	20000000	9591359	20000000	15710235
Per cent	3.71	2.36	3.45	3.47
MLALAD	30000000	23816825	30000000	32138606
Per cent	5.57	5.85	5.17	7.09
GGY	1725000	562000	9330000	9737466
Per cent	0.32	0.14	1.61	2.15
DRDA (ADM)	1630000	6069893	5146000	5390062
Per cent	0.30	1.49	0.89	1.19
DDP vi-x	49950000	66893701	74306100	64927847.2
Per cent	9.27	16.43	12.81	14.33
CDP vi-x	41757750	21269672	29263500	42777178.4
Per cent	7.75	5.22	5.04	9.44
MGY	4143000	1342942		531201
Per cent	0.77	0.33	0.00	0.12
BJJ	961000	109250	3771000	327972
Per cent	0.18	0.03	0.65	0.07
Pura Yojana	132400			
Per cent	0.02	0.00	0.00	0.00
Other RD Prog		746623	990000	217500
Per cent	0.00	0.18	0.17	0.05
RDC TOTAL	249455150	219493011.8	287566100	275266267
Per cent	46.30	53.92	49.57	60.75
Grand Total ZP	538826737	407100695.8	580124240	453130774

Source: Annual Financial Statement and Balance Sheet, RD cell, Jalore

In the above table- 3.8 scheme wise break up of RD cell has been presented which shows the percentage share of each scheme in total receipt and expenditure of ZP. Major CSS operated by central government namely SGSY, SGRY and IAY have sizable share (around 17 percent of total share in 2004-05 and 2005-06) in the total receipt and expenditure. Among CSS, the desert development programme and community development programme have received the combined share of 17 -18 percent in total for 2004-05 and 2005-06 respectively. The share of MLALAD and MPLAD also accounts around 8 percent for both the years.

Table 3.9: Panchayati Raj Cell Finances - ZP Jalore (amount in Rs)

	2004-05		2005-06	
Name of Scheme	**Amount Received**	**Total Expenditure**	**Amount Received**	**Total Expenditure**
2515 CDP	251326364	166137487	220690885	160096368
Per cent	46.64	40.81	38.04	35.33
2202 Education	2243848	0	2243848	-
Per cent	0.42	0.00	0.39	
2210 Medical & Public Health Services	6125798	0	6151598	
Per cent	1.14	0.00	1.06	0.00
4215 Drinking Water	1327380	1000000	554372	571512
Per cent	0.25	0.25	0.10	0.13
Development Schemes	6488600	3665129	42509899	6338522
Per cent	1.20	0.90	7.33	1.40
SGRY	7007930	6675855	635650	499554
Per cent	1.30	1.64	0.11	0.11
Grants for transferred Departments	11094817	7812515	17640552	9596843
Per cent	2.06	1.92	3.04	2.12
Miscellaneous/Establishments	2748765	1598254	1740573	587118
Per cent	0.51	0.39	0.30	0.13
TOTAL PRC	288363502	186889240	292167377	177689917
Per cent	53.52	45.91	50.36	39.21
Grand Total ZP	538826737	407100695.8	580124240	453130774

Source: Annual Financial Statement and Balance Sheet, Jalore ZP

From the table it can be seen that in the total receipt of PRC the percentage share of CDP is highest which is 46 percent and 38 percent in 2004-05 and 2005-6 respectively. The grants for transferred department in the form of receipt and expenditure show a minimal share (2-3percent) in the total of PRC. The share of PRC receipt has also declined to 50 percent in 2005-06 from 53 percent in 2004-05.

3.4 Analysis of Block Panchayat Finances under ZP Jaipur

Table 3.10: Funds Available, Expenditure Incurred in Aamer Block

	2004-05		2005-06		2006-07	
Item	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**
Schemes	7940185	5558950	37896652	23543347	30663017	15611512
	15.6	12.4	41.8	50.5	35.6	31.5
Grants	41775876	31964218	45572507	19002048	47930182	31204263
	81.9	71.5	50.2	40.8	55.7	63.0
Miscellaneous	191615	4384682	4217073	3199616	4909580	2506909
	0.4	9.8	4.6	6.9	5.7	5.1
Own Income	1128319	226752	3039566	847875	2610185	172311
	2.2	0.5	3.4	1.8	3.0	0.3
Grand Total	51035995	44721602	90725798	46592886	86112964	49494995

Source: Annual Financial Statements of Block Panchayat

Note: Schemes denote CSS while grants are Central and State Finance Commission proceeds and departmental grants for salary allowances. Miscellaneous items are related to other establishment charges and some schematic funds.

Table 3.10 presents the details about various sources of available fund and expenditure by Block Panchayat. During 2004-05, the share of schemes in total available fund was 16 percent; it has increased to 42 percent in 2005-06 and declined to 36 in 2006-07. Under the scheme the share of expenditure was 12 percent in 2004-05, increased to 50 percent in 2005-06 and declined sharply to 35 percent in 2006-07.

The share of grants in total available fund has been very high (82percent) in 2004-05 but it has drastically declined in 2005-06 and 2006-07 to 50 and 56 percent respectively. While on expenditure side a fluctuating trend can be noticed, it was 71 percent in 2004-05, declined to 41percent in 2005-06 and it went up to 63 percent in 2006-07.

Miscellaneous items had increased in the total available funds with its share at 0.4, 4.6 and 5.6 per cent respectively for the three years reported while expenditure also showed a corresponding rise. Percentage share of OSR in total available funds ranged from 2 to 3 per cent for all three financial years while expenditure dropped from three per cent in 2005-06 to 0.5 per cent the following year and again rose to three per cent in 2006-07.

Table 3.11: Funds Available, Expenditure Incurred in Jamua Ramgarh

	2004-05		2005-06		2006-07	
Item	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**
Schemes	33977847	27997381	47713560	25782446	59432215	40939435
	61.3	72.3	67.3	69.1	70.2	77.1
Grants	19017248	9984220	20788992	10615761	23211911	11313219
	34.3	25.8	29.3	28.5	27.4	21.3
Miscellaneous	597510	218888	410380	162918	342009	173678
	1.1	0.6	0.6	0.4	0.4	0.3
Own Income	1813427	502880	1986343	746750	1675588	640966
	3.3	1.3	2.8	2.0	2.0	1.2
Grand Total	55406032	38703369	70899275	37307875	84661723	53067298

Source: Annual Financial Statements of Block Panchayat

Note: Schemes denote CSS while grants are Central and State Finance Commission proceeds and departmental grants for salary allowances. Miscellaneous items are related to other establishment charges and some schematic funds.

Revenue share of schemes in the receipts side for Jamua Ramgarh block was 61 per cent in 2004-05 and rose steadily to 67 per cent and 77 per cent the following years but the expenditure side showed a fluctuating trend, dipping 69 per cent in 2005-06 from 72 per cent in 2004-05 and again going up to 77per cent in 2006-07. Under grants, the revenue declined from 34 to 27 per cent over the three years while the spending was reported at 26 and 28 per cent in 2004-05 and 2005-06 respectively before plunging to 12 per cent in 2006-07. The revenue share of miscellaneous items has been very small with OSR staying below three per cent while expenditure varied between 1 to 2 per cent for the three financial years.

3.5 Analysis of Block Panchayat Finances under ZP Jalore

Table 3.12: Funds Available, Expenditure Incurred in Sanchore Block

	2004-05		2005-06	
Item	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**
Schemes	2233566	2047511	920583	674690
	3.8	4.0	1.5	2.4
Grants	43768002	41025405	51203560	23490902
	74.8	81.0	82.4	83.0
Miscellaneous	10527127	6358308	8487259	3554835
	18.0	12.6	13.7	12.6
Own Income	2022216	1210276	1547300	590677
	3.5	2.4	2.5	2.1
Grand Total	58550911	50641500	62158702	28311104

Source: Annual Financial Statements of Block Panchayat

Note: Schemes denote CSS while grants are Central and State Finance Commission proceeds and departmental grants for salary allowances. Miscellaneous items are related to other establishment charges and some schematic funds.

Sanchore block received smaller allocations for CSSs as compared to Jamua Ramgarh and Amer block of Jaipur ZP with its share in total available revenue at four per cent and 1.5 per cent for 2004-05 and 2005-06. Likewise, spending was also low. Under grants, it received huge shares of 75 and 82 per cent and spent 81 and 83 per cent for the two years for which data is available. Revenue and expenditure reported sizable amounts in funds available under the miscellaneous head (14-18 per cent share of revenue and approximately 12 per cent spent). Its OSR accounted for 2-3 per cent of total revenue earned and two per cent of total expenditure.

Table 3.13: Funds Available, Expenditure Incurred in Jalore Block

	2004-05		2005-06		2006-07	
Item	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**	**Total Funds Available**	**Total Expenditure**
Schemes	-1355553	1838700	-321682	858182	-1740522	1480463
	-6.4	9.1	-1.1	6.0	-5.6	7.1
Grants	13552482	15741277	20132480	11085495	23447408	17897370
	63.8	77.8	69.5	77.0	75.4	85.8
Miscellaneous	7357865	2456035	7259031	2199891	6408690	1346360
	34.7	12.1	25.1	15.3	20.6	6.5
Own Income	1672786	204668	1903871	250072	2963503	142210
	7.9	1.0	6.6	1.7	9.5	0.7
Grand Total	21227580	20240680	28973700	14393640	31079079	20866403

Source: Annual Financial Statements of Block Panchayat

Note: Schemes denote CSS while grants are Central and State Finance Commission proceeds and departmental grants for salary allowances. Miscellaneous items are related to other establishment charges and some schematic funds.

Under the grant, the revenue share has shown increasing trend over the years, it was found to be 64 percent in 2004-05, 70 percent in 2005-06 and 85 percent in 2006-07. The expenditure share for 2004-05 and 2005-06 was around 77 percent; it went up to 88 percent in 2006-07. The block also appears to have the highest OSR in comparison with the other three blocks studied. Under CFC, SFC and other grants, the revenue share increased over the three years from 64 per cent in 2004-06, to 70 per cent in 2005-06, to 85 per cent in 2006-07. Similarly, expenditure went up from 77 to 88 per cent. The revenue shares under miscellaneous heads went down (35, 25 and 21 per cent share of the total available funds) while expenditure was 12, 15 and 20.6 per cent.

3.6 Analysis of Gram Panchayat Finances

Receipts/expenditures have been categorised under six heads - opening balance, CSS, Finance Commissions grants, OSR, other sources of revenue and closing balance – for the data analysis. Details such as shares of each component/source of fund are tabulated from annual financial statements of the GPs studied.

Data Tables for Gram Panchayats of Jaipur ZP

Table 3.14: Revenue Receipts - Jalsu GP (amount in Rs)

		2004-05		2005-06		2006-07
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance	77544.38	4.4	25789	1.1	190808.9	9.4
B. CSS Grants						
SGRY	369204	20.7	450604	19.0	410261	20.3
IAY	75000	4.2	193750	8.2	16500	0.8
MDM	53553	3.0	54293	2.3		
TSC	10050	0.6				
Total CSS Grants	507807	28.5	698647	29.5	426761	21.1

C. Finance Commission Grants						
EFC	155520	8.7	143067	6.0		
TFC			88062	3.7	505581	25.0
SFC	160061	9.0	126131	5.3	406337	20.1
TFC+SFC						
Total Finance Commission Grants	315581	17.7	357260	15.1	911918	45.2
D. Own Source Revenue	98742	5.5	113318	4.8	126351.6	6.3
E. Other Receipts						
Amanat (borrowed/transferred amounts)	76310	4.3	329116	13.9		
MLA LAD	14992	0.8	614730	26.0	96000	4.8
Consolidation	640000	35.9	215200	9.1	236900	11.7
Recovery	35574	2.0				
Others (Interest etc)	14080.01	0.8	12161	0.5	30737.51	1.5
Total other receipts	780956.01	43.9	1171207	49.5	363637.5	18.0
Grand Total	**1780630.39**	**100.0**	**2366221**	**100.0**	**2019477**	**100.0**

Source: Compiled from Annual Financial Statement, Cash Book of GP

Table 3.15: Expenditure - Jalsu GP (amount in Rs)

		2004-05		**2005-06**		**2006-07**
Items	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**
A. CSS Grants						
SGRY	369204	20.7	450604	19.0	410261	20.3
IAY	75000	4.2	162500	6.9	16500	0.8
MDM	96627	5.4	35034	1.5		
TSC	10050	0.6				
Total CSS Grants	550881	30.9	648138	27.4	426761	21.1
B. Finance Commission Grants						
EFC	155520	8.7	143067	6.0		
TFC			88062	3.7	477870	23.7
SFC	379786	21.3	126131	5.3	406337	20.1
Total Finance Commission Grants	535306	30.1	357260	15.1	884207	43.8
C. Own Source Expenditure	54868	3.1	51501	2.2	83335	4.1
D. Other Expenses						

Amanat			230116	9.7		
MLA LAD	14992	0.8	614730	26.0	96000	4.8
Advance	555000	31.2	215200	9.1	226000	11.2
Others (Honorarium etc.)	42461	2.4	58402	2.5		
Total other expenses	612453 **	34.4	1118448	47.3	322000	15.9
E. Closing Balance	27122.39	1.5	190874	8.1	303174	15.0
Grand Total	**1780630.39**	100.0	**2366221**	100.0	**2019477**	100.0

** **Note**: Includes expenses from other heads like SFC, SGRY not explicitly mentioned in the expenditure side of the account.

Source: Compiled from Annual Financial Statement, Cash Book of GP

Tables 3.13 & 3.14 indicate that the total central grants allocated for rural employment, housing, sanitation and school meal schemes of Jalsu GP for 2004-05, 2005-06, 2006-07 and the amount spent by the PRI was between Rs 5-7 lakh, with fluctuations within the components. Actual expenditure was higher than receipts in 2004-05 but reflected a downward trend in terms of percentage of total spending by the village governing body. The shares of CSS in total receipts were 28.5 per cent, 29.5 per cent and 21 per cent for the three years respectively. In 2004-05, CFC (Eleventh and Twelfth) and SFC grants accounted for 17.72 per cent of receipts, declined in the following year and then increased up to 45.15 per cent in 2006-07.

The share of OSR in the total revenue of the GP was small (5-6 per cent). Other receipts formed a major chunk in the receipts of the Panchayat (as high as 50 per cent) due to the consolidation of the amount advance given to the sarpanch of the Panchayat and higher allocations from the MLA LAD fund. Likewise, other expenses went up to 47 per cent of total spending by the lower tier PRI.

Table 3.16: Receipts - Achrol GP (amount in Rs)

Items	2004-05 Receipts	2004-05 %age of Total Receipts	2005-06 Receipts	2005-06 %age of Total Receipts	2006-07 Receipts	2006-07 %age of Total Receipts
A. Opening Balance	856620.1	16.6	301891.6	13.8	192121.5	9.8
B. CSS Grants						
SGRY	214918	4.2	417399	19.1	NA	NA
IAY	28125	0.5	150000	6.9	NA	NA
MDM	116491	2.3	87174	4.0	NA	NA
Total CSS Grants	359534	6.9	654573	30.0	NA	NA
C. Finance Commission Grants						
EFC	515348	10.0	111946	5.1	NA	NA
TFC		0.0	180351	8.3	NA	NA
SFC	576263	11.1	224393	10.3	NA	NA
TFC+SFC					1581041	80.5
Total Finance Commission Grants	1091611	21.1	516690	23.7	1581041	80.5

D. Own Source Revenue	199385.2	3.9	60945	2.8	172639	8.8
E. Other Receipts						
MLA LAD	80000	1.5	184487	8.5		
Consolidation						
Others (*Ghugri,Padh,* Interest etc.)			463511.5	21.2	17742	0.9
Total other receipts	80000	1.5	647998.5	29.7	17742	0.9
Grand Total	2587150	100.0	**2182098**	100.0	**1963544**	100.0

Note: NA= data not available

Source: Compiled from Annual Financial Statement, Cash Book of GP

Table 3.17: Expenditure - Achrol GP (amount in Rs)

	2004-05		**2005-06**		**2006-07**	
Items	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**
A. CSS Grants						
SGRY	207262	8.0	403579	18.5	NA	NA
IAY			100000	4.6	NA	NA
MDM	116491	4.5	87174	4.0	NA	NA
Total CSS Grants	323753	12.5	590753	27.1	NA	NA
B. Finance Commission Grants						
EFC	515348	19.9	111946	5.1	NA	NA
SFC	413599	16.0	136815	6.3	NA	NA
TFC+SFC					1316806	67.1
Total Finance Commission Grants	928947	35.9	248761	11.4	1316806	67.1
C. Own Source Expenditure	330800.6	12.8	77852	3.6	127799.3	6.5
D. Other Expenses						
MLA LAD	80000	3.1	124586	5.7		
Others			463511.5	21.2		
Total other expenses	80000	3.1	588097.5	27.0	n.a	n.a
E. Closing Balance	923649.6	35.7	676634.6	31.0	518938.3	26.4
Grand Total	**2587150**	100.0	**2182098**	100.0	**1963544**	100.0

Note: NA= data not available

Source: Compiled from Annual Financial Statement, Cash Book of GP

Tables 3.16 and 3.17 show that CSS funds allocated to Achrol GP were Rs 3.6 lakh (just 10 per cent of total receipts) in 2004-05 of which Rs 3.24 lakh were spent (12.5 per cent). The amount almost doubled to Rs 6.55 lakh (30 per cent) and expenditure was Rs 5.9 lakh (27 per cent) in the next financial year, but financial records on receipts/expenditure were not available for 2006-07.

The situation was better in terms of CFC (11th and 12th Finance Commissions) grants. The allocations for 2004-05 were Rs 10.92

lakh (21 per cent) and Rs 9.29 lakh (36 per cent) were spent by the PRI while it dropped to Rs 5.17 lakh (23 per cent) with the GP spending Rs 2.49 lakh (11.5 per cent) in 2005-06. It sharply increased to Rs 15.8 lakh (80.5 per cent of total receipts) of which Rs 13.17 lakh (67 per cent of total expenditure) was utilised. Own source of revenues were between 4 per cent and 9 per cent while OSR spending fluctuated between 13 per cent and 4 per cent.

Table 3.18: Receipts - Andhi GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance	76425.33	6.8	67913.63	6.7	75238.63	6.0
B. CSS Grants						
SGRY	107805	9.6	296804.5	29.1	154703	12.4
IAY	55714	4.9	125000	12.3	41625	3.3
MDM	56000	5.0	20952	2.1		
Total CSS Grants	219519	19.5	442756.5	43.4	196328	15.7
C. Finance Commission grants						
EFC	80850	7.2				
TFC	671	0.1				
SFC	349515	31.0	231056	22.7		
TFC+SFC					566730	45.5
Total Finance Commission Grants	431036	38.3	231056	22.7	566730	45.5
D. Own Source Revenue	80505	7.2	65023	6.4	50720	4.1
E. Other Receipts						
Amanat	44315	3.9	6826	0.7		
MLA LAD	267389	23.8	162520	15.9		
Consolidation			30000	2.9	234000	18.8
Recovery	6525	0.6	13721	1.3	3740	0.3
Others (drainage, kharanja etc.)					120000	9.6
Total other receipts	318229	28.3	213067	20.9	357740	28.7
Grand Total	**1125714**	100.0	**1019816**	100.0	**1246757**	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

Table 3.18 shows the share of CSS has a very fluctuating trend during all the three years , in 2004-05 it was 16.5 per cent and gone up sharply to 43 per cent in 2005-06, subsequently it has declined drastically to 16 per cent in 2006-06. Similarly, the fluctuating trend was experienced in case SFC grant as like in case of CSS, in 2004-05 Gram Panchayat received 38 per cent share while it declined to 23 per cent in 2005-06, in 2006-07 it has shown sharp increase to 45.5 per cent. In regard to OSR , Gram Panchayat has collected a small revenue size which is 7.2 per cent of total revenue receipt in 2004-05, in the subsequent years it has shown declining trend as 6.4 per cent and 4.1 per cent in 2005-06 respectively. The share of other receipts, was sizable in total receipt due to allocation made under MLALAD fund and consolidation of advances given. It varies from 28 per cent to 20 per cent over the three years.

