

***Journey of Panchayats in MP :  
Milestones and Roadblocks  
25 years of Panchayati Raj***





# Table of Contents

# Abbreviation

APL	Above Poverty Line
AE	Assistant Engineer
ANM	Auxiliary Nurse Midwife
BPL	Below Poverty Line
BRGF	Backward Regional Grant Fund
CA	Constitutional Amendment
CAG	Comptroller and Auditor General (of India)
CFC	Central Finance Commission
CSSs	Centrally Sponsored Schemes
CSOs	Civil Society Organisations
DPC	District Planning Committee
DPR	Detailed Project Report
DLFA	Directorate of Local Fund Audit
RD	Rural Development
FRA	Forest Rights Act
FC	Finance Commission
FFC	Fifth Finance Commission
FES	Foundation for Ecological Security
FTOs	Fund Transfer Order
FGDs	Focus Group Discussions
ICDS	Integrated Child Development Scheme
GPDP	Gram Panchayat Development Plan

ICT	Information and Communication Technologies
IAY	Indira Awas Yojna
JP	Janpad Panchayat
MNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MLAs	Member of Legislative Assembly
MoPR	Ministry of Panchayati Raj
MP	Madhya Pradesh
MDM	Mid Day Meal
NHM	National Health Mission
NEFT	National Electronic Fund Transfer
PESA	Panchayat Extension in Schedule Areas
PO	People's Organisation
PHED	Public Health Engineering Department
PRIs	Panchayati Raj Institutions
RKSY	Rashtriya Kishore Swasthya Yojana
SC	Scheduled Caste
ST	Scheduled Tribe
SMC	School Management Committees
TSG	Technical Support Group
VHSNC	Village Health Sanitation and Nutrition Committees
ZP	Zila Panchayat

# Preface

Panchayati Raj institutions attained constitutional space and importance with the enactment of 73rd Amendment in 1992. On 20 April, 2017, Panchayati Raj Institutions completed 25 years of existence as constitutional entities. The struggle to occupy legitimate space as democratic institutions of grassroots governance is long and tedious. In the journey of establishment of local governance, Panchayati Raj Institutions are losing friends and allies due to caste, class and political power dynamics. However, there are many examples of success, hope and optimism that one sees across the state.

The state Governments enacted state level Acts consistent with the core spirit of the 73rd Amendment. MP has been one of the pioneering states in conducting first round of elections of PRIs. There have been several amendments to adapt the Act based on growing realities and challenges encountered. Some of the changes have been enabling Panchayats to function more effectively as a local Government. There are many overt and covert changes in the Act or issuance of office orders which have taken away powers of PRIs. The real challenge has been in exercising delegated functions, monitoring programme functionaries as well as receiving funds which are flexible and under the control of PRIs. The journey of the last 25 years of local governance has been interesting, frustrating yet fascinating for those who believe in participatory and direct democracy to enrich India as one of the largest functional and not a tokenistic democracy in the world.

The status report has been prepared to reflect back on the journey of decentralized governance and identify issues and challenges of establishing local governments. The study deals with the Panchayati Raj institutions only. The evidences provided here are primarily from the state of MP where the organization has worked over 20 years. The study is based on the grassroots experiences of the PRIs as understood from their perspective. It is not a structured randomized quantitative research rather an action based research where experiences with PRIs over the last 10 years have been captured. A consultation was also organized, to gain insights on the key findings, with the grassroots voluntary organizations, elected representatives of PRIs and relevant former government officials. The study provides key patterns of successes, bottlenecks possibilities and constraints for the PRIs to function as local governments. Though the status report is specific of MP, however, many of the findings have generalizable elements across many states.

I am thankful to the Panchayat leaders who shared their rich experiences related to establish PRIs as local government. The insights in this document are the combined efforts of the entire Samarthan team. We would also like to thank many of the Government officials and civil society leaders, who have unfettered faith in participatory democracy, providing us perspective and motivation in this journey of strengthening Panchayati Raj Institutions. Last but not the least, the IBP as a partner in promoting governance and accountability, supported Samarthan to develop this report. I hope the report is useful for the policy makers and practitioners concerned with participatory democracy and building panchayats as institutions of local governance.

Yogesh Kumar



# Executive Summary

## Journey of Panchayats in Mp : Milestones and Road Blocks

Panchayats gained constitutional legitimacy 25 years ago when the 73rd Constitutional Amendment was enacted in 1992. Samarthan, a civil Society organization based in Bhopal, prepared a citizens' status report based on the constitutional provisions and ground realities, gathered across the state from the elected representatives, citizens and civil society organizations.

Constitutional amendments and implications on PRI's

The 2004 Vidheyak was followed by another Amendment in 2005 and this only consolidated the power of the Sarpanch further. The Sub-Divisional Magistrate is vested with powers to suspend elected representatives under section 40 of the Act. Dominance of bureaucracy has led to emergence of PRIs as weaker institutions of local Government.

The state Government has not even formed the rules of PESA and notified it yet. Empowering provisions of PESA have been deliberately diluted. The power of the Gram Panchayat and Gram Sabha to monitor attendance and performance of the field functionaries (under Section 7) that has been diluted over the years.

The reservation for women has gone up from one-third to half of the total seats in PRIs in MP. However, there are no supportive mechanisms that women have been demanding from the first round of Panchayat elections. There is

a need for transport allowance to visit the block office, rest houses for stay and separate rooms at the block office to wait for the officials if they are not available.

## Decentralised planning in a top driven system

Madhya Pradesh Government initiated integrated district planning under the co-ordination and supervision of State Planning Commission. Besides, there were parallel planning processes initiated by the programmes like MGNREGS, SSA/RTE, NRHM with different formats and frameworks. Moreover, one of the primary condition of planning process i.e. information on resource envelope was not shared with the Panchayats.

Action Agenda to improve decentralized planning

- A full-fledged and functional DPC Secretariat with subject matter experts
- The blocks must build capacities for cluster approach planning, to meet demands beyond a single village Panchayat
- Adequate budgetary resources must be provided to the DPC to meet expenditure on its regular staff as well as to hire experts or outsource work
- The agenda and documents of DPC meeting should be distributed at least 15 days in advance
- There is a need to evolve a



comprehensive planning framework that is adhered to by all departments.

## Panchayat finance for local government's autonomy

Transfer of funds to village Panchayats in MP based on 14th Finance Commission recommendations will be in the tune of Rs.12200.72crores during 2015-20. One of the path-breaking decisions of the 14th FC has been to discontinue fund transfer to the district and block Panchayats.

Technically, this should have been the tenure of the Fifth State Finance Commission in Madhya Pradesh. The Fourth Finance Commission was established in July, 2014. The report has not been submitted yet.

The fund transfers reflect that around Rs. 1.5 lakh was transferred per Village Panchayat during 2005-10 (12<sup>th</sup> FC) and around Rs. 2 Lakh per Village Panchayat during 2010-2015 (13<sup>th</sup> FC). There is a substantial jump in transfer of resources during 14<sup>th</sup> FC as the transfers of the last 2 years FY 15-16 and 16-17 have been in the tune of Rs. 764312 per Panchayat, which is more than 3 times of the previous transfer.

Government of Madhya Pradesh designed a scheme, Panch Parmeshwar, out of 14<sup>th</sup> Finance Commission allocations to PRIs adding State Finance Commission Resources. Gram Panchayats in Madhya Pradesh are small sized; with population less than 2000 receive Rs. 5 lakh and Panchayats in the population range of 2000 to 5000 get Rs 8 lakh annually. Panch Parmeshwar being a state driven scheme, there are several restrictions imposed on it. Recently revised guidelines have enhanced flexible provisions. The portion of fund that can be used by Panchayat flexibly has been increased from 10% to 20% of the total

funding. It is argued by the elected Panchayat representatives that flexible funds of Finance Commission should not be restricted.

The state Government announced Swakaradhan Yojana, a scheme of incentives for Panchayats inked to mobilize local resources. There is an allocation of Rs 9.60 crores in MP in FY 15-16 from the 14th FC funds to the Village Panchayats under the incentive scheme. However, there is a conditionality of type of works viz. culvert (puliya), School boundary wall, stop dam, community toilet, Chabutra, CC Road etc. It is unfortunate that the incentive grant for local resource generation is also tied down to undertake similar works defined as priority list of the Department of RD and PR.

A study conducted by Samarthan in March 2015 revealed the certain gaps in accounts, fund transfer and fund management:

- Due to a single entry practice, scheme wise activity heads are not present in the cashbooks.
- No differentiation is made between cash or bank amount entries.
- Entries such as bank interest are missing for many Gram Panchayats. Pass books are either not updated or not available, and opening and closing balances don't match.
- Manual reporting between Gram, Janpad and Zila Panchayats still continues. As a result, Panchayat staff has to make frequent trips to the block offices.
- Poor internet availability and absence of physical infrastructure to support web connectivity is a major challenge as Panchayat Darpan is operated online.



### Action Agenda to improve financial autonomy

- Flexible funds of Panchayats should not be tied as it meets the needs of the local residents. It should rather be used to strengthen Panchayats as a local Government.
- The EFMS system has many bugs that need to be continuously resolved. Moreover, it will be pertinent to design mechanisms to prevent Janpad Panchayats to access unique ID codes of village Panchayats and manipulate entries.
- The software Panchayat Darpan needs regular updating to make it user friendly and also encouraging interface with various other web portals viz. MGNREGS, PRIAssoft, Awassoft. This will reduce the repeated efforts in filling multiple formats.
- Banking system needs to be proactively engaged to design services that are facilitative to the village Panchayats.

### Gram Sabha and accountability mechanisms : social audits

Madhya Pradesh Society for Social Audits was established in 2012 as an independent and autonomous society by appointing a Director and couple of staff members. Experiences of social audits reflect that the implementing agency i.e. village Panchayat is not interested in carrying out social audits. Panchayats do not provide necessary documents for verification. Similarly, the block administration also shows reluctance and provides lukewarm support in fixing the nodal officers, setting the calendar of the social audits in different Panchayats. The village social audit committees are not formed

and oriented to perform the functions that they are expected to do. The village Panchayat representatives as well as the administrative staff do not adequately communicate on the social audit date, process, as well as procedure to organize effective social audits. In spite of such hurdles, there are many success stories viz. many Gram Sabhas decided to recommend transfer of the Panchayat Secretary or Rozgar Sahayak for their inefficiency or corruptions.

### Action agenda

- Social audit society should be adequately staffed with required specialists so that it may cover large number of Panchayats with high quality of social audits.
- There is a heavy dominance of Rural Development and PR Department in the Social Audit Society. MGNREGS as a programme also has been associated with the social audit. As a result, there are various other programmes that have built-in provisions for social audit that do not get priority to access services of the Social Audit Society.
- The grievance redress mechanism at the state level should be activated

### Future Directions : will Pachayati Raj become local Government?

In life of democratic institutions, 25 years is a short period, therefore, PRIs are still to be considered in nascent age. However, there is an established identity, role and position of PRIs in the democratic hierarchy of institutions. The actions can be divided into two parts. Firstly, with the emergence of PRIs and ULBs as constitutional bodies of governance, there is a need for redefining central and state functions.

There should be an exclusive list where the center and the state governments will not interfere and matters will be decided by the DPC, PRIs and ULBs. Secondly, some of the possible course of actions, which are more operational in nature, required to strengthen PRIs within the given constitutional mandate, may be the following:

**Improving effectiveness of Panchayats as service delivery agency :** There is also a need for strengthening staff and skilled workers at the Panchayat level or block level for efficient delivery of basic services like water, sanitation, education, health etc.

**Completely handover certain functions to PRIs :** The functions, functionaries and funds of certain kind need to be fully transferred to the PRIs.

For example, the Assistant Engineer (AE) and Junior Engineer (JE) of the PHED should be transferred as staff of the Zila Panchayats and their salaries should be paid from Zila Panchayat account and annual performance report should be written by the Zila Adhyaksha.

**Strengthen constitutionally mandated District Planning Committees :** The DPCs have not been provided adequate staff and experts.

There is a need for resources to engage planners, economists, ground water experts etc.

**Flexible funds to village Panchayats to function as local governance institution :** In order to function as a local government, there is a need for resources to run the secretariat as well as meet some of the basic needs of the citizens viz. drinking water, sanitation, street lighting, safety and issuance of birth, death, marriage and caste certificates.

Flexible funds allow Panchayats to build such capacities and systems.

Panchayat Tribunal for conflict resolution and dignity of elected representatives: Panchayat elected representatives can be terminated on the pretext of misappropriation of funds or neglect in performing duties assigned under section 40 of the Panchayat Act. It will be pertinent that an independent mechanism is created that provides fair opportunity to the elected representatives as well as the administrative officials to be heard without bias.

**Panchayat service recruitment Board/ Commission for PRIs and Urban Local Bodies:** In Madhya Pradesh there are about 24000 village Panchayats, 313 blocks and 51 districts. Therefore, a large number of functionaries work under the jurisdiction of PRIs. Similarly, there are more than 600 towns and cities in MP. There is also a need to create a separate 'local Government cadre' to be appointed by an independent Commission, so that high quality human resources can be provided to the PRIs.

**Incentivize local resource mobilization :** It is argued that unless PRIs work on developing their own sources of revenue, they will continue to remain dependent on the state and central grants and incentives. There is a need to build innovative examples of local resource mobilization across the country. The Government should adequately provide matching grants to such PRIs and recognize at national platforms. The efforts of the Ministry of PR and state Government are miniscule.

The intent of the award is not to build PRIs as unit of local government rather to get few more construction works completed. There should be a complete result area around the financial autonomy of PRIs under the Ministry of RD and PR at the national and state level.

# Journey of Panchayats in MP : Milestones and Roadblocks

## Rationale for the status report

Panchayats have a long history in India. It could gain constitutional legitimacy only after the 73rd Constitutional Amendment was passed in 1992. Getting such space in the constitution was not easy. Initial vision of Mahatma Gandhi to establish Gram Swaraj in India could not find centrality when the constitution of India was formed and adopted. Later, there were several attempts to figure out an appropriate architecture and functions for the local government. Many committees viz. Balwant Rai Mehta, Ashok Mehta and many other committees, provided several directions to determine role and domain of work of Panchayati Raj Institutions.

Rajiv Gandhi Government brought the 64<sup>th</sup> Constitutional Amendment Bill on Panchayats in May, 1989, which could not succeed in the Upper House of the Parliament. However, his speech explained intent and urgency to empower local government. Finally, in the largest democracy in the world, 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments paved the way to establish local government in rural and urban areas. It added an additional layer of elected representatives, therefore the existing power structures got challenged in some way- bureaucracy, caste and class dominance as well as the Members of Parliament and Assembly. The three tier structure of Panchayats envisaged from village Panchayat to block and Zila



Panchayat and created a comprehensive local governance system. The District Planning Committees became the only constitutional mechanism of planning in India to promote bottom up planning, convergence of resources as well as monitoring the process of implementation. The architecture was ready with constitutional legitimacy, the states adapted the provisions of the 73<sup>rd</sup> CA based on the previous history, existing legal framework and the then political will to promote Panchayats and urban local bodies.

The real challenge was to operationalize the system of local governance on ground by conducting elections by an independent State Election Commission, devolving powers and delegating functions to the local bodies. Moreover, with transfer of functions, there was a necessity to allocate funds and provide



functionaries. This was more challenging as sharing of power by the established structures of Departments- power over resources and functionaries- was not well planned. The State Finance Commissions were set up and the Finance Commission of India also established norms of devolution of funds to the Panchayats and urban local bodies. The grants of the Finance Commission were primarily a flexible grant to perform the devolved functions and act as local Government, however, many state Governments tied such grants to meet the top driven agenda of the state government.

Grassroots level power structures of caste and class accentuated struggle of elected representatives, especially for women, SC and ST, who got space due to reservation to contest on selected seats. There were significantly high number of cases of atrocities on the elected women, SC and ST representatives in the first term of election. It still continues, however, it is difficult to measure the extent of discrimination and atrocities. Many women have come out of control of their husbands or relatives, however, still a large number of them are dormant and inactive.

The feudal and patriarchal mind set of the administrative machinery is also not supportive to the women or SC/ST that discourages them to stand up and speak.

With each year passing by, the struggle of power sharing by the 'local government' of nineties and the established state governments or federal governments since the fifties continued in several forms. In several cases, there are instances of withdrawal of powers through Amendments in the Act or through office orders issued by the bureaucracy.

Similarly, there are many instances where supportive Acts have been passed by the Parliament viz. PESA, FRA, Right to Employment etc. that have strengthened powers of the local governments and Gram Sabha. Many programmes like MGNREGS, BRGF etc. and campaigns like Gram Uday Se Bharat Uday were designed to promote decentralized governance and delivery of rights and entitlements.

There is a mixed perception on the performance of Panchayats from various stakeholders, and fairly so. It is generally believed that Panchayats are means of decentralizing corruption; Local media also published stories of embezzlement, misappropriation of funds and poor quality delivery of services of devolved functions.

On the other hand, many enthusiastic and committed Panchayat elected representatives applied their best leadership abilities to demonstrate relevance of local government to address local issues effectively in spite of constraints of funds and functionaries.

In the struggle of devolution of funds and functionaries to the local government from the district administration, mostly the bureaucracy prevailed over.

The Panchayats got reduced to the lowest rung of implementing agency of the development administration.

The vision of the 73<sup>rd</sup> CA that 'Panchayats will be responsible for planning and implementing programmes of 'economic development and social justice' in their area got translated into 'panchayats will be responsible to execute the top down development programmes' in their area with efficiency and cost effectiveness. With the least staff and conditional grants, Panchayats perform



'agency function' as an implementation arm of the Government.

As a result, the Panchayat functionaries are also holding the leaking pipe in the programme delivery system in which millions of rupees from public exchequer are spent and portion of it is siphoned off by all those involved in the implementation of plans.

Panchayat Sarpanch/Mukiya/Pradhan have emerged as better civil engineers than champions of local governance and social justice.

The purpose of bringing out the status report on Panchayats is primarily to keep the discourse of local governance and government alive, relevant and futuristic. It is also pertinent to celebrate the success of the struggle of many panchayat heroes who have generated hope and aspiration that the dream of Gram Swaraj or village republic was not utopian but was rather pragmatic in such a socio-economically and culturally diverse country like India.

## Study design and chapter plan

The status report is based on the experiences of Madhya Pradesh where Samarthan as an organization has widespread presence and has worked with the Panchayati Raj Institutions since first round of Panchayat elections. Moreover, a large number of likeminded civil society organisations are also capturing data and perspective from the ground. As Panchayati Raj is a state subject, therefore different states have different experiences.

The successes and constraints shared in the study may not be significantly dissimilar in many other states, however, the study can not be generalized to provide pan India scenario. The study has reviewed various provisions and amendments in MP Panchayati Raj and Gram Swaraj

Act<sup>1</sup> PESA, and similar Acts. Various research studies conducted by Samarthan and other research institutes and civil society organisations over the years have been referred. There is an enormous field based data available with the grassroots organizations which got gathered during the course of interactions with the elected representatives, field functionaries, civil society, including media and community based organisations in different districts of MP. The status report attempts to highlight key successes post 73rd CA and the emerging bottlenecks. It does not attempt to fundamentally question provision of the Act, organizational design or functions of PRIs. It does not also critique Gram Sabha as institution of participatory democracy or direct democracy in an ideal form.

The framework of the status report is based on four pillars

- 1) constitutional provisions and enabling official orders enhancing autonomy of local governments
- 2) Flexibility and authority of PRIs to fulfill their critical function of 'economic development and social justice
- 3) Control over funds to implement the planned activities approved by the Gram Sabha
- 4) deepening of downward accountability by empowered Gram Sabhas.

Some of the key questions related to above framework are the following:

- a. What is the level of autonomy granted to PRIs to function as local government through various

<sup>1</sup> The Madhya Pradesh Panchayat Raj Adhiniyam 1991 was amended and renamed as Panchayat Raj Evam Gram Swaraj Adhiniyam in 2001. In this document, it has been mentioned as MP Panchayat Act or Gram Swaraj Act to refer the above mentioned Act. It is primarily for lucidity and brevity.

constitutional provisions and official directives?

ensure community monitoring, social audits etc.?

- b. Is the bottom up planning really bottom up or are the top policy makers are determining the priorities and allocating resources? Is money given where the mouth is?
- c. How are the plans financed from different sources? Are there enough flexible funds for the Panchayats to meet the local needs? What is the current capacities of PRIs for implementation of plans and management of finances?
- d. What are the monitoring mechanism of downward accountability for PRIs to function as local Governments? Do Gram Sabha exercise their 'right to know' of every implementation? Is there enough enabling conditions created by the Government to

The chapters also flow in the same manner. The study in the first chapter highlights the legal space of Panchayats and struggle for occupying legitimate space as local government. The second chapter is devoted to planning processes and its implications to address core function of 'economic development and social justice'. The third chapter deals with the flexible finances of Panchayats which is a critical condition to function as local government. Last but not the least, there is a chapter that addresses possible role of Gram Sabhas as institutions to establish accountability and transparency not only for Panchayats, but also for all the development agencies. The report also includes a concluding piece on ways forward.

# Legal battle and constitutional space for grassroots governance

The struggle for autonomy of local government has been alive from the colonial days. After independence, the constitution proposed Panchayati Raj as a state subject. Couple of decades passed away settling the center-state relations and autonomy of states. The struggle still continues. However, the local governments were neglected to be considered as important local governments in villages, towns and cities. It is the 73<sup>rd</sup> CA that created constitutional space for the village panchayats to become a reality with certain mandated conditions. However, being a state subject, Panchayati Raj Institutions (PRIs) continued to remain under the dominant control of the state governments. This reality has many ramifications for the PRIs to become local governments with funds, functions and functionaries. Many of the powers devolved to PRIs have been gradually rolled back with growing positive and negative experiences with Panchayats. This section of the report attempts to capture the dynamics of change in provisions of the state panchayat Act of MP that is either empowering the local government or diluting the autonomous status of Panchayats.

## Historical evolution of Panchayats in MP

It is pertinent to sketch historical growth of Panchayats to analyse implications of various forms envisaged

and efforts put in to convert Panchayats as local governments. The historical movement of Panchayats also determines the direction of change and patterns of political vision about the local governments.

