

**Final Report**

**RURAL DECENTRALIZATION AND PARTICIPATORY  
PLANNING FOR POVERTY REDUCTION**

***OVERALL REPORT ON FOUR STATES***

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# RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION

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### *Abbreviations*

ATR	:	Action Taken Report
BPL	:	Below Poverty Line
BE	:	Budget Estimates
CFC	:	Central Finance Commission
CRSP	:	Central Rural Sanitation Programme
CSS	:	Centrally Sponsored Schemes
C&AG	:	Comptroller and Auditor General
CAA	:	Constitutional Amendment Act
CPIAL	:	Consumer Price Index for Agricultural Labourers
CPIIW	:	Consumer Price Index for Industrial Workers
DDP	:	Desert Development Programme
DPAP	:	Drought Prone Areas Programme
EFC	:	Eleventh Finance Commission
FY	:	Financial Year
GP	:	Gram Panchayat
GS	:	Gram Sabha
HCR	:	Head Count Ratio
HDI	:	Human Development Index
IAY	:	Indira Awaas Yojana
IWDP	:	Integrated Wastelands Development Programme
JP	:	Janpad Panchayat
MP	:	Madhya Pradesh
MLA	:	Member of Legislative Assembly
MPLADS	:	Member of Parliament Local Area Development Scheme
NAS	:	National Account Statistics
NFFWP	:	National Food for Work Programme
NIPFP	:	National Institute of Public Finance and Policy
NIRD	:	National Institute of Rural Development
NREGS	:	National Rural Employment Guarantee Scheme
NSSO	:	National Sample Survey Organisation
PRI	:	Panchayati Raj Institutions
PUCL	:	People's Union for Civil Liberties
PCY	:	Per capita Income
PCA	:	Principal Component Analysis
RSVY	:	Ràstriya Sam Vikas Yojana
SGRY	:	Sampoorna Grameen Rozgar Yojana
SC	:	Scheduled Caste
ST	:	Scheduled Tribe
SRSWR	:	Simple Random Sampling with Replacement
SFC	:	State Finance Commission
SGSY	:	Swarnjayanti Gram Swarozgar Yojana
ToR	:	Terms of Reference
TFC	:	Twelfth Finance Commission
UNDP	:	United Nations Development Programme
ZP	:	Zilla Panchayat

## PREFACE

Under the terms of UNDP project No. IND/03/020 titled "Rural Decentralization and Participatory Planning for Poverty Reduction", executed through the Planning Commission over the period 1 March, 2004 to 31 December, 2007, a study was assigned to NIPFP in January 2006. Under the terms of reference, enclosed as annex 1, NIPFP undertakes to present one overall report and four state reports covering the states Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan.

The inception report was presented before the members of the Steering Committee on 17 April 2006. The minutes of that meeting confirmed the list of deliverables due.

The study team was led by Professor Indira Rajaraman. The members of the team were: Dr. C. Bhujanga Rao, Dr. Manish Gupta, Dr. O.P. Bohra and Dr. Pratap Ranjan Jena.

The team worked as a whole on the entire project. Individual responsibility was assigned as follows:

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A presentation of findings at UNDP premises was held on 11 December 2006, organised by Mr. Pradeep Sharma, Assistant Resident Representative of the UNDP.

Subsequently the findings for each state were presented formally in the state capitals of these four states on the dates indicated below, by a two-member team in each case. Senior state government officials from the relevant departments attended these presentations.

Bhubaneswar	10 April 2007
Jaipur	18 May 2007
Raipur	25 May 2007
Bhopal	29 May 2007

Suggestions made by officials and non-governmental organisations attending have been incorporated in the final report.

The appendix to this preface lists those in all four states who helped with discussions, suggestions, and the fieldwork. They are warmly thanked.

The members of the Governing Body of the National Institute of Public Finance and Policy are in no way responsible for the opinions expressed in these reports.