Table 3.19: Expenditure - Andhi GP (amount in Rs)

Items	2004-05		2005-06		2006-07	
	Expenditure	%age of Total Expenditure	Expenditure	%age of Total Expenditure	Expenditure	%age of Total Expenditure
A. CSS Grants						
SGRY	107805	9.6	300720	29.7	284411.6	22.8
IAY	55714	5.0	82500	8.1	60125	4.8
MDM	56000	5.0	35870	3.5	20400	1.6
Total CSS Grants	219519	19.6	419090	41.4	364936.6	29.3
B. Finance Commission grants						
EFC+Other sources	80850	7.2				
TFC	671	0.1				
SFC	349515	31.2				
TFC+SFC			243772	24.1	503958	40.4
Total Finance Commission Grants	431036	38.5	243772	24.1	503958	40.4
C. Own Source Expenditure	80505	7.2	55498	5.5	34002	2.7
D. Other Expenses						
Amanat	44315	4.0	35109	3.5		
MLA LAD	267389	23.9	154316	15.2		
Advance			30000	3.0	234000	18.8
Others	10000	0.9			64186	5.1
Total other expenses	321704	28.7	219425	21.7	298186	23.9
E. Closing Balance	67913.63	6.1	75238.13	7.4	45674.03	3.7
Grand Total	**1120678**	100.0	**1013023**	100.0	**1246757**	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

From the above table it reflects that expenses incurred under CSS show fluctuating trend, it increased to 41 per cent in 2005-06 from 20 per cent in 2004-05, further it has declined to 29 per cent in 2006-07. The expense under SFC grant was 38.5 per cent in 2004-05, declined to 24 per cent in 2005-06 and gone up to 40 per cent in 2006-07. The expenses incurred from the OSR was 7 per cent in 2004-05, it has gone down to 3 per cent in 2006-07 from 5.5 per cent in 2005-06. In category of other receipts sizable expenditure has been incurred largely due to implementation of schemes under MLALAD funds., which varies from 29 to 21 per cent over the three years time period. There has been a fluctuating trend in case of unspent balance amount , it has increased to 7.4 per cent in 2005-06 from 6 per cent in 2004-05, but it has declined to 4 per cent in 2006-07.

Table 3.20: Receipts - Mahangi GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance	262581	11.3	106534	6.1	117963	6.6
B. CSS Grants						
SGRY	437640	18.9	365828	21.1	232674	13.0
IAY	112500	4.9	128552	7.4	137022	7.7
MDM	87000	3.8	60000	3.5		
Total CSS Grants	637140	27.5	554380	31.9	369696	20.7
C. Finance Commission grants						
EFC			66160	3.8		
TFC			68912	4.0	256582	14.3
SFC			84355	4.9	187226	10.5
EFC+SFC	380518	16.4				
Total Finance Commission Grants	380518	16.4	219427	12.6	443808	24.8
D. Own Source Revenue	43813	1.9	85200	4.9	12191	0.7
E. Other Receipts						
Amanat	103945	4.5	205813	11.8	181514	10.2
MLA LAD	32422	1.4	65894	3.8	154758	8.7
Consolidation	737209.8	31.8	363523	20.9	209400	11.7
Recovery	30902	1.3	3042	0.2	4177	0.2
Road Construction			133206	7.7		
Misc	86216	3.7			103540	5.8
Drought Relief					191142	10.7
Total other receipts	990694.8	42.8	771478	44.4	844531	47.2
Grand Total	**2314747**	100.0	**1737019**	100.0	**1788189**	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above table shows that during 2004-05 Mahangi has around 11 per cent of unspent balance of previous year in total receipt but it has gradually declined to 6 per cent in 2005-06 and 2006-07.The revenue receipt under CSS head gives a fluctuating trend over the years, it was 27.5 per cent in the total receipt in 2004-05, gone down to 23 per cent in 2005-06 and in 2006-07 it has declined to 21 per cent. The major reason for decline in 2006-07 was due to non-availability of fund for MDM. The revenue receipt under SFC grant has a share of 16 per cent in 2004-05; it declined to 14 per cent in 2005-06 and had doubled to 25 per cent in 2006-07. The own revenue collection by Gram Panchayat has been very meagre for all three years , it was 2 per cent in 2004-05, increased to 5 per cent in 2005-06 and declined drastically to 0.7 in 2006-07. The revenue receipt from other sources (43 per cent) accounts for a major chunk in total receipt during 2004-05 because of consolidation amount returned by Sarpanch taken in previous year as advance. In subsequent years other receipts marginally increased due to rise in the receipt amount under MLALAD and construction head.

Table 3.21: Expenditure - Mahangi GP (amount in Rs)

Items	2004-05		2005-06		2006-07	
	Expenditure	%age of Total Expenditure	Expenditure	%age of Total Expenditure	Expenditure	%age of Total Expenditure
A. CSS Grants						
SGRY	470504.8	20.3	382762	27.5	202674	11.3
IAY	112500	4.9	74000	5.3	137022	7.7
MDM	87000	3.8	48865	3.5		
PMGY			42500	3.1		
TSC			33581	2.4	123238	6.9
Total CSS Grants	670004.8	28.9	581708	41.8	462934	25.9
B. Finance Commission grants						
EFC+Other sources			69942	5.0		
TFC			29952.5	2.2	256582	14.3
SFC			22927.5	1.6	187226	10.5
EFC+SFC	537642	23.2				
Total Finance Commission Grants	537642	23.2	122822	8.8	443808	24.8
C. Own Source Expenditure	43813	1.9	43652	3.1	15070	0.8
D. Other Expenses						
Amanat	103169	4.5	33947	2.4	170138	9.5
MLA LAD	175089	7.6	154629	11.1	154758	8.7
Recovery	30902	1.3				
Advance	585500	25.3	254480	18.3	209400	11.7
Others	62093	2.7			31839	1.8
Total other expenses	956753	41.3	443056	31.8	566135	31.7
E. Closing Balance	106534	4.6	200008	14.4	300242	16.8
Grand Total	**2314747**	100.0	**1391246***	100.0	**1788189**	100.0

Note: *Mismatch in figures of grand total revenue expenditure from revenue receipts due to under reporting of expenditure in cashbook

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above table shows that the expenses incurred through the CSSs by the Gram Panchayat during 2004-05 has been 29 per cent of the total expenditure, it has gone up to 42 per cent in 2005-06 and declined to 26 per cent. The expenses incurred under SFC grant was 32 per cent during 2004-05, declined to 9 per cent in 2005-06 and an increase has been seen to 29 per cent in 2006-07. The expenses under OSR shows a very minimal share in total expenses which ranges from 3 to 0.8 over the three years. The other expenses have shown a sizable share (41per cent) because of advances given to Sarpanch during 2004-05. in the subsequent year(2005-06 and 2006-07) it was reported as 31 per cent The unspent balance in the current shows a increasing trend over the years, it was 5 per cent in 2004-05, gone up to 14 and 17 per cent in 2005-06 and 2006-07.

Data tables for Gram Panchayats of Jalore ZP

Table 3.22: Receipts - Bagra GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance			269441.2	17.9	377812.17	18.1
B. CSS Grants						
SGRY	324955	16.8	402842	26.8	338905	16.2
IAY	100000	5.2	87500	5.8	75000	3.6
MDM	53800	2.8				
Total CSS Grants	478755	24.7	490342	32.6	413905	19.8
C. Finance Commission grants						
EFC			76221	5.1		
TFC			198830	13.2	468804	22.4
SFC			127251	8.5	563412	26.9
EFC+SFC	1202153	62.0				0.0
Total Finance Commission Grants	1202153	62.0	402302	26.8	1032216	49.3
D. Own Source Revenue	225309	11.6	256332	17.0	205862	9.8
E. Other Receipts						
Amanat	1150	0.1				
MLA LAD	32000	1.7	60000	4.0	37970	1.8
Others			25157	1.7	24160	1.2
Total other receipts	33150	1.7	85157	5.7	62130	3.0
Grand Total	**1939367**	100.0	**1503574**	100.0	**2091925.2**	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

From the above table it is clear that the amount of opening balance for the Gram Panchayat accounts a sizable share of 18 per cent in total budget during 2005-6 and 2006-07. A fluctuating trend has been observed under CSS. It was 25 per cent 2004-05, increased to 32.6 per cent in 2005-06 and then declined to around 20 per cent. The receipt under FC grants accounts 62 per cent for 2004-05, it has gone down to 29 per cent in 2005-06 and then increased to 49 per cent in 2006-07.The OSR collection by Gram Panchayat was found to be more than 11 in 2004-05 , it has gone up to 17 per cent and declined to 10 in 2006-07. Overall Gram Panchayat has put an effort to collect the tax and non tax revenue during three years.

Table 3.23: Expenditure - Bagra GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**
A. CSS Grants						
SGRY	221857	11.4	358986	23.9	429568	20.3
IAY	90000	4.6	92500	6.2	67500	3.2
MDM	48881	2.5				
Total CSS Grants	360738	18.6	451486	30.0	497068	23.5

B. Finance Commission grants						
EFC			148169	9.9		
TFC					373602	17.7
SFC			89983	6.0	27415	1.3
EFC+SFC	1090785	56.2	37000	2.5		
Total Finance Commission Grants	1090785	56.2	275152	18.3	401017	19.0
C. Own Source Expenditure	217446	11.2	245585	16.3	232344	11.0
D. Other Expenses						
Amanat	1150	0.1				
MLA LAD	32000	1.7	149970	10.0	43977	2.1
Others			3578	0.2	13887	0.7
Total other expenses	33150	1.7	153548	10.2	57864	2.7
E. Closing Balance	237248	12.2	377803.2	25.1	923632	43.7
Grand Total	1939367	100.0	1503574	100.0	2111925	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above Table 3.23 explains that the expenses incurred by Gram Panchayat under CSS figures as 19 per cent, 30 per cent and 23 per cent during 2004-05, 2005-06 and 2006-07 respectively which show a fluctuating trend. The Bagra Gram Panchayat has reported expenditure share under CSS grant as 56 per cent of the total expenditure, in the subsequent years of 2005-06 and in 2006-07 it was found to be around 19 per cent. The expenses done from own income has a share in total expenditure which is around 11 per cent in 2004-05, in 2005-06 it has jumped to 16 and then gone down to 11 per cent in 2006-07. Under the closing balance head unspent amount accounts for a consistently large share which Gram Panchayat was not able to utilize.

Table 3.24: Receipts - Devki GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance	197401	17.9	260903	28.7	79335	5.2
B. CSS Grants						
SGRY	147232	13.4	110329	12.1	313372	20.6
IAY	37500	3.4	37500	4.1	75000	4.9
MDM	14148	1.3	8000	0.9		
Total CSS Grants	198880	18.1	155829	17.1	388372	25.5
C. Finance Commission grants						
EFC			34030	3.7		
TFC			73010	8.0	378190	24.8
SFC			40295	4.4	430718	28.2
EFC+SFC	589939	53.6	21000	2.3		
Total Finance Commission Grants	589939	53.6	168335	18.5	808908	53.1

D. Own Source Revenue	13528.75	1.2	1877	0.2		
E. Other Receipts						
MLA LAD			322379	35.5	225000	14.8
Others	101223	9.2			23136.75	1.5
Total other receipts	101223	9.2	322379	35.5	248136.8	16.3
Grand Total	1100972	100.0	909323	100.0	1524752	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above table shows that Devki Gram Panchayat has some unspent amount from previous year which accounts around 18 per cent in the total receipt in 2004-05, subsequently it went up to around 29 per cent in 2005-06, in 2006-07 it has declined drastically to 5 per cent. The share of receipt under CSS in the total has similar figure in 2004-05 and 2005-06 which is around 17 per cent, had shown a sharp rise in 2006-07 to 25.5 due to increases in receipt under SGRY. The receipt amount under SFC grant shares more than half (54per cent) of the total receipt during 2004-05, it declined to 18.5 per cent in 2005-06, in 2006-07 it has risen sharply accounting for 53 per cent of total receipt. Devki Gram Panchayat has performed poorly in own revenue collection over two financial years .i.e. 2004-05 and 2005-06, it ranges from 1.2 to 0.2 per cent, during 2006-07 no revenue was generated by Gram panchayat. Revenue from other receipt was 9 per cent in 2004-05, a sharp increase was reported during 2005-06 due to receipt of a large amount of fund from MLA LAD. During 2006-07 there was a sharp decline to 16 per cent.

Table 3.25: Expenditure - Devki GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**
A. CSS Grants						
SGRY	226298	20.6	66248	7.3	313372	20.6
IAY			37500	4.1	42000	2.8
MDM	14148	1.3	8000	0.9		
Total CSS Grants	240446	21.8	111748	12.3	355372	23.3
B. Finance Commission Grants						
EFC+Other sources			34030	3.7		
TFC					372271.5	24.4
SFC			40295	4.4	372271.5	24.4
EFC+SFC	455826	41.4	21000	2.3		
Total Finance Commission Grants	455826	41.4	95325	10.5	744543	48.8
C. Own Source Expenditure	3106	0.3	1877	0.2		
D. Other Expenses						
Amanat	18000	1.6				
MLA LAD			322379	35.5	225000	14.8
Others	122690	11.1	256174	28.2	8737	0.6
Total other expenses	**140690**	**12.8**	**578553**	**63.6**	**233737**	**15.3**
E. Closing Balance	260903.8	23.7	121820	13.4	191099.8	12.5
Grand Total	1100972	100.0	909323	100.0	1524752	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above table shows that grants under CSS accounts for 21.8 per cent of total expenses incurred by Gram Panchayat in 2004-05, which declined to 12.3 per cent in 2005-06, and further a sharp increase was reported to 23 in 2006-07. The SFC grant constitutes a major share of total expenditure as 41 and 48 per cent during 2004-05 and 2006-07 respectively. The SFC share in 2005-06 is reported low as compared to other years. The expenses made from own income was negligible for all the three years. The expenses done from other sources have been reported to be around 63 per cent in 2005-06. In other two years it ranges from 12 to 15 per cent. The closing balance also shows a sizable amount of unutilized money in 2004-05 which is around 24 per cent of total expenditure. It was found to be 13 and 12 per cent in 2005-06 and 2006-07 respectively.

Table 3.26: Receipts - Bhadrona GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance	45316	3.1	205386	21.1	165567	10.7
B. CSS Grants						
SGRY	215376	14.7	215364	22.1	309386	20.0
IAY	78500	5.4	150000	15.4	212500	13.7
MDM	102000	7.0				
PMGY	25000	1.7				
Total CSS Grants	420876	28.8	365364	37.5	521886	33.8
C. Finance Commission grants						
EFC	398819	27.3	60638	6.2		
TFC			161999	16.6	369407	23.9
SFC	352545	24.1	71798	7.4	428487	27.7
Total Finance Commission Grants	751364	51.4	294435	30.2	797894	51.6
D. Own Source Revenue	22823	1.6	3950	0.4		
E. Other Receipts						
Forest conservation	110000	7.5				
Amanat	45118	3.1			2100	0.1
MLA LAD			64000	6.6		
Others	67098	4.6	40483	4.2	58015	3.8
Total other receipts	222216	15.2	104483	10.7	60115	3.9
Grand Total	**1462595**	100.0	**973618**	100.0	**1545462**	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above table for Bhadrona Gram Panchayat shows that in 2004-05 the share of opening balance was 3 per cent in 2004-05, it has gone up to 21 per cent in 2005-06, and then it has declined to 11 per cent. Under CSS the share was 29 per cent in the total receipt for 2004-05, an increase was registered to 37.5 per cent in 2005-06, further there was a decline to 34 per cent. The receipt under FC grant accounts 51 per cent in the total receipt for the year 2004-05, it has declined sharply to 30 per cent in 2005-06, again it went up to 52 in 52 per cent in 2006-07. The receipt under OSR was found to be negligible in the total receipt for all the three financial years. The other receipt accounts 15 per cent in total receipt in 2004-05, subsequently, it has declined to 11 per cent and 4 per cent in 2005-06 and 2006-07 respectively.

Table 3.27: Expenditure - Bhadrona GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**
A. CSS Grants						
SGRY	278920	19.1	119757	12.3	209604	13.6
IAY	77500	5.3	108000	11.1	138000	8.9
MDM	103304	7.1	29080	3.0		
PMGY	20000	1.4				
Total CSS Grants	479724	32.8	256837	26.4	347604	22.5
B. Finance Commission grants						
EFC + Other sources	496762	34.0	60638	6.2		
TFC			102168	10.5		
SFC	219860	15.0	71798	7.4	281731	18.2
Total Finance Commission Grants	716622	49.0	234604	24.1	281731	18.2
C. Own Source Expenditure	9774	0.7	5113	0.5		
D. Other Expenses						
Amanat	45868	3.1			2100	0.1
Others	5549	0.4	191099	19.6	68272	4.4
MLA LAD					64000	4.1
Total other expenses	51417	3.5	191099	19.6	134372	8.7
E. Closing Balance	205058	14.0	285965	29.4	781755	50.6
Grand Total	**1462595**	100.0	**973618**	100.0	**1545462**	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

In the above table the share of expenditure incurred under CSS grant has shown a declining trend over the years. It was 33 per cent in 2004-05, subsequently declined to 26 and 22 per cent in 2005-06 and 2006-07 respectively. Similarly, expenditure done under FC grant constitutes a large share (49per cent) in the total expenditure, in 2005-06 it has declined sharply to 24 per cent and further to 18 per cent in 2006-07.The expenditure incurred from OSR is found to be negligible over the years. The closing balance of Gram Panchayat has shown a decreasing trend over the years. It was 14 per cent in 2004-05; it has gone up to 29 per cent in 2005-06 and to 51 per cent in 2006-07.

Table 3.28: Receipts - Suthadi GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**	**Receipts**	**%age of Total Receipts**
A. Opening Balance			51235.9	6.4	207400.6	12.3
B. CSS Grants						
SGRY	255000	26.8	170417	21.1	147970	8.8
IAY	125000	13.2	162500	20.2	175000	10.4
Total CSS Grants	380000	40.0	332917	41.3	322970	19.2
C. Finance Commission Grants						
EFC	345000	36.3	37471	4.6		
TFC			100107	12.4		
SFC	225000	23.7	44368	5.5		
Total Finance Commission Grants	570000	60.0	181946	22.6		
D. Own Source Revenue			24131	3.0	16700	1.0
E. Other Receipts						
Amanat			26063	3.2	132030	7.8
MLA LAD					140000	8.3
Others (Drought relief, Biomass,Other grants etc)			189957	23.6	867044.5	51.4
Total other receipts			216020	26.8	1139075	67.6
Grand Total	950000	100.0	806249.9	100.0	1686145	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

In case of Suthadi Gram Panchayat, the opening balance shows a share of 6 percent and 12 percent per cent in the total receipt during 2005-06 and 2006-07 The receipt of revenue under CSS in total receipt was found 40 and 41 per cent in 2004-05 and 2005-06 respectively, however it declined to 19 per cent in total receipt in 2006-07. The share of OSR in total receipt is quite low it just accounts 3 per cent and 1 per cent in 2005-06 and 2006-07 respectively. The share of other receipt in total receipt is reported as 27 and 51 per cent in 2004-05 and 2006-07, the sharp increase in this account was reported mainly due to higher allocation for drought, Biomass, and other grants.

Table 3.29: Expenditure - Suthadi GP (amount in Rs)

	2004-05		2005-06		2006-07	
Items	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**	**Expenditure**	**%age of Total Expenditure**
A. CSS Grants						
SGRY	252630	31.0	162098	20.1	86299.5	5.1
IAY			151625	18.8	86750	5.1
Total CSS Grants	252630	31.0	313723	38.9	173049.5	10.3
B. Finance Commission Grants						
EFC+Other sources	336600	41.3	49760	6.2		
TFC			125000	15.5		
SFC	225000	27.6	38390	4.8		
Total Finance Commission Grants	561600	69.0	213150	26.4		
C. Own Source Expenditure			12866.6	1.6	15322	0.9
D. Other Expenses						
Amanat					132000	7.8
MLA LAD					130332	7.7
Others			159108.6	19.7	926289.6	54.9
Total other expenses			159108.6	19.7	1188622	70.5
E. Closing Balance			107401.7	13.3	309152	18.3
Grand Total	814230	100.0	806249.9	100.0	1686145	100.0

Source: Compiled from Annual Financial Statement, Cash Book of GP

The above table depicting expenditure side of accounts of Suthadi Gram Panchayat shows that expenses incurred under CSS was 31 per cent in 2004-05; it went up to 39 per cent in 2005-06 and declined drastically to 10 per cent in 2006-07. The major expenses constitutes from FC grant (69 per cent) in the total expenditure during 2004-05, while it has declined to 26 per cent in 2005-06. The expenses incurred from own source revenue in total expenditure is found to be negligible. The expense done from other sources of revenue was 20 per cent in 2005-06 and it has gone up to 70 percent in 2006-07.

3.7 Role of PRIs in Health and Education

Contrary to the claims of the state government, two crucial social sector listed in the Eleventh Schedule - health and education – have not been devolved to the lower tiers of governance in Rajasthan. Field surveys and interviews of officials and teachers reveal that primary and upper primary school teachers working in rural areas continue to be the domain of the state Education Department instead of the functional authority being delegated to the ZP (district) level.

Only the Mid-Day Meal Scheme is being run by the GPs, it has been observed.

In the matter of Public Health, no specific functions of Public Health Department were transferred to PRIs. The Gram Panchayats and the Panchayat Samities are in a better position to supervise the working of the ANMs and Doctors and auxiliary staff of PHCs and CHCs. In view of the Constitutional mandate, the administrative control and supervision of the Sub- Centers, PHCs and CHCs should be transferred to the appropriate tier of PRIs.