### Panchayats before 1990

The history of panchayats provides a rich description of evolution of panchayats in MP. The Three tier structure of Panchayats-Zila, Janpad and Gram Panchayat- existed post-independence. It is argued by many bureaucrats, who served during that period, that the Janpad Panchayats had sufficient autonomy to manage certain functions including education. A report of Ministry of Panchayati Raj provides historical evolution of Panchayats in the following manner:

“Madhya Pradesh inherited the legislation and experience of the existing Panchayat Systems in its earlier five regions of Mahakoshal, Madhya Bharat, Bhopal, Vindhya Pradesh, and Sironj. After coming into existence in 1956, Madhya Pradesh enacted the Madhya Pradesh Panchayat Act 1962, this was based on a study by the Rural Local Self-Government Committee headed by Shri Kashi Prasad Pandey in 1957. However, the earlier Gram Panchayats Continued to Function till 1965. The higher tiers of Panchayats, namely Janpads, in Mahakoshal and Kendras and Mandals in the Madhya Bharat region continued to exist but remained largely inactive. Government





officials were made to take charge of these bodies in 1967 and they functioned in this form till Janpad elections were held in 1972. Another committee was set up in 1969 which was chaired by Shri M.P. Dubey to review the experiences of Panchayats in the state; this led to the enactment of the Panchayat Act 1981. District level Panchayats remained under the control of officials until Mandal Panchayat election were held in 1984". (Capacity Assessment and Capacity Development Strategy (CA-CDS) Report for Strengthening Panchayati Raj Institutions in Madhya Pradesh, Ministry of Panchayati Raj, GoI, p 35-36)

#### Emergence of Panchayats post 1990

Panchayati Raj Act in Madhya Pradesh was enacted in 1990 which got gazette notification in July end. The Adhiniyam of 1990 proposed to organize Panchayats around the jurisdiction of Patwari i.e. revenue cluster of a revenue officer. The Janpad Panchayats were designated monitoring role for the primary and pre-primary education. The Zila Panchayat was designated to monitor and supervise higher secondary schools and development programmes of District Rural Development Agency (DRDA). Elections were proposed on party symbols and there was a provision of Sulah Board i.e. conflict resolution mechanism for elected representatives. As the 73rd Constitutional Amendment was enacted in 1992, the state did not put enough energy to implement provisions of Adhiniyam 1990.

Madhya Pradesh got the MP Panchayati Raj Act enacted in 1993 after the 73<sup>rd</sup> Constitutional Amendment of 1992. This Act was drafted in conformity to the objectives, substance and directives of the 73<sup>rd</sup> Constitutional Amendment. The idea was to make

Panchayat institutions more democratic through people's greater participation, democratic decentralisation and effective local self-governance. Panchayati Raj Institutions were envisaged as agents of economic development and social justice. It got Governor's consent on 24 January, 1994 and was published/gazette notified on 25 January, 1994. Subsequently, Panchayat elections were conducted at all the three tiers of Panchayati Raj Institutions in which one-third women representatives got elected first time in history. There were 8 amendments that took place during 1994 and 1999. The key features of the 73<sup>rd</sup> Amendments as adopted in the MP state Act were the following:

- Three tier structure of PRIs as Zila Panchayat, Block Panchayat and Village Panchayat
- Reservation of women on one-third seats and proportional reservation for SC/ST and OBC
- Independent status of State Election Commission to conduct regular and fair elections
- Provision of establishing a State Finance Commission every five years to suggest mechanism of devolution of funds as well as strengthening decentralisation
- Gram Sabha was constituted for each revenue village rather than at a village Panchayat level

#### PESA-1996: an Empowering Legal apparatus for Gram Sabha

Panchayat Extension in Scheduled Areas (PESA) was enacted by the Government of India in 1996. This was not too later than the enactment of 73<sup>rd</sup> CA. However, most of the states were struggling to implement state acts according to 73<sup>rd</sup> CA, therefore, PESA

could not draw much attention. However, the Gram Swaraj provisions of MP were forward looking steps to design the MP Panchayat Act closer to PESA. MP is highly a tribal population dominated state with a large number of blocks covered under Fifth schedule.

The essential provisions of PESA having direct implications for empowerment of Gram Sabha are enumerated in Box 1. In addition to these powers, the State-Legislature has been directed to ensure that the Panchayats at the appropriate level and the Gram Sabha are endowed specially with: the power to enforce prohibition or to regulate or restrict the sale and consumption of any intoxicant; the ownership of minor forest produce; the power to prevent alienation of land in the Scheduled Areas and to take appropriate action to restore any unlawfully alienated land of a Scheduled Tribe; the power to manage village markets by whatever name called; the power to exercise control over money lending to the Scheduled Tribes; the power to exercise control over institutions and functionaries in all social sectors; the power to control over local plans and resources for such plans including tribal sub-plans.

The M.P. Panchayat Raj Adhiniyam (Act), consolidated in the year 1994, establishes the Panchayats with a view to ensure effective involvement of the Panchayati Raj Institutions (PRIs) in local administration and developmental activities. The Government of M.P. has enacted the Panchayati Raj Dwitiya (Sansodhan) Adhiniyam 1997 (hereinafter amendment Act 43 of 1997) to conform to the Central Legislation of PESA. The Role of Gram Sabha in Scheduled Area needs to be looked into in the light of this and subsequent amendments along with Panchayati Raj (Sanshodhan) Adhiniyam 1999 and the M.P.

Panchayati Raj (Sanshodhan) Adhiniyam 2001.

One of the most significant chapters added vide Amendment Act 43 of 1997 is Chapter 14A, regarding special provisions of Panchayat in the Scheduled Area. This significant amendment lists out several provisions in order to reflect the spirit of PESA. Gram Sabha itself has been re-defined for the purposes of Scheduled Area,



#### Box 1

### Gram Sabha and PESA

The PESA is especially remarkable for the vast and wide-ranging powers that it vests with the Gram Sabha in Scheduled Areas. These include: -

- Constitution of the Gram Sabha for every village consisting of persons whose names are included in the electoral rolls for the Panchayat at the village level.
- Recognizing the Gram Sabha's role as well as competence by categorically laying down that "Every Gram Sabha shall be competent to safeguard and preserve the traditions and the customs of the people, their cultural identity, community resources and the customary mode of dispute resolution."
- Approval of the Gram Sabha of the plans, programs and projects for social and economic development before such plans, programs and projects are taken up for implementation by the Panchayat at the village level;
- Gram Sabha would be responsible for the identification or selection of persons as beneficiaries under the poverty alleviation and other programs;
- Every Panchayat at the village level shall be required to obtain from the Gram Sabha a certification of utilization of funds by that Panchayat for the various plans, programs and projects;
- The Gram Sabha or the Panchayats at the appropriate level shall be consulted before making the acquisition of land in the Scheduled Areas for development projects and before resettling or rehabilitating persons affected by such projects in the Scheduled Areas
- Planning and management of minor water bodies in the Scheduled Areas shall be entrusted to Panchayats at the appropriate level;
- The recommendations of the Gram Sabha or the Panchayats at the appropriate level is made mandatory prior to grant of prospecting license or mining lease for minor minerals in the Scheduled Areas;

The prior recommendation of the Gram Sabha or the Panchayats at the appropriate level shall be made mandatory for grant of concession for the exploitation of minor minerals by auction.

which means a body consisting of persons whose names are included in the electoral rolls relating to the area of a Panchayat at the village level. The Panchayat Raj (Sanshodhan) Adhiniyam 1999 has altered the definition of Gram Sabha, wherein it includes the person not only within the revenue village but also those persons, which are under forest village<sup>2</sup>. This assumes significance because perhaps no other State recognizes or equates the forest villages to revenue villages<sup>3</sup>.

Significantly, the power to exercise control over institutions or functionaries in all social sectors and the power to advise the Gram Panchayat in the regulation and use of minor water bodies has been extended not only in scheduled areas but also to all Gram Sabhas in 1999. Further, the power of the Gram Panchayat to carry out recommendations and decisions made by the Gram Sabha has also been extended to those in Scheduled Areas in 1999. Similarly, the power to plan or own minor water bodies including the power to lease out such minor water bodies for the purposes of fishing and other commercial purposes has also been extended to all Gram Sabhas. The powers to plan/own minor water bodies and exercise control over institutions and functionaries in the social sectors as well as the control over the local plan resources including tribal sub plans now vests with the Janpad Panchayat and Zila Panchayat

<sup>2</sup> Forest villages need to be distinguished with village forest while forest village is essentially an administrative category the village forest is a legal category under the Indian Forest Act of 1927. The forest villages were those where people were brought into by the forest department too particular patches of forest to conduct forestry operations and were given pieces of agricultural land to meet their bonafide requirements of subsistence.

<sup>3</sup> However, it is also contingent upon the manner in which the Government. of M.P defines the 'forest village' itself.

alone. Further, the Gram Panchayat in Scheduled V Areas are to function under the general supervision, control and direction of the Gram Sabha.

It is also useful to note here that *The Provisions of Panchayati Raj Dwitiya (Sansodhan) Adhiniyam 1997* had made substantial provisions describing the powers and functions of the Gram Sabha. The Gram Sabha inter alia is required to lay down principles for identification of schemes as well as their priority for their economic development. Further, the Gram Sabha is also required to approve all plans, programs and projects for social and economic development prior to their implementation. The Gram Sabha has also been given the powers to ascertain and certify proper utilization of funds for such plans etc., by the Gram Panchayat. In addition to the above the Gram Sabha is also required to identify and select persons as beneficiaries under the poverty alleviation and other programs. In order to expedite construction related activities in Panchayats, the Gram Panchayats administrative sanction powers<sup>4</sup> were enhanced from Rs. 5 lakh to Rs. 10 lakh for construction works in February, 2013 of all the village Panchayats in MP.

Panchayats and Gram Swaraj in post 2000

Madhya Pradesh initiated large scale consultations after 5 years of Panchayats in existence post 73<sup>rd</sup> Amendment. A steering committee of eminent people was formed to revisit the provisions of the Act based on the ground realities and emerging needs of further decentralization. The MP Panchayati Raj Act of 1993 was significantly amended in 2001 to empower Gram Sabhas with a vision to

<sup>4</sup> Office order no F-2-5/2013/22/P-1 dated 26 Feb. 2013, Panchayat and GraminVikasVibhag.

attain Gram Swaraj in each village. By changing the name of the 1993 Adhiniyam and renaming it as Panchayat Raj Evam Gram Swaraj Adhinyam, a strong political statement was made by the State government as the Amendment was perceived to pave the way for 'Gram Swaraj' i.e. village self-rule in the State.

The Amendment indeed introduced some significant change in the Panchayat's legal regime in the State. It expanded the list of functions vested with the Gram Sabha and the three tiers of the Panchayat, made for provisions to help Gram Sabha establish a fund called the Gram Kosh consisting of four parts - *Anna Kosh*, *ShramKosh*, *VastuKosh* and *NagadKosh* and made elaborate provisions for meetings and special meetings of the Gram Sabha including provisions relating to frequency of meetings, requirement of quorum and appointment of Secretary of the Gram Sabha. In each revenue village a Gram Sabha was established providing it legal entity of a 'body corporate'.

Notably, the Amendment also emphasized that "All matters brought before any meeting of the Gram Sabha shall be decided, as far as possible, unanimously failing which by general consensus of the members present".

Over the years, there have been several changes in the Act as well as various office orders have been issued. Some of these have strengthened the Panchayati Raj System and many others have diluted the powers of the PRIs.

Some of the realities have been captured to reveal the spirit of the Act and its translation on the ground.

The evidences presented in the following section are based on the analysis of the changes that happened in the MP Panchayat Raj Act.

## Implications of changes in Panchayat Act in MP

There are several changes introduced in Panchayat Act that have implications on principles of participatory democracy. The following section provides insights into the changes introduced and its repercussions in decentralized governance.

### Gram Swaraj through a Committees Regime of Gram Sabha

Amongst the series of crucial Amendments mooted by the 2001 SanshodhanAdhinyam the most controversial, if not the most important provision related to the constitution of the Standing Committees and the Adhoc Committees of the Gram Sabha. The Adhiniyam inserted a new Section which empowered the Gram Sabha to constitute no less than eight different Standing Committees<sup>5</sup> for discharging its functions and duties.

In addition to the Standing Committees, the Gram Sabha was further empowered to constitute "one or more such Adhoc Committees as it may deem necessary for the implementation of any time bound work." It was further made clear that the Committees which were "already functioning within the area of the jurisdiction of the Gram Sabha shall continue to function with the approval of the Gram Sabha." Besides, there were provisions for election of President and members of these Committees along with Secretary of the Standing Committees. The Committees were to be made accountable to the Gram Sabha alone. A specific provision read thus: "The powers, functions and duties of the



<sup>5</sup> Gram VikasSamiti, SarvajanicSampadaSamiti, KrishiSamiti, SawasthyaSamiti, Gram RaksaSamiti, AdosarovachnaSamiti, ShikshaSamitiandSamajikNyaySamiti



committee shall be such as may be entrusted to it by the Gram Sabha from time to time. Every Committee shall be responsible and accountable to the Gram Sabha and shall work under its control and supervision."

The provisions were integral to the *Gram Swaraj* scheme. The expansion of the functions of the Gram Sabha, the vesting of greater financial powers with the Gram Sabha with a separate schedule listing Obligatory Taxes to be imposed by the Gram Sabha could have meant a more activist Gram Sabha and for the expanded activities there could have been a need for the Standing Committees and the Adhoc Committees performing all those functions for the Gram Sabha.

It is also important to bear in mind here that historically the Gram Panchayat has not been accountable to the Gram Sabha and even if strictly speaking and legally it was accountable. It was definitely not the case when ground realities are taken into account. Given that backdrop the emergence of a series of 'executive' committees accountable to the Gram Sabha alone could have been seen as a remarkably positive development.

Many pro-participatory governance practitioners and policy makers saw the series of Committees and separate elected President and members of these Committees as creating a tremendous space for ushering in a new set of leaders from the village people of the State.

However, many other bureaucrats and practitioners were of the view that in small population size villages, which are large in numbers, setting up so many committees will not be practical and feasible as there are only less potential leaders than the number of committees.

## Reversal of Gram Swaraj by vesting powers back to Sarpanch

It was argued by the political leadership that the Gram Swaraj Adhiniyam 2001 was primarily to dilute the growing concentration of powers in the hands of Sarpanch, therefore, empowering Gram Sabha and its functioning through the committee structures was a positive way of decentralization. Even if the dilution of the power of Sarpanch was an intended motive behind the Gram Sabha Committees under the 2001 Adhiniyam events since then have made it clear that this cannot be easily achieved in the State. It is not a coincidence that the Panchayat have been in news in the State for demonstrations, agitations and representations by the Sarpanches to and against the State government to correct the laws and restore powers to them. There was also a change of leadership in the state Assembly in 2004. Their efforts bore fruit in some sense and a culmination of this could be seen in the Madhya Pradesh Panchayat Raj Evam Gram Swaraj (Sanshodhan) Vidheyak, 2004. The provision of the 2001 Adhiniyam creating eight different Standing Committees of the Gram Sabha was replaced by this 2004 Vidheyak. It was laid down that there would be only two Standing Committees of the Gram Sabha namely, the Gram Nirman Samiti and the Gram Vikas Samiti. The Vidheyak also created a strange legal fiction; the Committees were called the Standing Committees of the Gram Sabha but were to be constituted by the Gram Panchayat!

The 2004 Vidheyak further made clear that the Gram Nirman Samiti is to function as an 'Agency' of the Gram Panchayat and the Secretary of the Gram Panchayat is to be the Secretary

of the Gram NirmanSamiti. However, the Vidheyak also said that the Gram NirmanSamiti and the Gram VikasSamiti would together make plan for overall and total development of village which has to be approved by the Gram Sabha. also The Statement of Objects and Reasons appended to the 2004 Vidheyak does not throw any light on why the Amendments were made except saying that they are being made to remove 'difficulties' which only helps us to speculate more and understand less.

The 2004 Vidheyak was followed by another Amendment in 2005 and this only consolidated the power of the Sarpanch further. The Madhya Pradesh Panchayat Raj Evam Gram Swaraj (Dwitiya Sanshodhan) Vidheyak 2005 laid down that the Sarpanch of the Gram Panchayat shall be the President of both the Gram NirmanSamiti and the Gram VikasSamiti. Both the 2004 and the 2005 Vidheyak can be seen as strengthening the Gram Panchayat and most definitely the Sarpanchvis-a vis the Gram Sabha in the State. The Vidheyak, in both the years has come through following a sustained and intensive agitation of the Sarpanches in the state.

### Conflict of Inter Tier Allocation of Functions and Coordination within Panchayats

A significant issue in the context of vesting of powers with PRI's at different levels relates to the question of meaningful inter-tier allocation of functions. The Panchayat system in Madhya Pradesh has three tiers viz. Gram Panchayat, Janpad Panchayat and Zila Panchayat. Detailed provisions for these three tier institutions including listing of their numerous functions have been provided under the Madhya

Pradesh Panchayat Raj Evam Gram Swaraj Adhiniyam. As the description above of the power struggle between the Sarpanch and the Gram Panchayat vis-à-vis the Gram Sabha has shown that, perhaps more than ever before, there is a need to forge strong functional links especially between the Gram Sabha and the higher tiers. The fact that these functions can be purposefully integrated is best exemplified by the Eleventh Schedule of the Constitution, which lays down a common list of functions, which has to be vested with the Panchayats.

The Adhiniyam provides that the Gram Panchayat is required to carry out the directions or orders given by the State Government, Collector or any other officer authorized by him<sup>6</sup>. It can be inferred that the Gram Panchayat is required to act as an agent of State not necessarily reflecting the mandate of the Gram Sabha. Several new functions were added to the list of Gram Panchayat via amendment Act 2 of 1997. The functions include regulating grazing land, establishment of rights and regulation of markets other than public markets, plantations and preservation of Panchayat forests. These include preparing annual plans for economic development and social justice, selection of beneficiaries under various programs with the approval of the Gram Sabha, to lease out any minor water body for the purposes of fishing and other commercial purposes, regulate the use of water of rivers, streams and minor water bodies for irrigation purposes and exercise control over local plans and its resources as well as over institutions and functionaries in all social sectors. Similar functions have been added in the list of functions to be performed by the Gram Sabha as per the Amendment Act of 1999. This list of functions got

<sup>6</sup>Section 49 (29-a) of the M.P. Act No.1 of 1994.

further expanded through the 2001 Adhinyam.

A long list of similar sounding functions is of not much great value unless precise roles and hence specific activities under each of them are allocated to the Gram Sabha and the three tiers of the Panchayat. This alone can clear any unnecessary ambiguity in the roles of the Gram Sabha and the Gram Panchayat. Take another example that illustrates the point further. Under the Adhinyam the Janpad Panchayat is required to consider matters relating to integrated rural development, agricultural, social forestry etc. along with preparation of Annual Plans for economic development and social justice etc. The Janpad Panchayat is also the coordinating and guiding agency for the Gram Panchayat within the block. However, no details as to the manner in which such co-ordination is to be brought about are provided under the Adhinyam.

The decentralized planning guidelines issued by the State Planning Commission also did not adequately address the functional domains of planning by different tiers of Panchayats. The guidelines of the 14<sup>th</sup> Finance Commission mentioned that the FC funds will be provided to Gram Panchayats only further reduced importance of the block and Zila Panchayat committees.

### Contradiction, ambiguity and silence to empower PRIs

The state political leadership and bureaucracy designed delegation of powers and functions to the PRIs in such a manner that shift of powers to local government remains cosmetic in nature by holding back critical powers to control PRI leadership. The following section provides a few examples and highlight dimensions that restricted

real autonomy of PRIs and Gram Sabha.

Well designed administrative control over PRI- the local Government

While on one hand numerous powers have been entrusted to the various levels of Panchayat, on the other, the power to control the Panchayat continue to vest with the Government<sup>7</sup>. The Authorized Officer of the State Government has the power to inspect the proceedings of the Gram Sabha and of the Panchayat. Further, the State Government or the prescribed authority has the power to suspend the execution orders license etc. by a Panchayat on certain conditions. However, to be sure the Amendment Act 2 of 1997 in the State gave the panchayat concerned a reasonable opportunity of being heard<sup>8</sup>. Besides, the State Government also has the power to issue orders directing the Panchayat for execution of such work, which it deems fit in public interest. Lastly, the State Government has the all-powerful provision of dissolving the Panchayat in case of default or abuse of power or its failure to carry out any order of the State Government. Although the provision of reasonable opportunity of being heard is provided, this provision reinforces the authority of the State. Thus clearly that there are ample provisions that enable the State to control the functions of the different levels of Panchayat. The provisions sit uneasy in a legislation aimed at ushering in Gram Swaraj i.e. village self-rule in the State.

Deliberate silence on provision of independent conflict resolution mechanism

Section 40 of the Panchayati Raj Act strengthens the power of the

<sup>7</sup> See Chapter X of M.P Panchayati Raj Adhinyam 1993.

<sup>8</sup> See Amended Sub Section (2) of Section 85 vide Amendment Act 43 of 1997.



administrative system to suspend any elected representative Gram Panchayat in case of misappropriation of funds or neglect of duties as an elected member. The Sub-Divisional Magistrate is vested with powers to suspend under section 40 of the Act. In the MP Panchayat Raj Act of 1990, there was a provision to constitute a 'Sulah Board' or a Board for Conflict Resolution<sup>9</sup>. This was primarily envisaged with the principle that elected representatives of democratic institutions, which are set up by the constitution, should not be questioned or be under trial by the executive machinery. Such provision, which was part of the political thinking of the state of MP, was not considered while drafting the state's Panchayati Raj Act based on the 73<sup>rd</sup> Amendment. Dominance of bureaucracy has led to weak emergence of PRIs as institutions of local Government.