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# **RURAL DECENTRALISATION AND PARTICIPATORY PLANNING FOR POVERTY REDUCTION**

## **FINAL REPORT**

### **1. INTRODUCTORY**

#### **1.1 OBJECTIVES AND METHODOLOGY**

This study is embedded in a larger United Nations Development Programme (UNDP) project<sup>1</sup> with the Planning Commission, Government of India, which is operational in character, with a capacity building focus, and pilot participatory approaches focused at the village level. It is expected to converge with other UNDP supported programmes for the capacity building of elected women functionaries and the District Governance Programme.

The study executed at National Institute of Public Finance and Policy (NIPFP) and reported here is part of that larger project, but has a research rather than operational character. The geographical coverage of the larger project, and hence of the NIPFP component as well, is confined to four states: Madhya Pradesh, Chhattisgarh,<sup>2</sup> Orissa and Rajasthan. Coverage is further confined to nine backward districts within these states receiving RSVY support (Backward Area Development Fund with effect from 2006-07). The nine pre-selected districts are: Mandla and Khargone in Madhya Pradesh, Bastar and Rajnandgaon in Chhattisgarh, Jhalawar, Dungarpur and Banswara in Rajasthan and Mayurbhanj and Kandhamal in Orissa.

This set of nine district was subsequently expanded, for the purposes of the NIPFP study alone, to include an additional set of districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with

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<sup>1</sup> No. IND/03/020.

<sup>2</sup> The state was a constituent of Madhya Pradesh prior to November 2000.

respect to panchayat functioning. A further set of eight districts was added on through principal component analysis, rather than random selection, since the intent of the expansion was purposively addressed towards including less deprived districts. Since the selection of district coverage within each state was, by the very terms of the project, through non-random procedures, the results from the sample survey cannot statistically hold for the state taken as a whole. However, the results from the cluster of backward districts will be juxtaposed against those from the cluster of additional comparator districts, to provide a range for each variable of interest.

Annex 1 lists the terms of reference (TOR) as agreed to between UNDP and the National Institute of Public Finance and Policy. Five project objectives are enunciated in the TOR. They are:

- i. To quantify the present state of expenditure assignment in the four states, so as to define the boundaries of functional responsibilities assigned to panchayati raj institutions (PRIs), and assess this against the functional devolution visualized in the Constitutional Amendments.
- ii. To assess the present status of implementation of State Finance Commission recommendations.
- iii. To assess the present status of revenue assignment.
- iv. To assess the present composition of revenue receipts by source (Centre/state/own) and thereby the present state of intergovernmental transfers.
- v. To assess the utilization of receipts by PRIs, and thereby the state of fiscal monitoring-in each state.

The following sources and approaches together define the methodological approach:

- a) Budgets of the respective states for financial year FY 2006-07 budget estimates (BE) to quantify the functional devolution in place.
- b) The Central Budget, also for FY 2006-07 (BE), to quantify the share of Central flows to the rural sector actually going directly to panchayats.

- c) A field survey covering 780 sample gram panchayats, 78 janpad panchayats, and 17 zilla panchayats in the four states. The seventeen districts covered are the initial set of nine backward districts pre-selected by UNDP and an additional eight districts with lower deprivation characteristics. Within the selected districts, the sample panchayats were selected in accordance with standard sampling procedures. Details are in chapter 2 of the state reports. Details of the selected sample are in annex 6 of this report.
- d) State Finance Commission (SFC) Reports together with Action Taken Reports (ATR), and functional devolution circulars issued by the respective states.

Details on principal component analysis (PCA) through which the comparator set of eight districts were selected, are given in chapter 2 of the State Reports, along with the sampling design used for the field survey. Tests for consistency of this generated ranking with respect to two other rankings, one by per capita income, and the other by the Human Development Index show that the PCA ranking is statistically different from those other rankings.

The field survey itself has two components:

1. There is a questionnaire on the panchayat as an institution, where the targeted respondent was either a panchayat elected official, or the panchayat secretary. Three questionnaires, one for each of the three tiers in the panchayat structure, are appended to this report as annexes 3, 4 and 5 for the gram panchayat (GP), janpad or block panchayat (JP), and zilla panchayat (ZP) respectively. This questionnaire ascertains the composition of the elected body, institutional aspects of their functioning such as frequency of meetings and interaction with gram sabhas, the quantum and seasonal timing of fund flows received from the Central and state schemes, performance of agency functions with respect to these schemes from data on fund utilization, awareness of the extent of their fiscal domain, and own revenues actually raised. The focus in terms of detail of information collected as well as sample size is at gram panchayat level, where executive authority is

vested, but there is a smaller sample covering panchayats at the middle and district tiers.