3.8 Local planning and budgeting in Rajasthan: A Gender Perspective

There is no gender (women) sub plan being followed in the process of planning in Rajasthan. The guideline meant for preparing the Annual District Plan has not mentioned any women related component in its format. The only focus has been given to ensuring the greater participation of women in process of plan formulation to make it more inclusive. In this respect, the field survey reveals that the women participation in process of plan formulation is almost negligible at every tier of Panchayat.

With regard to gender budgeting in Panchayat budget, as such no gender related component find the place in the budget book. As mentioned above, in the state, the whole process of budgeting at the local level has been very improper; a mere legal formality is being done in the name of local budgeting at each tier of Panchayat. The financial accounts clearly demonstrate that there is no fund is being earmarked for women related component. In few schemes like IAY, SGSY and NREGS where the panchayats are largely responsible for selection of beneficiaries, a large number of intended beneficiaries for these schemes are women and therefore these constitute the only gendered interventions of the panchayats in Rajasthan.

3.9 Conclusion:

Rajasthan has made little headway insofar as granting fiscal autonomy to the rural local bodies in real terms - i.e., collection of revenue and utilisation of funds without technical clearances or any conditionality attached. States like Kerala, Punjab and MP, have set aside fixed amounts (ranging from Rs 1 lakh to Rs 3 lakh) for GPs that can be spent without any prior approval from the higher authority though such steps are still awaited in Rajasthan.

Major development funds for the PRIs come through central and state sponsored schemes while they also get certain grants from CFC, SFC and area development funds of local MPs and MLAs but these are insufficient to cater to the needs of the rural areas.

The panchayats are entitled to mobilise their own revenues from tax and non–tax income sources (since untied funds are not available to them though the state or the Centre), but here again, there is a limited potential given the state's poor socio-economic development indicators.

Among the three tiers, the Panchayat Samiti has the maximum revenue generation capacity through education cess, rent from shops and bone contract while GPs are restricted to revenue collection from various kinds of registration fees, public contribution and shop rentals. Besides, the PRIs do not have enough authority regarding imposition of tax and non-tax revenues due to their narrow tax base and proximity with the people/voters.

KERALA
LOCAL PLANNING AND BUDGETING

Legal Provisions and Institutions of Decentralization in Kerala

This chapter covers aspects of legal provisions and institutions of decentralisation in Kerala.

4.1 Socio-Economic Status of Kerala

In order to locate the relevance of a region's institutions and processes to its people, any scrutiny is incomplete without examining the basic indices of human development for the region. Kerala has been one of the most progressive states in the country with regard to its achievement when seen in terms of human development indicators. Table 4.1 illustrates this in detail.

Table 4.1 Selected Socio-Economic Statistics of Kerala

Indicators	Values
Human Development Index value of India (2001)	**0.472**
Human Development Index value of Kerala (2001)	0.638
Total Population (Census 2001)	31,841,374
Total Slum Population during 2001 (in lakhs)	0.65
Life Expectancy at Birth (1999-2003)	73.6
Literacy Rate (Census 2001)	90.86
Gross Primary Enrolment Ratio in 2004-05	76.44
Dropout Rate in Class I-V during 2004-05	5.80
Number of Population below Poverty Line in 1999-2000 (in lakhs)	41.04
Workforce Participation Rate in 2001	32.30
Employment in Organized Sector during 2003 (in lakhs)	12.1
Job seekers registered with employment exchanges in 2003 (in thousands)	3635.1
Range of Minimum Wages per day for Unskilled Workers in 2005 (in Rupees)	72-189
Infant Mortality Rate (IMR) in 2005 (per 1000 live births)	14
Effective Couple Protection Rates (CPR) in 2000	39.6
Child Health (Marriage below age 18) (in %)	6.6

Source: Office of the Registrar General of India, Ministry of Home Affairs, Selected Socio-Economic Statistics India 2006, Central Statistical Organization, Ministry of Statistics and Programme Implementation, Government of India.

Kerala, in terms of socio-economic indicators, is considered an outlier in India because of its outstanding performace in crucial human development indicators like literacy rate, life expectancy at birth, sex ratio and economic empowerment. One of the major attributes of this success has been the primacy of local self-government institutions in the developmental initiatives in the state from the early days of development planning in India. Consequently, an effort towards developing a better understanding of these institutions cannot be complete without delving into a brief history of the Panchayati Raj Institutions (PRI) in Kerala and review the processes and institutions that have enabled these local bodies as credible and vibrant institutions of local governance.

4.2 Panchayati Raj in Kerala: A Historical Account

The Kerala Panchayati Raj Act was enacted in 1994 in conformity with the 73rd Constitution Amendment institutionalizing a three-tier system of local governance. To reiterate, the 73rd Amendment envisaged state governments to decentralize functions relating to governance and public service delivery to local self-government institutions. Accordingly, twenty-nine subjects were drawn up listing funds, functions and functionaries to be devolved to PRIs. Given that the Amendment left the number of subjects to be devolved to the discretion of the state government, decentralization across the country has been uneven. Kerala is among the few states working towards bringing governance closer to the people, ensuring accountability and transparency in the operations of the government. It devolved twenty-six functions to PRIs along with concomitant funds and functionaries. The state has also been successful in constitution of three State Finance Commissions (SFC) and subsequently, working out a formula for revenue sharing between state government and local bodies. Additionally, the state devolves around one-third of its annual plan outlay to local self government institutions (LSGIs) and has a separate window for the local bodies in its annual budget (please refer to Section 5.5) which earmarks allocation for LSGIs at the beginning of the financial year. However, an understanding of the process of decentralization in the state is incomplete without examining the broad contours of its genesis and evolution.

In post-independent India, institutionalizing panchayats was initiated by a provision in the Constitution[1]. PRIs got a major boost when the Balwant Rai Mehta Committee[2] submitted its report stating democratic decentralization as a key to social development and proposed a three-tier system of panchayats comprising of Gram Panchayats, Block Panchayats and Zilla Parishads. With the approval of the National Development Council, every state implemented local governance with degrees of variance. Since local self-governance was incorporated in the State List, the states were not bound to implement the recommendations of Balwant Rai Mehta Committee in its entirety. Panchayats in many states were just statutory committees without elections being held.

Kerala introduced a Panchayati Raj Bill in 1960 incorporating the recommendations of the Balwant Rai Mehta Committee and legal provisions that already existed in the Travancore, Cochin and Malabar region. Accordingly, elections to panchayats were held in 1963 following which 922 panchayat councils assumed power in 1964. However the Panchayat Act of 1960 did not bring in financial empowerment of panchayats in a major way, it only classified the responsibilities of panchayats as mandatory, discretionary, those as government agents and routine responsibilities. The mandatory activities related to civic services and developmental activities to be undertaken based on availability of

1. "State has to take necessary measures to organize Grama Panchayats and provide with the power and operational authority necessary for it to function as a constituent of the government machinery." (Article 4, DPSP, Constitution of India)
2. Report of the Team for the Study of Community Projects and National Extension Service, Committee on Plan Projects, Planning Comission, Government of India, New Delhi, November 1957

finances from the government. Many other reform measures on the panchayat administration were undertaken which mostly failed to have an impact and panchayats continued to be governed by the Panchayat Act of 1960, until enactment of Kerala Panchayati Raj Act of 1994.

Some Other Reform Measures

- *Kerala Panchayat Union Council and District Parishad Bill of 1964*
- *Two -tier Panchayat Raj Bill of 1967*
- *Kerala District Administration Bill of 1971*
- *District administration Bill of 1979*

The Kerala Panchayati Raj Act 1994 was the final landmark in institutionalizing and setting in motion local self-governance in the state. It aimed at implementing the 73rd Constitution Amendment and spelt out policy pronouncements on important aspects of local governance like, role of Gram Sabha in decentralized planning and governance, reservation of membership and leadership in the panchayat for marginalized groups, powers, duties and responsibilities for the panchayat, election of the panchayats and constitution of the election commission, financial powers, resources and constitution of finance commission, financial management of the panchayats and procedures related to audits and accounts and lastly, constitution of district planning committees to co-ordinate and vet the panchayat level planning activities.

After the enactment of the Kerala Panchayati Raj Act, a State Election Commission was appointed and the first election to the panchayats was held in 1995. The first State Finance Commission was appointed in 1994 to deliberate on the sharing of funds between the local bodies and the state government. As the panchayats earlier carried out only civic duties, it did not have enough funds for developmental activities, but with the redefining of its role, administrative duties, welfare and developmental activities also came under its purview. This mandated a larger need to devolve significant share of the consolidated fund of the state government to panchayats to carry out all these functions efficiently.

With the Panchayati Raj Act in place, the state government designated the Ninth Five Year Plan as the 'People's Plan' which became a hallmark in the efforts towards engineering people's participation in the planning process. The People's Plan was taken up in campaign mode to create awareness and instill confidence among the masses on decentralized planning and its various facets like formulation of the plan, its implementation and monitoring. The People's Plan Campaign directly handed the baton to the common people to take the lead in local area development, contrary to earlier practice of involving them only at the stage of implementation. The Campaign, besides encouraging people's participation, also focused on mobilization of local resources in the development process by involving different stakeholders. It also relaxed bureaucratic control by empowering common people and shifted the focus of the panchayats on productive sectors like agriculture and allied services, infrastructure like roads and bridges, poverty alleviation, housing and social services like health and education.

Table 4.2: Salient Features of the Kerala Panchayati Raj Act of 1994

Broad Areas Covered	Relevant Clauses in the Act	Remarks
Gram Sabha	Clause 3	Original provisions provided for gram sabha to be comprised of all voters of the villag e who should meet at least twice a year and partake in all developmental and welfare activities of the panchayat. Subsequently through Amendments to the Act in 1999, more powers were given to gram sabhas so that people could become direct partners to gover nance. The numbers of meetings were also increased to once in three months.
Reservation for Women, Scheduled Castes (SCs) and Scheduled Tribes.	Clauses 7, 8 and 9	Not less than one -third of the membership and president posts were reserved for women. Simil arly, seats and president posts were reserved for SCs and STs as per their proportion to the population within the local body. There is also a special provision for reservation of one seat for the dominant section among them, in case population falls below prescribed levels.
Powers, Duties and Responsibilities of Panchayats	Clauses 166 to 178	Executive powers were transferred from officials to elected responsibilities. Legal provisions for transferring control of various institutions to panchayats were enacted. In addition to civic duties, panchayats acquired developmental responsibilities and powers.
Finance Commission, Financial powers and resources for the panchayats.	Clause 186 and 195 to 236	The Act clearly makes provision for the appointment of a S tate Finance Commission for determining the rate and the criteria on the basis of which fund are to be devolved to the local bodies. There are provisions for assignment of own revenue resources to panchayats and panchayats are empowered to administer taxes and raise contributions from beneficiaries for specific developmental projects.
District Planning Committees		District planning committees are to be formed for co - ordination of panchayat level planning activities and draft the development plan for distri cts. The committee should comprise 15 members among which 12 must be elected from panchayats.
Accounts and Audit	Clause 215	Apart from regular financial management and audits, there were additional provisions for performance audit by officials and social audits by the gram sabha.

Source: Handbook Series on Panchayat Administration, KILA.

However, it was found that the Kerala Panchayati Raj Act had many provisions antithetical to the essence of decentralized governance. To address this anomaly, a committee was appointed in 1996[3] to scrutinize the existing provisions and operations of the panchayats and recommend way of making decentralization more meaningful. Its recommendations played a critical

3. Committee on Decentralisation of Powers (the Satya Brata Sen Committee), 1996

role in shaping the administration and functioning of panchayats. It formed the basis of formulating the Right to Information Act and provisions for publications of Citizen's Charter by every local body. It also recommended minimal government control over panchayats and dismissals of panchayat councils can only be taken with due consideration to the opinions of the appointed Ombudsman and Tribunals. The committee also espoused that panchayats being independent bodies of self-governance should have clear-cut responsibilities with minimal overlap, however there would also exist complementarities in the functioning of panchayats both in their horizontal spread and among the vertical tiers. Following set of three tables provides a profile of the Panchayats in Kerala.

Table 4.3: Number of Panchayats at Different Tiers in Kerala

Sl. No.	*Level of Panchayat*	*No. of Panchayats*
1	District Panchayat	14
2	Block Panchayat	152
3	Gram Panchayat	999

Source: Status of Panchayats: State Profile of Kerala, Ministry of Panchayati Raj, GoI.

Table 4.4: Number of Grama Panchayats by Population Distribution in Kerala

Range of Population	*No. of Grama Panchayats*
Below 10,000	13
Between 10,000 and 20,000	233
Between 20,000 and 30,000	429
Between 30,000 and 40,000	243
Between 40,000 and 50,000	69
Above 50,000	12
Total	**999**

Source: Status of Panchayats: State Profile of Kerala, Ministry of Panchayati Raj, GoI.

Table 4.5: Distribution of Grama Panchayats According to Area

Sl. No.	*Area*	*No. of Grama Panchayats*
1.	Below 5 Sq.km.	5
2.	Between 5 – 10 Sq.km.	64
3.	Between 10 – 15 Sq.km.	128
4.	Between 15 – 20 Sq.km.	199
5.	Between 20 – 30 Sq.km.	282
6.	Between 30 – 40 Sq.km.	125
7.	Between 40 – 50 Sq.km.	45
8.	Between 50 – 75 Sq.km.	66
9.	Between 75 – 100 Sq.km.	34
10.	Between 100 – 150 Sq.km.	26
11.	Between 150 – 200 Sq.km.	8
12.	Above 200 Sq.km.	17
	Total	**999**

Source: Status of Panchayats: State Profile of Kerala, Ministry of Panchayati Raj, GoI.

4.3 Status of Decentralisation in Kerala: An Assessment

As already mentioned, Kerala is among the few states (others being Karnataka and West Bengal) to have devolved most of functions enshrined in the 73rd Amendment, along with concomitant funds and functionaries. An assessment of the extent of devolution viz. functions, functionaries and funds is in order.

Devolution of Functions

The Panchayats have been given the

responsibility of development and management of productive sectors like Agriculture and Allied sectors

- Agricultural extension services providing support to the farmers for increasing production and productivity
- Watershed management and minor irrigation.
- Dairy development
- Animal Husbandry including veterinary care, and
- Inland fisheries.

They are also responsible for promotion of tiny, cottage and small industries in their jurisdiction.

The local governments are entirely responsible for planning and implementation of poverty alleviation programmes including all the centrally sponsored anti-poverty programmes and state plan schemes. Under social services like health, all institutions other than medical colleges and big regional specialty hospitals have been placed under the control of local governments. Similarly under education, in rural areas, high schools and Higher Secondary schools have been transferred to the District Panchayats and primary schools have been transferred to Gram Panchayats; in urban areas, all schools have been transferred to the urban local governments. Apart from these, the responsibility of providing midday meal in schools has been transferred to the local bodies. Social welfare and poverty reduction are now in the domain of local governments who also have considerable responsibility in the promotion and development of the primary sector. Under social welfare, barring statutory functions relating to juvenile justice, all the functions are with local governments. Programmes like Integrated Child Development Scheme (ICDS) are entirely implemented by Gram Panchayats and Urban Local Bodies. Pensions to the aged, widows, orphan and care of the disabled is also a local government responsibility.

Local infrastructure creation is also under the domain of Panchayats and urban local bodies. Barring highways and major district roads, connectivity in terms of construction and maintenance has become local government responsibility. Institutions of public service like hospitals, schools, anganwadis, veterinary institutions, Krishi Bhawans, hostels for Scheduled Castes and Care institutions for different disadvantaged groups have been transferred to local governments on 'as is where is' condition. The responsibilities of local governments in respect of these institutions are mostly non-plan in nature and include:

- maintenance of infrastructure
- upkeep and maintenance of equipment
- replenishment of consumables
- establishment charges relating to telephone, water, electricity, fuel etc.
- mid-day-meal cost in schools.

Sanitation and most of the functions relating rural water supply has also been moved to the domain of local governments. Moreover, Kerala on the basis of the recommendations of the Committee on Decentralization of Powers (Sen Committee) gave statutory basis to activity mapping through amendments to the Panchayati Raj Act in 1999, clearly demarcating roles and responsibilities within different tiers of Panchayats.

Devolution of Functionaries

The Government of Kerala has transferred functionaries to PRIs in keeping with the functional devolution. A mapping of the functionaries devolved to each level of Panchayat has been given in the table below:

Table 4.6: Functionaries Devolved to Three Tiers of Panchayat

Department	Grama Panchayat	Block Panchayat	District Panchayat
1. Agriculture	Agricultural officer and auxiliary posts (Officers and staff of Krishi Bhavan)	One post of Assistant Director and auxiliary posts	• Principal Agricultural Officer and auxiliary posts • Two posts of deputy Director and auxiliary posts • District soil conservation officer and auxiliary posts • One Assistant executive Engineer and connected posts • Officers and staff of Mobile soil testing laboratory, District sales counter, District agriculture farm, coconut nursery
2. Animal Husbandry	Officers and staff of Veterinary Sub Centre, Veterinary Dispensary/Hospital and ICDP sub centers	Officers and staff of Veterinary Poly Clinic, Mobile farm unit, Mobile veterinary dispensary	• District Animal Husbandry officer and auxiliary posts • Officers and staff of ICDP area office, Mobile Veterinary Dispensary, Mobile farm unit, clinical laboratories not attached to District Veterinary centres
3. Dairy Development		Block Level Dairy Extension Officer and auxiliary posts	• Deputy Director and auxiliary posts
4. Fisheries	One Fisheries sub Inspector (in the Grama Panchayat wherever necessary)		• District level officer (Deputy Director) and auxiliary posts • Teachers and other staff fisheries schools
5. Industries		Industries Extension Officer	General Manager and auxilia ry posts of District Industries centres
6. Rural Development	Two Village Extension Officers (including lady VEO)	The post of Block Development Officer and auxiliary posts	• One post of Assistant Development Commissioner and the District Women's welfare officer and auxiliary staff All functionaries of DRDA
7. Social Welfare	Officers and staff of Day care centres and Aganawadies (ICDS Supervisor, Aganwadi worker/helper etc.)	Officers and staff of Child Development Project Office, Old age homes Care Homes and similar other institutions	District Social welfare Officer, District Programme Officer and auxiliary posts
8. Cooperation			One Assistant Registrar and One clerk
9. SC Development	Officers and staff of Balawadies, Balawadi cum feeding centres, seasonal day care Centre and dormitories of the respective places.	Block Level SC Development officer and staff and Staff of pre-matric hostels	District SC Development officer and auxiliary posts

10. ST Development	• Officers and staff of Balawadies, Medical Unit, Nursery schools, midwifery centres & Ayurvedic dispensaries of the respective places. • Tribal Extension Officers in 43 Grama Panchayats	Tribal Extension Officer	ITD Project Officer and auxiliary posts
11. Health Services (Allopathy)	Medical Officers and other staff of PHCs/ Govt. Dispensary and sub centres	Medical Officers and staff of Block Level PHC/ CHC/Taluk Hospital/ Govt. Hospital	• District Medical Officer and auxiliary posts • Medical Officers, Supt. and all other staff of District Hospitals
12. Health Services (Homoeo)	Medical Officer and staff of Government Homoeo dispensaries and hospitals of the respective places	Medical officers and auxiliary posts of Taluk Hospital	• District Medical Officer and auxiliary posts • Medical Officers, Supt. and all other staff of District Hospitals
13. Health services (ISM)	Medical officer and staff of Ayurveda dispensary and hospitals of the respective places.	Medical officers and auxiliary posts of Taluk Hospital	• District Medical Officer and auxiliary posts • Medical Officers, Supt. and all other staff of District Hospitals
14. General Education	Headmasters, teachers and other staff of Primary Schools		• District level Officer and auxiliary posts • District and Assistant Educational Officers and auxiliary posts • Teaches and connected posts High Schools, Spe cial Schools and Teachers Training Institutes
15. Higher Secondary Education			♦ Teachers and connected posts of Higher Secondary/ Vocational Higher Secondary Schools
16. Technical Education			All staff of Tailoring and Garment making centres and Tailoring trade Centres
17. Public Works Department/ Irrigation Department	Assistant Engineer and auxiliary posts (One AE for two Grama Panchayats)	Assistant executive Engineer and auxiliary posts	One Executive Engineer and auxiliary posts

Source: Status of Panchayati Raj – State Profile of Kerala, Ministry of Panchayati Raj, Govt. of India

:The Panchayats have also been given disciplinary control over its own staff and staff transferred from other departments. The elected bodies have been declared executive authorities and transferred officers from other departments' function under the control and superintendence of Panchayats. The transferred officials are required to explain their performance in their respective sectors in the meetings of the Panchayats. Salary of transferred staff comes from their respective departments while salary of the Secretary and staff of Gram Panchayat is met by the Panchayat. The Panchayat is also authorised to take disciplinary action against its staff for default entailing minor punishment. For major offences, the President is authorized to prepare and submit an enquiry report, based on which action is initiated by the designated disciplinary authority of the respective departments.