This is one of the big demand of the elected representatives to set up an independent tribunal for hearing of cases of victimization or non compliance of Panchayat Act. The struggle of the local governance is with the centralised system of administration which is not willing to change their roles in response to the constitutional space created for the local governance. The caste dynamics and threat perception of elected MLAs add complexity in this struggle. The conflicts arise when bold and proactive PRI representatives exercise their legitimate space and demand accountability of the concerned officials to support their decisions. Similarly, the conflict also begins when an honest development officer attempts to fix accountability of the elected representatives to perform their roles and fulfill programme goals as per rules. There is no provision for a

fair conflict resolution mechanism for independent hearing and decision making where both the parties can seek justice. The existing judicial system is overloaded, inefficient and expensive and is unable to take the load of cases coming from a large number of elected representatives and legal entities like PRI and Gram Sabhas. A district level tribunal or similar mechanism needs to be evolved as a constitutional mechanism to address the conflicts of PRIs. This will trigger confidence in many women, SC/ST and other honest Panchayat leaders to seek justice. The state level Tribunal should have clear functions to address appeals, policy matters and supervise effective functioning of the district tribunals. The system may look overloaded, however, with large development resources (not less than Rs.400-500 crores in each district), the cost and effort will be justified.

Unused 'Right to Recall' as a mechanism of downward accountability

MP Gram Swaraj Adhiniyam also proposed for 'right to recall' of the elected representatives by the voters. One-third of the voters or members of the Gram Sabha can bring motion of right to recall. If more than half of the voters present in the Gram Sabha cast their vote, they can recall their elected representatives after two and a half years of functioning of any PRI. The provision was empowering Gram Sabhas as a tool for downward accountability of the elected representatives towards their voters. A study<sup>10</sup> undertaken on right to recall in MP reveals that it has been used only in select urban local bodies viz. Anuppur in Shahdol district, Chanera in

<sup>9</sup> Panchayat Raj Vidhan EkNazar Me, NP Panthi, Panchyika, April, 2016 p 35

<sup>10</sup> 'Right to Recall' Reform Experiences in Madhya Pradesh, K. Neelima, EPW, Vol. LII No13, April 1, 2017, p24-26

Harda district and New Harsood in Khandwa district. The study reports that no right to recall case was identified in PRIs in MP. The study however highlights that the process of bringing right to recall was arbitrary and verification of signatures of those bringing 'right to recall' was unsatisfactory. In order to neutralize any political influence in the process, detailed procedural guidelines need to be evolved. This will also help activate the provision by the voters understanding the detailed procedure of using right to recall.

#### Neglect and violation of PESA provisions

The ground reality reveals that the Gram Sabha in PESA areas are not constituted on the basis of ethnic identities as envisaged in PESA. They are constituted on the basis of population/revenue village as in the non-PESA areas. Under the conformity legislation pertaining to Article 4 (i) of PESA, the State is enjoined to consult with Gram Sabha or Panchayats, prior to acquisition of land in scheduled areas for planning and implementing development projects, such as power stations, dams, industries, mines and canals. The Central PESA mandates as follows: i) the Gram Sabha or the Panchayats at the appropriate level shall be consulted before making the acquisition of land in the Scheduled Areas for development projects and before re-settling or rehabilitating persons affected by such projects in the Scheduled Areas; the actual planning and implementation of the projects in the Scheduled Areas shall be coordinated at the State level<sup>11</sup>. Some of the CSOs had petitioned to the

Governor of MP that the state Government has found a via media to collect consent from the block panchayats rather than the affected Gram Sabha or village Panchayat in case of resettlement of Sardar Sarovar Dam affected villages in MP. The provision of the Act has been narrowly interpreted for the administrative convenience.

The Government of MP has not yet formulated the rules of the PESA that can provide clear guidance to the administrative machinery about the governance mechanism of Gram Sabhas, under PESA. The Government of Maharashtra has been quite progressive by creating rules of PESA recently as well as allocating certain portion of Tribal Sub Plan funds to the Gram Sabhas in PESA areas.

The power of the community and ability of management of commons or natural resources can be understood from the example of village Nipaniya Baijnath in Agar district, MP. The initiative is supported by the Foundation for Ecological Security (FES), a CSO working in that area over a long period of time.

Community led Gram Sabhas demonstrate way for decentralised governance

FES-Foundation of Ecological Security- has been working in completely denuded common land in 49 villages of Agar district in MP over the last 30 years. There was a severe water shortage due to drought and massive felling of trees from the common forest. FES worked with the villagers to demonstrate ways of community management of commons. The area has now rich bio-diversity, plenty of water, surplus fodder and agricultural produce.

Mr Jalam Singh about 80 years old

<sup>11</sup> [http://www.panchayat.gov.in/documents/10198/378720/Report\\_on\\_Compliance\\_of\\_State\\_Laws\\_Rules\\_and\\_Government\\_Orders\\_on\\_PESA\\_Suggested\\_Amendments\\_in\\_Madhya\\_Pradesh\\_by\\_ELDF.pdf](http://www.panchayat.gov.in/documents/10198/378720/Report_on_Compliance_of_State_Laws_Rules_and_Government_Orders_on_PESA_Suggested_Amendments_in_Madhya_Pradesh_by_ELDF.pdf) accessed on 18 March, 2017, p 19

witnessed the changes in the villages over the years. Watershed approach resulted in gradual increase in retention of water which improved ground water table. Systematic plantation of local trees developed rich bio-diversity where trees variety like sandalwood has naturally grown in an unfamiliar climate and soil. Supply of fodder is more than the demand in the area. Net sown area for wheat has grown manifolds and so has wheat production. Jalam Singh recalls that in one of the drought years recently, each of the village members had enough water for survival and village refused money allocated for construction of additional ponds by the Government as they had already built ponds having sufficient water in peak summer. There was no distress migration which was rampant earlier.

Community processes have proved strong in building associations in order to protect commons. Initially, sufficient energy was invested in analysing the problems with the people and later shaping up membership based People's Organisation (PO) known as village tree growers' association. Every adult was asked to be the member of the PO with a membership fee of Rs 11 per annum. Monthly meetings were the platforms to discuss and develop norms of governance. Each village level PO has a different set of rules of governance which emerged from the local needs and requirements. There are more than 36 different type of rules in Nipaniya Baijnath village to protect and use of the resources of the commons. There is no use of axe in the forest and it was one of the effective methods to prevent tree felling.

The elders played the role of strategic thinkers and the younger people took role of implementation of the rules. As rules were determined through consensus and were locally evolved,

therefore they were followed by everyone. Jalam Singh drew parlance of accountability mechanisms of POs like a bus, where the driver runs the bus on the instructions/whistle of the conductor.

It was decided that small structures will be taken up in those areas where the poor peoples' land exist as the rich farmers already have access to water. The common forest was divided in three parts, one for the common use or Nistar, the other for protection and third for rejuvenation. After couple of years, the protected portion is opened for use and used forest is considered for rejuvenation. The protected and rejuvenated parts of the forest were watched by the families in rotation on 24 hours basis. Over the years, POs realised that indigenous seeds of plants are more successful than those imported from the other regions. Therefore, local seed development was started and rate of survival of the plants increased substantially. Use of water was also controlled that no one can install a pump for agriculture. Gradually, surface water retained in ponds and trenches, resulted in rise in water table in wells that was used for agriculture. Over the years, use of organic manure has been promoted as the number of cattle's has gone up in the area. One of the village Raipuriya is fully saturated with gobar gas plants for fuel and manure.

Peoples' Organisations are still strong and younger generation has taken over the leadership role. Each village has many old natural leaders, who nurture the young leadership by demonstrating through actions. POs are aware that the Gram Sabha of the village has powers and provide a public platform, therefore, most of the decisions are taken in Gram Sabha.

The PO leaders openly mentioned that



the village panchayats with the leadership of those who were active in POs are sucked into the corrupt administrative system of the Panchayati Raj.

In the above mentioned case, the community led Gram Sabha is strong yet the constitutionally mandated official Gram Sabha is notional. The moot question for the policy makers, implementers and CSO practitioners is "how can the community led Gram Sabha take over the official or constitutionally defined Gram Sabha in a top down model of decentralised governance?"

Dilution of powers to monitor field functionaries and selection of beneficiaries

On the basis of field experience, it emerges that several rights and authorities granted under Panchayati Raj Adhiniyam are slowly withdrawn from the Gram Panchayats. One stark example is monitoring the staff of different departments working under Panchayats jurisdiction.

The amended Act clearly states that Panchayat and Gram Sabha shall monitor the village level functionaries under the clause '7' of the Act. The 'Clause 7-L of the Panchayat raj Adhiniyam' empowers

- (1) The Gram Sabha shall have the power to withhold salary, sanction leave, inspect and supervise the work of a Government employee those area of jurisdiction lies within the limits of Gram Sabha area.
- (2) The Gram Sabha shall have the power to recommend to the competent authority imposition of penalties in respect of a Government employee for misconduct and negligence of duties.

There are several instances where Gram Panchayats have made serious complaints against village level functionaries, but no actions were taken against them. Sarpanch of Kulans Panchayat in Sehor district, made repeated complaints against the school teacher of his Panchayat's school. He even carried a Gram Sabha resolution to the District Collector in this regard. The affected community also complained against the teacher in Collectors Jan-Sunvai. However, no action was taken. Finally, the Panchayat Mobilised the political power of the Minister in-charge of the district for getting the teacher transferred. The power to sign the 'salary release certificate', which facilitated control of Gram Panchayats over field functionaries has been unofficially withdrawn from the Gram Panchayats as departments are releasing salaries without consent of the Gram Panchayat.

In compliance to the Act, several districts practiced authorization of the 'release of salaries' of the village level functionaries by the Gram Panchayats. The Gram Panchayats signed the 'VetanPatrak', That is the the 'salary release' certificate of the functionaries such as Anganwadi worker. School teacher etc. The practice got nearly discontinued from all the districts. Over the last eight years, very few Panchayats are signing the 'salary release Authorization letter'.

If some of them do sign, they do it only for the Anganwadi worker. Though no formal office orders have been issued in this regard, the regular release of salaries of all the village level functionaries are being made and Panchayat are sidelined in any monitoring role for the village level functionaries.



Panchayats had the right to transfer the names in land records, for non-disputed division or transfers. Or Bhumi Namantaran (in case of inheritance after death) could be undertaken by Panchayat. A headquarter at the cluster of Panchayat was demarcated as the place where all departmental functionaries will come once a week. This kind of departmentally supported activities have to be undertaken at these cluster headquarters. However, the revenue secretaries and several other officials hardly complied with the practice. As a consequence, the Panchayat had to forward their recommendation to Tehsildars at Tehsil headquarters. Currently the practice of Transfer of name in land records for Fouti and other undisputed land is undertaken completely by the tehseel office, with or without any support from Panchayat. Similarly only revenue inspector can give KhasraNakal. The practice not only delegitimized Panchayats, but also made it difficult for community to access easily.

Currently, even nomination for the APL Ration cards, which were under the control of Panchayat and Gram Sabha are also not within its control.

The conflicts between Panchayats and departments have deepened in the last five-six years, wherein more and more controls are being exercised by departments over the 'rights' initially conferred to Panchayats.

The clause 7 for functions and powers of Gram Sabha authorizes Gram Sabha to make appropriate selection of beneficiaries. However, the right was always in conflict with the overriding power of departments. For instance, final preparation of the BPL list and nomination for inclusion of families in

the BPL list was a right of 'Gram Sabha'. However, it has totally been left to 'surveyors' of the department. A family can apply in 'LokSeva Kendra' for inclusion in BPL list, and can get the required place in the BPL list on the surveyed report of the 'Revenue Inspector'. The Gram Sabha does not play any role in selection of the beneficiary.

Several flagship schemes have published the names of their beneficiaries on the web portal, based on surveys conducted by department. For instance, Pradhan Mantri Awas scheme (previously Indira Gandhi AwasYojna), has published online list of the beneficiaries of the scheme. The list is based on the socio-economic survey undertaken in 2011. The published lists may have been endorsed by the Gram Sabha in 2011, but the list is not relevant in current context. Many families mentioned in the list have left villages, while many other have constructed houses. New households and poor families have emerged in the villages. There has been debate and conflict on this published list. Consequently, a fresh survey is being considered by the department. However, the fresh surveys are 'surveys' and these will not become final beneficiary list unless approved by the Gram Sabha. Similarly, the Swatch Bharat Mission has published its list on its portal. There are several discrepancies in the list. Many who qualify, as per the scheme's criteria are missing from the list. The Gram Sabha doesn't have power to change the list. Several other lists for other beneficiary schemes have also been published on online portals, but these are based on departmental surveys. The reliance on departmental surveys more than the Panchayat and Gram Sabha, accentuated control of the departments. It has contradicted and

diluted the position of the Gram Sabha. It has also put Panchayats in a tight spot, who end up being answerable to the local community for the decisions taken by the departments.

Panchayats and their representatives are perceived as a disruptive element in the patron-client chain by the political class. The administration has preferred to paint them as corrupt. The practice has helped them get their share of the booty from the Panchayat, without dirtying their hands. Also, this makes it convenient for departments to undertake only that development work which they want or consider important.

Web-portals have distanced Gram Sabha from beneficiary selection, while it is yet to be established, if it has increased any accountability of departments towards the 'rightful beneficiary selection'.

Enhanced reservation without increasing support mechanism

Reservation of women got enhanced to 50% from initial 33% reservation. This was a positive step to enhance participation of women in Panchayati Raj. However, mere increase in reservation quota is a necessary condition and not a sufficient one. Women can not take leadership positions unless support is provided to them. This has given a positive image of the state Government to be gender sensitive and pro-women. There was no dedicated budget for training of elected women representatives. UNWOMEN had dedicated resources for the training of women representatives in selected district. From the first round of election, women elected representatives have been demanding that additional transport facilities should be provided to them to visit the blocks as they have to depend on someone for transportation.

Moreover, there has been a demand for a rest house facility at the block level for the women elected representatives as in many cases the block office is too far and returning on the same day is not safe and possible. There is a need for more women secretaries to be placed in women Panchayats so that there is a comfortable working relationship and confidence to learn many provisions and procedures of managing panchayats.

There are many cases of violence on women elected representatives in highly feudal areas. Recently published news on front page of the Times of India, Bhopal edition<sup>12</sup> clearly reflects complete apathy and neglect of the administration to establish women as Sarpanch. Sarpanch Munni Bai is a tribal elected in Mandi Bamora Panchayat of Vidisha district, about 150 km away from the state capital Bhopal. It is a large Panchayat with 20 wards having 10 women representatives. She narrates "I took charge in June 2015, but was shocked to see the deputy and former Sarpanch smashed my chair in front of my eyes to humiliate me for being a tribal." She contested on a seat reserved for women with a dream to develop village. She lodged an FIR stating "they called me Gondhi as I belong to Gond tribe as an abuse and threatened to kill me". There is no concrete action taken by the police yet.

There are many examples of supportive District Collectors and Chief Executive Officers who encourage women elected representatives to directly come to their office. In many meetings, their husbands are not allowed to officially participate. There are many bold women who continued to demonstrate that they have earned a legitimate

<sup>12</sup> Women Sarpanch alleges bias, Tol, Bhopal, March 18, 2017, p1 and 3.

political space to fulfill the goals of economic development and social justice. Dapu Bai of Dhaboti Panchayat in Sehore district is one of such example.

*Dhapu Bai, Sarpanch*, who got elected with a large margin of votes as a woman and SC candidate in the last election. Before, she was a *Panch* and earlier she was an active Self Help Group member. Due to her strong leadership and boldness, every deserving person in her Panchayat has access to social security entitlements, MGNREGS work and PDS cards. The Panchayat has piped water supply scheme and Panchayat was awarded by the Government as '*Nirmal Gram*'. Removal of illegal possession on Panchayat land by the rich and upper caste was a difficult task for the construction of a long pending road. It is persistent struggle with the district administration that led to many achievements in her Panchayat. The *Up-Sarpanch* is a male upper caste, belongs to the clan of the influential MLA of the district. He wanted a proxy woman candidate to win. The previous Secretary was also working under the influence of the *Up Sarpanch*, who could be transferred only by moral pressure and pestering of *Dhapu Bai* with the local MLA, who is a Minister also, to instruct the district administration for an action. She was abused and ill-treated by the *Up Sarpanch* on a matter of road construction. Fortunately, the local Police Thana In-charge was an honest and sensitive person to file an FIR. A case in the district court was registered. She had to depend on the government lawyer and the opposite party hired a better lawyer and got acquitted. She still maintains her honesty, lives in a dilapidated house, earns by working in the agricultural field to earn her livelihood. She is unlettered, yet does

not sign without understanding the document. She knows about the procedures of Government programmes better than many of the Government officials.

There are many such Sarpanchs like her, a few with a similar socio-economic background as Dhapu Bai, who can demonstrate leadership and courage to withstand the structural and attitudinal barriers to prove themselves as pro-people elected representatives. Dhapubai asked a valid question as "What support the Chief Minister will provide to strengthen hands of such women who are willing to take risk of their life to be ideal leaders at the grassroots".

Agitation of elected representatives to bring back powers of Panchayats

Over the years the elected representatives have been agitating to bring back powers of Panchayat Raj system, taken away by various office orders of the Government or by the neglect of the provisions and rule related to the Act. As mentioned above that the struggle for taking back powers by the elected representatives was on post Gram Swaraj amendment in Panchayat Act in 2001. The Government reduced committee structure at Gram Sabha level as well as the quorum for Gram Sabha. The struggle of gaining legitimate power for the Panchayati Raj Institutions continued as the real power of decision making continued to be vested in the administrative system. Panchayats became an agency for implementation of the Government programmes.

The agitation of the elected representatives of all the three tiers joined hands to demand powers back to the Panchayati Raj Institutions. Several protests have been organized at the state level as well as consultations have been organized with the Chief



Minister and the Minister of Rural Development and Panchayati Raj over the last couple of years.

The struggle of Panchayat elected representatives was joined by the Panchayat Secretaries who have been demanding for better service conditions as employees of the state and Panchayati Raj System. Initially, Panchayat Secretary was declared as a dying cadre with the appointment of *Panchayat Karmi* by the Gram Panchayat. A list of local village youth was developed and out of the top three having maximum marks in the 12<sup>th</sup> examination was considered. The selected person should not be a relative of the Sarpanch or Panch to minimize any nepotism. The salary of the selected Panchayat Karmi was paid from the Panchayat account. Over the last 20 years, the budget and action areas by village Panchayats have increased manifolds. As a result, after an examination, the services of the Panchayat Karmi have been regularized. The regularized Panchayat Karmi have been demanding better service conditions and parity of pay and benefits (leave, social security etc.) with the state Government servants. The Secretaries went on strike in November, 2016. Besides a few meetings and assurances, they could not gain much from the state government. There has been a demand for creation of a separate service board for the PRIs so that quality of staff and better service conditions can be created for a large number of staff employed under the PRIs at the district, block and village Panchayat level.

On the call for a state wide agitation on 2 October, 2016 by the elected representative of all the three tiers, Government appointed interlocutor to discuss the demands of the Panchayat association. The following was agreed upon as reported in the news papers:

- The Zila Panchayat Adhyaksh will get a red beacon light and gun man for security
- ZilaAdhyaksh will get powers to transfer 10% panchayat Sachiv
- The note sheets related to works of Panchayats will also be signed by the ZilaAdhyaksha
- Sub-committees of Zila Panchayats will be dissolved
- 20% funds of the Panchayats can be withdrawn by Sarpanch through cheque rather than EFMS
- Zila and Janpad Panchayat can spend 1 crore and 50 lakhs respectively on development works

The agreement reached could not be fulfilled yet. Some of the conditions like red beacon light has been granted to the ZilaAdhyaksha which they used to enjoy in the first round of PRI elections.

## Concluding remarks

The analysis of the history of Panchayats post 73<sup>rd</sup> CA clearly reflect that the imposition of local government from the top could not get properly synergized in the local context as the political leadership as well as the bureaucracy was not ready to accept such a big change. It resulted in several reforms on the one hand and reversal of powers on the other hand. The central Government while drafting the 73<sup>rd</sup> CA was unclear to design the Act as an instrument for strengthening local government or develop PRIs as relatively more efficient mechanism of delivery of services. Design of PRIs as service delivery agency was resisted by the line departments as a threat to their existence. If PRIs can deliver basic services more efficiently and cost effectively, what will be the role of the departments? On the governance role of Panchayats, the political leadership

at the state Assembly level was unequivocally clear that the emerging local leadership in form of ZilaAdhyaksh or village Sarpanch will provide tough competition in determining the fate of the winning candidate in each assembly constituency. Some of the ZilaAdhyaksh will be equally powerful and popular to provide various options to the political parties to choose new candidates for

Assembly elections. Under such contradictions, 25 years of Panchayati Raj have passed. There are several manifestations of such tensions and struggles that will be explained and analysed in other chapters.



# Bottom Up Planning : Relevance of District Planning Committee



Need for bottom up planning was identified by the planners long ago. After a few national five year plans, the mid-term and end term evaluation reports started reflecting disconnect of plans with the peoples aspirations and challenges. People centered planning gained currency with the 11<sup>th</sup> Five Year Plan which clearly stated that funds will not be released to the states unless bottom up planning process is initiated for implementation of development programmes. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment provided legitimacy to the decentralized planning process by establishing a system and creating a structure of District Planning Committee (DPC). The only constitutionally mandated planning committee i.e. DPC could not get sufficiently established even after 25 years post creation of DPCs. There are many impending factors that retard the process of establishment of DPCs as legitimate functional planning mechanisms and systems.

## The Decentralized District Planning in India

In the year 1969, the Planning Commission issued "Guidelines for the formulation of district Plans". Considering the existing expertise, data availability and administrative capability the district was considered to be appropriate sub-State level unit for planning. The outcome of the Planning Commission Guidelines was manifold:

District Planning Offices and a modicum planning structure were set up in most districts in India and efforts were made on a pilot basis to draw up model district plans. But for the most part the district planning was confined to efforts to identify outlays of various state schemes in different districts and put them together as district plans.

The progress of district level planning was reviewed in "The Report of the Working Group on District Planning" headed by C.H. Hanumantha Rao in 1984 which found interesting innovations such as criteria based allocations of schemes among districts and devolution of untied funds. However, later the G.V.K. Rao Committee pointed that district planning has mechanical district-wise aggregation of State and Central schemes. The decentralised planning procedures continued and remained unchanged until the 1990s but for two notable exceptions of Karnataka and West Bengal. Kerala also became an example of decentralized planning.

Account of District Planning in the Pre 73<sup>rd</sup> Constitutional Amendment Scenario -

Karnataka - The district panchayats were given wide range of powers including that for the preparation of district plans. The Mandal Panchayats were conceived more as implementation agencies. The new Panchayat Scheme came into existence in 1987. 20 per cent of the Plan outlay



was devolved to the district panchayats as untied funds. The district panchayat plans were submitted to the State government to be formally incorporated into the State annual plan. The Karnataka planning was the boldest initiative for the district level planning up to that time. The experiment came to a formal end with a passage of 73rd and 74th Constitution Amendments in early 90's.

