

## NEED FOR MORE TEETH TO PANCHAYATI RAJ SYSTEM

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Creation of Panchayats in India through a Constitutional Amendment in 1993 had initially raised hopes about their role in improving service delivery to the people, as decentralisation was expected to achieve higher economic efficiency, better accountability, larger resource mobilisation, lower cost of service provision, and higher satisfaction of local preferences. But studies show that although some village level panchayat leaders have done commendable work, elected local bodies on the whole have not benefited the people to the extent of funds provided by the government. Their record in empowering the excluded ones is even more disappointing.

Panchayats are more concerned with consolidating economic and social power with few leaders, often from elite groups. Rather than using the democratic process to change inequitable rural societies, gram panchayats function more or less as “political” bodies, i.e., organisations dealing with power, and development funds are used to consolidate that power.

Scenario is worse at the block and district level. This is despite the fact that these two tiers have sufficient funds and staff at their command, when compared with the village tier. The elected members of the panchayati raj institutions (PRIs) at these levels behave more or less as contractors, with no

institution of the *gram sabhas* at that level to put moral pressure on them.

We discuss below how their efficiency and delivery can be improved.

**Involve them in social sector** - Panchayats at all levels are mostly busy implementing construction oriented schemes, which promote contractor - wage labour relationship. This does not require participation of the poor as equals, on the other hand it fosters dependency of the poor on *sarpanch* and block staff. In such a situation panchayat activities get reduced to collusion between *sarpanch* and block engineers. Panchayats should be made more active in the fields of education, health, self help groups (SHGs), watershed, nutrition, pastures and forestry programmes, which require people to come together as equals and work through consensus.

**Devolve funds, functions & functionaries**- So far the progress on fiscal and functional decentralisation has been disappointing. Except Kerala, no other state has taken any positive step to devolve funds, functions and functionaries to the PRIs to enable the panchayats to discharge this constitutionally mandated function properly. Further, it is imperative that the PRIs have resources to match the responsibilities placed on them. While state finance commissions have submitted their recommendations, very few state commissions





have implemented this or taken the necessary steps to ensure fiscal viability of the PRIs. The liberal devolution through the Central XIV Finance Commission should be used to build their capacity and make them pro-poor.

**Control over village staff** - Attendance and work of important field level functionaries whose work touches the lives of almost every person in the village, such as teachers, doctors, ANMs, anganwadi workers, agricultural assistants, veterinary doctors and electricity department linemen should be monitored by *gram sabhas*, regardless of the tier to which they answer. The creation of local cadres through administrative and legislative measures is essential so that panchayats can function effectively, execute schemes and are accountable to the people. This would also reduce staff costs.

**Parallel bodies** - All CBOs (community based organisations) and parallel bodies created to impart education, sanitation, etc should be required to report periodically to the *gram sabhas*, so that the community as a whole is kept informed of the activities of parallel bodies. In fact they should be constituted as sub-committees of the *gram sabhas*.

**Reduce control by bureaucracy** - Instances have been reported where the gram panchayat *sarpanch* has to spend more time visiting block offices. There are also instances of harassment by block level officials. Systems which require gram panchayat *pradhan/sarpanch* to approach block office for funds and/or technical approval need to be drastically changed. Village bodies should be able to spend funds on their own instead of taking technical approval from government officials. These interactions with the block staff distort the role of *sarpanch* as elected representatives of the *gram*

*sabha* and induct them into the bad old ways of official rule, besides encouraging corruption.

**Empower Gram Sabhas** - *Gram Sabha* meetings were regularly held at few places, and in most cases, participation of *gram sabha* meetings was low. Often such meetings were only on paper. Empowering *gram sabhas* and strengthening their control over panchayats could have been a powerful weapon towards transparency, and involvement of the poor and marginalized section of the society. For instance, *Gram Sabha* should be the final authority. However, most of the states have not spelt the powers of *gram sabhas* and have not laid down the functions of these bodies.

**Follow community approach** - No programme that aims at generating social capital can be successful in isolation in the long run unless a significant number of developmental programmes follow the community approach. Therefore, developmental programmes should aim at both – institution building as well as economic security for the poor - and develop multi-sectoral indicators for judging how well it has performed.

**Panchayats in Schedule V areas** - State Governments should make appropriate amendments in their state Laws / Acts which impinge on specific provisions contained in the Central Act for Schedule V areas in the central tribal region, called PESA. As of now very few states have devolved powers of ownership with *gram sabhas* over minor minerals, minor forest products and water bodies, as provided under PESA.

**Encourage them to use fiscal powers** - At the village level, an important power devolved to Gram Panchayat is the right to levy tax on property,





business, markets, fairs and for the service provided, like street lighting or public toilets, among other. Only a small number of village people are aware of this fiscal power, as it is not in use. Very few panchayats use their fiscal power to levy new taxes. The argument pushed by the panchayat heads is that it is difficult to levy tax on your own constituency, especially when you live in the community.



#### **Reduce dependency on Government funding and change financing system -**

A review of money received and Own Source Funds shows the overwhelming dependency (often more than 95%) of Panchayats on government funding. How these funds are used is not properly audited. These funds are a soft option and discourage any effort to generate local revenue. When panchayats do not raise internal resources and instead receive funds from outside, people are less likely to request for social audit (i.e., accountability of PRI) if they are not asked to pay taxes.