The government of Kerala has constituted three different cadres of services for the Panchayats under three departments that exercise control over their respective cadre of staff working with Panchayats. The Department of Panchayats supervises the Gram Panchayat staff. The Rural Development Department supervises the Block Panchayat staff and Local Self Government Department supervises the District Panchayat staff. The state government fills up vacancies in the Panchayats through the State Public Service Commission (PSC) and even the Panchayats are able to notify their vacancies to the PSC through the Panchayat Department.

Moreover, to fill up technical expertise gaps of the Panchayats, a virtual technical cadre of service for the Panchayats has been formed by redeploying staff from the Public Works and Irrigation departments, so that there exist, on an average, one Assistant Engineer for two Grama Panchayats, one Assistant Executive Engineer for a Block Panchayat and one Executive Engineer for a District Panchayat. In order to make the Technical Sanction process more transparent, a committee system has been introduced, constituted by engineers from the government, academic institutions and non-governmental organizations at the levels of District Panchayat and Block Panchayats for vetting the plans of the panchayats and awarding technical sanction.

Devolution of Funds

The Conformity Act for Panchayats in Kerala gives wide ranging autonomy to the Panchayats to raise resources, plan for activities and execute developmental projects in the spheres devolved to them. The state budget of Kerala has an exclusive window for the Panchayats (Appendix IV) giving details of the funds allocated to the local bodies under all the head of accounts. This devolution from the state budget has three sources of untied fund for the Panchayats i) funds for development expenditure, ii) funds for maintenance of assets, iii) funds for traditional functions (General Purpose Fund). It is noteworthy that general sector funds devolved to Panchayats include and subsume within it the Central Finance Commission (CFC) grants. CFC grants are subsumed into the state devolution, on the ground that the state is already giving substantial grants to Panchayats.

As per the Conformity Act, Gram Panchayats are also capable of raising revenue through tax and non-tax sources devolved to them. The own tax revenue of the Gram Panchayats includes property tax, professional tax, entertainment tax, advertisement tax, service tax and show tax. Among the major non-tax own revenue sources are rents, other income from properties such as markets, bus stands, shopping complexes, license fees, income from rivers in case of Panchayats having rivers (sale of sand), fees, fines. The District Panchayats and the Block Panchayats do not have any tax revenue sources; some sources of non-tax revenue like rent from buildings and agricultural machinery comprise their own source revenue. There are no restrictions put by the government on utilization of own revenue by the Panchayats. The formula for transfer of funds to Panchayats includes a weightage aimed at incentivising collection of own revenues by Panchayats.

:

:

Table 4.7: Sources of Revenue for the Panchayats

Sl. No.	Sources of Revenue	Remarks
	Own Sources of Revenue	
1.	Tax Revenue • Property Tax • Profession Tax • Advertisement Tax • Entertainment Tax • Show Tax • Service Tax	Tax revenue sources are assigned to the Gram Panchayats exclusively.
2.	Non-Tax Revenue • License Fees • Registration Fees • Rent on Land and Buildings • Receipts from markets, bus stands and slaughter houses • Revenue from sand mining • Fines	Only some of the non-tax revenue sources are assigned to Block or District Panchayats.
	Transfer of Resources	
1.	Category A funds (non-plan): Development Fund	For decentralized planning from the state government. Panchayats draw money from treasur y through bill system.
2.	Category B funds (plan): State Sponsored Schemes	For state sponsored projects from the state government. Panchayats draw money from treasury through bill system.
3.	Category B funds (non-plan): Social welfare	For social welfare schemes such as unemployment allowances and pensions for agricultural labourers.
4.	Category C funds (non-plan): Maintenance Grant	For the maintenance of road and non -road assets by the panchayats. Panchayats draw money from treasury through bill system.
5.	Category D funds (non-plan): General Purpose fund	For executing the routine expenditure of the Panchayats and transferred institutions.
6.	Category E funds: Centrally Sponsored schemes.	For implementation of centrally sponsored schemes like NREGS, S GSY, IAY, TSC, drought relief and literacy programmes. Grants under this category include both state share and central share. SGSY and IAY are transferred only to Block Panchayats.

Source: Financial Management, Handbook Series on Panchayat Administration, Kerala institute of Local Administration.

4.4 Decentralized Planning: A Review of Processes

The People's Plan Campaign launched at the beginning of the Ninth Five Year Plan sowed the seeds of decentralized and participatory planning in Kerala. The purpose of participatory planning was to prioritise local needs in the process of planning for development. This gave credence to the notion that it is not driven by policy priorities as dictated from above but addressed 'real' issues of the people. The planning process demanded that projects under local level planning be designed by people with exhaustive knowledge about the locality and aware of the developmental needs. This process would enable linking of locally available human and natural resources with need-based planning in an effective manner. Fundamental to the process of participatory planning is the articulation of demands and identification of beneficiaries by people themselves in Gram Sabha meetings. This ensures distribution of gains from development among all segments of the population. However, local societies may be quite divisive and certain marginalized groups may be incapable of articulating their demands either because of small size of population or social oppression. Nevertheless, the major advantage of decentralized and participatory planning is that it addresses effectively lack of transparency, accountability, efficiency and time over-runs, resource leakage and corruption commonly associated with centralized planning.

Table 4.8: Steps in the Process of Decentralized Planning: Preparation of Annual Plan

S.No.	Steps in the Process of Planning	Description
1.	**Step 1**: Situation analysis by local governments.	The Working Groups are constituted for the various sectors of development falling under the domain of each tier of Panchayats, a quick analysis is done of the respective sectors to generate project ideas for the relevant year's programme, and a report is prepared. This will be further expanded and deepened for the purpose of the entire five-year plan.
2.	**Step 2**: Consolidation of Working Group reports.	Consolidation to be done by holding a meeting of all Local Governments by the DPC to decide immediate priorities to be followed in the Annual Plan.
3.	**Step 3:** Holding consultations with key stakeholders.	A pre Gram Sabha/Ward Sabha consultation is being held with different key stakeholders and suggestions are sought for the Annual Plan and separately for the five year plan. Stake holders mostly belong to • Farmers and agricultural workers • People engaged in industrial activities and services (both traditional and modern) including workers • All the Area Development Societies • Headmasters and key Parent-Teachers Association office bearers • Anganwadi workers and Mothers' Committee Chairpersons • All Hospital Management Committee members of the • Government Hospitals within the Local Government (of all three streams) and key medical professionals within the Local government, from the NGO and private sector. Youth Clubs, youth organizations and activists and functionaries of the literacy and library movements, eminent persons in the field of arts and culture and representatives of disabled groups. • Vanasamrakshana Samithies and environmental activitists. • Political parties and trade unions.
4.	**Step 4:** Holding of Grama Sabhas/Ward Sabhas	• Assessment of performance of previous year's Plan. • Determination priorities for the Annual Plan 2007-08 • Taking of preliminary decisions in respect of preparation of Watershed Plans. • Validation of BPL list.

5.	Step 5: **Drawing of draft plan proposals**	**Draft plan proposals are prepared by the Working Groups for their respective sectors.**
6.	**Step 6:** Development Seminar	Discussion of the draft plan in development seminar. The development seminars suggest the broad priorities and general strategies of developmental projects to be taken up for a particular year.
7.	**Step 7:** Prioritization and resource allocation by the Local Governments.	As per the strategies evolved in the development seminar sectors of interventions are priorit ized and resources are accordingly allocated.
8.	**Step 8:** Priorities to Projects	Preparation of detailed projects by Working Groups for each of the sectors.
9.	**Step 9:** Submission to District Planning Committees (DPCs) for vetting and approval.	Finalisation of the Annual Plan by Local Governments and submission of the following documents to the DPC. • Documents relating to Grama Sabha/Ward Sabha, Working Group and Development Seminar. • Expenditure statements of Annual Plan 2006 -07 based on revised DPC proceedings. • Plan document for 2007 -08 containing same Chapters as previous Annual Plan and a new Chapter on Governance. (This would include full details of all spillover projects being continued during the current year). • Anti-poverty sub-plan for 2007-08 • Tribal Sub Plan for 2007-08 (wherever applicable) • Maintenance Plan for the year 2007-08. • Resolutions of the Local Government approving the Plans and spillover works. • Statement on Own Revenue used in Plan • Statistical Annexes
10.	**Step 10:** Approval of Plans by DPC and issue of proceedings	
11.	**Step 11:** After approval the DPC would consolidate the plans of Local Governments into a District Plan.	

Source: Guidelines for the Preparation of Annual Plan 2007-08 and XIth Five Year Plan, Govt. of Kerala.

Working Groups

The Working Groups are a mandatory part of the process of decentralized planning and local governments including Gram Panchayats are free to constitute as many Working Groups as required depending on availability of experts. Each Working Group is to be headed by an elected member. Some mandatory requirements are useful to be noted here. The Working Group on Development of Scheduled Castes is to be headed by an SC Member while the Working Group for Women and Children by a woman. The Working Groups on Watershed Management and Anti Poverty Sub Plan is to be headed by the Chairperson. A leading expert in the sector concerned is to be nominated as the Vice-Chairperson of the Working Group. The Convener of the Working Group is to be the senior-most official transferred to the local government in that sector. Other professional officials are to be its members. The sectors for which Working Groups are constituted are given below:

- Watershed Management including Environment, Agriculture, Irrigation, Animal Husbandry, Dairying, Fisheries and related sectors.
- Local Economic Development other than agriculture including local industries, promotion of private and community investment and mobilization of credit.
- Poverty Reduction including housing
- Development of Scheduled Castes
- Development of Women and Children
- Health
- Water Supply and Sanitation including Solid Waste Management
- Education, Culture, Sports and Youth
- Infrastructure
- Social Security including care of the aged and disabled
- Energy
- Governance Plan

4.5 Conclusion

In sum, the Kerala Panchayati Raj Act, 1994 ushered in reforms in the sector of local governance and facilitated incorporation of several institutional parameters that have brought in transparency and accountability of the bureaucracy as well as elected representatives. It established each tier of local bodies as separate and autonomous institutions of local governance and facilitated direct participation of the common masses into this governance structure and the development planning of the locality. While these institutional parameters have been put in place, the practical aspects of the extent of devolution to PRIs in Kerala need to be examined in an attempt to understand the relative strengths and weaknesses.

Fund Flow and Financial Position of the Panchayati Raj Institutions in Kerala

5.1 Introduction

As discussed in the previous section, institutional reforms governing LSGIs in Kerala have been groundbreaking compared to achievements of other states.

The reforms have empowered the elected representatives of LSGIs and, through the Gram Sabha the people themselves, to seek accountability from the bureaucracy. A key component of this process of devolution has been financial empowerment of the LSGIs, particularly of the Gram Panchayats (GPs). The GPs have been given significant control over resource generation through taxes and non-tax sources, borrowing from co-operative banks and accepting contributions from beneficiaries for particular development projects. Apart from these, a significant percentage (30 percent) of plan outlay from the state budget is transferred to the LSGIs along with maintenance grants for maintenance of assets and general purpose grants for meeting establishment requirements. Given that LSGIs command significant resources in Kerala and possess the autonomy to plan their activities accordingly, it is pertinent to assess the financial position of the LSGIs to understand their budget priorities and planning process.

Accordingly two districts - Ernakulam and Mallapuram were selected on the basis of the State Human Development Report. In each district, two blocks were selected on the basis of their economic performance as suggested by the district level officials. Within each of the blocks in a district, two Gram Panchayats were selected for survey, these being:

Districts	Blocks	Villages
1. Ernakulam	1.1 Vypin (backward) 1.2 Kothamangalam (developed)	1.1.1 Pallipuram 1.1.2 Njarakkal 1.2.1 Kootampuzha 1.2.2 Nellikkushi
2. Mallapuram	2.1 Perumbadappa (backward) 2.2 Nilambur (developed)	2.1.1 Alamkode 2.1.2 Perumbadappa 2.2.1 Nilambur 2.2.2 Amarambalam

5.2 Recommendations of Third State Finance Commission: A Review

The Third State Finance Commission (TSFC) was constituted in September 2004 to review and deliberate on the financial position of Panchayats and Municipalities, make recommendations on the principles that would govern distribution of net proceeds of taxes, duties, tolls and fees leviable by the state between the state, Panchayats and

Municipalities and inter se distribution of funds between all tiers of Panchayats and Municipalities. The TSFC as per its terms of reference also deliberated on the determination of taxes, duties, tolls and fees that may be assigned or appropriated by the Panchayats/Municipalities and grants-in-aid to the local bodies from the consolidated fund of the state. The Commission, among others, also made recommendations on a) efficient financial management of local bodies with reference to efficiency in resource mobilization and economy in expenditure; b) procedures to be followed for smooth flow of funds to local self governments and to ensure financial accountability; c) systems and procedures with respect to budgeting, accounting and auditing; d) systems and procedures for monitoring fiscal performance of local self-governments.

The TSFC took into account the increased role of LSGIs in developmental activity particularly relating to decentralized planning and aimed at consolidating the initiatives of the earlier finance commissions. It also aimed at improving existing procedures and practices to ensure greater accountability and smoothness of operations of the LSGIs without compromising fiscal autonomy of the local bodies. The Commission also focused on issues of resource constraint and fiscal viability faced by the state government in recommending resource transfers from state to local bodies.

The major recommendations of TSFC pertain to devolution of funds to LSGIs as a share in state tax revenues. The Commission recommends that a total amount of Rs 12515 crore shall be transferred to LSGIs over a period of 2006-07 to 2010-11, with a sum of Rs 2050 crore being devolved in 2006-07 and devolution for subsequent years being arrived at by applying a ten percent annual growth rate. The devolution would be bifurcated into three different streams of funds a) expenditure on the traditional function of LSGIs (Rs 300 crore for 2006-07); b) expenditure on maintenance of assets (Rs. 350 crore for 2006-07) and c) expenditure on developing and expanding services and institutions transferred to LSGIs (Rs. 1400 crore for 2006-07). The state government with a qualifier accepted the recommendation that such devolution will also include Local Bodies Grant received by the state from the award of the Twelfth Finance Commission.

Moreover, the entire devolution is reflected as 'Compensation and assignment to Local Self Governments' in the non-plan revenue account of the state budget under major head 3604, with the exception of funds for road maintenance being provided under appropriate PWD (Public Works Department) head of account. This has been done as the Twelfth Finance Commission (TFC) and Government of India have linked TFC Road Maintenance Grants (which cover roads transferred to LSGIs) to the state government, making certain minimum provisions and actual expenditure under the PWD Maintenance account.

The Commission recommended that additional resources through three different means can be raised by a) increase in tax and non-tax revenues, b) public contribution, and c) borrowing. However, tax rates may be increased only after careful consideration when revenue mobilization from existing tax structure has already been exhausted and implications of raising tax rates or new taxes have been considered carefully. The use of borrowing for raising resources is to be used to a limited extent only and there should be a clear schedule for repayment. Accordingly, the state government limited the borrowing capacity of Grama Panchayats to five percent of total own revenue receipts and five percent of the allocated funds for development in a year for Block Panchayats and District Panchayats. However, no limit is applicable in the case of borrowing for commercial projects.

Process of Devolution of Funds

Allocations of development funds from the state government are made in ten equal monthly installments on the first working day of the month from May to February every year. The Panchayats are able to utilize the funds placed at their disposal in the treasury as per the monthly allocation letter and to the extent of amount allocated in the name of the Panchayat. Allocations of Maintenance Fund are made in ten equal monthly installments from April to January every year; whereas General Purpose Fund is devolved in twelve equal monthly installments. Panchayats are able to withdraw funds from the treasury through contingent bills, based on allocation letters in the name of individual Panchayats. The state government however, has not accepted the system suggested by the Government of India on direct transfer of funds to Panchayats from the State Consolidated Fund through banks.

To facilitate easy withdrawal of funds from the treasury and to enable the local bodies to carry over some of the unutilized funds beyond the financial year, the commission recommended that the funds transferred as per schedule explained above be transfer credited from major head of account 3604 to Public Account (major head 8448) before the fifth day of each month. Accordingly there is three Deposit Accounts under 8448 for each of the three different kind of funds mentioned before. For bills presented for withdrawals from Public Account within the limits of monthly release credited to the account of the LSGIs, no treasury restrictions or ways and means clearance from Finance Department will be applicable. However, for utilization of funds carried over from previous monthly release special authorization from Finance Department has to be obtained. In addition, if the outstanding amount remaining for any LSGI in the Public Account is more than ten percent of the total amount released as on the closing of financial year, the excess over ten percent will be reduced from the budget provisions for the LSGI for next year.

The above-mentioned processes are interim arrangements till the LSGIs are given full fiscal autonomy whereby they will have full control over their finances, by 2008-09. Under such a regime, each LSGI will have four separate bank accounts for a) traditional functions; b) for maintenance expenditure; c) funds for development of services and institutions and d) for agency functions like state sponsored schemes, centrally sponsored schemes etc. However, a crucial component of imparting full fiscal autonomy to LSGIs is that each of these institutions needs to have a functioning Finance and Accounts Wing (even in a Grama Panchayat) for proper financial management. The State Government will facilitate the process through redeployment of necessary staff, emphasizing a computer based accounting system and providing adequate training to existing staff.

5.3 Devolution from the State Budget

The State Government devolves a significant portion of resources both plan and non-plan to the local bodies. However, despite the claims that Kerala has devolved 26 subjects to the Panchayats with funds, functions and functionaries, the following exercise, which attempts to map the 29 listed functions in the Constitution with budget heads from the Kerala State Budget, found that there exists Panchayat Window for only 12 functions out of 29. Out of the 12 subjects for which there is a Panchayat Window, three have no allocation. For the remaining 9 subjects, only Poverty Alleviation and Rural Housing along with Social Security and Welfare have given substantial resources to PRIs out of the total allocation on these budget heads. However, it may also be noted that certain functions are listed as traditional functions of PRIs and expenditure requirement for such functions may be met out of tax devolution by the State government to the PRIs. For example, the maintenance grant that the PRIs receive as devolution from state government has a specific component for Road Maintenance but there is no separate allocation for PRIs under the major head for Roads and Bridges.

Table 5.1: Devolution of Funds from the State Budget of Kerala as per 2007-08 (B.E.)

1	2	4	5	6	7
Sl. No.	**Subject**	**Major Head number**	**Title in the Budget document**	**Panchayat Window**	**Budgetary allocation done to the PRIs (percentage)**
1	Agriculture including Agricultural extension	2401	Crop husbandry	Yes	2.32%
2	Land improvement, implementation of land reforms, land consolidation and soil conservation.	2402	Soil and Water conservation	Yes	0.28%
3	Poverty alleviation and Rural Housing	2501	Special programmes for Rural development	Yes	91.91%
3	Minor irrigation, water management and watershed development	2702	Minor irrigation	No	
4.1	Animal husbandry, dairying and poultry	2403	Animal husbandry	Yes	No Allocation
4.2		2404	Dairy Development	Yes	No Allocation
5	Fisheries	2405	Fisheries	No	
6	Social forestry and farm forestry	2406	Forestry and wildlife	No	
7	Minor forest produce	2406	Forestry and wildlife	No	
8	Small scale industries	2851	Village and small scale industries	Yes	0.03%
9		2851/105	Khadi, Village and cottage industries	No	
11	Drinking water	2215	Water supply and Sanitation	No	
12	Fuel and fodder		Not traced		
13	Roads, culverts, bridges, ferries, waterways and other means of communication	3054	Roads and Bridges	No	

14	**Rural electrification**	**2801**	**Electricity**	**No**	
15	Non conventional energy	2810	Non conventional energy	No	
17	Education	2202/01	Elementary Education	Yes	2.46%
		2202/02	Secondary Education	Yes	0.09%
18	Technical training and vocational education	2203	Technical Training	Yes	No Allocation
19	Adult non formal education	2202/04	Adult Education	No	
20	Libraries	2205/105	Public Libraries	No	
21	Cultural Activities	2205/102	Promotion of Arts & Culture	No	
22	Markets and fairs		Not traced		
23	Health and sanitation, including hospitals, primary health centres and dispensaries	2210	Medical and Public Health	Yes	0.28%
24	Family welfare	2211	Family welfare	No	
25	Women and Child Development	2235	Social security and Welfare	Yes	37.39%
26	Social Welfare, including welfare of the handicapped and mentally retarded				
27	Welfare of the weaker sections and in particular, of the Scheduled Castes and Scheduled Tribes.	2225	Welfare of SCs,STs and other backward classes	Yes	4.71%
28	Public distribution system	3456	Included under Civil supplies	No	
29	Maintenance of community assets		Not traced		

Source: State Budget of Kerala, 2008-09, Govt. of Kerala.

5.4 Field Observations and Key Findings

In Kerala, given that there has been significant progress made in the extent of decentralization, the bottlenecks in fund transfers and plan execution are mostly second generation. The state government of Kerala devolves around one-third of its Plan outlay to the Panchayats from its budget and the funds devolved are routed through the treasury, wherein, the Panchayats draw their requisite funds through the bill system. There is no system of giving advances for undertaking expenditure, which also addresses the problem of misappropriation of funds at the Panchayat level. Although several charges of corruption by Panchayat functionaries surfaced, the field investigation team found it difficult to establish the same from the financial statements of Panchayats.