West Bengal - The DPC with District Panchayat Presidents as Chairman and Collector as Secretary and representatives of Panchayat Samitis and Municipalities as members was set up as effective district level planning machinery. The main operational component of local plans consisted of funds from Centrally Sponsored Schemes. The untied funds were relatively small compared to Karnataka. The success of district level planning varied from district to district and the most famous model was the Midnapore district plan.

Kerala - In Kollam district a comprehensive district planning exercise was undertaken as an experiment to develop a realistic methodology which combines the participatory process, maintains the Central role of local governments, provides for rational and scientific analysis of data and preparation of a vision and perspective.

The key feature facilitating integration, across sectors, and local governments is the spatial analysis at the local, sub-district and district level. The hierarchy of settlements is determined on the basis of clear criteria which suggest the growth centres.

Within the whole process, DPC occupies the central place. This calls for the active participation of officials from all departments working not only within their sectors but reaching out to

related sectors to develop to identify synergies and build bridges. The congruence between the priorities drawn up by the analysis and the priorities felt by the people, achieved through a process of iterative negotiations and consensus.

## Constitutionally empowering local institutions for decentralized planning

The 74<sup>th</sup> Constitutional Amendment in 1994 provided Constitutional status to DPCs "to consolidate the plans prepared by the Panchayats and Municipalities in the district and to prepare a draft development plan for a district as a whole". The decentralised planning approach got a shot in the arm in 2006 recognizing the Panchayats at each of the three levels and each Municipality/Urban Local Body as a 'Planning Unit' thus emphasizing the need and rationale of a resource envelope to be prepared by and communicated to each of those units by the higher levels of Government for effective planning. The DPC is constituted by a few nominated elected representatives of the PRIs of all the three levels as well as nominated members of the Urban Local Bodies. The DPC meetings are held once in a quarter to review the progress of plans as well as to approve new plans. In MP, an Act was passed in May, 1995 to define role and functions of the DPCs.

The Planning Commission accordingly issued formal guidelines for preparation of local plans and integrating them into a district plan as a prelude to the finalization of the State Government's Eleventh Five Year Plan. This was based on the success of similar efforts during the local level planning process in Kerala in the 90's. The district plan is to be built through consolidation of the local body plans

(from each of the planning units) in a two-way interactive process and arrive at an integrated, participatory, coordinated idea of development of the district viewed as a convenient “local area”. The DPC was to consolidate the schemes from the Panchayat and Urban areas and integrate them with the departmental and district level schemes and prepare both, the Five Year Plan and Annual Plans.

### Initiative of flexible fund and gap filling approach through BRGF

The Ministry of Panchayati Raj (MoPR) took advantage of the Constitutional provisions and the Ramchandran committee report and brought into centrality the nuances of decentralized district planning through its flagship - the Backward Region Grant Fund (BRGF) Programme from 2006-07 till 2014-15 covering a total of 272 districts in the country. The very essence of the programme was that constitutionally mandated DPCs would develop a comprehensive and participatory district plan by taking into account all available resources in the district and gaps/shortfalls in resources would be plugged with the help of BRGF to redress regional imbalances. BRGF also emphasized on nod from Gram Sabha/ municipal Parishad before integrating the proposed work in plan at the level of local body as well as the district.

The conditionalities imposed by MoPR under BRGF forced some of the states to constitute /re-constitute their DPCs as per Article 243ZD of the Constitution. In MP also there were 24 districts covered under BRGF that is almost half of the districts of MP. The BRGF, was designed as a flexible and gap filling grants that can be used by the districts to address the

infrastructural or other gaps by developing bottom up decentralised plans. The core spirit of the programme was not adequately understood by the district administration, therefore, the resources were planed like any other programme. Neither it could promote comprehensive planning nor could it strengthen role of DPCs as intended in the spirit of BRGF. The 14<sup>th</sup> Finance Commission also continued focus on decentralized planning at the village Panchayat level as a pre-condition for the release of grants to the village Panchayats. The MoRD designed guidelines for decentralized planning in form of Gram Panchayat Development Plan (GPDP) which is being implemented by all the state as a pre-condition for utilizing 13<sup>th</sup> FC resources.

### District Planning Committee in Madhya Pradesh

The DPC is generally composed of elected members of the local bodies within the district, both rural and urban, as well as some nominated members. Nominated members usually represent the State & Central Government agencies (including line departments). The number of members varies with the population size of the districts. The ratio of members from Panchayats and ULBs is based on the ratio in which the population of the district is divided between rural and urban areas. The DPCs are to have at least four-fifths elected members as per Article 243 ZD. In MP, the size of DPC in small districts are around 20 and 30 in large districts. The Chairperson of the DPC is the Minister-in Charge of the district and District Collector functions as the Member Secretary.

# Grassroots planning process in Madhya Pradesh

The State government of MP started promoting decentralized planning process from the year 2001-02, with an objective of ensuring equitable economic development, social justice and inclusive growth. Given the historical backdrop of evolutionary journey of decentralised planning where decentralised district planning began as district budgeting exercises and went on to consolidation of local body plans, the key expectation from the planning process are:

- It will ensure planning at the local level in Gram Panchayats and Urban Local Bodies.
- The consolidation of plans will take up at higher level such as block/district.
- It will facilitate regional and spatial planning, and ensure balanced growth.
- It will provide coordination between various local governments at sub district level so that all the plans can merge to form a district plan without compromising individual local body issues.
- It will converge different resources and budget heads and bring about coherence in planning between different sectors
- It will provide technical support to identify appropriate actions for addressing particular problems
- Provide professional support for

undertaking technically complex tasks that require specialized Detailed Project Report (DPR)

- The decentralised planning must integrate the local needs and aspiration and facilitate appropriate budgetary allocations in line with the prepared plan.

It is expected that, at least the allocations will reflect the local priorities and provide necessary resources. The decentralized planning guidelines issued by the State Planning Commission stated that Technical Support Groups (TSGs) will be set up in the lead sectors identified for the district to assist in developing a vision for the sector plan, identify technical inputs required and areas of research. These groups may comprise of sectorial line department heads, experts from reputed technical institutions, universities or NGOs with expertise in the area etc.

The MP Government also provides financial assistance to districts to undertake planning process. The financial assistance is used for training and facilitation for preparation of plan by Gram Sabha and village Panchayats. It is contended that IT enabled applications are employed to generate plans for district, block and Gram Panchayat level. To ensure physical progress of the plans, a GIS based application is used to capture the location and status of the ongoing work sites. These GPS enabled device has



been distributed to each block in the state.

Gram Panchayat has been undertaking annual planning and five years' perspective planning in Madhya Pradesh. A decentralised and integrated plan is prepared by Gram Panchayats, Gram Sabha and wards in rural and in urban areas respectively. These plans are supposed to be prepared by community in an inclusive manner. The higher tiers of Panchayats play a role in consolidation of plans. The DPC later integrates the plans prepared by Gram Panchayats and urban bodies to prepare a final plan of the district.

The plans for large flagship programs such as MGNREGS, NHM, ICDS, MDM, RKSY are supposed to integrate and converge with the decentralized plan. Such plans also provide issues and items for sectorial convergence. The guidelines state that integrated district plan should provide the basis for preparation of the plans of the other large schemes and programs.

Though the guidelines for integrated decentralised planning clearly indicate that all the schematic planning should draw from the integrated decentralised plan, but there has been a detailed exercise of planning for 'Shelf of Project' under comprehensive and integrated planning process prescribed under NREGS as IPPE (Integrated Planning Process). Similarly, SSA has also continued with the planning process of schools and education through School Management Committees (SMC). Or village Health and sanitation plans are supposedly prepared separately by Village Health Sanitation and Nutrition Committees (VHSNC). These plans are facilitated, collected and consolidated by respective departments.

The annual plan and Planning process

has morphed into several Avatars in the last decade. It is called village Plan, Village Master Plan, Integrated Plan, Smart Village- Smart Panchayat Plan etc. Last year decentralised planning at Gram Panchayat level metamorphosed to be called GPDP i.e. Gram Panchayat Development Plan. These plans were prepared by Gram Sansad that is Gram Sabha at Panchayat level. For almost a decade, since 2009, there has been some or the other exercise at Panchayat level to develop a decentralised plan of the Panchayat.

In certain years such as in 2015, the process of annual planning was done twice in a year in certain blocks, once at the time of IPPE under MGNREGS and other while making GPDP. These plans were sectoral and submitted to block Panchayats. The block Panchayats uploaded the Gram Panchayat plans in the specific software designed for the purpose.

Most of these exercises attempted to capture the needs of the community. However, plans are being prepared in absence of a resource envelop that should be known to the village Panchayat as a pre-condition for planning. The developed plans are submitted at the block office for approval. It actually becomes an exercise to develop plans for implementation of centrally sponsored schemes.

To provide technical assistance during the planning process, Technical Support Groups (TSG) are created at cluster 3 to 4 Gram Panchayat. The team of TSG comprises of 4 to 6 persons representing different sectors such as agriculture, education, health etc. The team may be drawn \ from CSOs, Jan Abhiyan Parishad, community leaders etc.

The role of Jan Abhiyan Parishad, a civil society outfit promoted by State has been significantly emphasized in the planning process.

A detailed Planning Guideline is prepared for the purpose and plans are supposed to be consolidated in six specific sectors.

(Guidelines issued by Planning and Statistics department- Madhya Pradesh)



# Reality check on the decentralised district Planning Process

The State continuously facilitated the decentralised planning and district planning with enabling provisions and guidelines. Though the policies were, more often than not, insufficiently backed by the budgetary provisions, or practices/departmental mindset did not converge into the mandated guidelines, nor matched the facilitative provisions of the the State Planning Commission's guidelines. Therefore, it is required at this juncture to review 'how the decentralised planning has fared' in the past decade. This report has captured the data particularly from districts of Sehore, Panna and many others where CSOs have supported or facilitated planning process in Madhya Pradesh to assess the effectiveness and challenges faced in the decentralised planning process.

## Challenges of decentralized planning at grassroots

The plans made by Panchayats are usually a large wish list, several times more than budgeted outlays. Since there is a practice that all the development work undertaken by

Panchayats, should be part of Panchayat plan and many development agenda are top down, pushed by state, Panchayats make a plan to accommodate all possible activities prescribed from the top. There is no thrust for prioritizing the plan based on local needs and urgency.

Also several Gram Panchayats may demand a senior secondary school, or other Panchayats may ask for a health centers. Several hamlets of a village may ask for Anganwadi centers or piped water supply in their hamlet. The criteria for accessing the facilities are not applied at the time of planning as each hamlet/village/ Gram Panchayat develops its own plan. Therefore, the aggregate of Panchayat plans will have manifold development demand than what can be possibly addressed in a year, without any prioritization. This needs to be, therefore handled at a higher tier of Panchayat or department.

The Gram Panchayat plans are uploaded on the web portal by the block Panchayat. It is expected that consolidation will eliminate duplication



The uploaded plan of the village Jhirikua in Panna district, clearly lists that there is no toilet in Anganwadi Kendra, There is no electricity connection in school, and Anganwadi. There is demand for kitchen shed in the school and several connecting roads. Panchayat also proposed channelization of the rain water through repair of a Nullah, construction of boundary wall, several works through individually targeted scheme of NREGS. Some of these activities are carried forward from previous year's Plan. However, Panchayat gets approval for new set of activities, many of them, not quite connected to what has been proposed by the Panchayat, such as Indira AwasYojanabeneficiaries are provided houses.

of demand, prioritize the activities, have final discussion with the Gram Panchayat to draw a final list of activities. The departments in their budget should respond to these finalized plan. The DPC should approve these finalized plan.

Rapid assessment with Sarpanchs and community : participation in preparation of different type of plan			
Type of plan preparation	Participation of Panchayat	Participation of community	Participation of department
GPDP	High	Above Average	Average
IPPE	High	Average	Below average
Education plans under education department	Low	None	High
Preparation PIP of health department	Non- existing	None	High

funds released in the previous year were for some other activities.

The soft demands such as deployment/appointment of teacher, or regularization of services of the contractual teacher, compost pits/Nadeps, sprinkler sets from the agriculture department, or continuous fund flow for mid-day meal is not even mentioned in the plan as they are perceived to be the matter of persuasion with the respective departments.

The departments normally plan under 'plan and non-plan' budget heads. They usually get a fixed budget under predetermined budget lines. For instance, the RajyaSiksha Kendra, supporting the primary schools in the state, decides the number of school/rooms in the school by making simple calculation of number of classrooms required by dividing the number of enrolled children by available class rooms. Certain schools have high attendance and others have low attendance. Similarly, certain infrastructure is more critical than the provision of an extraroom. Meeting different needs of different villages and facilities require greater coordination based on evidences emerging from the field. There are insufficient structured mechanisms for such coordination, and it largely depends on the individual officials' motivation and commitment.

Local governments do not have any clarity on the resource envelop available for planning. Even where they had relatively untied Panchayat Raj funds like MGNREGS and grants from the state and Central Finance Commissions, no attempt was made to assist the local governments, especially the Panchayats in trying to prepare participatory local plans. Mostly, they had to adhere to the silo-based process of schematic planning. A large number

Several Sarpanchs as well as officials stated that the plans prepared in different planning campaigns such as 'BharatUday Se Gram Uday' or IPPE have not been able to generate a mandatory response or commitment from the departments. On the contrary the 'Targets' decided by the department have often found a backdoor entry into the plans.

However, currently there is no practiced mechanism for prioritization of activities and consolidation of plans. All the softwares-GPS based systems are not in use, even if they exist. The block level officers and the District Planning and Statistics Officer in Panna district do not know, if there is any response sent from the district on the plans prepared by the Gram Panchayat. They also claim that not much happens to these plans though these plans are available with the departments to synchronize their plans and allocations. Therefore, all the exercise of the Gram Panchayat planning is rendered futile as departments develop their parallel plan. For instance, the uploaded plan of the village Jhirikua in Panna district clearly lists that there was no toilet in Anganwadi Kendra. There was a demand for kitchen shed and several connecting roads. Some of these activities were carried forward from previous years explaining that the

### Findings of the survey of DPC members in Panna and Sehore

The attendance is high and usually 80% of the DPC members attend the meetings. It serves as a platform for making a political presence and connect to the minister in-charge and other political colleagues. Usually DPC meetings are also clubbed with other meetings to ensure that more members attend the same. The DPC meeting lasts for two to three hours and is dominated by the District Collector and Minister in- Charge of the district. Sometimes the president of the district Panchayat also participates actively and tries to represent the views of other elected representatives. The presentation of plan is sketchy and has only departmental perspective. The plan of a department is presented in not more than five minutes. The plan informs about the targets such as no. of toilets, or number of schools, or mining lease to be given etc.

Some discussion also takes place on the action taken on the issues raised by members in the previous meetings. However, the departments only inform that this could be done or not done so far.

DPC members being part of the electoral politics raise the issues of their constituency, which take maximum time in DPC meetings. Some of the powerful members are more vocal and raise issues more frequently.

Most DPC members stated that they were not heard and rarely the departments act on their requests. However, departments claim that they try to accommodate the requests of the DPC members if it is possible within the given criteria. Some stated that even the district presidents are not heard, and critical issues like water are given a back seat despite being brought up repeatedly in the DPC meetings.

of states introduced a schematic pattern into the utilization of even the Finance Commission grants, leaving little flexibility to the local governments to prepare plans as required by the people. Madhya Pradesh converted the 13<sup>th</sup> Finance Commission and the State Finance Commission's flexible funds into Panch Parmeshwar Yojana where activities were pre-determined and flexibility to address local needs based on local plans was significantly compromised.

### Mandated role of DPC and current practices in decentralised planning

DPCs have designed their own methods for decentralised planning. For instance, the DPC in Sehore district takes up three to four departments every time for discussion during the DPC meeting, while Panna DPC takes up 8 to 9 departments each time.

Agriculture being very critical, is taken up in every meeting in Sehore DPC.

The presentation of plan is sketchy and has only departmental perspective. Since the departmental plan is not a response to the issue emerging from the activities proposed in the Gram Panchayat plan, the DPC members raise issue from their constituencies in DPC meetings viz. construction of roads, water structures, or transportation of water during summer, transfer of teacher, transfer of doctor, new school building etc.

Thus DPC though gives a final nod to the plan, but process is weak and non-methodical. However, being part of electoral politics, the DPC does raise critical questions on development priorities, resource use and serious issues related to long term demands of the district. For example, issue of water has been raised several time in Sehore DPC meetings. The DPC meeting in Panna raised the issue of a non-

### DPC meetings : Discussion and issues

DPCs do not have any sub-committees in the surveyed districts of Sehore and Panna and none of the DPC members know of it. The MP Decentralized Planning guidelines do provide for sectoral committees comprised of line department officials to assist the DPC but such committees are of adhoc nature.

An analysis of two quarterly meetings of the DPC in (April and August) 2016 revealed that although issues like construction and expansion of roads, electricity related works, provisioning and repair of hand pump, desilting of check dams, recovery of electricity dues, ensuring cleanliness of toilets in schools and presence of teachers as per schedule, distribution of seeds, fertilizers, power driven implements to eligible farmers were discussed. Neither of these issues were with reference to the approved District or GP plan, nor there was any reference to issues or works prioritized in the GPDP. There were no discussion on urban related issues in either of the meetings. Except the departmental officials, no subject expert or sector experts participate in the meeting to guide the planning process with subject matter knowledge.

performing corrupt doctor in the district hospital. This facilitates inclusion of important issues in the plan or at least a response on critical issues of the community. Since the requests are not abiding, the DPC meetings are sometimes disappointing to members. Most members stated that the decisions of the DPC are not politically motivated rather based on the administrative wisdom and procedure.

#### Limited capacities of DPC members

Most DPC members being seasoned politicians, are not naive in politicoadministrative capacity. They mostly train hands-on in political arena and get exposures in different meetings. Despite their political background, most DPC members are not equipped to understand decentralised planning process, particularly the women members, as many of the women are shadow members, representing political families. One of the important women DPC member of Sehore stated that DPC was meant to get targets for bigger schemes of the government, while another women member stated that DPC was to ensure as 'how the big announcements made by Chief

Minister/ Prime Minister will be fulfilled. Most DPC members, men and women, reserved or otherwise, believe that DPC is meant to air their voice and express specific issues of the constituency. Rarely does the members know or feel that it is meant for planning. Most DPC members do not bother about improving the process of decentralised planning. They are satisfied or disappointed depending upon the responses of the departments on their request. Most powerful members such as MLAs, feel that departments cooperate while the weak ones feel that DPC are routine meetings where larger planning issues are not taken up. In any case, the plans shared with them are large documents which are not decipherable by most members. The plans or agenda of the meetings hardly reaches them before hand to be able to make a structured response on the plan.

However, many issues are common concerns amongst the members. They raise it collectively in the meetings and ensure that these issues are resolved. For instance, the Panna DPC raised the issue of mining lease which is being irresponsibly granted, while Sehore DPC sought improvement in water availability during summer.



The educational qualification of the members varies, though many are graduates. None of the surveyed member (approximately 20) had received any training with regard to DPC provisions and guidelines. Some of them, though claimed that they got brief orientation as the member of the Zilla Panchayat. The DPC has limited staff and provides secretarial support only. The combined effect of the situation leads to limited capacities of DPC members in decentralised planning process.

Village Jhirkua GPDP plan mentions about a boundary wall in the Primary school building and construction of a toilet. However the department does not respond to this plan. It supposedly make its own plan through School Management Committees, which are consolidated at Sankul, Block and district level subsequently. The status of SMC is well known. therefore the participation of SMC in plan preparation is even more doubtful. Even the teachers plead for a particular work but are given some other work.





# Departmental conflicts indecentralised planning



The departments have by and large continued their old practice of planning. The specific Acts guiding the departments have not changed to accommodate these new decentralised planning guidelines. For instance, the Town and Country Planning Act of 1956 which pre-dates the 74th Constitution Amendment has not been amended to create legitimate role of DPC in town planning. As a result, the city development plans or master plans of urban areas have no mechanism of consultation and negotiation with the rural hinterlands and their democratically elected PRIs.

Similarly, many Acts such as Indian Forest Act 1927 and Forest Conservation Act 1980 also preceed Panchayati Raj Adhiniyam and 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendment. There are natural conflicts between the departmental power and planning undertaken in decentralized manner. The decentralized planning means empowering Gram Sabha in wresting the powers from the administration and certain elected representatives that constitute the DPC. However, the National Forest Act empowers the department to take complete responsibility of protection and promotion of the forests. The Gram Sabhas and village Panchayats of habitants living around the forest areas should have mechanism of engagement in planning process.

Currently, the control over

functionaries and funds rests with the department. Thus, it is up to the department to allocate resources on the plan irrespective of the emerging priorities of the communities expressed through Gram Sabha. Therefore, departments end up having upper hand in decision making. Similarly, many Centrally Sponsored Schemes (CSSs) that attempted to integrate with decentralised planning with low motivation and clarity as framework of implementation is tight jacketed and pre-determined. Schemes in sectors like National Rural Drinking Water Programme, Swachh Bharat Abhiyan and Rajiv Gandhi Grameen Vidyutikaran Yojana bypassed the local governments either in policy or in practice, despite being an important subject of the basic service delivery devolved to the Panchayats.

Several other schemes such as ICDS, are also implemented departmentally, except giving a few functions to the Village Panchayats such as ensuring the attendance of the children. Even schemes which insisted on mandatory bottom-up planning like Sarva Shiksha Abhiyan and National Rural Health Mission, the departments have found a clever mechanism of circumventing the GPDP. They have parallel structures till the Gram Panchayat level such as School Management Committee (SMC) in Schools, Village Watershed Committees, Village Water Sanitation and Nutrition Committees etc. The

### Experiences of Planning in Sehore district

In Sehore, the annual plan preparation process is basically a collection of activities, schemes, requirement of departments through decentralized planning. The GP plan priorities are taken and forwarded to the state via the DPC but are not allowed to be discussed. Hence the DPC members never get an idea of the actual picture. Estimates are sent by the departments to their respective State Heads where they are consolidated and finalized following which allocations are made, and allocations are forwarded to districts as targets and not as a response to the Gram Panchayat plan. There is no say of the DPC on the final approved plan.