2. There is a questionnaire on the main village of every sample GP, which is Part II of the GP questionnaire (annex 3). The information includes information on the degree of ethnofractionalisation, number of households below the poverty line, number of kutcha and pucca structures, type/s of water sources and distance/s to them, distance to fuelwood source, sanitation and solid waste disposal status, water conservation practices, street lighting, distance to primary and secondary education facilities, and details on the functioning of these facilities, distance to primary health centre and the functioning of these, and law and order.

The questionnaire for Madhya Pradesh has to accommodate the delegation of authority for execution to the gram sabha. Since this is a general body which meets only infrequently, executive responsibility has been vested with eight committees of the gram sabha, thus creating a parallel structure of authority. Notwithstanding this complication, the survey in Madhya Pradesh will be confined to elected PRI officials, as in other states, but will have an additional section on the impact of executive involvement by gram sabha committees.

The table 1.1 summarises the chapter structure of this report and the four state reports, and maps into each the TOR objective covered, and the methodology used to serve that objective. This report supplements the information in the four state reports, and does not merely summarise their contents.

The two basic sources of intergovernmental fund flow to panchayats are the respective state governments, and the Centre. Although the Constitutional Amendments were enacted at the Centre, it is at the level of the state where authority for expenditure assignment and devolution of functions to panchayats is fundamentally vested. No devolution of functions is expected from Centre to states. A list of 29 functions is listed in a schedule attached to the Constitutional Amendment, defining the universe of state

functions for which devolution to PRIs is suggested; these are listed in chapter 2, table 2.1.

**Table 1.1: Summary of Contents in Overall and State Reports**

<b>Overall Report</b>	<b>Four State Reports</b>	<b>Objectives</b>	<b>Methodology</b>
Chapter 1	Chapter 1	Introductory	
Chapter 2	Chapter 2	TOR (i) Sample selection procedure for field survey	a
	Chapter 3	TOR (i), (ii), (iii)	d
Chapter 3	Chapter 4	TOR (iii)	c,d
Chapter 4	Chapter 5	TOR (iv)	b,c
Chapter 5	Chapter 6	TOR (v)	c
Chapter 6	Chapter 7	Concluding	

Chapter 2 of this report quantifies the present state of functional devolution from figures of expenditure assignment in the four states using Budget Estimates for the fiscal year 2006-07. The use of Budget Estimates (B.E.) rather than achieved actuals for some past year is justified on the grounds that it is the most current devolution picture that is of relevance. Further, as a statement of budgetary intent, B.E. figures carry validity in and of themselves. Within each four-digit level of budgetary expenditure classification onto which the 29 functions are mapped, a subtotal is identified as devolvable. Not all of the expenditures within a four-digit category may be devolvable. From within what is, a percentage estimate is obtained of the amount actually devolved. This yields a quantitative measure of devolution to PRIs. Budgetary practices vary across states, and the classificatory structure itself is obfuscatory to an astounding degree. Details on sub-categories identified as devolvable within each four-digit head are in annex 2. Aggregating across all expenditure categories within the identified set, an overall rating is possible of the quantitative extent of devolution achieved in the four states, subject to a (hopefully acceptable) margin of error.

In addition to budgetary heads corresponding to specific functions, there are also flows from the state government mandated by the State Finance Commissions, and other



grants for specific purposes such as establishment grants. These are also quantified in chapter 2.

Chapter 3 attempts to quantify the own revenues collected by PRIs, from such data as are available on own revenues from secondary sources such as the Twelfth Finance Commission (TFC),<sup>3</sup> and the field survey, to attempt a per capita estimate of own revenue generation.