A major gap in the accounting and audit practices in Kerala is that none of the local bodies had their accounts updated. Also, LFAD had not audited the annual financial statements for the last three - four years. Thus, the data obtained from the Panchayats at all levels were unaudited statements. The huge gaps in conducting audits are largely attributed to delay in preparation of financial statements by local bodies; however Panchayat functionaries counter-allege that it is the under-staffed LFAD that is responsible for the delay.

A major issue is that while all the Grama Panchayats (GPs) had uniform and detailed formats for budget and annual financial statements with provision for reporting up to minor heads of account, Block Panchayats and District Panchayats do not have uniform and comparable formats. Another concern stated by the Grama Panchayat functionaries is that, given the detailed and cumbersome nature of the budget documents and the annual financial statements, the staff at GPs, more often than not, lacks the capacity to fill these documents. Moreover, some elected representatives of the GPs also commented that the benchmark for sanctioned staff strength of the Panchayats is archaic and there is a need for reassessment of required strength of staff for Panchayats at each tier, in keeping with the increase in population in each Panchayat and the scope of activities that are covered by Panchayats. It was thus suggested that provisions might be made for outsourcing certain activities of the Panchayats in the event of failure to provide adequate staff.

There seems to be also a clear need for recruitment of qualified accounts managers for the Panchayats (particularly the GPs) given the quantum of funds these local bodies handle and complexities surrounding the different heads of receipts and disbursements.

There is also a significant disjunction between formulation of the plan, the budget prepared by the Panchayats and the actual funds disbursed to Panchayats by the state government. The annual budget for the Panchayats is to be presented before the elected representatives of the Panchayat and Grama Sabha by end of March every financial year. However, drafting of the annual plan begins only in May every financial year with the constitution of Working Groups. As per government guidelines, the process should be completed by end of August with wide circulation of the Annual Plan. The actual duration of plan finalization often stretches until November. Therefore, the Panchayats only get the last quarter of the financial year to implement the projects approved in the plan.

With regard to fund disbursal from the state government, Panchayats receive their grants in ten equal installments starting in May every financial year. Until the annual plan is finalized, most of the grants to the Panchayats lie unutilized, as local bodies are not mandated to incur expenditure on items that are not part of the annual plan or budget. Moreover, Panchayats are required to spend at least 70 percent of developmental and other grants received from the state government within the financial year, failing which they are subject to a budget cut to the tune of the amount of shortfall in utilization in the following year. Thus, delay in plan formulation and norms governing utilization impact quality of projects undertaken by the Panchayats, most of which are reported to be small and wasteful.

Evidently, given these procedural bottlenecks, Panchayats lack the capacity to invest in large projects entailing creation of durable public assets. There also seems to be a perpetual problem of spillover projects in every financial year that allows the Panchayats to bypass technical vetting by the Technical Advisory Groups and the DPC. The overall process has also rendered the annual budget document redundant, as it does not reflect the expenditure pattern of the financial year for which the budget is drawn. Hence, there is a need to fine-tune the planning process to start by end of the third quarter of the financial year with appraisal of performance of the first three quarters and culminate with a draft plan by end of the financial year. This would not only enable initiation of plan projects from early part of the financial year but also reduce wasteful and spillover projects.

It has also been commented by the TSFC that budgets drawn up by the Panchayats are impractical and there is a tendency to over-budget than the Panchayats can actually spend. For the eight GPs visited, the study team found wide variance between actual estimates and budget estimates of corresponding years as has been discussed in subsequent sections.

Despite the fact that institutional parameters for better functioning of Panchayats have been put in place in Kerala, there is a need for restructuring the procedural and administrative frame of the Panchayats to enable better functioning. There is also significant scope for improvement in the information management systems of local bodies, particularly the Panchayats are yet to reap the benefits of development in information technology. The State Government in its Action Taken Report (ATR) on the TSFC recommendations commented that expansion in staff strength or creation of additional posts would be difficult, and thereby, a computer-based system of accounting would be introduced and staff would be trained to handle computer-based information systems. Introduction of computerized system of administration, certainly, would release some staff for redeployment, but with expanding activities of Panchayats particularly in the realm of development, there is a need for strengthening of administrative structure of Panchayats.

Role of PRIs in Health and Education

PRIs in Kerala, particularly the District Panchayat and the Block Panchayat, play a significant role in the provision of basic services like healthcare and education. Each tier of Panchayat in its preparatory phase of planning constitutes a working group each on education and health, water supply and sanitation.

In health sector, the role of PRIs are primarily assessment of health needs of the local area and plan for improve the quality of health services to the people. The focus of the planning is more on management of health services and infrastructure and identification of the minimum requisite standard of health services. The gaps in services are thereafter to be filled as per resource availability and priorities of the PRIs. It has been observed during the field survey that in the provision of health services, the Block Panchayats play an important role in management of the services at the Block level as provisions for maintenance and purchase of medicines are often provided through the Block Panchayats. The District Panchayat is also responsible for planning and provisioning of health services and is capable of mobilizing resources for creation of capacity at the district leve. During the field visit in the district of Mallapuram in Kerala, interaction with District Panchayat functionaries revealed that the Panchayat was in the process of constructing a district hospital with 100 beds and ayurvedic treatment facilities. In this regard, the District Panchayat has also mobilized substantial resources from their own fund and contributions from potential beneficiaries.

In case of education, similar as in

case of health, the focus of planning is on improvement in quality of education and ensuring attainment of minimum levels of learning. The role of Panchayats in case of education is however restricted only to planning and monitoring rather than having a direct control over providing of such services. The GPs are required to channelise a part of their plan budget to education sector as contribution to the Annual Work Plan and Budget (AWP&B) for the entire Block prepared by the Block Programme Officer of SSA and has little control over its spending. Administrative control, academic monitoring and supervision of educational services at the local level largely vests with the Deputy Director of Education at the district level and Block Education Officer at the block level. The Panchayats however, are capable of taking up some innovative schemes from their own finances. An interesting case in this regard is Nilambur Grama Panchayat, which has the rare distinction of attaining hundred percent literacy through an adult literacy programme run by the GP itself. Another case is that of Perumbadappa Block Panchayat which operates a alternate learning school for differently abled children by generating resources on its own.

In a nutshell, PRIs in Kerala play a significant role in provisioning of services in health and education both within the purview of requisite institutional framework provided by the State or outside it by operating innovative schemes on its own as per local needs.

Women's Participation in Planning and Budgeting

The participation of women in the planning and budgeting process at the local level is fairly institutionalized through policy guidelines from the State government, which also encourages social mobilization of women through Community Development Societies (CDS) or Kudumbashree. The annual planning process at the Panchayat level in Kerala requires the constitution of a separate working group on development of women and children at the onset. It is mandatory for this working group to be headed by a women member of the Panchayat. The guidelines to the planning process also requires that the working group on women and child development should atleast include two members from Kudumbashree. The share of women's component plan out of the total plan size of the Panchayats is stipulated to be 10 percent inclusive of the sectors of General, SCP and TSP. Owing to social mobilization among women's groups being strong in Kerala, participation of women in the Grama Sabha meetings are stronger compared to other States, in this case particularly Rajasthan.

The budget for the Women's Component in the plan appears prominently in the Annual Budget and the Annual Financial Statement, which make it easier to track the expenditure on development of women by the Panchayats. Expenditure on Women's Component as analysed from the Annual Financial Statement of GPs has been reported in Table 5.2 below.

5.5 An Assessment of the Finances of Panchayati Raj Institutions

The Grama Panchayats are the keystone of decentralization in Kerala. In accordance to its mandate, raise revenue from different tax sources assigned to it and undertake developmental expenditure as well as maintenance of existing public services. Accordingly, the bulk of funds devolved from the state budget (both Plan and Non-plan) are given to the Grama Panchayats for their dispensation. On the other hand, Block Panchayats and District Panchayats have very little or no resources at their disposal. Inevitably, these institutions are largely dependent on transfers from the state and the Central governments. The Block Panchayats play a crucial role in implementation of Centrally Sponsored Schemes, while District Panchayats are largely responsible for services related to health, education and infrastructural development at the district level. A review of the finances of different tiers of Panchayats focusing on the financial performance of GPs is in order.

Analysis of the Finance of the Gram Panchayats (G.P.)

Owing to the fact that the Grama Panchayats in Kerala are quite large both in terms of population density and economic activity, both the revenue base of these local bodies and revenue potential of the taxes assigned to the GPs are significantly large. The study team visited eight GPs in Kerala - in two districts of Ernakulam and Mallapuram. Out of these eight GPs, four GPs were economically developed and four were economically backward. It was observed that for the four backward GPs, the own revenue mobilization (tax and non-tax) varied from 5 to 10 per cent of the total revenue receipts of the GPs. While for the economically developed GPs, the own revenue mobilization ranged from 15 to 25 percent of the total revenue receipt. While the TSFC puts the range of average own revenue mobilization much higher for GPs, it had also noted that, the GPs mobilize much less resources than they are capable of and have a lax approach to tax collection. The study team could not obtain statements showing demand for revenue, its actual collection and the arrears, which could provide a glimpse towards the efficacy of tax administration of the GPs. However, it is of the opinion that such a statement should form a part of the annual budget for the Panchayats for better transparency in the operation of Panchayats. Nevertheless, the resource position of the GPs in Kerala is much better as compared to other states. It is worthwhile to note that GPs finance a significant part of their total expenditure out of own revenue, which for developed GPs like Nilambur, Njarakkal, Pallipuram and Alamkode can range from 20 to 30 percent; the shareof own revenue for backward GPs is about 10 percent.

The major portion of the revenue receipts of the GPs are constituted by grants from the State Government, which apart from the one-third plan allocation from annual plan of the State, consists of a general purpose grant for maintaining the traditional functions of the Panchayats, a maintenance grant composed of both road maintenance and non-road maintenance grants, and a development grant to promote decentralized planning. Together, these transfers from the State Government form the major portion of revenue receipts of the GP budget. For most of the GPs, the share of grants from the State Government range from 70 to 80 percent. However, for economically developed GP like Nilambur it can range from 50 to 60 percent of their total revenue receipt while for backward GPs it can be as high as 90 percent of the total revenue receipts.

Central Government transfers to GPs form a miniscule portion of their revenue receipts. Central Government transfers to GPs are generally composed of non-plan grants awarded by the Central Finance Commission, and Centrally Sponsored Schemes such as National Old Age Pension Scheme (NOAPS), Total Sanitation Campaign, Swarnjayanti Gram Swarozgar Yojana (SGSY) and Sampoorna Gramin Rozgar Yojana (SGRY). SGRY, however, has been subsumed under NREGP and the period for which data has been collected in Kerala, NREGP had not been initiated in surveyed districts. Centrally Sponsored Schemes (CSSs), in Kerala, are administered through a nodal agency under the district administration called Poverty Alleviation Unit (PAU), which disburses funds to the different tiers of Panchayats and serves as a monitoring mechanism for the programmes implemented. The role of the GPs in implementation of CSSs is primarily limited to selection of beneficiaries and execution of plan and they exercise little control over financial management of the schemes. Nevertheless, the scant presence of CSSs in the finances of GPs is a boon rather than bane given that overbearing dependence on CSSs by the GPs in other States (like in Rajasthan) have transformed these local bodies into mere developmental agencies rather than an institution of local self government. [See Appendix 1 for tables on Revenue Receipts and Aggregate Expenditure of GPs]

A Review of Expenditure Pattern of GPs

The expenditure pattern of GPs is broadly classified into non-developmental expenditure and developmental expenditure as per the heads on which expenditure is incurred. Non- developmental expenditure by the GPs constitute around 15 to 30 percent of the total expenditure while some GPs like Pallipuram and Nilambur have seen significant rise on the account of “Other Village Development Programme” which is composed of heads of expenditure like honorarium for elected members of Panchayats, salaries of Panchayat functionaries, administrative costs, expenditure on different Panchayat services.

In developmental expenditure, major component of expenditure across all GPs is infrastructural development (constituted primarily by road construction and maintenance, watershed development etc.), followed by social security and housing. It has been perceived from field observations and perceptions received from functionaries that GPs, in general, engage in developmental activity, which are visible and beneficiary-oriented given their proximity to their electorates. A major component of developmental expenditure for some GPs like Kootampuzha, Perumpadappa is expenditure on agriculture and allied services owing to large farming communities residing in these areas. Despite the proclivity towards beneficiary driven development programmes, a significantly large portion of expenditure in most of GPs is devoted to the productive sectors comprised by agriculture, village industries and allied services. One major reason for this phenomenon may be the fact that State Government earmarks 40 percent of plan allocation to LSGI for the productive sector. Additionally, the State Government also earmarks, specific percentages of the plan allocation for different other sectors like for infrastructure development (20 percent), housing (15 percent). For services sector, the State Government does not stipulate any ceiling on the amount earmarked from the plan allocation for GPs. The GPs are free to spend any amount after setting aside the mandatory requirements. It is to be noted that expenditure of the GPs in services sectors like health and education constitute a significantly smaller portion of their expenditure budget. Therefore, it may be worthwhile to explore earmarking specific percentage of plan allocation to GPs rather than making it residual. However, a necessary caveat that needs to be exercised is that, a significant amount of expenditure on health and education at local level is incurred at the block level and district level. Moreover, the GPs are also required to contribute to the Annual Work Plan & Budget (AWP&B) of SSA for the block.

Budgets at Local Level for Socially Disadvantaged Groups

An important aspect that needs to be highlighted is the expenditure pattern of GPs on the marginalized sections of the society. It is observed that there is lot of variations across the GPs in expenditure on marginalized groups belonging to the SC, ST and OBC community, the highest being reported for Kootampuzha (15.52 percent of Total Expenditure) followed by Amarambalam (14.47 percent) while being the lowest being reported for Alamkode (0.63 percent). The variation can be attributed largely to variability in the population of SC, ST & OBC across the Grama Panchayats. However, the variation among the GPs are still quite large and another major reason for such variation is that there is no effective floor for expenditure on SCP or TSP only ceiling rates of 20 percent and 25 percent of allocation apply for SCP and TSP respectively in case of infrastructural development. In case of expenditure on Women's Component however the variations among the GPs are not large and generally vary within the range of

1.7 to 2.75 percent of total expenditure, with the exception of Alamkode at 3.84 percent and Amarambalam at 1.32 percent. A major reason for such low variation may be guidelines by the State Government, which prescribes a minimum expenditure of 10 percent of the plan allocation on Women's Component. [See Appendix 2 for tables on expenditure of GPs]

Table 5.2: Expenditure on Weaker Sections by the Selected Grama Panchayats for 2006-07

(Rs in Lakhs)

	Total Expenditure	SC/ST/OBC Component	Col. 2 as percent of Col. 1	Womens Component	Col. 4 as percent of Col. 1
	1	2	3	4	5
Perumpadappa	137.85	3.61	2.62	3.17	2.30
Alamkode	162.60	1.02	0.63	6.25	3.84
Nilambur	250.03	8.68	3.47	6.89	2.75
Amarambalam	253.07	36.63	14.47	3.33	1.32
Njarakkal	159.71	12.31	7.71	2.86	1.79
Pallipuram	269.10	11.25	4.18	7.05	2.62
Nellikushi	174.23	14.58	8.37	3.41	1.96
Kootampuzha	253.14	39.29	15.52	4.88	1.93

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Mismatch in Budget Estimates and Actual Financess

Given that the GPs play an important role in local area development, the role of planning and budget formulation can be hardly understated. However, as also mentioned in the TSFC report, the budget formulation process of the GPs is often far from reality. The study team compared the budget estimates for the year 2006-07 as put forward by the GPs in their Annual Budget statements with the actual figures as reported in the corresponding Annual Financial statements and found them to be varying widely. For GPs Pallipuram and Amarambalam, it was found that there was gross under-budgeting across all the heads while for all other GPs it was found that there was a general tendency towards over-budgeting. This essentially means that, most of the GPs fail to achieve their projected expenditure commitments and on tax front, fall short of raising their estimated revenue demand within the financial year. This phenomenon seems prevalent despite the fact that the Panchayats have a proper estimate of their fund position given that share of each Panchayat in the devolution by the State Government is stated in the State Budget for the relevant year and quantum of plan grants are also announced with the State Budget. Given that the State Government maintains considerable transparency in its transfers to the local bodies and grants from State Government form the bulk of the finances for the GPs, deviations between the budget estimates and actual figures should be minimal. A major reason for this phenomenon can be disconnect between the annual planning process and the budget formulation process as stated earlier. Unless the planning process for a given year interlocks with budget formulation by the GP for the same financial year, transparency and accountability of the operations of GPs would be difficult to ensure. [See Appendix 3 for data tables]

An Assessment of the Receipts and Expenditure of Block Panchayats and District Panchayats

The data obtained from the Block Panchayats and District Panchayats has considerable limitations. Firstly, the Annual Budget statements and the Annual Financial statements obtained were not in comparable formats neither among the Block Panchayats nor among the two District Panchayats surveyed. Secondly, the data obtained were not for comparable and continuous years, therefore the tables provided in Appendix A4, for Block Panchayats are only for financial year 2006-07, while for District Panchayats figures for fiscal years 2006-07 and 2007-08 are being reported.

Table 5.3: Composition of Revenue and Unspent Balance of Block Panchayats for 2006-07

(in Percent)

Block Panchayats	Receipts from CSSs as percent of Total Receipts	Receipts from State Government as percent of Total Receipt	Other Sources (including non-tax revenue)	Unspent Balance as percent of Total Receipts
Vypin	22.0	66.2	11.8	23.0
Kothamangalam	13.0	83.6	3.4	31.2
Nilambur	38.4	58.8	3.2	17.2
Perumpadappa	30.6	59.8	9.6	21.5

Source of data: Documents collected from BPs pertaining to Annual Financial Statement and Budgets

The major sources of finance for the Block Panchayats are the grants from the State Government pertaining to Establishment /General Purpose Grants, Maintenance Grants, Development Grants and Plan Fund. The quantum of grants expressed as percent of total revenue receipts for Block Panchayats vary from around 60 percent (for Nilambur and Perumpadappa) to 83.6 percent (for Kothamangalam). It is noteworthy that for both Nilambur and Perumpadappa belong to Mallapuram District (which was selected as a backward district) the share of transfers from the State Government in the revenue receipts is almost same while Nilambur is a developed Block and Perumpadappa is backward. In case of Centrally Sponsored Schemes also, the share of funds for these schemes in the total revenue receipts is more for Nilambur than Perumpadappa. Similarly, Kothamangalam despite being a developed block compared to Vypin, has 83 percent of its revenue receipts coming from State transfers while Vypin has only 66 percent. It is admissible that from such a skeleton review of just four Block Panchayats, generalized comments on progressivity of transfers from the State Government cannot be made but the above table can be indicative and further studies need to be undertaken to assess the progressivity of fund transfers from the State Government to the Local Bodies. The Block Panchayats also seem to have substantial unspent balance at the end of the financial year, which may be indicative of low absorptive capacity and also lack of effective planning of activities, both of which deserves much more detailed assessments. It is worthwhile a mention that elected members of Block Panchayats visited, had unanimously put forth that they find it increasingly difficult to find a relevance for the Block Panchayats in the overall scheme of decentralization in Kerala.

Given the paucity of data obtained from District Panchayats and the unevenness in the formats in which the receipts and expenditure were reported, the study team could not engage into a meaningful analysis of the finances of the District Panchayats, although this tier of Panchayat commands significant share of resources transferred from State Government and plays a crucial role in overall development of the district. However, a rough comparison in terms of utilization of funds by the two District Panchayats reveals the following. The District Panchayat of Ernakulam demonstrates a low utilization of resources as for both the years reported (2006-07 and 2007-08), the annual expenditure of the District Panchayat being less than half of its total available funds, while Mallapuram has shown considerably better utilization. [See Appendix 4 for financial tables]

5.6 Concluding Observations

In order to assess the extent of decentralization in Kerala vis-à-vis other States in the country, one needs to go beyond the institutional aspects of fiscal autonomy for Panchayats and mechanisms of devolution across the three benchmarks of funds, functions and functionaries. The model of decentralization put in place in Kerala has been widely praised and well reported in the relevant literature. Therefore, the emphasis of this study, particularly in Kerala, has been to look into the processes that this model entailed and their effects on the performance of the Panchayats in general and Grama Panchayats in particular.

A major achievement of decentralization in Kerala is that there is little vertical integration in the administration Panchayats as each tier of Panchayat functions autonomously of each other. The point of integration exists in the process of preparation of annual plan for each Panchayat so that there is no overlap of jurisdiction and duplication of activities and this is achieved through technical vetting of annual plans at the block level and also at the district level and final approval being given by the District Planning Committee. However, for each level of Panchayat there exists considerable disjunction between their annual planning and annual budgeting exercise. Given the fact that Panchayats prepare their annual budget subsequent to the declaration of the State Budget and start the process of planning based on the available budget, such a disjunction should not have taken place. However, the planning process itself is quite elaborate and takes substantial time and effort, which means the actual implementation of the plan starts quite late in the financial year. Hence, there was significant divergence between the budget estimates of the Panchayats and their actual estimates for corresponding years.