Information about funds under schemes with targets set by the Central/State Government are provided to the DPC members and then distributed amongst blocks without any logic or formulae. The same happens when the block distributes it to GPs and there is no reference to the needs and priorities identified in the GP plans. There are delays in allocation of the regular funds and resources which are due to many reasons like routine administrative delays, financial constraints, changing priorities, elections etc. and all these impacts realization of the plans and their implementation adversely.

Local felt-needs are not adequately realized despite of multiple planning exercises. The priorities identified by the villagers do not match most of the times with those of the line departments. Most of the times, there is no coordination amongst departments with regard to preparation and implementation of plans. Hence, there is a loss of faith of community and Panchayat in the planning process.

Despite a pioneering attempt by the State Government of digitization and online updation of plans, there are deficiencies in the planning portal as block/Panchayat specific needs are not considered. DPC members have access to the portal but many do not use as they have either not been trained or do not bother much to track the progress of the planning process.

departmental members in these committees have continued to retain control, as teachers being the Member Secretary in SMC. In MP, it is decided by the Department of Primary Education that the President of the SMC will be the parent of the best performing student of class IV or V. As a result, the Principal of the school determines who should be the best performing student so that he/she can manipulate the powers and resources of the SMC. There are no external exams till class V, therefore, Principal uses discretion of selecting the President of the SMC by making his/her son/daughter as topper in the class.

The committees and the planning process do not encourage independence to Gram Sabha and Panchayat by floating parallel structures and controlling through them. Even convergence is not

forthcoming easily. For instance, NRHM district plans were never debated or even shared with the DPC for their approval. The structures like School Management Committee, Village health, nutrition and sanitation committee, that are promoted for decentralised implementation and planning are merely camouflaged structures. Most of them are regularly bypassed, are completely ignorant of what has been planned or approved, have no tooth to control the planning process.

The district Program Coordinator of education department mentioned that department made its own assessment of 'what needs to be done' and subsequently allocated 'targets' to the districts. The districts, subsequently transferred the facilities to the Gram Panchayat/ community. Thus, the plans are merely legitimization of top down

targets. Currently, the department try to ensure that the top driven plans of the committees also get approved by Gram Sabhato complete the procedural formalities. It is well known that Gram Panchayats make proposals at later dates, to access whatever funds that departments may be ready to part with the Panchayats. Similarly, a large part of Health department's plan is prepared entirely by the department. Unfortunately, the MGNREGS plans which are supposed to be in absolute control of Gram Panchayat are rarely so. They also do not reflect in the DPC. Therefore, a large portion of the expenditures in the Panchayat through NREGS is not discussed in DPC meeting.

The conflict between the department and the Gram Panchayat have remained unresolved and departments continued to enjoy the upper hand. Issue of urban rural integration was never addressed jointly, therefore, large schemes of water supplies, sanitation, road connectivity and power are delivered separately in the urban areas without recognizing the rural-urban linkages.

Process of approval of district plans : administrative dominance

The State Planning Commission had set up a Poverty Support and Policy Monitoring Unit within the Commission in 2007 (with the help of DFID) which was entrusted the responsibility of designing frameworks and providing technical lead to the SPC in decentralized planning efforts in the state. The State Planning Commission has been leading the planning process over the years by setting framework and defining processes of district planning.

The time for orientation of DPC, ZP, JP and GP, constitution of planning teams and technical support groups at all levels has been extremely inadequate, around 10 to 15 days before the actual

planning cycle begins. The orders of all the three years emphasized on crucial matters like training and capacity building of all stakeholders, careful and error free uploading of data on the decentralized planning website and the importance of Gram Sabha in having the final say while approving the proposed works by the village. The role of the District Collector was also clarified in each of the orders to be chiefly responsible for the smooth conduct of the planning exercise, coordination with all agencies and successful and error free uploading of the data/information on the site.

#### **Sector specific activities and allocated budget in District Plans**

Apart from the process of decentralized planning in the district, an analysis was done of the approved annual plans of financial years 2013- 14, 2014- 15 and 2015- 16 (in the District Plan Format 77). The sectors which were considered for analysis were Agriculture, Rural Development, Panchayat, Roads and Bridges (PWD), State Planning Commission, RajyaShiksha Kendra, Indian System of Medicines and Homeo (AYUSH), Water Supply and Sanitation (PHE), Urban Administration and Development, Welfare of SC, Welfare of ST (school education), Social Justice, Women and Child Development and State Disaster Management Authority.

In the approved plans, there were sub- heads under each of the above heads in terms of schemes, programmes of the Central and State Government. Most of the

schemes/programmes continued across the three financial years whereas a few which either ended or began in these years. The allocation of budget was categorized under the categories - Total, Normal, TSP, SCSP and Women's component.

It is interesting to note that sectors/departments like agriculture, rural development, Panchayat, roads and bridges (PWD), State Planning Commission, welfare of ST (school education), welfare of OBC, social justice - registered an increase in allocation from 2013-14 to 15-16 whereas sectors like RajyaShiksha Kendra, Indian System of Medicines (AYUSH), Urban Admin and Development, Welfare of SC and WCD registered a decrease in allocation over the same period. Probing sector/department wise, one can find a sudden and substantial spurt in the allocation (almost 10 times) in MGNREGA funding from 2013-14 to 2014-15 and maintained an upward trend in 2015-16. NBA, IAY and MDM all registered an increase in allocation from 2013-14 to 14-15 but in the case of MDM it fell in 15-16. In the case of CM AwasYojana (Apnaghar) a constant fall has been noticed from 2013-14 to 2015-16. Also surprisingly there have been no allocation under the women's component in NBA in 2014-15. In the case of Welfare of ST (school education) quite a few sub-heads/schemes/programmes

were not present in 2013-14 and 14-15. In 2015-16 they were added but no allocation was made.

However, District Collector is the primary facilitator for the state to ensure its priorities are integrated in district plans and has strongest say in decentralised district planning.

None of the orders (not even the one released in 2016 for 2017-18) have any references to the Gram Panchayat Development Plan (Smart Gram - Smart Panchayat) initiated by the Department of Rural Development and Panchayat Raj since 2016. This indicates that there will be two different integrated multi-sectoral plans which will be prepared in a Gram Panchayat without any convergence between the State Planning Commission and the Department of Rural Development.

#### Action Agenda

1. The DPC is the only constitutionally mandated agency responsible for putting together the district plan continue to function sub-optimally. Apart from limited discussions on approving the plans once in a year, the quarterly meetings of DPC which are an opportunity for brainstorming on the progress of the implementation of the plans. These meetings are normally used in reviewing departmental progress and setting targets without any reference to the approved plan. In order to ensure that the DPC effectively performs the role envisaged, the following are recommended:
  - A full-fledged and functional DPC Secretariat with subject experts, particularly the subjects that are crucial to the district.
  - Since it is extremely difficult to read and understand the large

- departmental plan documents, the key to successful decentralised planning lies in adhering to the process and sticking to priorities of the Gram Panchayat.
- The departments should respond to Gram Panchayat plans, particularly with respect to delivery of basic services and the Panchayats must be provided a time frame as to when their planned activities will be commissioned
  - The blocks must build capacities for cluster approach planning (on the lines of spatial/regional planning) and consolidation of planning where priorities of Panchayats are integrated with the priorities of the state.
  - The Gram Panchayat plans must be crystalized and prioritized, and uploaded in accordance to the possible resource envelop.
  - The existing software should be improved to fit the plan with departmental or programmatic priorities and resources.
  - The DPC's role needs to be further expanded and should be entrusted with anchoring the preparation of the vision document, the maintenance of databases, training of planners for Janpad and Gram Panchayats
  - For urban centers of the districts where town planning functions are being done by Development Authorities, these authorities should become the technical planning arms of the DPCs.
  - Adequate budgetary resources must be provided to the DPC to meet expenditure on its regular staff as well as to hire experts, outsource work, facilitate the envisioning workshops, PRA exercises, exposure visits etc.
  - The agenda and related documents of DPC meeting should be distributed atleast 15 days in advance
- Enough time should be allowed for sessions where discussions and debates can take place on every aspect of the draft plan before being endorsed by the DPC.
  - DPC members should be trained and oriented in using the online portal for planning
2. The sector or scheme specific committees formed on the instructions of the departments should be effectively converged with the Gram Sabha or village Panchayat committees. Too many committees functioning as parallel committees are divisive of the already diluted powers of the local government. Sarpanch should be the President of all the committees with a Vice-President from the directly affected stakeholder group's representative.
  3. There is a need to evolve a planning framework that is comprehensive of not only sectoral integration but also of rural-urban cross cutting needs. The urban centres are the service centres of the rural hinterlands, therefore, planning for education, health and livelihoods has to be comprehensive and joint with the programme heads of urban and rural areas for convergence planning.
  4. Multiple planning systems encouraged by different programmes and departments should be merged with annual decentralised comprehensive village planning. Single planning system with commitment of all concerned departments will improve efficient resource utilisation, convergence and impact on the ground.



# Panchayat Finances : Critical Condition for Autonomy



With the creation of PRIs as constitutional entities, there are mandatory transfers to the PRIs through the Finance Commission of India and State Finance Commission. Such transfers are imperative for developing PRIs as institutions of local governance. Resources are critical for the village Panchayats for meeting aspirations of the citizens and voters. Moreover, flexible funds as well as self generated resources are a pre-condition for autonomous functioning of local Governments. The Panchayati Raj Institutions have resource flows from a) the Finance Commission of India and State Finance Commission as part of their share from the central and state's tax pool b) various development programme of the national and state governments c) own resource generation in form of taxes, fees and cess. The FC funds are generally more flexible with certain suggestive list of activities to be undertaken. Flexible resources are also critical for meeting administrative expenses of village Panchayats.

## Resource transfer to Panchayats through Central Finance Commission

The Central Finance Commission came into existence in 1951. It was established under Article 280 of the Indian Constitution to define the financial relations between the centre and the state. The tenure of the each of

these Finance Commissions is for five years. The Fourteenth Finance Commission was constituted by the President of India on 2<sup>nd</sup> January 2013 to make recommendations for the period 2015-2020.

Like other Finance Commissions, one of the key function of the Fourteenth Finance Commission was to:

- Recommend distribution of the net proceeds of taxes between the Union and the states
- Prescribe a formula for share of states in the net proceeds of Union taxes and divisible Pool
- Address horizontal imbalances through the system of tax devolution and grants in-aid

Finance Commission recommends the principles as well as the quantum of grants to those states which are in need of assistance and that different sums may be fixed for different states. Thus, one of the pre-requisites for grants is the assessment of the needs of the states.

The key recommendations of the Fourteenth Finance Commissions with respect to Local governments were the following :

- Local bodies should be required to spend the grants only on the basic services within the functions assigned to them under relevant legislations.

The divisible pool is that portion of gross tax revenue which is distributed between the Centre and the States. The divisible pool consists of all taxes, except surcharges and cess levied for specific purpose

- Distribution of grants to be made to the states using 2011 population data with weight of 90 per cent and area with weight of 10 per cent.
- The grant to each state will be divided into two- grant to duly constituted Gram panchayats and Municipalities.
- The grants to be divided in two parts - a basic grant and a performance grant. In case of gram panchayats, 90 per cent of the grant will be the basic grant and 10 per cent will be the performance grant.
- The grants should go only to those gram panchayats, which are directly responsible for the delivery of basic services, without any share for other tiers of Panchayats.
- Performance grants are being provided to address the following issues :
  - a) Making available reliable data on local bodies' receipt and expenditure through audited accounts.
  - b) Improvement in own revenues.

Following the Seventy-Third and Seventy-Fourth Amendments to the Constitution, Finance Commissions were charged with the additional responsibility of recommending measures to augment the Consolidated Fund of the states to supplement the resources of local bodies. This has resulted in further expansion in the scope of Finance Commission grants. The 'income- distance' criterion was first used by Twelfth FC. The Fourteenth FC established criteria of population and area of panchayats for allocation of resources.

One of the path-breaking decision of the 14<sup>th</sup> FC has been to discontinue fund transfer to the district and block Panchayats. Moreover, there is a provision for direct transfer of funds in the bank accounts of village Panchayats. The states will have to pay penalty to the panchayats in case of any delay in transfer of funds. The 14<sup>th</sup> Finance Commission allocated 180262.96 crore for the village panchayats across the states for 2015-20. In MP, the transfer of funds will be in the tune of 12200.72 crore for the same period.

Critical recommendations of the Fourteenth Finance Commission

Fiscal discipline as a criterion for tax devolution was used by Eleventh and Twelfth FC to provide an incentive to states managing their finances prudently. The criterion was continued in the Thirteenth FC as well. However 14th Finance commission dropped the criteria for fiscal discipline.

- The Fourteenth Finance Commission enhanced states' share in divisible pool of central taxes from 32 percent to 42 percent every year for the period 2015-16 to 2019-20
- Formula for the horizontal devolution of resources from the divisible pool has two new criteria, viz. demographic changes by 2011 (i.e. the population in 2011), and forest cover in a state; dropped the criterion of fiscal discipline.
- Plan Assistance from the Union Govt. (discontinued)
- Union Budget funds for Central Schemes (slashed) while Borrowing by States is capped
- Centrally Sponsored Schemes

were divided into Core and Optional schemes :

- a. For Core Schemes Centre 90% : State 10%.
  - b. For all other (general category) states - Centre 60% : State 40%.
- Amongst the Core Schemes, those for social protection (including MGNREGA) and environment protection to form "Core of the Core", to have the first charge on funds available
  - A reduced role of the Union Government, with an increased role of states, in financing of social sector interventions.

## State Finance Commission Madhya Pradesh

As per the Article 243 of the constitution, the State Finance Commissions are set up with the following objectives:

- Distribution of net proceed of taxes between State and local bodies
- Determining of the taxes, duties etc. for Panchayats and Municipalities
- Grant in Aid to Panchayat and Urban Local Bodies from consolidated funds of the state.
- To delve into the measures needed to improve the finance of the urban and Rural Local Bodies.

The third State Finance Commission made its recommendation to the state government in October, 2008. The recommendations were broadly the following :

- 5% of the total net proceed will be distributed amongst Panchayats and urban Local bodies. 80% of this 5% will be distributed to PRIs

- The villages with population of less than 500 will be given Rs. 100 per person per year, while the bigger villages with population of 1500 or more are given only 50 Rs. Per head per year.
- Smaller allocation were made to Block/district Panchayat.

## State's response to SFC recommendation

Technically, this should have been the tenure of the Fifth State Finance Commission of Madhya Pradesh. However, Fifth Commission has not been constituted in the State whereas, states like Rajasthan has already drafted the report of the 5<sup>th</sup> Finance Commission. The Fourth Finance Commission was established in July, 2014 by appointing Mr Himmat Kothari as the Chairman of the Commission. The report of the commission has not been submitted yet. Therefore, the available and applicable report is that of the third State Finance Commission.

The recommendations of the 3<sup>rd</sup> State Finance Commission have become dated as the 14<sup>th</sup> Finance Commission has come out with more updated criteria and parameters to distribute funds to Panchayats. As per the recommendation of 3<sup>rd</sup> State Finance Commission, Gram Panchayats will get Grant-In-Aid of 4% of the net income of the State's revenue for maintaining the basic services in Panchayats. The third Finance Commission had made recommendation to disburse funds as per the criteria given above, that is, allocation of Rs. 100 to small village and 60 to big villages. The action taken report (ATR), submitted by the State Government on the recommendation of the State Finance Commission, the State decided to transfer only Rs. 25 per capita to the Gram Panchayat against Rs. 100 and 60 recommended

by SFC for small and big villages respectively.

In the current scenario of Panch Parmeshwar Yojana designed using resources of the 14<sup>th</sup> FC and resources as per the recommendations of the 3<sup>rd</sup> State Finance Commission, the state Government has designed transfer of funds to village Panchayats though some different criteria. Details of the transfer from the financial year 2015-16 and 16-17 are given in the following section dealing with the fund transfer.

### Devolution of funds to PRIs in Madhya Pradesh

The table given below provides transfer of FC grants to the PRIs in MP over the last three Finance commissions of India. In the 12<sup>th</sup> and 13<sup>th</sup> FC, there was a portion of funds for the upper tiers of Panchayats i.e. Janpad and Zila Panchayats. The 14<sup>th</sup> FC decided to transfer funds only to the village Panchayats with a rationale that, the basic services are provided by the village Panchayats only. The state Governments can find ways of financing upper tiers of PRIs.

It was not possible to get segregated information on the transfer of funds to each tier to analyse pattern of transfer of resources from the FC recommendations. Therefore, transfer of funds have been calculated per panchayat for each year across the

three tiers. The table clearly reflects that around Rs. 1.5 lakh was transferred per Village Panchayat during 2005-10 (12<sup>th</sup> FC) and around Rs. 2 Lakh per Village Panchayat during 2010-2015 (13<sup>th</sup> FC). This includes transfer of funds to upper tiers, however, most of the resources are spent for provision of basic services at the village level. There is a substantial jump in transfer of resources during 14<sup>th</sup> FC as the transfers of the last 2 years FY 15-16 and 16-17 has been in the tune of Rs. 764312 which is more than 3 times of the previous transfer.

The fund transfer from the state Government's resources has been to the tune of Rs. 176 crores for the FY 2015-16. Similarly, in 2016-17, there was a transfer of about Rs. 2200 crore from the state Government resources. There was a substantial portion of funds from the stamp duty, about Rs1309 crore, and was utilized to transfer funds to the village Panchayats. The data clearly reflects that there is a substantial jump in the transfer of funds to village Panchayats.

### Emergence of Panch Parmeshwar as a scheme allocating FC untied funds

Till 2014, Madhya Pradesh disbursed funds to Panchayats from different budget provisions and schemes, into different accounts maintained by Gram Panchayats for the purpose. In 2014,

Allocation and Release of Central Local Bodies Grants to PRIs under Finance Commission for the award period (in crore)				
Source : www.panchayat.gov.in				
FC	Period	Allocation of General Basic Grant	Released General Basic Grant by the national Govt.(in %)	Average grant per panchayat/per year ( in Rs.)
12FC (5 year)	2005- 10	1663	1663(100%)	144508
13FC (5 year)	2010- 15	2725.72	2352.5 (86.31%)	204889
14FC (only for 2 years)	2015- 16 & 2016- 17	3489.82	3490.23 (100.01%)	764312

Government of Madhya Pradesh streamlined the system of fund disbursement and clubbed various scheme and budget heads into one account called PanchParmeshawar. The PanchParmeshawar accounts receive funds from State Finance Commissions, Central Finance Commissions, any other Grant in Aid etc. The unified account mandated improved management and transparency in accounting practice.

Gram Panchayats in Madhya Pradesh are small sized, with population ranging from 2000 to 5000 and consequently get Rs. 5 to 8 lakh annually from the 14<sup>th</sup> Finance Commission's recommendations. This is the most important and largest source of flexible fund to Panchayats. The other important financial sources to the village Panchayat is the allocations from the State Finance Commission.

Over the past four years i.e. since year 2012, the Panchayats funds to Panchayats were clubbed under a single budget head called PanchParmeshawar scheme. The PanchParmeshawar largely comprises of the central and state finance commission grant. The disbursement to PanchParmeshawar is made 'without detailing the source', i.e. the central or state finance commission. All the funds are disbursed in only one budget line and as per the slabs given above. Therefore, Gram Panchayats almost always do not know 'what share of State Finance Commission' grant have they got.

### Conditionalities of Panch Parmeshawar scheme

A large burden of the delivery of basic services rested on the central finance commission grants. However, the CFC grant came with several priority list/conditions, when packaged under

Sl. No.	Population	Budgeted allocations
1.	Less than 2000	500000 per annum
2.	Less than 5000	800000 per annum
3.	Less than 10000	1000000 per annum
4.	More than 10000	1500000 per annum

'PanchParmeshawar'. Therefore, the mandate of the flexible funds for basic services of the Fourteenth Finance Commission, changed drastically when the funds finally landed in Panchayats. The conditionalities not only influenced Panchayat's ability to use the grant in form of Panch Parmeshawar, but also influenced the choice of work in MGNREGS or other such relatively flexible scheme. Some of the salient restrictions<sup>13</sup> imposed under the scheme were the following :

- The Panch Parmeshawar, allowed only 10% of the fund<sup>14</sup> to be used flexibly in the year for the maintenance of the assets. The remaining funds had to be aligned with the states priorities and needed technical sanction.
- The state priorities were clearly on roads and Panchayat/Anganwaribuildings and new construction.
- The technical sanctions were often used to allow only a certain categories of work.
- The maintenance of assets was

<sup>13</sup> Office order Vitt-yo/2011/119/9906 dt 11/11/2011 from Panchayat and GrameenVikasVibhag, GoMP

<sup>14</sup> The limit of the expenditure on maintenance of assets was increased to 20% of the total grants by office order of 28 January, 2013, PR and RD, GoMP



clearly not the priority in the PanchParmeshawar.

A circular issued by Department of 'Panchayat and Rural Development' in March 2016, laid exceptional emphasis on construction work. It clearly specified that 'further guidelines' will be issued in respect of Maintenance of assets. Further, it clearly 'limited' Panchayats to use only '10% of the total grant in the year' as flexibly for technical and administrative expenditure. Further, the circular emphasised on convergence with MGNREGS and SWM (Swatcha Bharat Mission).

Besides the formal circulars, there were informal undercurrents coming to play when the Panchayats, went to seek technical and administrative sanctions. There was over emphasis on construction of roads. The technical sanction, made mandatory for all works, small or big, technical or simple; pushed for construction of roads. While all kind of maintenance work such as repair /desilting of ponds, community wells, community buildings took a back seat. Several Panchayats who responded to several urgent need of the community and undertook repairs, were denied clearance of the bill.

Further there was push for convergence with MGNREGS for labour component in construction of roads. Many roads built in Panchayats, have converged with the Panch Parmeshawar for material component, while the MGNREGS provided the labour. This pushed the MGNREGS also to 'provide for Road Construction'. Thus the priorities of Panchayats were pushed back, not only for Panch Parmeshawar, but also for MGNREGS. The small funds that most Panchayat could access for MGNREGS in the year 2016, could not be spent on earth work

and NRM work as per the spirit of MGNREGS Act.