It is therefore necessary to reconsider the current funding system. For instance, Tamil Nadu collects land tax through government machinery and then transfers 85% to the panchayats. It will be more cost effective if the entire burden of collection is shifted to the village panchayats, and they in turn transfer 15% of the collected taxes to government. Today the PRIs hesitate to levy and collect taxes, as they prefer the soft option of receiving grants from government of India. This must be discouraged and the local bodies be encouraged to raise local resources for development and then receive matching grants from the Centre/States. The more dependent a PRI is on the mass of its citizens for financial resources, the more likely it is to use scarce material resources to promote human development and reduce poverty.

External funds with no commitment to raise internal funds make PRIs irresponsible and corrupt.

**Give untied grants** – Another factor limiting initiative is the tied nature of funds disbursed to these institutions. They generally prescribe activities and target groups for the scheme as a whole. This has two implications. Firstly, the activities stated under certain schemes are not always appropriate for all parts of the country/state. This results in unsuitable activities being promoted or under utilisation of funds, and hence loss of funds. Secondly, tied funds are inflexible, giving little scope for tailoring to local needs and conditions.

Panchayats would need a higher share in state and central revenues. States need to increase the share of transfers to PRIs from state governments as untied grants, by (i) consolidating state schemes with broad rural development objectives into untied grants, as Kerala has done; (ii) making these grants a share of state revenues, (iii) explicitly defining through state legislation a formula to allocate grants to jurisdictions and PRI levels, and (iv) transfer collection of village taxes, such as land revenue, irrigation tax to PRIs.

The formula of transfer should no doubt give weightage to population and poverty, but also to performance and efficiency, so that there is incentive to them for increasing the sources of own revenues of PRIs through own and assigned taxes and increasing their capacity to collect. State grants should be given to them only when the PRIs are able to collect a minimum percentage of the taxes assigned to them. Flow of funds from the state/GOI should also be dependent on good work or mobilization done by them.

Therefore, the additional allocations recommended by the Union Finance Commission to states, and in particular the supplementary sources to local governments, should be contingent upon the states fully implementing the suggestions given above.

**Link devolution with performance**—A “Devolution Index” may be prepared for all states, and at least 1/3<sup>rd</sup> allocation of centrally-sponsored schemes in the panchayat functional domain or block grant (when introduced) may be allocated to the state governments on the basis of this index.



**Social audit and ranking of panchayats** - Large expenditures are now being incurred by PRIs. Their accounts are to be audited by Local Fund Audit, but there are several problems. First, there are huge arrears, and in some cases accounts have not been audited for more than ten years. Secondly, the quality of their reports is very poor, therefore the utility of such audits is doubtful, the impact it makes on improving systems is at best marginal, perhaps negative. Thirdly, there are complaints of corruption, and the general impression is that audit reports can be bought. Lastly, elected officials are not held accountable for any lapses noticed in their reports, only officials are, which breeds irresponsible behaviour on the part of non-officials.

The quality of work done by panchayats should be closely monitored by a team of journalists, civil society members, panchayat leaders from the neighbouring districts (who have already done excellent work), and stakeholders. Based on these reports, panchayats should be graded, and future funds should be linked with their grade. Strengthening financial management and audit procedures will also strengthen accountability of the local bodies, their standing committees and its representatives to the people as well as to the government.

Through a carefully designed methodology, it is quite possible to measure the performance of panchayats, and to what extent they are inclusive and participative. In Uttar Pradesh, a study evolved some criteria for ranking twenty panchayats. Not surprisingly, in most of the study panchayats (75 percent) ranked in 'Unsatisfactory' or 'Very Unsatisfactory' category. But two achieved 'Good' rank while three other panchayats achieved 'Very Good' rank. Notably, two of the best functioning panchayats in the sample were headed by women *Sarpanches*.

**Increase the use of IT**- IT as a tool can be effectively used in the area of implementation by the PRIs. Several transactions can be carried out using online applications. This has been sufficiently demonstrated in various pilot projects carried out across the country. For instance, land records can be put on the web, and then disseminated through the private kiosks.

**Improve governance** - Rural decentralisation and PRIs have made profound changes in rural India.

They may ultimately offer a better option for rural development and poverty alleviation. Disadvantaged jurisdictions could then be the main winners. It is an important opportunity.

The process of decentralizing administrative and financial functions to the panchayats after putting in place some of the critical accountability mechanisms should start at once so that decentralisation does not lead to favouritism, nepotism and corruption or abdication of responsibilities.

Effective panchayats would also require effective district and block level administration. Hence efforts towards better accountability and performance from local bureaucracy should go simultaneously along with building local PRI capabilities. Bureaucracy needs to be made accountable to the people through greater transparency, more frequent public consultations, vibrant grievance redressal systems, independent monitoring, frequent third party assessments, rights-based development framework, and honouring citizens charters that describe what quality services they can expect from government.

Thus there are big risks in premature promotion of PRIs. Past attempts of decentralisation failed in India. If not carefully designed, sequenced and implemented, decentralisation can increase the fiscal burden on the states and lead to a break down in service delivery, in particular to the poor. Effective panchayats would also require effective district and block level administration. Hence efforts towards better accountability and performance from local bureaucracy should go simultaneously along with building local PRI capabilities, otherwise the elected PRI leaders would not change their perception of the state being an 'open treasury'.

Thus civil service reforms that would strengthen district administration must go hand-in-hand with empowerment of panchayats. Professional and responsive public administration will be an asset for both, the social sector as well as for enabling panchayats to play an important role that is mandated for them.

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