In terms of financial performance of the Panchayats, there is still enormous scope for improvements. While all the Grama Panchayats follow a uniform format of Budgets and Annual Financial Statements, the District and the Block Panchayats have not adopted such practice. Moreover, for all the Panchayats there was an immense backlog of financial audit of their fund management and performance.

On the front of resource mobilization by the Panchayats, while the Grama Panchayats have considerable powers of raising revenue through taxes, the District and the Block Panchayats largely rely on certain user charges and mostly on transfer of resources from the State Government. Therefore, there is little scope for additional resource mobilization for DPs or BPs, but there is scope for considerable additional resources for GPs through better tax collection and reforms in tax rates.

In case of expenditure management of Panchayats, there exists clear demarcation of expenditure responsibilities and thereby priorities for each level of Panchayat. Grama Panchayats are largely responsible for local area development and welfare of weaker sections of the society; Block Panchayats are largely entrusted with execution of Centrally Sponsored Schemes, road maintenance, maintenance of health services among others. District Panchayats are mostly responsible for provision of district level social services and development expenditures that are inter-jurisdictional in nature and cannot be undertaken at a lower level. Overall, it can be concluded that, Panchayats in Kerala has been successfully institutionalized as structures of governance and development through the institutional reforms initiated during the People's Plan Campaign. However, with broadening of functions of Panchayats there is required urgent procedural reforms and review of human resources to be devoted to Panchayats, to enable these institutions to perform better instilling better transparency and accountability.

The study concludes that the status of PRIs in Rajasthan and Kerala are significantly different. In the former, devolution to Panchayats is still at a very nascent stage and Panchayats at all tiers enjoy limited or no autonomy. In Kerala, by contrast, the Panchayats have been given maximum autonomy with each tier of Panchayat functioning independent of each other although with complementarities in their development initiatives. A summary of the observations and recommendations is provided in the next and concluding section of the report.

Appendix A1:

Table A1.1: Revenue Receipts and Aggregate Expenditure of G.P.: Pallipuram

(In Rupees)

	2004-05	**2005-06**	**2006-07**
Total Revenue Receipts	22042432	24423270	25257107
Total Own Revenue	4431901.7	4106343.3	5506183
Tax	2360701	2371237.2	3510340
	10.7	9.7	13.9
Non Tax (Incl. User Charges)	2071200.7	1735106.1	1995843
	9.4	7.1	7.9
Total Grant-in-Aid	17610530	20316927	19750924
of which			
Transfer from Central Govt.	1306515	1576273	869772
	5.9	6.5	3.4
Transfer from State Govt.	16304015	18740654	18881152
	74	76.7	74.8
Total Expenditure	19946371	21336453	26910224
Revenue	16141119	18165567	22798972
	80.9	85.1	84.7
Capital	3805252	3170886	4111252
	19.1	14.9	15.3
Own Revenue as percentage of Total Expenditure	22.22	19.25	20.46

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.2: Revenue Receipts and Aggregate Expenditure of G.P.: Njarakkal

(In Rupees)

	2004-05	2005-06	2006-07
Total Revenue Receipts	**11565651**	**14089719**	**16134759**
Total Own Revenue	**2963687**	**3224423**	**3465490**
	25.62	22.88	21.48
Tax	1874234	1954915	2041022
	16.2	13.9	12.6
Non Tax (Incl. User Charges)	1089453	1269508	1424468
	9.4	9	8.8
Total Grant-in-Aid	8601964	10865296	12669269
of which			
Transfer from Central Govt.	2615322	1282628	774231
	22.6	9.1	4.8
Transfer from State Govt.	5986642	9582668	11895038
	51.8	68.0	73.7
Total Expenditure	10206268	11645191	15971428
Revenue	9660812	10163842	15443593
	94.7	87.3	96.7
Capital	545456	1481349	527835
	5.3	12.7	3.3
Own Revenue as percentage of Total Expenditure	29.04	27.69	21.70

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.3: Revenue Receipts and Aggregate Expenditure of G.P.: Kootampuzha

(In Rupees)

	2004-05	2005-06	2006-07
Total Revenue Receipts	**26661295**	**28652699**	**29079025**
Total Own Revenue	**1235078**	**1217738**	**1275045**
	4.63	4.25	4.38
Tax	879065	839500	893083
	3.3	2.9	3.1

Non Tax (Incl. User Charges)	356013	378238.2	381962
	1.3	1.3	1.3
Total Grant-in-Aid	25426217	27434961	27803980
of which			
Transfer from Central Govt.	1982889	3436617	1582661
	7.4	12	5.4
Transfer from State Govt.	23443328	23998344	26221319
	87.9	83.8	90.2
Total Expenditure	20158286	27210204	25314205
Revenue	18792479	19895534	16633470
	93.2	73.1	65.7
Capital	1365807	7314670	8680735
	6.8	26.9	34.3
Own Revenue as percentage of Total Expenditure	6.13	4.48	5.04

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.4: Revenue Receipts and Aggregate Expenditure of G.P.: Nellikushi

(In Rupees)

	2004-05	2005-06	2006-07
Total Revenue Receipts	**16194562**	**13766971**	**18779920**
Total Own Revenue	**1553522**	**1580330**	**1910996**
	9.59	11.48	10.18
Tax	1047026	1268666	1536004
	6.5	9.2	8.2
Non Tax (Incl. User Charges)	506496.4	311664	374992
	3.1	2.3	2
Total Grant-in-Aid	14641040	12186641	16868924
of which			
Transfer from Central Govt.	1311433	1352884	2388494
	8.1	9.8	12.7

Transfer from State Govt.	13329607	10833757	14480430
	82.3	78.7	77.1
Total Expenditure	14201178	16347133	17422579
Revenue	11525013	13611081	15231938
	81.2	83.3	87.4
Capital	2676165	2736052	2190641
	18.8	16.7	12.6
Own Revenue as percentage of Total Expenditure	10.94	9.67	10.97

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
Note*: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.5: Revenue Receipts and Aggregate Expenditure of G.P.: Nilambur

(In Rupees)

	2004-05	**2005-06**	**2006-07**
Total Revenue Receipts	**24584071**	**25125386**	**11381937**
Total Own Revenue	**7628088**	**7517773**	**5060495**
	31.03	29.92	44.46
Tax	4864384	5038860	3534833
	19.8	20.1	31.1
Non Tax (Incl. User Charges)	2763703.7	2478913.1	1525661.5
	11.2	9.9	13.4
Total Grant-in-Aid	16955983	17607613	6321443
of which			
Transfer from Central Govt.	1529008	924080	786580
	6.2	3.7	6.9
Transfer from State Govt.	15426975	16683533	5534863
	62.8	66.4	48.6
Total Expenditure	29868571	26832881	25002610
Revenue	24558175	25563171	23694435
	82.2	95.3	94.8
Capital	5310396	1269710	1308175
	17.8	4.7	5.2
Own Revenue as percentage of Total Expenditure	25.54	28.02	20.24

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
Note*: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.6: Revenue Receipts and Aggregate Expenditure of G.P.: Amarambalam

(In Rupees)

	2004-05	2005-06	2006-07
Total Revenue Receipts	**14762475**	**18967520**	**25602209**
Total Own Revenue	**1486335**	**1469424**	**1957627**
	10.07	7.75	7.65
Tax	1312583	1083086	1515415
	8.9	5.7	5.9
Non Tax (Incl. User Charges)	173752	386338	442212
	1.2	2	1.7
Total Grant-in-Aid	13276140	17498096	23644582
of which			
Transfer from Central Govt.	2033041	1490580	2223249
	13.8	7.9	8.7
Transfer from State Govt.	11243099	16007516	21421333
	76.2	84.4	83.7
Total Expenditure	17429721	14830001	25306934
Revenue	14170822	6250100	19035535
	81.3	42.1	75.2
Capital	3258899	8579901	6271399
	18.7	57.9	24.8
Own Revenue as percentage of Total Expenditure	8.53	9.91	7.74

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.7: Revenue Receipts and Aggregate Expenditure of G.P.: Perumbadappa

(In Rupees)

	2004-05	2005-06	2006-07
Total Revenue Receipts	**8567342**	**12315325**	**13439290**
Total Own Revenue	**991445.2**	**1517525**	**476490**
	11.57	12.32	3.55
Tax	850480.1	1361773.3	145376
	9.9	11.1	1.1

Non Tax (Incl. User Charges)	140965.1	155752.05	331114
	1.6	1.3	2.5
Total Grant-in-Aid	7575897	10797800	12962800
of which			
Transfer from Central Govt.	831757	1061617	1301199
	9.7	8.6	9.7
Transfer from State Govt.	6744140	9736183	11661601
	78.7	79.1	86.8
Total Expenditure	8288855	9999330	13785211
Revenue	7317743	7366512	12340854
	88.3	73.7	89.5
Capital	971112	2632818	1444357
	11.7	26.3	10.5
Own Revenue as percentage of Total Expenditure	11.96	15.18	3.46

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A1.8: Revenue Receipts and Aggregate Expenditure of G.P.: Alamkode

(In Rupees)

	2004-05	**2005-06**	**2006-07**
Total Revenue Receipts	**15251555**	**10387254**	**18165609**
Total Own Revenue	**2964076**	**2845942**	**3056527**
	19.43	27.40	16.83
Tax	1340016	1291661	1603917
	8.8	12.4	8.8
Non Tax (Incl. User Charges)	1624060	1554281	1452610
	10.6	15	8
Total Grant-in-Aid	12287479	7541312	15109082
of which			
Transfer from Central Govt.	480793.8	176208	475000
	3.2	1.7	2.6
Transfer from State Govt.	11806685	7365104	14634082
	77.4	70.9	80.6

Total	12759664	8023236	16260401
Expenditure			
Revenue	10057833	6006602	9803475
	78.8	74.9	60.3
Capital	2701831	2016634	6456926
	21.2	25.1	39.7
Own Revenue as percentage of Total Expenditure	23.23	35.47	18.80

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Appendix A2:

Expenditure Patterns of the Grama Panchayats
Table A2.1: Expenditure Pattern of Pallipuram Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**19946371.35**	**21336453**	**26910224**
Non-Developmental Expenditures *of which*	**3100710.85 (15.55)**	**3939128 (18.46)**	**12055389 (44.80)**
Public works	48648.95 **(0.24)**	373584 **(1.75)**	3589017 **(13.34)**
Pension and other service retirement Concessions	210414 **(1.05)**	380267 **(1.78)**	256770 **(0.95)**
Other village development programme	2841647.9 **(14.25)**	3185277 **(14.93)**	8209602 **(30.51)**
Developmental Expenditures *of which*	**16845661 (84.45)**	**17397325 (81.54)**	**14854835 (55.20)**
Infrastructure Development	5423702.5 **(27.19)**	4767737 **(22.35)**	3197202 **(11.88)**
Social Security & Welfare	3535194 **(17.72)**	3123505 **(14.64)**	3772578 **(14.02)**
Family welfare	913205 **(4.58)**	93635 **(0.44)**	NA
Education, art & culture and sports & youth services	535400 **(2.68)**	897831 **(4.21)**	252994.00 **(0.94)**
Medical & public health and water supply & sanitation	770329 **(3.86)**	1336721 **(6.26)**	2148816 **(7.99)**
Labour & employment	775400 **(3.89)**	813221 **(3.81)**	1445203 **(5.37)**
Housing	2431753 **(12.19)**	1807157 **(8.47)**	705500 **(2.62)**
Industry	1000 **(0.01)**	675000 **(3.16)**	NA
Agriculture & allied services	792479 **(3.97)**	1510035 **(7.08)**	1132484 **(4.21)**
Special programmes for rural development	801681 **(4.02)**	1178252 **(5.52)**	952483 **(3.54)**
Others	865517 **(4.34)**	1194231 **(5.60)**	1247575 **(4.64)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
Note: Figures in Parentheses denote percentage of the figures above to their respective total.

Table A2.2: Expenditure Pattern of Kootampuzha Grama Panchayat

(In Rupees)

Other village development programme	**2324176**	**2447214**	**1955642**
Developmental Expenditures *of which*	**16011346 (79.43)**	**23509179 (86.40)**	**22256151 (87.92)**
Infrastructure Development	9303199 **(46.15)**	6781739 **(24.92)**	4848938 **(19.16)**
Social Security & Welfare	1325887 **(6.58)**	6007538 **(22.08)**	6827378 **(26.97)**
Family welfare	534000 **(2.65)**	56100 **(0.21)**	NA
Education, art & culture and sports & youth services	81908 **(0.41)**	916265 **(3.37)**	1152255 **(4.55)**
Medical & public health and water supply & sanitation	2853698 **(14.16)**	1528691 **(5.62)**	786749 **(3.11)**
Labour & employment	505959 **(2.51)**	840781 **(3.09)**	954718 **(3.77)**
Housing	29250 **(0.15)**	3187556 **(11.71)**	3694100 **(14.59)**
Industry	NA	NA	36265 **(0.14)**
Agriculture & allied services	647520 **(3.21)**	3118604 **(11.46)**	3534647 **(13.96)**
Special programmes for rural development	NA	66989 **(0.25)**	NA
Others	729925 **(3.62)**	1004916 **(3.69)**	421101 **(1.66)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A2.3: Expenditure Pattern of Perumpadappa Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**8288855**	**9999330**	**13785211**
Non-Developmental Expenditures *of which*	**1597354 (19.27)**	**1779398 (17.80)**	**3799667 (27.56)**
Public works	NA	168486 **(1.68)**	737082 **(5.35)**
Pension and other service retirement Conccessions	178498 **(2.15)**	136016 **(1.36)**	316871 **(2.30)**
Other village development programme	1418856	1474896	2745714
Developmental Expenditures *of which*	**6691501 (80.73)**	**8219932 (82.20)**	**9985544 (72.44)**
Infrastructure Development	1154735 **(13.93)**	2292942 **(22.93)**	1800977 **(13.06)**
Social Security & Welfare	1777131 **(21.44)**	1629680 **(16.30)**	1829064 **(13.27)**
Family welfare	50 **(0.01)**	25 **(0.01)**	50 **(0.01)**

Education, art & culture and sports & youth services	**55883** (0.67)	**496003** (4.96)	**667408** (4.84)
Medical & public health and water supply & sanitation	123093 **(1.49)**	223011 **(2.23)**	689830 **(5.00)**
Labour & employment	899652 **(10.85)**	916888 **(9.17)**	1794372 **(13.02)**
Housing	934500 **(11.27)**	715750 **(7.16)**	772250 **5.60)**
Industry	NA	NA	NA
Agriculture & allied services	1648779 **(19.89)**	1744576 **(17.45)**	2289761 **(16.61)**
Special programmes for rural development	NA	19964 **(0.20)**	NA
Others	97678 **(1.18)**	181093 **(1.81)**	141832 **(1.03)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A2.4: Expenditure Pattern of Amarambalam Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**17429721**	**14830001**	**25306934**
Non-Developmental Expenditures *of which*	**2677297 (15.36)**	**3746217 (25.26)**	**4019058 (15.88)**
Public works	728547 **(4.18)**	1630561 **(11.00)**	135005 **(0.53)**
Pension and other service retirement Conccessions	74831 **(0.43)**	225375 **(1.52)**	236161 **(0.93)**
Other village development programme	1873919	1890281	3647892
Developmental Expenditures *of which*	**14752424 (84.64)**	**11083784 (74.74)**	**21287876 (84.12)**
Infrastructure Development	7743071 **(44.42)**	7237413 **(48.80)**	5231610 **(20.67)**
Social Security & Welfare	2838480 **(16.29)**	1096543 **(7.39)**	6254664 **(24.72)**
Family welfare	NA	7500 **(0.05)**	NA
Education, art & culture and sports & youth services	115312 **(0.66)**	317588 **(2.14)**	1074295 **(4.25)**
Medical & public health and water supply & sanitation	331434 **(1.90)**	14945 **(0.10)**	623306 **(2.46)**
Labour & employment	2227518 **(12.78)**	2160540 **(14.57)**	3090396 **(12.21)**
Housing	761000 **(4.37)**	NA	2603600 **(10.29)**
Industry	NA	NA	NA
Agriculture & allied services	617852 **(3.54)**	40217 **(0.27)**	2308542 **(9.12)**
Special programmes for rural development	1467 **(0.01)**	NA	NA
Others	116290 **(0.67)**	209038 **(1.41)**	101463 **(0.40)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A2.5: Expenditure Pattern of Alamkode Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**12759664**	**8023236**	**16260401**
Non-Developmental Expenditures *of which*	**3323279 (26.05)**	**1727846 (21.54)**	**6384602 (39.26)**
Public works	339622 **(2.66)**	96183 **(1.20)**	3776630 **(23.23)**
Pension and other service retirement Concessions	108557 **(0.85)**	63020 **(0.79)**	165724 **(1.02)**
Other village development programme	2875100	1568643	2442248
Developmental Expenditures *of which*	**9436385 (73.95)**	**6295390 (78.46)**	**9875799 (60.74)**
Infrastructure Development	2412731 **(18.91)**	1801197 **(22.45)**	2160858 **(13.29)**
Social Security & Welfare	2874897 **(22.53)**	1742492 **(21.72)**	2004223 **(12.33)**
Family welfare	295357 **(2.31)**	93240 **(1.16)**	NA
Education, art & culture and sports & youth services	192370 **(1.51)**	457317 **(5.70)**	411577 **(2.53)**
Medical & public health and water supply & sanitation	420187 **(3.29)**	213428 **(2.66)**	686061 **(4.22)**
Labour & employment	1104030 **(8.65)**	1030677 **(12.85)**	1097346 **(6.75)**
Housing	852000 **(6.68)**	425000 **(5.30)**	1739250 **(10.70)**
Industry	NA	NA	NA
Agriculture & allied services	1085357 **(8.51)**	318151 **(3.97)**	1364928 **(8.39)**
Special programmes for rural development	NA	NA	NA
Others	199456 **(1.56)**	213888 **(2.67)**	411556 **(2.53)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A2.6: Expenditure Pattern of Nilambur Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**29868571**	**26832881**	**25002610**
Non-Developmental Expenditures *of which*	**8201125 (27.46)**	**4328910 (16.13)**	**4866544 (19.46)**
Public works	947798	526472	565541
	(3.17)	**(1.96)**	**(2.26)**
Pension and other service retirement Concessions	262005	257321	257321
	(0.88)	**(0.96)**	**(1.03)**
Other village development programme	6991322	3545117	4043682

Developmental Expenditures ***of which***	21667446	22503971	20136066
	(72.54)	**(83.87)**	**(80.54)**
Infrastructure Development	10851395	11947163	9702909
	(36.33)	**(44.52)**	**(38.81)**
Social Security & Welfare	2514362	2806405	3182094
	(8.42)	**(10.46)**	**(12.73)**
Family welfare	1500	NA	299925
	(0.01)		(1.2)
Education, art & culture and sports & youth services	226294	344402	329410
	(0.76)	**(1.28)**	**(1.32)**
Medical & public health and water supply & sanitation	686680	104537	99734
	(2.30)	**(0.39)**	**(0.40)**
Labour & employment	1384493	1807963	1769386
	(4.64)	**(6.74)**	**(7.08)**
Housing	3947658	1462230	1462230
	(13.22)	**(5.45)**	**(5.85)**
Industry	NA	360000	360000
		360001	**1.44**
Agriculture & allied services	1220417	1923062	1923422
	(4.09)	**(7.17)**	**(7.69)**
Special programmes for rural development	750	1072291	856015
		(4.00)	
Others	833897	675918	150941
	(2.79)	**(2.52)**	**(0.60)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
Note*: Figures in Parentheses denote percentage of the figures above to their respective total.*

Table A2.7: Expenditure Pattern of Njarakkal Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**10206268**	**11645191**	**15971428**
Non-Developmental Expenditures *of which*	**2189154**	**4110964**	**3597225**
	21.45	**35.30**	**22.52**
Public works	1143002	1390651	2262278
	11.20	**11.94**	**14.16**
Pension and other service retirement Conccessions	229885	NA	365252
	2.25	NA	**2.29**
Other village development programme	816267	2720313	969695
Developmental Expenditures *of which*	**8017114**	**7534227**	**12374203**
	78.55	**64.70**	**77.48**
Infrastructure Development	1225892	1344849	1542551
	12.01	**11.55**	**9.66**
Social Security & Welfare	2493433	2106430	2920347
	24.43	**18.09**	**18.28**

Family welfare	**NA**	**46370**	**27910**
	NA	**0.40**	27910
Education, art & culture and sports & youth services	158834	342444	273202
	1.56	**2.94**	**1.71**
Medical & public health and water supply & sanitation	1247740	95277	4395432
	12.23	**0.82**	**27.52**
Labour & employment	887146	897349	971237
	8.69	**7.71**	**6.08**
Housing	941240	461508	338353
	9.22	**3.96**	**2.12**
Industry	NA	NA	NA
	NA	NA	NA
Agriculture & allied services	422139	381783	533640
	4.14	**3.28**	**3.34**
Special programmes for rural development	NA	1222210	893259
	NA	**10.50**	893259
Others	640690	636007	478272
	6.28	**5.46**	**2.99**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
Note: Figures in Parentheses denote percentage of the figures above to their respective total.