Last year also there was a significant surge of toilet construction under SBM. The panchayats that were unable to meet their SBM targets were also not allowed to spend the PanchParmeshawar Grant. This worsened the already bad situation of resource constraint of Panchayats. The constructed assets have faced neglect of maintenance, while more and more structures are being constructed under PanchParmeshawar.

## Developmental needs in Panchayat and mismatch in states priorities

Madhya Pradesh has several developmental challenges and consequently several competing demand for the meagre funds of the Gram Panchayats. Reeling under repeated droughts and subsequent floods, several regions in the state had priority for water supply, repair of water structures in the summer of 2016. However, Internal roads and connecting roads should not attain higher priority over the repair of ponds, construction and repair of pulia, channelization of Nullah, deepening of ponds, repair of hand-pumps, desilting of ponds, repair and construction of nallis. Similarly, repair/Maintenance of several of buildings such as Panchayat Bhawan, community buildings, maintenance/repair of piped water supply, construction/ maintenance of funeral ground etc. are also some of the other important development needs of large number of Panchayats in comparison with construction of internal roads and drainage.

Panchayats also have to deliver basic services such as maintenance of basic cleanliness in the Gram Panchayats, cleaning of school toilets, cleaning of

### Denied expenditures from PanchParmeshawar grant for delivery of basic services

Panchayat Runaha in Baresia Block in Bhopal, has a large pond spread in 2.5 acres of land, currently under the control of Fisheries Department, which the department is using for fish farming. The pond is very old and the 'pal', that is the bund of the pond needs repair. If repaired, it will hold water for the whole year and recharge all the wells, hand-pumps and other water structures in the region. However, in absence of repair, there is untimely drainage of water, the farmland around the pond is submerged in case of heavy rains, and there is always a risk of any major accident. The Sarpanch of Runaha Panchayat, has requested the fisheries department, agriculture department and irrigation department to repair the bund of this pond. Panchayat several times submitted proposal for repair of the bund from Panchayat funds under PanchParmeshawar, however, every time denied. Instead, there is an insistence to construct cement concrete roads with the PanchParmeshawar funds.

Sarpanch of Barkehedi Panchayat in Sehore district cleared the large bushes that had grown on the 'Shanti Dham'- the burial ground- in his Panchayat. However, his reimbursement was denied, quoting that PanchParmeshawar can be used for construction of Shanti- Dham but not for its maintenance.

In the drought reeling Bundelkhand in the month of May- June 2016, several Panchayats faced absolute drying of water bodies in the Panchayats or in certain hamlets of the Panchayat. Water supply by tankers using 14<sup>th</sup> Finance Commission grant was denied in several Panchayats. The Panchayats were asked to take permission from the district administration, before deploying water tankers. The money in PanchParmeshawar held in the Panchayat account could not be used by Panchayat to provide water to parched citizens of Panchayats. Similarly, several Panchayats undertook repair of broken pipelines, defunct water pumps, or repair of water tanks. The permission was not granted and bills for the expenses were rejected. They had to mobilise MLA-Fund to repair the same, while for their legitimate funds, they had to abide by the issued guidelines of the Government.

Panchayat RunahaInBeresia in Bhopal, repaired 10 broken taps of the community water supply system and undertook extension of pipes by welding extra pipe to each of the tap. It incurred an expenditure of Rs. 10,000 in the same, including the cost of the tap, pipe and welding. However, the payment was denied.

Several Panchayats in Bundelkhand region undertook minor repairs/ costs in several traditional water structures to ensure water supply to tide over acute drinking water shortage in May and June 2016, such as paying rental for water pump for drawing water from a private bore ,that was the only one that had water. The Panchayat Sarpanch had to pay from his own pocket as there was no provision to book the expenses.

internal roads, burial grounds, internal drains, basic solid waste management etc. They also maintain street lighting, drinking water supply, and other essential services. Most Panchayats incur expenditure of Rs. 50,000 to 1,00,000 in doing the same.

Additionally, there are assets in the Panchayat that need to be maintained. The older and water related assets require greater expenditure, while new and building related assets require lesser expenditure. However, depending on the size of Panchayats and number/ type of assets, expenditures are incurred in maintaining the same. Many such structures may not have been created by Panchayats such as check dams created in the watershed programs

finally fall on Panchayat's shoulders to maintain. Similarly, repairs of hand-pumps, repairs and whitewash in schools etc. are expected to be undertaken by Panchayats as it is the only institution available locally with mandated function to provide safe water and access to primary education. Panchayats try their best to get maximum return out of the available resources as shown in the case given below.

### “Smart” planning for deepening of village pond : Panchayat earned Rs. 27000

A historical pond, spread across 28 acre in Khimlasa Panchayat in Sagar district was dried up following successive drought for 2 years. In such a worrisome situation, SarpanchRadhaSahu with Panchayat Secretary JagdishSahu started planning to deepen the pond in April 2016, so that it never dries up in future. When RadhaSahu approached Rural Engineering Service (RES) engineers to make

budget for deepening of the pond, they estimated it of Rs. 1 crore, which was beyond the capacity of the Panchayat to arrange such a huge amount. Meanwhile, Secretary Jagdish Sahu went to the Sub Divisional Officer (SDO) to ask about the utility of silt that would come out during deepening of pond. SDO tested the silt and found to be more useful than organic manure.



After one month in May 2016, Panchayat issued a tender for the deepening work to two contractors and earn Rs. 27500 as earnest money. Panchayat also sold the silt for Rs. 50-75 per trolley to farmers, who happily spread that in their field. Total 10000 trolley of silt deposited in deepening the pond by 1 meter. Khimlasa pond was built by Gauda kings about three centuries back. During deepening process, ghats and a dug well was visible as historical evidence. In June 2016, Panchayat planned to beautify the pond and started collecting money through community participation. After knowing this, Deputy Commissioner sanctioned Rs. 14.89 lakh to Panchayat. Now, villagers will be able to fetch water from the dug well using a concrete road to the middle of the pond. Due to more than sufficient rains during last monsoon, the historical pond is at full tank level.

Assessment of fund requirement for repair and maintenance of assets

Village Panchayats have been demanding for flexible resources for maintenance of assets in their jurisdiction. It is also an expected function of Panchayats to maintain assets, however, the Finance Commission funds are tied down to be spend on new structures like concrete internal roads. A quick rapid assessment on the repair and maintenance requirements of critical assets in the Gram Panchayats is tabulated below:

Similarly, there are many administrative expenses of the Panchayat. Most Panchayats in the state have a chowkidari.e guard cum peon as the Panchayats have T.V, computer and some other expensive gadgets. They

### Infrastructure available in Gram Panchayats that need repair and Maintenance

Sonda (Sehore block) population - 1800	Unaav (Datia block) Population- 10,000	Bilkisgank (Sehore block) Population 6000	Siroli- in sehore block (Jabalpur) Population- 4,000
1 Panchayat Bhavan	Panchayat Bhavan	Panchayat Bhavan Community Building	Panchayat Bhavan Mahila bhavan Rang Manch
20 Hand pumps	35 Hand pumps	Shops and haat	23 Hand pumps
1 Pond	None	Pond large	Pond large
Check Dams- 2 no.	12 Pullia Rainwater nullah	Piped water supply system	Piped water supply system
Roads and drains worth Rs. 15,00,000	Roads and drains worth Rs. 30,00,000	Roads and drains worth Rs. 40,00,000	Roads and drains Rs. 30,00,000
Repair of road side electrification- 500	Gate of Datia (a historical gate)		Repair of road side electrification
	Repair of road side electrification- 500		

pay electricity bills, bear stationery charges, phone & internet charges, travel expenditure. These expenditures also total upto Rs. 30,000 in a year.

Thus the financial needs of the Panchayats may be clubbed under four broad headings.

1. New construction activities
2. Repair and maintenance of the existing assets
3. Cost of delivery of basic services
4. Different type of administrative expenditures

## Opportunities and limitation of Panch Parmeshawar

As evident, the development needs of the Gram Panchayats are plenty and diverse. New construction is only a small part of the total need of the Gram Panchayat. Maintenance of assets and delivery of basic services are other important needs that require financial allocations.

Panch Parmeshawar has been a concerted effort of the Government of MP to provide sizable funds to Panchayati Raj Institutions to perform their constitutionally devolved functions of providing basic services 'Moolbhoot Sewayen' to the citizens of Panchayats as well as speed up development processes based on the determined national and state priorities. The approach of the envisaged Yojana is primarily to consolidate the devolved funds of the 14th Finance Commission and SFC so that a sizable amount is available to Village Panchayats based on the population of the panchayat. The village Panchayats will receive funds as 'untied grants' to a) create basic Infrastructure and assets for the Panchayat b) meet the basic services needs c) maintain assets of village

Panchayat d) undertake administrative expenditure and improve administrative performance as local government e) design and innovate methods of self-reliance, cost effectiveness and sustainability.

Some of the key experiences of the first phase of Panch Parmeshawar Yojana were consolidated to design the new phase:

- Consolidated grant to Panchayats based on population criteria simplified the process and provided sizable resources to Panchayats
- Guidelines issued from time to time as suggestive areas of work/expenditure got translated in rigid priorities, compelling Panchayats to undertake certain works viz. internal roads, neglecting many other important local needs
- Procedures of technical sanctions handicapped village Panchayats to undertake repair and maintenance works of small nature
- Over emphasis on convergence with many schemes like MGNREGS for 'construction of roads', which had erratic fund flow, reduced effective utilisation of Panch Parmeshawar resources
- Unclear provision for performing various functions as democratic and local government functions generated disappointment

## Improved flexibility in Panch Parmeshawar grant

The Panchayat representatives in the state, have been against the Panch Parmeshawar as it prohibits their independence to meet small expenditures and respond to the need of the community. The funds turn

## Inadequate release of funds by GoI and inefficient transfers by GoMP

The CAG report highlighted “It is evident from above that Government of India (GoI) released ` 3,953.88 crore of ThFC grants for PRIs against the entitlement of ` 4,305.83 crore of the State during 2010-15. Thus, there was short release of ` 351.95 crore ThFC grants to State”. Therefore, the legitimate share of the local bodies could not reach due to central Government's apathy or ineffective management of funds by the state Government. One of the example quoted by the above referred CAG report is “We observed that ThFC grants were not transferred to PRIs within the time limit envisaged in guidelines. Finance Department (FD) of State sanctioned ` 11.58 crore as interest for delay in release of ThFC grant to PRIs. We noticed that out of ` 11.58 crore sanctioned towards payment of interest, ` 5.30 crore had accrued as interest on the ThFC grants lying in the bank account of PRD. Thus, State Government had to incur ` 6.28 crore as extra financial burden on account of delays in releasing ThFC grants” The data provided by the CAG indicates that management of TFC funds was inefficient by the GoMP. (MP Report on Local Bodies, CAG report no 4, p. 8-9).

schematic and get tied to the objectives of the scheme. The network of elected representatives dialogued with the political leaders and policy makers to improve the scheme by providing more flexible funds. They also filed a PIL in the High Court to seek judicial intervention for release of 13<sup>th</sup> Finance Commission Funds. However the case was not pursued by the elected representatives as they had a party lineage, and were silenced by the big-wigs of the ruling political party.

Samarthan, a CSO working in Madhya Pradesh, generated evidences and advocated with the senior executives, who were drafting the second phase of Panch Parmeshwar, for greater flexible funding to the Panchayats under Fourteenth Finance Commission Grant. The persistent agitation of the Panchayat representatives and CSO advocacy for greater flexibility of 14<sup>th</sup> Finance Commission Funds resulted in revision of guidelines which has considered more budget items that Panchayats demand as genuine

expenditure in their Panchayats.

Consequently, a fresh circular was issued in December 2016 in this regard with the following provisions:

- The portion of fund that can be used by Panchayat flexibly, without any technical and administrative sanction has been increased from 10% to 20% of the total funding under Panch Parmeshwar.
- Further, up to Rs. 1,00,000 has been allowed to be spent on the repair and Maintenance of the assets created in the past.
- One of the positive step undertaken in the new circular was that 'one DPR is permissible for all the road and drain construction', thus Panchayats do not have to visit block office repeatedly to get technical sanctions.

The table given below provides the budget line and allocation of funds for

S. No.	Work / Designation	Population of	Gram panchayat on the basis of census 2011			
			(Amount in Rupees)			
		Below 2000	2001- 5000	5001- 10000	Above 10001	
1	Wages and material cost for security, cleaning of roads and other public places	30000	45000	80000	150000	
2	Stationary and communication	10000	15000	20000	20000	
3	Electricity bill/repair maintenance of Panchayat office	15000	20000	20000	20000	
4	Repair- maintenance and Electricity bills of other community halls	25000	30000	40000	50000	
5	Cost of data entry and book keeping	10000	10000	10000	10000	
6	TV connection & expenses on public functions/ contingencies	10000	30000	50000	50000	
	Total	100000	150000	220000	300000	

Source: Office order dated 15 December, 2016 from ACS, Department of PR & RD



specific needs of village Panchayats based on 14<sup>th</sup> Finance Commission resources (Panch Parmeshwar revised guidelines). The detailing of these budget heads is better than the one developed during 13<sup>th</sup> Finance Commission.

The detailing of the budget line with clear expenditure heads will be helpful for village Panchayats to book expenditure without the risk of audit objections. Village Panchayats have been demanding funds to organize national day functions at Gram Sabha level over a long time. The new guidelines recognized the need and allocated funds for the same. The battle is still not won as there is a need for making resources more flexibly available for village Panchayats.

### Missed opportunity of local resource generation

The MP Panchayat Act consistent with the 73<sup>rd</sup> CCA, has provision of compulsory and optional taxes to be levied by village panchayat. Under the Gram Swaraj Amendment of 2001, creation of various accounts of Gram Sabha were primarily to enhance local contributions. The 13<sup>th</sup> FC created incentive grant for the Panchayats to enhance potential of local resource mobilization which is followed in the 14<sup>th</sup> Finance Commission. Barring few exceptions, the village Panchayats neither have willingness nor tax buoyancy in the residents to pay taxes. Some of the good examples are provided here as cases of success in mobilizing internal resources. Many of Panchayats, which could generate resources, are either large in size, population or strategically located to generate revenue from the minor minerals, rental income as being on the highway etc.

The state Government also announced

a scheme of incentives to Panchayats if they mobilise local resources. The office order<sup>15</sup> of April 2013 announced that Panchayats generating 5 lakh and above as local resources will receive an incentive grant of 50 lakh and those panchayats generating in the range of 1 lakh to 5 lakh will receive Rs 15 lakh. The Panchayats generating more than Rs. 10,000 and less than 1 lakh will receive Rs 3 lakh as incentive grant.

The CAG report on local bodies in MP<sup>16</sup> mentioned that out of 22,823 GPs in State only 1,036 GPs (4.54 per cent) levied and collected taxes as reported by the GoMP in July 2015. There is an allocation of Rs 9.60 crores from the 14<sup>th</sup> FC funds to the Village Panchayats under the incentive scheme<sup>17</sup> (Swakaradhan Yojana) for local resource generation in MP in FY 15-16 for undertaking certain type of works viz. culvert (puliya), School boundary wall, stop dam, community toilet, Chabutra, CC Road etc.

In spite of incentive scheme for local resource generation, only a small proportion of Panchayats could levy compulsory taxes. It is unfortunate that the incentive grant for local resource generation is also tied down to undertake similar works defined as priority list of the Department of RD and PR. This should have been a flexible fund as a contribution to the Panchayat's own resource pool to undertake works of their own priority. Village Panchayats have different needs and aspirations of the voters/citizens than defined areas of work by the department. The case study given below is a classic example of innovative

<sup>15</sup> Office Order of 1 April, 2013 from Panchayati Raj Sanchalaya, Department of RD and PR. GoMP

<sup>16</sup> <http://www.cag.gov.in/content/report-no-4-2016-madhya-pradesh-local-bodies>, p.9

<sup>17</sup> [http://mppanchayatdarpan.gov.in/Public/Portal/Works/WorksSummary\\_Dist\\_Scheme.aspx](http://mppanchayatdarpan.gov.in/Public/Portal/Works/WorksSummary_Dist_Scheme.aspx)

approaches applied by village Panchayat elected leaders to transform their Panchayat.

Kukravat Panchayat collects water tax and invests in developing commons

The village community of Kukravat collected 1.40 lakh to implement water distribution channel under Nal-Jal yojana. Now the Panchayat is able to collect water tax from each family, which has made the scheme sustainable. There was 6 acre land lying unused had been developed for horticulture and planted saplings of fruit tree. With this effort Kukravat Panchayat was able to increase the revenue by 30,000 per annum.

This is a case of Gram Panchayat Kukravat under Janpad Panchayat Harda having about 2400 population. The most remarkable fact of this Panchayat is people's active participation in the development process. They gathered to discuss about the development of their village and try to find amicable solutions for betterment of lives of the people and make it easy.

First, they initiated for making the village sanitized by a proper sewage

system. They proposed underground drainage system. The total budget for this task was estimated to be Rs. 1.40 lakh. At Panchayat level, it was decided to take contribution of Rs. 1000 from each family. Those who were unable to contribute the required sum, they were asked share in terms of labour or less amount based on ability to pay. With this combined initiative, underground sewage line was laid connecting each home with a pipe. Chambers were also built to clean the sewage line at every 60-70 foot. The village Kukravat is fully sanitized now. Roads of the village are concretized.

For being self-sufficient in revenue earning, it was again decided at the Panchayat level with community participation that a 6 acre unutilized land will be developed to be a garden full of fruit trees. For this 700 saplings of fruit trees, like Guava, Mango, Pomegranate, creak etc were planted. Remaining part of this unutilized land was used for agriculture by Panchayat. After selling the farm produce, Panchayat got Rs. 33000 additionally. In near future, Panchayat will be able to increase the revenue further by selling fruits also. The Panchayat is moving towards self sufficiency through local resource generation.

The village Panchayat leadership plays a critical role in collection of taxes and visualization of possible avenues of tax collection. The Panchayat leadership that realizes the value of autonomy and need for generating flexible resources invest in developing own sources of revenue. The case study given below is another example of revenue generation demonstrated in Dalauda Panchayat of Mandsaur district.

The cases mentioned above clearly demonstrate potential of some of the Panchayats to augment local resource through taxes, rent and royalty. The 14<sup>th</sup>

#### ***Successful tax collection made Dalauda Panchayat debt free***

*Through effective tax collection and finding new ways of revenue generation, Dalauda Panchayat now has Rs. 2.5 Crore as bank balance, whereas this Panchayat was trapped in a debt of Rs. 12 lakh.*

*The village sarpanch, whose initiative made this possible Vipin Jain told that it was due to strictly collection of taxes. Panchayat was able to collect Rs. 30 lakh for housing, sanitation and water and advertisement tax in 9 months. This Panchayat has got Rs. 8.5 lakh as donation. Sarpanch also built a shopping complex of 21 shops and auctioned them for Rs. 3.75 crore. Through this strategic step Dalauda Panchayat is now able to generate Rs. 46000 per month revenue for self reliance. This amount is being used for development works.*

*The village is having 4 lane cement concrete road with central verge and LED equipped street lights. Door to door garbage collection has been started from all 20 wards. Vipin says, that Panchayats gets Rs. 15 lakh as govt. aid per annum; therefore it was necessary for him to find other alternatives for sustainable revenue generation.*

Finance Commission continued emphasis on local resource generation by creating provisions of incentive grants. There are very few Panchayats which could benefit from the incentive scheme in the initial years. It is expected that more Panchayats will know about it and work to generate internal resources to access incentive grant.

## Audit, accountability and transparency in Panchayats

Madhya Pradesh has set up a directorate of Local Fund Audit (DLFA) for auditing the funds of Local Bodies. Alongside a system of concurrent financial audit has been introduced, whereby Certified Chartered Accountant Firms had been appointed to undertake concurrent audits of the Panchayats. Division wise panel of 10 CA firms were appointed to undertake audit process. Additionally, online web-portal was launched to disclose all the financial information on funds and expenditure. A system of electronic transfer of Grant has been put in place and the transfers are made as per Government of India's guidelines.

A study<sup>18</sup> was conducted by Samarthan in March 2015 to assess the current capacities of the village Panchayats for book keeping and financial management on the web based applications like Panchayat Darpan. The study highlighted some of the realities at the grassroots in the following manner:

### Accounting shortcomings

The CA firms face a lot of difficulty in reconciling the Scheme wise accounts at district level as there are basic issues of book keeping at the ground level.

Due to a single entry practice, scheme wise activity heads are not present in the cashbooks.

One single cashbook makes it difficult for the firms to fish out exact expenditures and revenues pertaining to a particular scheme. No differentiation is made between cash or bank amount entries. This also leads to inability to prepare an activity-based-cost audit reporting mechanism as there is no activity-based expenditure classification in a particular scheme at the Gram Panchayat level.

Entries such as bank interest are missing for many Gram Panchayats, pass books are either not updated or not available, and opening and closing balances don't match. The CA audit reports generated in the previous system are not very useful or comprehensive.

### Banking bottlenecks

Technical synchronization of NEFT to beneficiaries' accounts is a major challenge. While FTOs are generated at the Block level there is a lapse on the bank's part to promptly disburse the amount to the beneficiaries account.

This lag unnecessarily brings down the efficiency and primary intent of quick disbursements to beneficiaries who require quick payment of their wages. Wrong entries of account numbers or other details of beneficiaries from the Block office are also a bottleneck as many FTOs bounce back due to incorrect bank details.

### Gaps in training and manpower

The training given to Panchayat Secretaries and Gram Rozgar Sahayaks needs to be more comprehensive and effective. There is lack of material/instruction manual on usage of Panchayat Darpan, new accounting systems and basic accounting

<sup>18</sup> Deepening Accountability and Transparency Mechanisms for Panchayati Raj Institutions (PRIs) in the State of Madhya Pradesh, Ritika Luthra & Shray Khurana, Samarthan 2015

guidelines to record PRI's activities. Insufficient manpower or ineffective training leads to overburdening of Panchayat Secretaries and Gram RozgarSahayak and consequently designated auditors.

Meanwhile absence of security personnel in Gram Panchayats poses security issues as cases of thefts and burglaries have been reported in some remote villages. Retaining M.Com and B.Com staff employed that get strained is a challenge faced by many CA firms.

#### Infrastructural Bottlenecks

Manual reporting between Gram, Janpad and Zila Panchayats still continues as there is no comprehensive computerization of all the accounts and correspondence. As a result, Panchayat staff has to make frequent trips to the block office offices creating a crunch of time and resources.

Poor internet penetration and absence of physical infrastructure to support web connectivity is a major challenge as Panchayat Darpan is operated online. Many villages do not have continuous supply of electricity to support the provided ICT infrastructure.

#### Information Asymmetry

There is a mismatch in financial information available with the Gram Panchayats and Banks. Similarly, there is an information mismatch between Gram Panchayats and CA audit firms regarding the purpose of many activities of each stakeholder. Gram Panchayats as well as Block level Account Officers are found to be unaware of the amount of funds transferred and under what scheme they are to be allotted.





# Electronic Fund Management System : Disempowering local Governments

In order to function as local government, PRIs should have funds and control over funds to implement development plans emerged out of comprehensive planning which is approved by the Gram Sabha. Financial payments through the Panchayati Raj Institutions will also prepare them as local government as well as hold them accountable for any misappropriation or inefficiency. Over the years, use of technology has gradually centralized systems of financial transfer. Village Panchayats and even district level officers have only powers to authorize payments and money is transferred from a single state level bank account. Distancing of the local agency from the payment chain has several implications in determining accountability and transparency.

The intent of the national government as well as the GoMP to implement Electronic Fund Management System (EFMS) has been to provide a solution for reducing corruption and getting real time data on the status of work from the field. Moreover, it was expected to bring more efficiency in the release of payments so that demand for work is enhanced in village Panchayats. Based on the concerns raised by the Panchayat representatives, it was decided to monitor and find out pros and cons of it. Samarthan conducted a study to validate accuracy of EFMS data with the ground realities.

Samarthan accessed data from the

EFMS on the operational or active works of MGNREGS in some of the districts. From the identified list, certain sites were identified for on ground validation or reality check. A team of physical enumerators of Samarthan examined about 90 works during October 2016 to January 2017. These 91 works randomly selected for physical verification were from 58 Panchayats of 26 blocks in 12 districts of different regions of Madhya Pradesh. The villages selected spread across Bundelkhand, Baghelkhand, Gwalior Chambal and Mahakaushal regions.

The physical enumerators visited the site of the work and held discussion with the community to verify the validity of data presented on portal. If a discrepancy was found in the data present on the portal, the enumerator also held discussion with a responsible stakeholder such as Sarpanch, Panchayat Secretary, Rojgar Sahayak, the beneficiary of individually targeted scheme (if applicable). All kinds of works were verified, ranging from Kapil Dhara Koop (dug well), concrete road, plantation, farm Ponds etc. Many of them were individual beneficiary targeted and others were community structures.

## Findings from the validation data

- Out of total works surveyed (which were shown work in progress), on 71% works there





was no work being done on the day of survey. On 29% sites, work was going on.

- Out of 71% works (a value totaling about INR 18,000,000) on which no active physical work (labor work) was found, the following was observed:

- a. 40% works were such that were fully complete as per technical design, however muster rolls of wages for the labor were being generated at the time of survey. This may be due to initiation of work without obtaining administrative or technical sanction from the concerned officials or unique ID for the work could not be generated on EFMS for any technical reasons. Therefore, real time muster rolls were not generated though the work was initiated. Later on muster rolls were generated to recover wages to be paid to the labor or to settle advances paid to the labor.
- b. In 50% works, the works were partially complete, however suspended due to various reasons viz. short supply of material, orders to stop work by administration or shortage of labour. However, the muster rolls were being generated for the work.
- c. There were 6% works which were completely fake works as there was no work found on the worksite, in spite muster rolls were being generated.
- d. In 4% cases, there was no work being done on the day

of survey and later when such works were checked, on muster roll was filled for that day. The work may be suspended for certain specific reason on that day viz. labor did not turn up for work etc.

## Perspective of Panchayat as an implementing agency

The Panchayat representatives cited different reasons for 'late generation of muster rolls', such as

- a. There is shortage of fund at the moment.
- b. The Panchayat was asked to start the work on the assurance that muster roll will be generated soon.
- c. The work ID was not generated by the block office despite having a technical sanction.
- d. The Block office pressurized to start the work, assuring that technical sanctions will come through, however that did not happen.
- e. The work had to start by certain time as there is seasonality in commissioning a work, however there was difficulty in generating work order at that time. The engineers had assured that they will complete the formalities later.

The concerned Panchayat personnel cited a variety of reasons for this kind of 'Fake muster roll generation' such as-

- a. There was over-expenditure in some other work, so this fake identity of work was generated to compensate for the expenses.
- b. Payments to some workers was not received in 'works done earlier'. These laborers were angry and pestering Panchayat to pay.

This 'fake work' was initiated to pay them.

- c. The work ID was generated, but vendor refused to provide material. The Panchayat did not know, if the portal is still showing expenditure on the work.

The reasons cited for suspension of works were:

- a. The vendors are not providing material.
- b. There is no money to make the payments.
- c. All the development works and payments were stopped as the Panchayat was not 'ODF'.
- d. The engineer has stopped the work without sharing the reason or the sanctioned design was not followed.
- e. Labour did not turn up as they are busy in agriculture.
- f. The masons are not available to complete the work.
- g. The work is suspended as the harvest is ready and continuation of work will harm the crops.
- h. There were technical reasons such as work was 'wrongly' shown as complete.
- i. Other portal related problems.
- j. Technical evaluation not undertaken and payment not made.
- k. No valid reason for suspending the work. The Panchayat or engineers did not comment, however community vouched that work has been suspended for a long time.
- l. Some works were much 'smaller' and finished quickly, as compared the 'actual work ID'. For instance, only the platform for the well was

constructed, however the work ID was generated for 'sarvajanik koop' i.e. construction of well.

## Perspective of the workers or potential workers

Some interesting observations were made amongst the works that were found to be 'going on' at the time of verification, for instance. About one-fourth of the works were commissioned by the contractors, where the payment was made in cash. The payments made were usually higher than the official wage rate in MGNREGS. Contractors also usually employed more number of labour at higher rate.

They usually saved on number of days as well as on the material. The labour as well as Panchayats were happier to work with the contractors. Contractors showed better ability to get the work done, made timely payments and provided buffer against untimely payment releases in MGNREGS. For Panchayats, the contractors provided the necessary support for speedy delivery of the targets, which were thrust upon them from the block Panchayats. Also, the contractors brought necessary cash and different work culture. Panchayats being an elected body by the local citizens, it is difficult to be a hard task master as quoted by some of the Panchayat representatives.

Almost all the respondents in FGDs stated that they have difficulties with banks. The problems stated by respondents were the following :

- a. Many labour do not have bank accounts or job card, therefore the payment is made in someone else's account.
- b. They have to go to the banks several times to enquire and

- withdraw money from their accounts. This takes time, money and loss of wage.
- c. The bank officials misbehave and make them wait for several hours before disbursing payments. There are days fixed for MGNREGS payments which are not more than once in a fortnight.
- d. Kiosk/ banks charge Rs. 15 to 29 for filling the withdrawal form.
- e. Banks do not disclose clearly available balance in workers' accounts.
- f. They also feel that bank officials cheat them. They sign for higher amount on withdrawal form than the amount received.
- g. They do not share the account information with the account holder even after repeated request.
- h. Banks are very far (on an average 5-6 Km) to reach and withdrawing money is a challenging process.
- b. EFMS required large number of data entries at district level and therefore high dependence on data entry operators. Limited capacity and availability of data entry operators at the district/block level increased the pendency in entries.
- c. Often incomplete works were given completion certificate, leading to large number of incomplete works. These works can not be completed further. Incomplete works are wasted resources as well as a complete loss to beneficiaries of time, labour and cash contribution and land used for construction of well.

Beneficiaries of schemes such as Indira Awas, suffered badly due to unreliable flow of funds in the scheme. The social audits revealed that that beneficiaries broke down their old houses to build new houses from the IAY scheme. However, the delay in release of second installments forced several of these beneficiaries to borrow money from the market to reconstruct the house on their own. The steep rate of interest forced several of them to turn bonded labour.

Many Panchayats quoted that completion certificates were issued without completion of the work closing all possibilities of expenditure on that work. The APO NREGS, Bagli verified that about 75 works lying incomplete as completion certificate were issues by some mistake. The incomplete work were causing big problems for panchayats, beneficiaries and labour who had worked on the work sites.

While there are issues with banks, most respondents also said that payments are delayed and often less than the work done by them as valuation of work is lower.

### Emerging structural weaknesses related to EFMS and fund flow

Social audits and the study on EFMS revealed several issues, some very local in nature, while there were many of these were structural or institutional.

- a. Some of the critical problems that EFMS had to deal with were the rejection of FTOs and financial transaction. In October 2014, as many as seven lakh transactions were rejected from 13 lakh FTOs generated for the year.
- d. Procedural overlaps/confusion, infringement of delegated power of Gram Panchayats by Block Panchayats and division of work between Gram - Panchayat and Janpad Panchayat.
- Frequent disruption in availability of funds affected not only Panchayats but also poorest of the poor in the Panchayats dependent on wage labour.
- Specific works were imposed on the Panchayats and beneficiaries irrespective of local needs and

topography. Therefore, there was lower motivation and engagement of labour to complete such works.

## Action Agenda

- Flexible funds of Panchayats should not be tied as it meets the needs of the local residents and strengthens Panchayats to function as a local Government. The percentage of grants may be defined to be spent on a) administration/wages b) rent-maintenance/ electricity and c) development works.
- The EFMS system has many bugs that need to be continuously resolved. Moreover, it will be pertinent to design mechanisms of controlling Janpad Panchayats to access unique ID codes of village Panchayats. Janpad Panchayats should be penalised in case of using Panchayat codes from the block office without the permission of the village Panchayat representatives in case of poor connectivity at the village Panchayat level
- There are several reasons for works not being completed, therefore such works which are in the category of suspension for a long time should be carefully scrutinized
- There is a need for a random sample survey in each quarter of works in each district so that the inconsistency of EFMS data can be captured and issues can be proactively addressed. This will result in greater accuracy to attain real time data on EFMS.
- The software Panchayat Darpan needs regular updating to make it user friendly and also encouraging interface with various other web poertals viz. MGNREGS, PRIAsoft, Awassoft. This will reduce the duplication of efforts in filling multiple formats.
- There is a need for training and orientation of Panchayat staff on software use as well as book keeping. There is a need to continue with the CA model as support agencies or at the block/district level contractual appointments are required for providing handholding support to the village Panchayat level officials.
- Banking system needs to be proactively engaged to design services that are facilitative to the village Panchayats. With growing amount of funds coming to each rural branch with greater financial inclusion, there is a need for negotiating better terms and conditions of services from the banks for the NREGS account holders.
- There is a need to create greater awareness and support mechanism to identify sources of local resource mobilisation. The incentive grant of local resource mobilisation should be widely publicised as many Panchayats are not aware of it.

# Gram Sabha and Accountability Mechanisms : Social Audits



The Right to Employment Act clearly designates village Panchayats to be the implementing agency for not less than half of the MGNREGS resources. It is enshrined in the Act that the village Panchayats will plan for the MGNREGS works with Gram Sabha and such plans will be reviewed by the district administration. The village Panchayats will be the implementing agency for the MGNREGS. The Right to Employment Act has a provision of social audits that will be conducted by the Social Audit Committee of the Gram Sabha twice in a year for all completed works. The Gram Sabha will be vested with the power of making Gram Panchayats accountable for the MGNREGS works and resources. Village Panchayats have a large chunk of Programme resources under MGNREGS where they have powers to plan and implement policies. The programme is based on demand for work therefore any Panchayat can access resources as per plan however, the funding cap for the programme at the national level and fund flow to the states significantly affect the uptake of resources by the Panchayats.

## Institutional mechanism for Social audits in Panchayats

Chapter 4 Section 17 of the NREGA Act 2005 states that the Gram Sabha shall monitor the execution of works within the Gram Panchayat. The Section 17 (2) of the NREGA states that the Gram

Sabha shall conduct regular Social Audits of all the projects under the scheme taken up within the Gram Panchayat. To facilitate the conduct of social audit in states, the Central government in Section 24 of the NREGS Act 2005 made the MGNREG Audit of Schemes Rules 2011 which states that for the purpose of these rules, audit of the schemes will include Social Audit. Rule 4 states that State governments shall establish an independent organization referred to as Social Audit Unit to facilitate the conduct of social audits by Gram Sabhas.

It was envisaged that each state will set up an independent society that will be responsible for planning, facilitating and following up on social audits. Madhya Pradesh Society for Social Audits was established as a semi-independent and autonomous society in 2012. It is registered under the MP Society Act with a Governing Board headed by the Minister of Rural Development and the Development Commissioner of RD and PR as Member Secretary. Some of the NGO representatives viz. Samarthan, VikasSamvad, PRADAN and Debate having experience in the field of social accountability.



Out of the total annual expenditure of MGNREGS, 1% has been reserved for effective facilitation of social audits as an independent mechanism i.e. establishment of Social Audit Society. MP Social Audit Society appointed a full time Director and a few staff to initiate social audits. The Director was on deputation from the Higher Education Department who was called back within two years after joining. Since then, the position of Director in MPSSA. The box below provides extent of underutilization of allocated fund for the social audits in MP as highlighted by the CAG report.

The position is currently is vacant and managed in dual charge by one or other officer of the Department of Rural Development and Panchayati Raj. Sanctioned post (with budget commitment) of the central Government to strengthen social audit society could not be filled for more than three years due to procedural delays. It was informed to the CAG that Social Audit was conducted in 2,674 Gram Panchayats on one occasion in 40 Blocks of 25 districts of the State during 2012-13 to 2014-15 and annual coverage ranged between 0.18 per cent and 3.6 per cent of the total Panchayats in MP (MP Local Body Report.No 4, p 14).

### Civil society support in social audit processes

Many organisations committed for the promoting social accountability looked at the provision of social audit under MGNREGS as an opportunity to build systems of downward accountability. Samarthan was promoting social audits since the beginning of MGNREGS to experiment and unpack processes of social audit. The support of the state government was minimal. However later in 2007-08, the Government decided to engage NGOs by advertising

### CAG comments on Financial Arrangements for social audits in MP

As per MoRD order (April 2013), one per cent of total annual expenditure under MGNREGS in the State/UTs was to be used for meeting the cost of establishment of SAU and conducting Social Audit of MGNREGS works.

We noticed that Rs. 51.69 crore, being one per cent of expenditure under MGNREGS, was to be earmarked during the year 2013-14 and 2014-15 for social audit. Against this, MGNREGA Council released ` 6.45 crore of MGNREGS fund to MPSSSS. In addition to this, MPSSSS received ` 5.18 crore from Directorate of Panchayat Raj during the year 2013-14 and 2014-15 for strengthening and conducting social audit. Thus, the funds earmarked for social audit under MGNREGS were not released to MPSSSS.

We further noticed that MPSSSS could utilise only ` 0.47 crore during 2013-14 and 2014-15 for the purpose of social audit and it returned un-utilised fund of ` 4.00 crore in March 2014 to MGNREGA Council.

MPSSSS replied (September 2015) that the utilisation of fund was low as the Social Audit was conducted in only selected blocks due to unavailability of field level staff. It further added that the expenditure on Social Audit would increase after recruitment of key personnel.

(MP Report on Local Bodies, CAG report no 4, p. 15)

the social audit through a tendering process. It was a conventional tendering bid with the condition that the lowest cost bid will get the work. Any NGO which has a presence in the district and worked for more than 3 years was eligible. As a result, many NGOs having no experience in social audits applied at such a low cost that could not even meet the actual travelling cost. The experiment resulted in a big failure and the Government withdrew the contracts on the pre-text that the social audits can only be done by the Gram Sabha. NGOs have no *locus-standi* to conduct social audits. As a result, the contracts were withdrawn and there was a vacuum as Government led social audit processes till the new arrangements under the established social audit society. Samarthan and other NGOs continued to work with Gram Sabhas in a few Panchayats to strengthen methodology

and demonstrate examples. As a result, when the Social Audit Society was formed, the existing knowledge of Samarthan was helpful for the society to design rules and process of social audits. Over the years, interested NGOs collaborated with the Social Audit Society to widen reach as well as to strengthen institutional mechanisms laid down for facilitating social audits.

MP is one of the unique state that has interwoven Gram Sabha level social audits as well as Block level Public hearings based on the decisions of the Gram Sabha. In each Gram Sabha a proper social audit is conducted by the Social Audit Committee constituted by the Gram Sabha. The committee undertakes physical, oral and forensic audit of the works completed in last six months. The report is presented in the Gram Sabha and decisions are recorded. A large number of issues are resolved with mutual negotiations between the implementing agency and the workers or individual beneficiaries. Some of the unresolved issues are taken up in the Public Hearing along with many other issues missed out in the social audit.

The following section is based on the experiences of social audits and public hearings where Samarthan played a supportive role with the Social Audit Society in conducting social audits and public hearings.

### Accountability dynamics emerging from social audits and public hearings

There are several hurdles created for smooth and efficient conduction of social audits. The implementing agency i.e. village Panchayat is not interested in getting social audits. Panchayats do not provide necessary documents for verification. During the social audits, they also send their own people to

intimidate the poor MGNREGS workers to speak any truth. Similarly, the block administration also shows reluctance and provide lukewarm support in fixing the nodal officers, setting the calendar of the social audits in different Panchayats. There is a provision of mass awareness on the social audits in Gram Sabha so that large number of persons participate in the social audits. The village Panchayat representatives as well as the administrative staff does not adequately communicate on the social audit date, process as well as procedure to raise issues. Some of the examples of social audit challenges are given below:

#### *Social audits in Berasia Block of Bhopal district*

*Social audits were completed in around 75 Panchayats of Berasia block in mid-February, 2016. Barasia block is 40-50 km away from the capital city of Bhopal, yet it takes more than 2-3 hours on bad and dusty roads. That limits reach of the monitoring officials in villages. Moreover, Bhopal district is more or less an urban district, as a result rural part of the district gets least attention.*

*To our utter surprise, investment of MGNREGS in the villages is as high as one crore in a single Panchayat. Most of the investment is in construction of wells on private land. Land is expensive and water availability will enhance the rate further. Who got these wells- the poor? Each well construction costs more than Rs. 2 lakh. If one wishes to have a well after fulfilling required eligibility, invest first personal resources and later Panchayat will reimburse when payment is received from MGNREGS funds. Those who can afford to spend at least Rs. 50,000 upfront, can think of getting a well.*

*The job cards are found with the Sarpanch or Secretary to fill attendance*

*of fake workers and claim for excavation using machines. The poor labourers get limited work opportunity or paid small token money for use of their job cards. The poor raised issue of poor performance of the PDS, 5-6 months' pendency in transfer of old age or widow pension.*

*In one of the Panchayat, a road was approved for a particular ward, however, it was constructed in other ward deliberately. It was shown completed which meant that physical survey had been done by the engineers. The villagers have been complaining for a long time but there was no response. The annual participatory plans were not prepared therefore participation of the people is limited in implementation of MGNREGS. There is immense possibility of plantation and watershed related works on common lands which has not been explored.*

*The district level administrative machinery was not interested to get the social audits conducted. Deliberately, time and date of Gram Sabha meeting was not provided to the Gram Sabha members. Records were not provided to the Village Social Audit Facilitators. The nodal officer appointed for the social audit also did not turn up in most of the cases. As a result, attendance in Gram Sabha meetings was low with least number of women members.*

*There are several examples of harassment of the MGNREGS workers during the social audits by the upper caste influential people who are in connivance with the implementing agency i.e. Panchayat as well as district administration. The village social audit committees are not formed and oriented to perform the functions that they are expected to do. As a result, the social audit process becomes an eyewash. It is written in the social audit guidelines that a public hearing will be*

*organized after social audits are conducted for a large number of Panchayats in any one block.*

#### *Social audits and Public hearing in Nainpur Block*

*Khurai Block of Seoni district conducted social audits for all the 74 Panchayats of the block. This was followed up with public hearing held on the 9<sup>th</sup> July, 2015.*

*Social audit reports of 25 village Panchayats in Nainpur block of Mandla district were presented during the public hearing. The jury recommended suspension of 2 Panchayat Secretaries and 1 RozgarSahayak. In Makee Panchayat, first information (FIR) has been registered with police against the Secretary for improper utilization and embezzlement of funds. In Palasundar Panchayat, the Secretary forged signatures to avoid Gram Sabha, therefore got suspended. In Sammapur Panchayat, the playground was constructed underneath the high tension wire, dangerous for the children and players. In Bhadya Panchayat, RozgarSahayak has been suspended as there is misappropriation of more than 9.6 lakh of NREGS funds and recovery notices have been issued for the Sarpanch and Secretary.*

*Implementing agency plays tricks by providing incomplete documents or delay in submission of necessary documents. Therefore, the dates of Gram Sabha meeting got postponed, severely affecting quality of social audits. The village social audit committee existed on paper or most of the members were close allies of the Sarpanch or Secretary. In a few Panchayats, the facilitators' team was threatened for exposing the issues in the Gram Sabha.*

*In certain Panchayats, the place of meeting was selected in such a way that most of the Gram Sabha members*

*may not attend the meeting. Either the space was insufficient or did not allow the excluded communities to enter. In spite of all these odds, there was a positive response of the common citizens to participate in the meeting. They postponed meetings for few hours or couple of days, if necessary documents were not available.*

*The major issues emerged during the social audits were centered on delayed, inadequate or fake payments of wages. This was followed by incomplete works, less work than claimed for payments, particularly roads, dug-well and land levelling. The other set of issues were related to use of fake bills, change in place of works without permission or change in quantities in the approved estimates. In most of the cases, basic facilities of drinking water, JhoolaGhar or first aid medical kit were not available.*

*Issues emerged from remaining 33 village Panchayats could not be tabled in Nainpur public hearing. There were many serious cases of embezzlement and violation of norms hidden in these social audit reports.*

## Successes of social audits demonstrating power of Gram Sabha

Some of the successes that social audits processes could generate that demonstrate the power of Gram Sabha are shared in this section. The Gram Sabha could muster courage to decide and pressurise the implementing agency to implement the decisions of the Gram Sabha. However, in certain cases, administration might not have moved to ensure implementation of the decisions.