Table A2.8: Expenditure Pattern of Nellikkushi Grama Panchayat

(In Rupees)

	2004-05	2005-06	2006-07
Total Expenditure	**14201178**	**16347133**	**17422579**
Non-Developmental Expenditures *of which*	**1787709**	**2118390**	**2327857**
	(12.59)	**(12.96)**	**(13.36)**
Public works	154000	5066	11245
	(1.08)	**(0.03)**	**(0.06)**
Pension and other service retirement Conccessions	76563	55274	163257
	(0.54)	**(0.34)**	**(0.94)**
Other village development programme	1557146	2058050	2153355
Developmental Expenditures *of which*	**12413469**	**14228743**	**15094722**
	(87.41)	**(87.04)**	**(86.64)**
Infrastructure Development	3261960	3642212	1112439
	(22.97)	**(22.28)**	**(6.39)**
Social Security & Welfare	1798485	1824120	2975736
	(12.66)	**(11.16)**	**(17.08)**
Family welfare	235443	118180	NA
	(1.66)	**(0.72)**	NA
Education, art & culture and sports & youth services	581160	668236	859581
	(4.09)	**(4.09)**	**(4.93)**
Medical & public health and water supply & sanitation	806021	2706759	2348032
	(5.68)	**(16.56)**	**(13.48)**

Labour & employment	**1757821**	**1761400**	**2269376**
	(12.38)	**(10.77)**	**(13.03)**
Housing	1766146	758451	1766278
	(12.44)	**(4.64)**	**(10.14)**
Industry	18950	966200	18375
	(0.15)	**(6.79)**	**(0.12)**
Agriculture & allied services	1439840	1067409	2437648
	(10.14)	**(6.53)**	**(13.99)**
Special programmes for rural development	420156	265757	838206
	(3.38)	**(1.87)**	**(5.55)**
Others	327487	450019	469051
	(2.31)	**(2.75)**	**(2.69)**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.
***Note**: Figures in Parentheses denote percentage of the figures above to their respective total.*

Appendix A3:

Comparison of Budget Estimates with Actuals as Reported by Grama Panchayats

Table A3.1: Grama Panchayat: Pallipuram 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	**2**	**3**	**4**
Revenue Expenditure	227.99	52.74	-175.25	**332.29**
Capital Expenditure	41.11	7.20	-33.91	**471.01**
Total Expenditure	269.10	59.94	-209.16	**348.95**
Total Revenue Receipts	252.57	152.59	-99.99	**65.53**
of which			0.00	
Tax	35.10	19.39	-15.71	**81.04**
a) Professional Tax	10.25	4.18	-6.07	**145.07**
b) Taxes on Properties	24.35	13.69	-10.66	**77.84**
c) Entertainment Tax	0.5	1.52	1.02	**67.59**
Non Tax (Incl. User Charges)	19.96	9.39	-10.57	**112.54**
a) Interest Receipts	2.47	0.80	-1.67	**208.70**
b) Education, culture, art	0.09	0.08	-0.01	**16.67**
c) Medical	1.03	0.01	-1.02	**9717.13**
d) Social Security	0.00	0.00	0.00	**-**
e) Fisheries	5.70	3.71	-1.98	**53.41**
f) Other village development programme	8.69	2.89	-5.80	**200.56**
Total Grant-in-Aid	197.51	123.80	-73.70	**59.53**
Transfer from Central Govt.	8.70	11.99	3.29	**27.46**
Transfer from State Govt.	188.81	111.81	-77.00	**68.86**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Table A3.2: Grama Panchayat: Njarakkal 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	154.44	259.76	105.33	**40.55**
Capital Expenditure	5.28	195.90	190.62	**97.31**
Total Expenditure	159.71	455.66	295.95	**64.95**
Total Revenue Receipts	161.35	262.20	100.85	**38.46**
of which			0.00	
Tax	20.41	19.11	-1.30	**6.82**
a) Professional Tax	7.48	6.50	-0.98	**15.10**
b) Taxes on Properties	8.43	8.00	-0.43	**5.38**
c) Entertainment Tax	4.5	4.60	0.10	**2.20**
Non Tax (Incl. User Charges)	14.24	124.05	109.81	**88.52**
a) Interest Receipts	1.18	0.06	-1.13	**2049.73**
b) Education, culture, art	2.63	0.01	-2.62	**26240.30**
c) Medical, Health	0.02	0.02	0.00	**11.70**
d) Social Security	0.00	0.06	0.06	**100.00**
e) Fisheries	0.41	0.45	0.04	**8.22**
f) Other village development programme	5.34	1.04	-4.30	**412.18**
Total Grant-in-Aid	126.69	119.04	-7.65	**6.43**
Transfer from Central Govt.	7.74	2.80	-4.94	**176.04**
Transfer from State Govt.	118.95	116.23	-2.72	**2.34**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Table A3.3: Grama Panchayat: Kootampuzha 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	166.33	313.75	147.42	**46.98**
Capital Expenditure	86.81	12.10	-74.71	**617.42**
Total Expenditure	253.14	325.85	72.71	**22.31**
Total Revenue Receipts	290.79	364.71	73.92	**20.27**
of which			0.00	
Tax	8.93	12.28	3.35	**27.27**
a) Professional Tax	4.57	5.00	0.43	**8.54**
b) Taxes on Properties	4.36	7.00	2.64	**37.75**
c) Entertainment Tax	0.0	0.28	0.28	**100.00**
Non Tax (Incl. User Charges)	3.82	14.93	11.11	**74.42**

a) Interest Receipts	0.35	2.75	2.40	**87.13**
b) Education, culture, art	1.60	0.45	-1.15	**255.49**
c) Medical	0.88	0.08	-0.80	**995.93**
d) Social Security	0.00	0.00	0.00	**-**
e) Fisheries	0.00	0.00	0.00	**-**
f) Other village development programme	0.63	10.18	9.55	**93.82**
Total Grant-in-Aid	278.04	337.50	59.46	**17.62**
Transfer from Central Govt.	15.83	53.00	37.17	**70.14**
Transfer from State Govt.	262.21	284.50	22.29	**7.83**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Table A3.4: Grama Panchayat: Nellikushi 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	152.32	201.45	49.13	**24.39**
Capital Expenditure	21.91	0.00	-21.91	**-**
Total Expenditure	174.23	201.45	27.23	**13.52**
Total Revenue Receipts	187.80	196.31	8.51	**4.34**
of which			0.00	
Tax	15.36	15.05	-0.31	**2.06**
a) Professional Tax	5.94	5.30	-0.64	**12.05**
b) Taxes on Properties	9.42	9.25	-0.17	**1.86**
c) Entertainment Tax	0.0	0.50	0.50	**100.00**
Non Tax (Incl. User Charges)	3.75	5.31	1.56	**29.38**
a) Interest Receipts	0.56	1.60	1.04	**65.27**
b) Education, culture, art	0.15	0.17	0.02	**13.83**
c) Medical	0.02	0.03	0.01	**28.08**
d) Social Security	0.00	0.00	0.00	**-**
e) Fisheries	0.00	0.00	0.00	**-**
f) Other village development programme	1.21	2.70	1.49	**55.14**
Total Grant-in-Aid	168.69	175.95	7.26	**4.13**
Transfer from Central Govt.	23.88	17.25	-6.63	**38.46**
Transfer from State Govt.	144.80	158.70	13.90	**8.76**

Table A3.5: Grama Panchayat: Nilambur 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	236.94	374.40	137.46	**36.71**
Capital Expenditure	13.08	270.85	257.77	**95.17**
Total Expenditure	250.03	645.25	395.22	**61.25**
Total Revenue Receipts	113.82	430.33	316.51	**73.55**
of which			0.00	
Tax	35.35	91.50	56.15	**61.37**
a) Professional Tax	18.12	15.00	-3.12	**20.80**
b) Taxes on Properties	1.17	26.50	25.33	**95.57**
c) Entertainment Tax	16.0	22.00	6.00	**27.29**
Non Tax (Incl. User Charges)	15.26	112.83	97.57	**86.48**
a) Interest Receipts	1.45	40.00	38.55	**96.38**
b) Education, culture, art	1.34	0.25	-1.09	**435.80**
c) Medical	0.29	11.00	10.71	**97.33**
d) Social Security	0.00	0.00	0.00	**-**
e) Fisheries	0.00	0.50	0.50	**100.00**
f) Other village development programme	5.44	37.00	31.56	**85.29**
Total Grant-in-Aid	63.21	226.00	162.79	**72.03**
Transfer from Central Govt.	7.87	25.00	17.13	**68.54**
Transfer from State Govt.	55.35	201.00	145.65	**72.46**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Table A3.6: Grama Panchayat: Amarambalam 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	190.36	347.54	-157.18	**45.23**
Capital Expenditure	62.71	0.00	62.71	**-**
Total Expenditure	253.07	347.54	-94.47	**27.18**
Total Revenue Receipts	256.02	345.76	-89.73	**25.95**
of which			0.00	
Tax	15.15	42.00	-26.85	**63.92**
a) Professional Tax	5.70	15.50	-9.80	**63.23**
b) Taxes on Properties	8.49	19.00	-10.51	**55.33**
c) Entertainment Tax	1.0	3.50	-2.53	**72.39**

Non Tax (Incl. User Charges)	4.42	31.93	-27.51	**86.15**
a) Interest Receipts	2.89	0.90	1.99	**221.53**
b) Education, culture, art	0.01	1.55	-1.54	**99.10**
c) Medical	0.03	1.40	-1.37	**97.83**
d) Social Security	0.00	0.00	0.00	**-**
e) Fisheries	0.00	0.00	0.00	**-**
f) Other village development programme	1.04	4.08	-3.04	**74.62**
Total Grant-in-Aid	236.45	271.83	-35.38	**13.02**
Transfer from Central Govt.	22.23	66.44	-44.20	**66.53**
Transfer from State Govt.	214.21	205.39	8.82	**4.30**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Table A3.7: Grama Panchayat: Perumpadappa 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	123.41	8.07	-115.34	**1429.47**
Capital Expenditure	14.44	0.07	-14.38	**22032.35**
Total Expenditure	137.85	8.13	-129.72	**1594.77**
Total Revenue Receipts	134.39	210.86	76.47	**36.26**
of which			0.00	
Tax	1.45	21.15	19.70	**93.13**
a) Professional Tax	5.26	8.00	2.74	**34.25**
b) Taxes on Properties	9.03	11.00	1.97	**17.89**
c) Entertainment Tax	0.2	1.15	0.90	**78.66**
Non Tax (Incl. User Charges)	3.31	10.87	7.56	**69.54**
a) Interest Receipts	0.63	2.10	1.47	**70.14**
b) Education, culture, art	0.00	0.20	0.20	**98.86**
c) Medical	1.59	0.55	-1.04	**189.54**
d) Social Security	0.02	0.00	-0.02	**-**
e) Fisheries	0.02	0.05	0.04	**70.00**
f) Other village development programme	1.05	33.75	32.70	**96.88**
Total Grant-in-Aid	129.63	178.84	49.21	**27.52**
Transfer from Central Govt.	13.01	11.20	-1.81	**16.18**
Transfer from State Govt.	116.62	167.64	51.02	**30.44**

Source of data: Documents collected from GPs pertaining to Annual Financial Statement and Budgets.

Table A3.8: Grama Panchayat: Alamkode 2006-07

(Rs in Lakhs)

	Actuals as per AFS	Budget Estimates	Difference between Budget Estimates & Actuals (Col.2 - Col.1)	Col. 3 as percentage of Col. 2
	1	2	3	4
Revenue Expenditure	98.03	124.10	26.07	**21.01**
Capital Expenditure	64.57	108.65	44.08	**40.57**
Total Expenditure	162.60	232.75	70.15	**30.14**
Total Revenue Receipts	181.66	207.86	26.20	**12.61**
of which			0.00	
Tax	16.04	19.19	3.15	**16.41**
a) Professional Tax	5.59	4.30	-1.29	**29.91**
b) Taxes on Properties	9.91	8.00	-1.91	**23.89**
c) Entertainment Tax	0.5	0.80	0.32	**39.79**
Non Tax (Incl. User Charges)	14.53	17.04	2.52	**14.77**
a) Interest Receipts	2.38	1.05	-1.33	**126.21**
b) Education, culture, art	0.00	0.00	0.00	**-**
c) Medical	0.02	0.02	0.00	**6.25**
d) Social Security	0.00	0.00	0.00	**-**
e) Fisheries	0.00	0.01	0.01	**100.00**
f) Other village development programme	3.96	4.73	0.77	**16.21**
Total Grant-in-Aid	151.09	171.63	20.54	**11.97**
Transfer from Central Govt.	4.75	13.75	9.00	**65.45**
Transfer from State Govt.	146.34	157.88	11.54	**7.31**

Appendix A4: Analysis of the Finances of the Block Panchayats and District Panchayats

Appendix A4:

Analysis of the Finances of the Block Panchayats and District Panchayats

Table A4.1: Block Panchayat: Kothamangalam 2006-07

(Rs in Lakhs)

Name of Scheme / Grant		Details of Grants Received		Utilization of Grants	
	Opening balance as on 01.04.06	**Receipt during 06-07**	**Total**	**Amt utilised during the year 06-07**	**Closing Balance as on 31.03.07**
Development Expenditure Fund		15875000	15875000	14327964	1547036
Maintenance Expenditure fund		2108961	2108961	1576627	532334
General Purpose fund	755753	1050211	1805964	1168161	637803
Re imbursement fund from NABARD		7217000	7217000	7217000	0

B-Fund		**515000**	**515000**	**267760**	**247240**
Indira Awas Yojana	637718	4156394	4794112	3668700	1125412
Sampoorna Grameen Rozgar Yojana	540677	1380462	1921139	1881842	39297
Swarnajayanti Grameen Swarozgar Yojana	14848	172551	187399	168356	19043
Total Sanitation Campaign	71431	704420	775851	292372	483479
Funds Received from Grama Panchayats	335633	1673305	2008938	826000	1182938
Plan Fund	8018147	21579557	29597704	17785346	11812358
Total	**10374207**	**56432861**	**66807068**	**49180128**	**17626940**

Source of data: Documents collected from BPs pertaining to Annual Financial Statement and Budgets.

Table A4.2: Block Panchayat: Nilambur 2006-07

(Rs in Lakhs)

Name of Scheme / Grant		Details of Grants Received		Utilization of Grants	
	Opening balance as on 01.04.06	**Amount of grant**	**Total**	**Allotment to implementing officers**	**Closing Balance as on 31.03.07**
Establishment / general purpose grant	528326	884000	1412326	971647	440679
SC Fund	360843		360843	300000	60843
Miscellaneous receipts-Tender forms	1387868	1387868	2775736	304839	1218839
Basic Tax Grant	279786		279786		279786
Health Grant		2385118	2385118	2146606	238512
TSP	149520		149520	114000	35520
Swaraj Trophy		2500000	2500000		2500000
SCP					
Indira Awas Yojana	501516	15601600	16103116	14631638	1471478
Sampoorna Grameen Rozgar Yojana	12683	4510372	4523055	4482578	40477
Swarnajayanti Grameen Swarozgar Yojana	1035955	4370190	5406145	2197726	3208419
Plan	1340029	31678500	33018529	30645017	2373012
Maintenance grant					
Release	543485	324149	867634	800755	134771
Total	**6140011**	**63641797**	**69781808**	**56594806**	**12002336**

Source of data: Documents collected from BPs pertaining to Annual Financial Statement and Budgets.

Table A4.3: Block Panchayat: Perumpadappa 2006-07

(Rs in Lakhs)

Name of Scheme / Grant		Details of Grants Received		Utilization of Grants		
	Opening Balance	**Amount of grant**	**Total AvailableFund**	**Refund**	**Amount expenditure during 2006-07**	**Closing balance**
Basic tax	195886		195886			195882
General purpose grant	781221	803625	1584846		515299	1069547
Maintanence fund		1133961	133961		36472	769789
Establishment grant	63		63			63
SC Department fund	69		69			69
Deposit for works	7263		7263		2263	5000
Combined Harvester	216296		56577		56577	57900
Own fund	22490	2589	25079		8940	159719
Development fund		8025000	8025000		7602696	422304
IAY	1066	4170000	4171066		3723700	447366
SGRY	32409	700000	732409		707823	24586
SGSY	155890	223076	378966		322576	56390
Benificiary contribution	57900	2714	60614		2714	57900
Gramapanchayat share	659830	1132500	1792330	489730	830100	472500
Bill system	165624		165624		165624	
Other receipts		92684	92684			92684
Consolidated Fund		327200	327200	38191	289009	
Retension		31271	31271		31271	
Total	**2296007**	**16644620**	**17780908**	**527921**	**14295064**	**3831699**

Source of data: Documents collected from BPs pertaining to Annual Financial Statement and Budgets.

Table A4.4: Block Panchayat: Vypin 2006-07

(In Rupees)

Receipt Head		Expenditure Heads	
Name of Scheme / Grant	**Reciepts**		**Expenditure**
Opening Balance	1964738	**GENERAL ACCOUNT** *of which*	
Non-Tax Revenue	69084	Travel Expenses	467977
Social Services ***of which***		Other Expenditure	117694
Education, Sports Art & Culture	4000	Public Health	233526
Health	679985	Medical Service (Own Fund)	949833
Establishment Grants	803625	**Maintenance Expenditure**	1487961
Grant for Maintenance	1487961	**Plan Expenditure under decentralised Planning (Including State & Centrally Sponsored Scheme)** ***of which***	
Centrally Sponsored Schemes ***of which***		Tribal Sub Plan (TSP)	10520835
IAY	3566596	SGRY	2113886

SGRY	**1609249**	**IAY**	**2467441**
SGSY	306149	SGSY (Revolving Fund)	343593
TSC	96374	Sales Tax	7630
Plan Grant for Decentralised Planning *of which*		Other Items (Deposit Refund)	33150
TSP	13842000		
Others	142920	**Total Expenditure**	**18743526**
Total Receipts	**24572681**	**Closing Balance**	**5829155**

Source of data: Documents collected from BPs pertaining to Annual Financial Statement and Budgets.

Analysis of the Finances of the District Panchayats

Table A4.5: District Panchayat: Mallapuram

(Rs in Lakhs)

Head of Account	2006-07	2007-08
Revenue Account- Tax revenues	-	-
Revenue Account- Non-tax revenues	11.82	17.70
Grant- in- aid and contribution	**4851.41**	**6432.51**
i) Transfer from Central Govt.	2048.34	3855.98
ii) Transfer from State Govt.	2803.07	2576.54
Total Receipts	**4863.23**	**6450.21**
Revenue Expenditure	3996.88	6456.52
Capital Expenditure	0.15	4.00
Total Expenditure	**3997.03**	**6460.52**
Closing Balance	866.20	-10.31

Source of data: Documents collected from DPs pertaining to Annual Financial Statement and Budgets.

Table A4.6: Financial Situation of Ernakulam District Panchayat 2007-08

(Rs in Lakhs)

	2006-07			**2007-08**		
	Total Receipt	**Total Expenditure**	**Closing Balance**	**Total Receipt**	**Total Expenditure**	**Closing Balance**
Category A						
General : Normal	1458.30	842.63	615.67	1053.98	763.01	290.97
RIDF	348.00	0.00	348.00	348.14	0.14	348.00
SCP	576.81	467.18	109.62	744.11	643.15	100.96
TSP	38.04	12.23	25.82	67.66	27.27	40.39
Combined Project	1538.75	0.00	1538.75	1574.75	11.00	1563.75
Total – A	**3959.90**	**1322.04**	**2637.86**	**3788.64**	**1444.57**	**478.07**
Category B	**118.70**	**8.99**	**109.71**	**234.64**	**209.54**	**25.09**

Category C						
Maintenance Grant-Road	153.35	153.24	0.10	434.92	420.33	14.59
Maintenance Grant Non- Road	258.07	141.95	116.12	400.00	102.40	297.60
Combined Project				1.90	1.90	0.00
Total – C	**411.42**	**295.19**	**116.23**	**836.82**	**524.63**	**312.19**
Category D						
General Purpose Grant	**160.69**	**57.16**	**103.53**	**167.83**	**65.67**	**102.15**
Category E						
SGRY By Cash	288.02	190.58	97.44	303.83	151.13	152.70
Combined Project	3.00	0.00	3.00	0.00	0.00	0.00
Other Funds	2.49	1.98	0.50	1.23	1.23	0.00
Interest	7.33	0.00	7.33	6.21	0.00	6.21
Total – E	**300.84**	**192.56**	**108.27**	**311.26**	**152.36**	**158.90**
Category F						
Receipt from Sale of Tender	12.16	2.56	9.60	11.52	3.65	7.86
Other Receipts	0.07	0.00	0.07	0.30	0.05	0.25
Hall Rent	0.41	0.16	0.25	0.60	0.18	0.42
Canteen Rent	0.03	0.00	0.03	4.98	0.00	4.98
Retension	14.80	2.76	12.04	16.35	6.87	9.48
Sales Tax	0.18	0.18	0.00	5.08	1.15	3.92
Ayurveda Hospital Auction	3.39	0.00	3.39	3.39	1.21	2.18
Comp Gate Destruction	-	-	-	0.23	0.20	0.03
Fix from W.Bills	-	-	-	0.12	0.00	0.12
Car Auction	-	-	-	0.15	0.00	0.15
Total – F	**31.03**	**5.66**	**25.37**	**42.72**	**13.31**	**29.41**
Grand Total	**4982.58**	**1881.61**	**3100.98**	**5381.90**	**2410.08**	**1105.82**

Source of data: Documents collected from DPs pertaining to Annual Financial Statement and Budgets.

Appendix 5:

Spillover Projects as Reported by G.P. Nilambur

(In Rupees)

Sl. No.	Project Name	Plan	Maintanance	Own Fund	Total
1	Integrated Paddy Development		5000		5000
2	Goat rearing		10000		10000
3	Education			46300	46300
4	Education			181000	181000
5	Anganwadi-Health card issuence			100000	100000
6	Toilets-Construction			6000	6000
7	Housing			3000000	3000000
8	Housing			440100	440100
9	Housing			27500	27500
10	House-Repair			15000	15000
11	Anganwadi-Nutrient scheme			50000	50000
12	Road	50000		150000	200000
13	Road		50000	50000	100000
14	Road			65000	65000
15	Road			100000	100000
16	Road			306800	306800
17	Road	250000		250000	500000
18	Panchayath -Hall construction			420000	420000
19	Road			65000	65000
20	Road			582426	582426
21	Road			556862	556862
22	Road			10539	10539
23	Fish market-Electrification			22100	22100
24	Road			372000	372000
25	Street Light			100000	100000
26	School-Repair		25000		25000
27	Crache-Wall Construction		40000		40000
28	Anganwadi-Repair		37027		37027
29	Road			263065	263065
30	Fish market			218955	218955
31	Road			285000	285000
	Total	**300000**	**167027**	**7683647**	**8150674**
	SCP				
32	Anganwadi-Health Card Issue	10000			10000
33	SC- Health Reimbursement	10000			10000
34	SC-Well Construction	20000			20000
35	SC-Well Construction	30000			30000
36	SC-Well Construction	22000			22000

Appendix 6:

Budget Structure of Grama Panchayats in Kerala

Major Heads	Budget Structure
Tax Sources	
0028	Taxes on Receipts and Expenditures
0029	Taxes on Land
0035	Taxes on Properties except agricultural land
0041	Taxes on vehicles
0042	Taxes on goods and passengers
0045	Taxes related to Transfer of goods and services
Non-tax Sources	
0049	Interest Payments
0059	Public Works
0071	Pension and other service retirement benefits
0202	Education, sports, art and culture
0210	Hospital facilities and Public Health
0211	Family welfare
0215	Drinking water supply and cleaning
0216	Construction of Houses
0235	Social welfare and protection
0250	Other Social works
0401	Cereals
0403	Animal Husbandry
0404	Diary Development
0405	Fisheries
0406	Forestry and Animal Protection
0408	Food storage warehousing
0506	Land Reforms
0515	Other Village Development Programme
0702	Minor Irrigation
0801	Electricity
0810	Traditional Energy Sources
0851	Village small scale industries
1054	Roads and Bridges
1055	Road Transport
Grant-in-Aid Contribution	
1601	Funds from Central / State Governments
1604	Authority Transfer and Relief Funds from State Government
Capital Account Receipts	
4000	Capital Receipts
Loan and Advances	
6003	Domestic Loan
6004	Central / State government Loans and Advances
7610	Loans for Panchayat Employees
8009	Provident Fund
8011	Insurance, Pension Funds

Deposits and Advances	
8443	Civil Deposits
8448	Local Fund Deposits
Advances	
8550	Civil Advances
Payment of Cash	
8782	Cash Transactions between Village / Block / District Panchayat
Revenue Account Expenditures	
2049	Interest Payments
2059	Public Works
2071	Pension and other service retirement benefits
2202	General Education
2203	Technical education
2204	Sports and Youth Affairs
2205	Art and Culture
2210	Medical and Public Health services
2211	Family Welfare
2215	Drinking Water supply and Cleaning
2216	Housing
2225	Welfare programmes for SCs, STs and OBCs
2230	Labour and Employment Services
2235	Social security and welfare
2236	Nutritional Food
2245	Natural Disaster Relief Programmes
2401	Cereals / Pulses
2402	Soil and water Conservation
2403	Animal Husbandry
2404	Administration and Management
2405	Fisheries
2406	Forestry and Wild Life conservation
2408	Food Procurement and Ware housing
2425	Co Operation
2501	Special Programmes for rural development
2505	Rural Employment
2506	Land Reforms
2515	Other Rural development Programme
2702	Minor Irrigation
2801	Electricity
2810	Non-Conventional Energy sources
2851	Small Scale Industries
3054	Roads and Bridges
3055	Road Transport
Capital Account Expenditures	
4059	Public Works Capital Expenditure
4202	Education

4210	**Capital expenditure for medical and public health**
4211	Capital Expenditure for Family Welfare
4215	Capital Expenditure for drinking water
4216	Capital Expenditure for Housing
4225	Capital Expenditure for the Welfare of
4235	Capital Expenditure for Social secrity and welfare
4401	Capital expenditure on Cereal Crops
4402	Capital Expenditure on soil and
4403	Capital Expenditures for Animal husbandry
4404	Capital expenditure for dairy Development
4405	Capital Expenditure for Fisheries
4406	Capital expenditure on Forestry and wild- life conservation
4408	Storage of foods and capital Expenditures on warehousing
4425	Capital Expenditure on Cooperation
4515	Capital expenditure for other village development programmes
4702	Capital Expenditure on minor irrigation
4801	Capital expenditure for Electrification
4810	Capital Expenditure on Non Renewable energy sources
4851	Capital Expenditure for Small scale cottage industries
5054	Capital Expenditure on roads and bridges
5055	Capital Expenditure on Road Transport

Source: Budget Document of the Panchayats.

Summary of Findings and Suggestions

6.1 Findings and Suggestions for Rajasthan

The panchayats in Rajasthan are still facing the problems of setting up institutions and creating procedures for them even after 15 years of the 73rd AA. Therefore, it would be appropriate on the part of the state government to fully transfer local institutions with desired powers to PRIs as envisaged in the Constitution to make them an institution of local government.

In this regard, following broad steps could be adopted gradually by the state governments: (1) Conferring the responsibilities on 29 subjects to Panchayats (2) Capacity building of Panchayat functionaries on those conferred responsibility areas (3) Devolving the powers to Panchayats in the conferred areas (4) Creating procedures and administrative operating system to run these institutions (5) Devolving the plan and non-plan funds to each tier of panchayat through a Panchayat window from the state budget (6) Setting up accountability mechanisms for PRIs. Some other specific suggestions have been given below to make panchayats fully functional and autonomous in Rajasthan.

1. **Devolution of functions, functionaries and fund**
   - The field study and assessment of government order (dated 19.06.2003) related to the extent and pattern of power devolution has revealed that transfer of power to panchayats is just symbolic, not in the real terms. Therefore, all 29 subjects listed in the eleventh schedule shall be devolved to Panchayats with immediate effect wherein Panchayats would have full financial autonomy, command in decision making, intervening and administering in those areas along with disciplinary action against the local staff. The government may set up a separate body on matters of recruitment, transfer and posting of the Panchayats cadre staff at PS and ZP level.
   - All the functions should necessarily be devolved to PRIs with funds and functionaries. It has been observed from the field survey that there is a mismatch between functional devolution and fiscal autonomy as well as control over functionaries.
   - The devolved functions are found to be overlapping among the three tiers of Panchayats. In order to overcome the problem of overlaps, there should be a clear cut demarcation of devolved power in terms of functions, funds and functionaries among the three tiers of Panchayat by using the principle of subsidiarity.
   - The percentage share of PRIs fund in total state budget accounts nearly around 2 percent which is a very small share of fund from the state budget .In addition, there are no separate heads of account for development fund, general purpose grant and

maintenance grant. Therefore, state government should devolve a certain percentage of funds to Panchayat sector from Panchayat window of state budget in the form of development fund, general purpose grant and maintenance grant. This grant should be released on a regular basis in periodic installments to the Panchayats.

2. Local Planning and Budgeting

- The State government does not provide the desired funds with ceiling amount to the Panchayats for planning and budgeting purposes from the Panchayat window of the State budget. This makes Panchayat planning and budgeting processes a mere formality. To make plan and budget making process a regular phenomenon, state government should devolve a certain percentage of plan fund to each devolved function and to each tier in terms plan and non-plan funds through the Panchayat window of State budget.
- In Rajasthan, Panchayats have followed integrated planning process, in which the GP and PS plan are merged with District Annual Plan and these two plans do not have visibility in the District Annual Plan. Therefore, planning process should be multi level/autonomous for each tier of Panchayat and reflect the GP and PS plan in the district annual plan.
- There have been rigid norms and rules attached to guidelines of CSS and central and state grants, it should be made flexible in order to make planning and fund utilization more effective as per local felt needs.

3. Own Sources of Revenue

- Among the three tiers of Panchayats, Panchayat Samitis are more capable to generate their own revenue as compared to GPs and ZPs. The major chunk of revenue at Panchayat Samiti level comes in the form of education cess, rent from shops and bone contract, while Gram Panchayats collect their revenue from various sources such as registration fees, public contribution, rent from shop, but they are not able to collect property tax. With regard to collection of own revenue, Gram Panchayat faces many problems. Gram Panchayats do not have enough capacity to impose tax and non tax revenue, given that the tax base is very low, proximity to the people and limited spread in terms of area. Absence of any local authority for tax collection under the PRIs is also a major concern.
- To improve the quantum of own source revenue, a parallel authority like state and central board of taxes must be created for PRIs for the purpose of revenue collection. Since, GPs are unable to collect property tax, Panchayat Samitis may also take responsibility for this and redistribute it among the Gram Panchayats by evolving criteria with the help of SFC.
- There are some GPs and PS which have collected reasonable amounts of own revenue. Therefore, they must be rewarded and should be given some incentive for better performance.

4. Audit and Accounts

- The database of Panchayat finances is in an extremely poor condition in terms of preparation, maintenance and updating records. There has been a lack of uniformity in the accounts of all the three tiers of Panchayats. The accounting system needs to have more uniformity in terms of preparation and maintenance of accounts across all tiers of Panchayats.
- Rajasthan government claims that CAG formats have been

adopted for Panchayat accounting although it has not been operationalised. Therefore, special attention needs to be given for improvement of financial accounting system by using the format provided by Technical Guidance & Supervision /Support (TGS) system of the CAG.

- It was observed that the geographical area of a GP in the state is extremely dispersed. The amount of fund flow to Panchayats has increased over the period. Given the fact that in some places a Panchayat Secretary is looking after more than one GP, there is an urgent need to address the issue of staffing. Therefore, staff strength at GP level may be increased; every GP should have atleast one Panchayat Secretary, one Lower Divisional Clerk / Upper Division Clerk (LDC/UDC) and one peon on the regular basis. They should be provided adequate training in accounts and budget management.

5. **Implementation, Monitoring and Supervision**

- Weak planning, monitoring and supervision of projects and schemes implemented by Panchayats have been a matter of serious concern, mainly due to lack of sufficient staff and mobility support (transportation) at PS and ZP. Given the substantial amount of funds provided by the government to Gram Panchayats, adequate staff support for planning, monitoring and supervision should be provided to Zilla Panchayat and Panchayat Samitis respectively.
- To improve the implementation and monitoring mechanism of the schemes, regular involvement of Panchayat Secretary and Sarpanch is essential; therefore, the government should provide reasonable mobility support (transportation) to Panchayat Secretaries and a respectable amount of honorarium to Chairman of PS and Sarpanch that is at par with that provided to the government officials.
- As observed from the field, Panchayat functionaries lack desired knowledge and capacity to execute the project and schemes. Therefore, the education and capacity building programme may be organized on regular basis in the perspective of 73rd AA to improve planning, implementation and monitoring.
- Generally, one to two per cent people (against the required quorum of 1/10 of total voter) participate in the Gram Sabha. The role of women in this process is also found to be negligible. For improving the accountability mechanism, participation of common citizens/NGOs should be ensured by involving them in planning and implementation of programme/ scheme.
- There has been observed a degree of high-handedness of government officials over elected representatives in terms of taking disciplinary action in matters of misappropriation of funds and other irregularities. To look into these matters, an Ombudsman (equivalent in rank to a retired High Court judge) may be appointed to look into irregularities or malpractices committed.

6.2 Findings and Suggestions for Kerala:

1. **Fiscal Autonomy**

The Panchayats in Kerala enjoy fiscal autonomy of a different level in accordance to existence of a different tier system and as per the functions assigned. However, there needs to be an in-depth assessment of the role of Block Panchayats in the entire scheme of decentralization in Kerala. The Block Panchayats find themselves increasingly constrained in their role in local area development. The Block Panchayats can have more role to play in the economic development of the local areas particularly relating to promotion of village and cottage industries, rural business hubs or operation and maintenance of remunerative enterprises at the local level, promotion of vocational training and alternate learning systems for the physically challenged and creation of social infrastructure like public libraries, sports facilities or promotion of cultural activities which may not be economical at Grama Panchayat level or inaccessible if provided at district level.

2. Local Planning & Budgeting

There are considerable delays in the preparation of annual plans by the Panchayats and there is a gross mismatch in the planning and budget cycle. There needs to be a review of the planning and budgeting process of the Panchayats so that the budget for the current fiscal reflects the realities for the corresponding year and spillover projects are minimized. One way of achieving this could be by starting the planning process for a particular year, at the end of the third quarter of the preceding year, with an appraisal of the achievements in the ongoing plan. This would mean that by the time the budget is formulated, Panchayat functionaries will already have a shelf of projects ready to be financed through the budget to be presented and a fair idea on the extent of spillover projects. This would also provide the Panchayats with sufficient time to undertake creation of more durable public assets with longer gestation periods. Moreover, ensuring that the annual budget reflects the financial transactions to be undertaken by the Panchayats for the ensuing year would also ensure transparency in the financial processes.

3. Audit and Accounts

There is need for larger attention to audit practices, financial management and reporting of the Panchayats. There is a need for adopting uniform formats of financial reporting across all the tiers of Panchayati Raj in Kerala to ensure better transparency, accountability and comparability among Panchayats. In this regard, it may be worthwhile to explore adoption of format provided by Technical Guidance & Supervision /Support (TGS) system of the CAG, particularly in case of Block Panchayats and District Panchayats. There is also possibility of computerizing the financial management system of the Panchayats to allow better monitoring and tracking by the auditors.

The study team has also found that Grama Sabha meetings are scarcely held in Grama Panchayats, a major reason cited being lack of interest of people given that there are lesser beneficiary-driven programmes with Panchayats. However, to instill transparency into the operations of Panchayats, performance audits of the Panchayats may be made mandatory. Such performance audits should be done by citizen's groups and ideally by the Grama Sabha and the report needs to be made public.

4. Adequate Human Resource

This issue has also been pointed out by the Third State Finance Commission. The Panchayats lack trained human resources particularly in the field of financial management and information systems management. Dearth of human resources have affected performance of Panchayats country-wide, but given the extent of responsibility in governance and development planning in Kerala, there is need for adequate human resources to improve the performances of the Panchayats.

REFERENCES:

Bardhan.P (2002) "Decentralization of Governance and Development" Journal of Economic Perspective, volume 16,November 4 ,pp 185-205

Bardhan P. and D. Mookherjee (2007), "Decentralization and Local Governance in Developing Countries: A Comparative Experience", OUP New Delhi.

GoI (1993), the Constitution Seventy –Third Amendment Act, 1992 on the Panchayat (1993), Ministry of Rural Development.

GoI (2006) Report of the Expert Groups –Planning at Grassroot level: Action programme for EFYP, Ministry of Panchayati Raj.

GoI (2007), State Profile 2007, State of Panchayat, Vol, II, Ministry of Panchayati Raj

Government of India (2001) "Report of the Task foce on Decentralization of powers and functions upon Panchayati Raj Institutions, Kirishi Bhawan, New Delhi.

Govt of Kerala (2005), Third State Finance Commission Report.

Govt of Kerala (2008-09), State Budget of Kerala 2008-09.

Jha. S (2002) "Strengthening local Fiscal Governments: Rural Fiscal Decentralisation", Economic and Political Weekly, and June 29.

Kerala State Planning Board, "Kerala Human Development Report 2005", Govt. of Kerala, India.

Kerala State Planning Board, "Kerala Economic Review 2008", Govt. of Kerala, India.

KILA, Handbook Series on Panchayat Administration, Kerala Institute of Local Administration, Thrissur, Kerala.

Kumar G.N (2006) "Decentralisation and Local Finances" INMR Policy Brief No. 9 , ADB

Ooomen M.A. (2005) "Rural Fiscal Decentralization in India" Decentralization and Local Governance: Essay for George Mathew, Orient Longman.

Ooomen M.A. (2006) "Fiscal Decentralization to Sub-State Level", Economic and Political Weekly, March 2006.

Pal, M (2004) "Panchayati Raj and Rural governance: Experiences of a Decades" EPW, 10

Planning Commission (2001), Report of task force on PRIs

Rajaraman, I. and Sinha Darshy (2007) "Functional Devolution to Rural Local Bodies in Four states", June,16

Rajaraman. I (2003) "Defining Local Fiscal Domain", Fiscal domain for Panchayat , Oxford University Press.

Rao, C.B., Gupta, M. and P.R. Jena (2007) "Central Flows to Panchayats: A comparative Study of Madhya Pradesh", EPW, Feb 3,

Rao, M.G. (2002), "Development, Poverty and Fiscal Policy: Decentralization of Institutions", Oxford India

Economic Review (2007-08): Directorate of Statistics and Economics government of Rajasthan.

Out line of District Statistics, Jaipur (2003): Directorate of Statistics and Economics government of Rajasthan.

Rajasthan Panchayati Raj conformity Act 1994.

Rajasthan Panchayati Raj Rule 1996

Panchayati Raj Status Book 2000, Institute of Social Sciences , New Delhi.

First State Finance commission Report (1995-2000), December 1995. Jaipur

Second State Finance commission Report (2000-05), August 2001, Jaipur

Third State Finance commission Report (2000-05), August 2008, Jaipur

Report on Panchayati Raj General Election Rajasthan, 2005: Vol.-1 (Zilla Parishad), State Election Commission, Rajasthan, Jaipur.

Report on Panchayati Raj General Election Rajasthan, 2005: Vol.-II (Panchayati Samiti), State Election Commission, Rajasthan, Jaipur.

Report on Panchayati Raj General Election Rajasthan, 2005: Vol.-1II (Gram Panchayat), State Election Commission, Rajasthan, Jaipur.

Annual Report (2007-08) - Panchayati Raj Department, Government of Rajasthan

LISTS OF ABBREVIATIONS

AFS: Annual Financial Statements

BDO: Block Development Officer (BDO)

BRGF: Backward Region Grant Fund

BPs: Block Panchayats

CAG: Comptroller and Auditor General of India

CFC: Central fianance Commission

CSS: Centrally Sponsored Schemes

DPs: District Panchayats

DPC: District Planning Committee

DRDA: District Rural Development Agency

GDP: Gross domestic Product

GPs: Gram Panchayat

IAY: Indira Awas Yojna

ICDS: Integrated Child development services

LFAD: Local Fund Audit Department

LSGI: local self Government Institutions

MKSS: Mazdoor Kisan Shakti Sangathan

MLALAD: MLA Local Area Development

MPLAD: MP Local Area Development

NREGS: National Rural Employment Guarantee Scheme

OSR: Own Source Revenue

PAC: Public Accounts Committees

PESA: Panchayat Extension to Scheduled Areas Act

PHED: Public Health Engineering Department

PRIs: Panchayati Raj Institutions

PS: Panchayat samiti

PWD: Public Work Department

SC: Schedule Caste

SFC: State finance Commissions

SGRY: Sampoorna Grameen Rozgar Yojana

SGSY: Swarn jayanti Gram Swa- Rozgar Yojana

SSS: State Sector Scheme

ST: Schedule Tribes

TAG: technical Advisory group

TGS: Technical Guidance & Supervision /Support

UC: Utilization Certificate

ZP: Zilla Panchayat