Incomplete works shown as complete got started

In August 2015, during Social audit in

Gram Panchayat Barjahi brought out the grievance by the Panchayat body. On the MIS portal, completion certificate (CC) is flashing for a work that is only 10% complete while only 5% total expenditure has been incurred based on the approved cost estimate. The issuance of the completion certificate on MIS portal debars any further expenditure on that particular work. Consequently, the road supposed be built under NREGS is dug open and there are serious commuting problems since more than a year. The Sarpanch stated that several other Panchayats were also facing the similar problem.

With the intervention of the senior officials, 40 from the 76 cases have been resolved, and their status have been reverted and fund disbursement started, some of the cases are still being looked into. Consequently, a fresh disbursement of about 30 lakh was made to restart these works. The works ranged from roads to Anganwadi center to dug wells, Panchayat Bhavan etc.

Panchayat's authority restored after Social Audits in Berasia

Social Audits in the Barasia block of Bhopal district-Madhya Pradesh was conducted in February, 2016 It was observed that there was rampant use of machines and mass corruption in the implementation of the NREGS in the block, which was also one of the block near the state capital, located in the district of Bhopal.

It was observed that a large chunk of the embezzlement was carried out by the block officials by circumventing the stated laid procedures and by ignoring the authority of the Gram Panchayat. The block officials also did not allow village Panchayats to use their ID to enter the MIS on the web portal on their own. Therefore, Panchayats were not able to start the work when there



was demand for wages. Many manipulative practices increased the total billing for the work and increased the expenditures incurred by individuals as they commuted several times to district office and bribed a large number of officials for letting the entries be made to the portals for which the IDs are allotted to Gram\_Panchayats.

The social audits revealed that more than 50% expenditures present on the NREGS portals were fake for the particular block. It was also seen that all the beneficiary targeted schemes were grabbed by the rich farmers instead of the eligible and more deserving poor beneficiaries.

The findings of the social audits were shared with the NREGS Commissioner. The office orders were released to prevent the sabotaging of the powers of Gram Panchayats. Consequently, the block officials were hauled up and threatened with punitive actions, if they don't mend their ways. Office orders were also issued to take up works that have less chances of use of machines like dug wells.

Suspension and punitive action against Panchayat secretaries

A Jan Sunvai was held in Nainpur block for the Social audits undertaken in 70 Panchayats of the block on 9 July, 2015. Samarthan facilitated fact-finding and prepared records and data for the Jan Sunvai. The Jan Sunvai was attended by a large gathering including, media persons and government officials.

Several cases were heard by the jury and punitive actions like suspension and recovery of the forged amount was taken. It happened that most such punitive actions were taken on the Panchayat level Secretaries. Consequently, recoveries were made from the secretaries and some that did

not pay back were suspended. However, some of the cases were pushed under the carpet by taking bribe.

As a reaction to the social audits and public hearing, the union of the Panchayat secretaries of the block went on strike. There was pressure on the District CEO to withdraw the cases. Fortunately, in this particular case the administration did not succumb to pressure and wherever the Gram Sabha had recommended serious actions and Jan Sunvai had found the officers guilty, the actions were taken. Unfortunately, some of the most corrupt secretaries had got a stay order from the court on the decisions of administration.

Return of the Bribe by the Panchayat secretary

Mugdara is a Panchayat in Nainpur block of Mandla district. Social audit in the Panchayat was conducted 8<sup>th</sup> June 2015. It was reported in the special Gram Sabha that Secretary of Panchayat demanded bribe for initiating work for individually targeted scheme. While some paid a bribe of Rs. 500 while others paid as much as Rs. 15000 for getting a water well under the scheme. The Social Audit in the village revealed this unscrupulous practice of the Gram Panchayat Secretary.

The Gram Sabha decided that all the bribes paid by the individual farmers should be returned within fifteen days; otherwise a formal FIR will be lodged against him. The Secretary returned the bribe that was taken from the scheme beneficiaries.

Incomplete structures made functional

Bojpura Kalan Panchayat in Mandla district had commissioned several dug wells under MGNREGS. The works were completed and completion certificate were issued. However, these dug wells



did not have water. The issue was raised during the social audit. It was found that the estimates were worth 3.25 lakh for each well. The engineers that are supposed to certify the fitness of the structures did not even visit the site and had given completion certificate without seeing the structures. Even the money spent on the structures was at least Rs 100 thousand less than the estimated budget mostly.

The expenditure quoted on the MIS was much higher than the actual expenditure and what was known to the beneficiaries. The Gram Sabha decided that the wells should be deepened with the unspent funds circumvented by Panchayat/ site engineer. Five dug wells of the Panchayat were deepened and made functional after the social audit.

Missing toilets finally constructed after Social audit

Toilets were constructed in several Panchayats across the state by integrating Panchayat funds with the funds of Swacha Bharat Mission. However, missing or ghost toilets are not new. The Social Audit Campaign in Narainpur block in Mandla found that Panchayat had withdrawn the funds for toilet construction but neither constructed the toilet nor informed the beneficiaries. The Panchayat had simply eaten up the money fraudulently.

The physical verification of works during social audit brought out the issue that these toilets were never constructed. The case was particularly highlighted for five Panchayats, namely Jenwan, Dilhoti, Pala sunder, Dhatura, Pandurna. Approximately 60 toilets were missing in these five Panchayats and funds worth Rs.6 lakhs was swindled in these Panchayats. The beneficiaries wanted either the money

that was meant for their toilets should be returned or Panchayat should construct the toilets. The special social audit Gram Sabha decided that missing toilets should be constructed. The matter was taken up in the Jan Sunvai that was followed after the social audit campaign. Panchayat functionaries along with the block level engineer were found guilty. The CEO of the district issued a warning letter to Panchayat and demanded that that these toilets should be completed in listed five Panchayats in a months' time. The toilets were constructed subsequently.

Unfinished dug wells completed after social audit

Nayan Panchayat of Bajna Block in Ratlam district had social audits in June 2015. The construction for dug wells was commissioned in the farm land of Dheerji and Kalu under the individually targeted scheme of NREGS. However, the wages were not paid to labourers for 15 days of work, and work had stopped consequently. The dug well lied unfinished, and the land was wasted too.

The issue of non-payment of wages was raised in the social audit of the Panchayat in Gram Sabha meeting. The secretary informed that wages were not paid as their bank accounts were not verified and recognised by MIS of the portal.

The Secretary of the Panchayat was summoned to complete the process of verification of bank accounts and its registration on the MIS. The wages were paid subsequently and the digging of the well was started once again.

The wells have been completed now and both the beneficiaries have been able to increase the productivity of their farms.

Construction of road in Dalit hamlets of Nayapura Panchayat in Berasia

A common finding across Panchayats has been that there been deviations in the site of construction from what has been sanctioned in the approved in the 'provisioned technical sanctions'. Though formal technical approvals have been obtained for poor/Dalit/Adivasi hamlets, the construction has taken place in upper class and caste mohallas , usually near the houses of influential families.

One such case came to light during the social audit in Berasia block of Bhopal. A road sanctioned for Dalit hamlet that connected the Anganwadi center to main service lane was shown as constructed in the MIS portal. The data was verified during the physical verification process of the social audit in the given Panchayat whereit was revealed that road was constructed in the Brahmin dominated hamlet. The issue was raised in the social audit Gram Sabha and the community demanded either the construction of road or punitive action against all the concerned parties. It was committed by the Panchayat that it will construct the road in Dalit hamlet from own funds in the next six months.

Panchayat secretary punished for swindling funds

Manpur Panchayat in Thandla Block of Jhabua district, 17 beneficiaries was shown as beneficiaries for goat /poultry sheds under NREGS and had received funds worth Rupees three lakh fifteen thousand. The social audits revealed that no such construction has taken place and none of the beneficiaries have received any money for the same. In fact, none of the beneficiary was even aware of the same. The Panchayat and the Secretary together had unscrupulously withdrawn money from their account

and swindled the same in connivance with the civil engineer.

The Gram Sabha passed a resolution to take legal action against the Sarpanch, engineer and the Secretary. The case was registered with SDM of the district.

Streamlining the functioning of PDS (Subsidized Ration Shops)

The social audit in Kundai Panchayat in Chindwara revealed that PDS coupons have been issued to Panchayats so long the new cards are made. The beneficiaries can access coupons from the Panchayat to get ration from the PDS shops at the subsidised rates. The coupons were supposed to be given free of cost to the targeted beneficiaries by the Panchayat. However, Panchayat Secretary was asking for bribe for providing the coupons. He was also giving it to other non-mandated beneficiaries.

The issue was raised in the Social audit Gram Sabha and a complaint was lodged against the secretary. The secretary consequently begged to be pardoned this time and promised that he will never repeat the mistake. The functioning of the PDS shop was smoothened consequently.

## Findings of the CAG on the social audits conducted in Gram Sabhas

The MP local body audit by CAG first time covered social audits by randomly selecting social audits from the schedule/calendar of social audit. CAG team identified 50 GP falling in 8 blocks of eight districts out of the social audits conducted in 931 Gram Panchayats (GPs) of 15 Blocks in 14 Districts of the State during 2014-15. Panchayats were selected by using Simple Random Sampling Without Replacement method for conducting the compliance audit. Some of the observations of the

CAG report on social audits were the following

- Quality Control of Social Audit Report : Scrutiny of Social Audit Report of 50 test checked GPs revealed that Social Audit Reports did not include findings on the requisite verification exercise included in the Social Audit Proforma.
- Deficiency in filling up the Social Audit Report format: social audit findings were properly filled in case of only two GPs (Khulsan and Chopna), while in 48 other GPs the formats were either not properly filled or not filled at all.
- Physical verification reports of project sites : Out of 50 GPs, two GPs informed that physical verification at project sites was not done. Secretaries of nine GPs replied that physical verification at project sites was carried out, however, the report of physical verification was neither filled in the prescribed proforma nor mentioned in the Gram Sabha proceedings.
- Absence of wall painting containing details of money paid to job card holders : verification in relation to Operational Guidelines 2013, CAG observed that details of payment made to job card holders were found painted only on the walls of one GP. It was not commented in the respective Social Audit Reports.

CAG observed "The fact remains that the veracity and quality control of Social Audit Reports was not ensured which led to deficiencies in reporting of Social Audit Verification exercise" (MP Local Bodies Report, No 4, p. 19). Some of the other non compliances of the social audits were also mentioned as

described in the following manner:

- Social Audit Gram Sabha not chaired in accordance with the provisions of guidelines : Gram Sabha of the Social audit should not be chaired by the Sarpanch or Secretary of the Panchayat. CAG found that many meetings were chaired by the Sarpanch.
- Video recording of Social Audit Gram Sabha : The proceedings were, however, not video recorded in other 43 GPs out of 50 test-checked GPs. Moreover, the video recorded were not uploaded on the MGNREGS website.
- Proceedings of Social Audit Gram Sabha : The proceedings of Social Audit Gram Sabha of 19 GPs were not recorded with details of issues discussed. In one GP, the proceeding was not recorded. In the absence of video recording of Gram Sabha, the decision and resolution put to vote in these Gram Sabhas could not be vouched in audit.
- Social Audit Reports not countersigned by chairpersons : It was found that the Social Audit Reports were not countersigned by the Chairpersons of the respective Gram Sabhas in 30 out of 50 test checked GPs.
- Action taken reports on Social Audit findings not submitted to State Legislature : The action taken reports on the social audit were not laid before the State Legislature as provided under MGNREGA Operational Guidelines.

The Social audit society of MP accepted the comments and ensured that the recommendations will be considered for improvement.

## Challenges of Gram Sabha to demand accountability

In spite of many success stories mentioned above that could generate positive results in fixing accountability of the implementing machinery of various programmes, the Gram Sabha continues to be a weak institution. Some of the challenges of Gram Sabhas can be explained in the following manner :

- The village Panchayats and the programme officials/ functionaries are not interested in opening up information in front of the Gram Sabha. Any transparency and participatory Gram Sabha will result in greater demand for accountability and follow up of the procedures. The administration and the Panchayat representatives use Gram Sabha to become notional and rubber stamp so that most of the decisions can be taken without adequate engagement of Gram Sabha.
- Panchayati Raj Institutions including Gram Sabha does not appear on the high priority list of the political leadership. As a result, there are many regressive office orders have been issued that dilute the powers of Gram Panchayat and Gram Sabha. The provisions of Gram Swaraj that empower Gram Sabha have also been neglected viz. transfer of funds in the Gram Sabha *kosh*, strengthening of Gram Sabha committees, mandatory quorum of women in Gram Sabha meetings etc.
- The Gram Sabha meetings have been reduced as 'beneficiary oriented Gram Sabhas'. The power of the people to discuss their own

concerns and address some of the issue of social justice has been diluted.

- Gram Sabha as a body corporate has not been evolved due to limited understanding of the Gram Sabha members. There are no awareness camps/orientations organised with the Gram Sabha members to perform their mandated functions and also act as a legal body to seek justice from the court in case of any infringement of rights of the Gram Sabha.
- Most of the officials who have been suspended or imposed recovery on them have moved to the court and got stay orders. This has dampened motivation and the will to exercise powers. The administrative machinery at the district level is not supportive to the Gram Sabha or Panchayats to exercise powers in most of the cases barring a few sensitive and pro-Panchayat officials. This has reduced teeth of power of social audits provided to Gram Sabhas.

## Action agenda

- Social audit society should be adequately staffed with required specialists so that it may cover large number of Panchayats on six monthly basis. There is a need to improve the quality of social audits by deepening the process as well as by setting examples of strict actions.
- There is a heavy dominance of Rural Development and PR Department in the Social Audit Society. MGNREGS as a programme also has been associated with the social audit. As a result, there are various other programmes that have built-in

provisions for social audit are unable to access services of the Social Audit Society. The governance mechanism should be designed more independently with participation of various Government departments and experts from various fields.

- The grievance redressal mechanism at the state level should be activated so that the aggrieved party from the findings of the social audit first reach to the MGNREGS Council or similar mechanism rather than moving to the court. The mechanism should guarantee more efficient and objective decision making.
- The nodal officers appointed for attending and facilitating

discussions at the Gram Sabha level should be strictly monitored. There is a tendency in the nodal offices for not attending the meetings. Unless actions are taken on absent nodal offices, social audits will not be taken seriously by the district administration.

- The findings and recommendations of the CAG should be implemented to the extent possible. The Social Audit Society should prepare an action taken report on six monthly basis that should be published in the website of the society. The Vidhan Sabha of MP should also demand a monitoring report on the CAG recommendations from the Government.





# Future Directions : Will Panchayati Raj become local Government ?

In the last 25 years', Panchayati Raj Institutions took birth as constitutional entities, moved like toddler, attained adolescence and adulthood. In life of democratic institutions, 25 years is a short period, therefore, PRIs are still to be considered in nascent age. However, there is an established identity, role and position of PRIs in the democratic hierarchy of institutions. The pattern of challenges as emerged from the study clearly highlight that the struggle for autonomy for the PRI is primordial whereas greater accountability, effective use of public resources and transparency are the key concerns from the perspective of the bureaucracy and state and national leadership. Establishing as local government, which is focusing on improved governance systems for economic development and social justice vrs building Panchayats as service provider agencies as efficient vehicle of service delivery mechanism, is the battleground. The answers are not binary; therefore, it is important that strengthening both side i.e. effectiveness in service delivery as well as relevance of PRIs as local Government will be critical.

The actions can be divided into two parts. Firstly, there are changes required for the establishing participatory democracy or direct democracy where the PRIs are genuinely considered as constitutional institutions of governance at the district level and below. The rules of the game of governance will have to

undergo significant change to establish PRIs as units of local governments. With the emergence of PRIs and ULBs as constitutional bodies of governance, there is a need for redefining central and state functions. It is important that the districts level functions should also be defied and determined. This should be an exclusive list where the center and the state government will not interfere and matters will be decided by the DPC, PRIs and ULBs. This should be based on the principles of subsidiarity so that what can be done by the district level and below should not escalate to the higher tiers. There can be mechanisms of escalation and conflict resolution. Such a change will require an alternative draft on the subject list and a political will in favour of its implementation.

Some of the possible course of actions, which are more operational in nature, required to strengthen PRIs within the given constitutional mandate, may be the following:

## Improving effectiveness as service delivery agency

The citizens of the Panchayats have some of the basic expectations from the village Panchayats. They want drinking water, sanitation, roads, cleanliness, street lighting as some of the basic needs for good life. Performance of such functions is possible only if Panchayats receive sufficient funds to provide such



services. There is also a need for strengthening staff and skilled workers at the Panchayat level or block level for efficient delivery of services. Some of the staff need to be positioned on a cluster of Panchayats for administrative and cost efficiency viz. handpump mechanic. This establishes need and relevance of the middle tier i.e. block Panchayats. Concept of Panchayat Secretariat at a cluster of Panchayats where the ANM, Patwari, handpump mechanic etc. reside and officially report so that the services of the programmes improve.

### Completely handover certain functions to PRIs

One of the hurdle in delivery of services by village Panchayats continues to be overlapping role of the departments and their control over the functionaries. This dichotomy needs to be broken. The functions, functionaries and funds of certain kind need to be fully transferred to the PRIs. For example, the Assistant Engineer (AE) and Junior Engineer (JE) of the PHED should be transferred as staff of the Zila Panchayats and their salaries should be paid from Zila Panchayat account and annual performance report should be written by the Zila Adhyaksha. Zila Panchayats in co-ordination with the block Panchayats can monitor the services of the deployed staff. This is possible only if the PHED is provided a different scope of work so that there is no conflict and competing demand on the same resources and staff. For example, PHED can concentrate on installation of new handpumps and new piped water supply schemes as well as major repairs of the old piped water supply schemes.

Initially, there will be hiccups as the new system will take time to emerge. There should be political and bureaucratic clarity that in no case

these functions will be reverted back. Only then, wholehearted efforts will be made to ensure success of transfer of functions. It may require new office orders, restructuring of services of the transferred staff, new monitoring and reporting systems etc. Therefore, long term investment will generate sustainable results.

### Strengthen District Planning Committees

There is a need for empowering and strengthening DPCs. Each district currently receives a large sum of development resources from the central and state government programmes. Depending on the size and location in the state, there may be a variation in annual allocation. On an average, it may not be less than 1000 crores per annum. With such a large available resources, there is a need for more comprehensive and integrative planning. The DPCs have not been provided adequate staff and experts that can help undertake comprehensive planning. There is a need for engaging planners, economists, ground water experts etc. The departmental officials can bring specific technical skill in respective areas. Small support from the State Planning Commission is not sufficient enough to deal with a complex multi-sectoral convergent planning.

It is essential that the DPC is recognized as a constitutional planning institution making it supreme over the administrative machinery. With gradual gaining of trust of the DPC members on the defined process, the quality of discussions, approach to address issues and realization of vision of the district will improve. In the state budget, there should be a budget line to meet the expenses of the DPC as well as to hire high quality experts for planning. The State Planning Commission should be

given more teeth to monitor the quality of performance of the DPCs.

### Flexible funds to village Panchayats to function as local governance institution

There is a need to recognize the fact that Panchayats are the local government. In order to function as a local government, there is a need for resources to run the secretariat as well as meet some of the basic needs of the citizens viz. drinking water, sanitation, street lighting, safely and issuance of birth, death, marriage and caste certificates.

There are many governance issues like water management to retain rain water and prevent over use of ground water. Similarly, other common properties also need to be maintained viz. protection of forests, grazing land, removal of encroachment, fixing and collection of taxes etc. The village Panchayats will require administrative support from the district and administrative staff to address such issues. Flexible funds allow Panchayats to build such capacities and systems.

### Panchayat Tribunal for conflict resolution and dignity of elected representatives

Section 40 of the MP Panchayat Act converted the village Panchayat as the lowest rung of the development administration. Panchayat elected representatives can be terminated on the pretext of misappropriation of funds or neglect in performing duties assigned under the Act. There is a procedure of hearing in the court of the Sub Divisional Magistrate. Nevertheless, SDM is also part of the district administration though not directly associated with implementation of the schemes. It is not a fair mechanism of trial of the

constitutionally elected representatives. Under the fear of the section 40 of the Act, the elected representatives are subjected to function under control of the district administration. There are large number of cases of Sarpanch in the high court against the decision of the SDM order.

It will be pertinent that an independent mechanism is created that provides fair opportunity to the elected representatives as well as the administrative officials to be heard without bias. Moreover, it will establish the respect of the PRIs as a constitutionally mandated institution. Such tribunals can be established at the cluster of a few district i.e. at par with the office of the Commissioners.

### Panchayat service recruitment Board/Commission for PRIs and Urban Local Bodies

In Madhya Pradesh there are about 24000 village Panchayats, 313 blocks and 51 districts. Therefore, a large number of functionaries work under the jurisdiction of PRIs. Similarly, there are more than 600 towns and cities in MP. Various departmental staff is also appointed to work at the village level or under the Janpad or Zila Panchayat. Such a large workforce need to be appointed with fairness so that the panchayats/ULBs get better quality human resources.

There is also a need to create a separate Panchayat cadre to be appointed by an independent Commission so that high quality human resources can be provided to the PRIs. The role of such Commission can be bigger and different than that of the State Public Service Commission. It should not be only a recruitment agency but also to set standards of performance appraisals, determine principles of transfers, promotions,

career development, reward and punishment for all the functionaries who will work under PRIs at different levels. This will help reduce the redundant functions of the departments and support functions like providing specialized knowledge and services for the PRIs can be strengthened. Better quality human resources recruited through fair process will establish good quality Panchayat secretariat or offices of the ULBs. It may be an additional cost on the state exchequer, however, improved quality of service delivery of programs will offset the expenses.

### Incentivize local resource mobilisation

One of the most articulated concern of various stakeholders has been on the financial autonomy of the PRIs. It is argued that unless PRIs work on developing their own sources of revenue, they will continue to remain dependent on the state and central

grants and incentives. There is a need to build innovative examples of local resource mobilization across the country. The Government should adequately provide matching grants to such PRIs and recognize at national platforms. This is happening currently under the Finance Commission grant as well as Panchayat Sashaktikaran Yojana of the GoI. These efforts though are miniscule and intent of the award is not to build PRIs as unit of local government. There should be a complete result area around the financial autonomy of PRIs under the Ministry of RD and PR at the national and state level.



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