Chapter 4 will cover the fund flows from the Centre, which have two components. One component consists of flows to state governments. This includes flows mandated by the Twelfth Finance Commission for the period 2005-10, and by the Eleventh and Tenth Commissions, for the preceding quinquennia. These get incorporated within the consolidated fund of the states, the share of which going directly to panchayats already stands identified in chapter 2. The second component of the Central flow bypasses state governments to rural areas, and is in two categories. One sub-component goes directly to PRIs. The second sub-component bypasses PRIs, and is spent through agencies specific to Central schemes. The sources used for this chapter will be the Budget of the Centre for fiscal year 2006-07, supplemented by field survey data from the recipient end, which will pertain to the year 2005-06.

Chapter 5 will assess the utilization of receipts by PRIs, and the state of fiscal monitoring in each state. This chapter has necessarily to be based entirely on the results of the field survey.

Chapter 6 concludes the report.

The next sub-section of this introductory chapter provides a brief overview of the status of PRI legislation in the four states under review, and of the recommendations of State Finance Commissions, the setting up of which at five-yearly intervals is among the mandated requirements of the constitutional amendments.

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<sup>3</sup> These data stop at 2002-03.

## 1.2 FORMAL STATUS OF DECENTRALISATION TO PRIS IN THE FOUR STATES

Madhya Pradesh (MP), Rajasthan and Orissa amended their Panchayati Raj Acts in 1994 to conform to the seventy-third Constitutional Amendment, and Chhattisgarh retained the MP Act. A further amendment in Madhya Pradesh in 2005 empowered Gram Sabhas (GS) under the re-named *Madhya Pradesh Panchayati Raj and Gram Swaraj Adhiniyam*. This empowered the GS with the functional responsibilities of the GP, to be executed through an assortment of committees. MP further de-centralised decision making power at the district level in the form of “Zilla Sarkar” (District Government), which is the district level arm of the state government, and is quite distinct from the zilla panchayat, but this has now been repealed. A segment of the questionnaire for MP attempts to assess the operational impact of these amendments.

The number of panchayats at village, block and districts levels are shown in table 1.2, and the electoral history is in table 1.3.

**Table 1.2: Panchayati Raj Institutions at the Three Tiers**

State	Gram panchayats	Janpad panchayats	Zilla panchayats	Total
Madhya Pradesh	23051(74)	313(7)	48	23412
Chhattisgarh	9139(63)	146(9)	16	9301
Rajasthan	9189(39)	237(7)	32	9458
Orissa	6234(20)	314(10)	30	6578
Total	48298(48)	1010(8)	126	48749

**Source:** Office of the State Finance Commissions Madhya Pradesh (Third), Chhattisgarh (First) and Rajasthan (Third); Government of India, Ministry of Panchayati Raj, 2004 for Orissa.

**Note:** The figures are the most recent available, except for Orissa. Those in parentheses indicate the number of GPs per JP, and the number of JPs per ZP. These three tiers can synonymously be referred to as village, block and district panchayats.

The number of elected representatives at village level varies between 9 per GP in MP, and 12-14 in the other three. At the block level, there are 14 in MP and 18- 22 in the rest, and at district level, from 11 per ZP in MP to 32 in Rajasthan, with the other states

falling in between. One-third of all seats are reserved for women. State-specific details are in chapter 1 of the respective state reports.

**Table 1.3: Elections to Panchayati Raj Institutions**

State	First	Second	Third
Madhya Pradesh	1994	January 2000	January 2005
Chhattisgarh	...	January 2000	January 2005
Rajasthan	1995	January 2000	January 2005
Orissa	1997	February 2002	February 2007

Source: *Ibid.*

State Finance Commissions at quinquennial intervals are among the mandated requirements of the Constitutional Amendment. Madhya Pradesh and Rajasthan have constituted their third SFCs,<sup>4</sup> and Chhattisgarh its first.<sup>5</sup> Orissa is yet to constitute its third SFC. The principal task addressed by SFCs has been setting the share of PRIs in state revenues. A summary in respect of accepted prescriptions on the divisible pool and PRI shares thereof in table 1.4 shows little change between the first and second SFCs in each state, except in Orissa where alterations in the divisible pool make it difficult to assess the change. In addition to tax shares, there are also grants prescribed by the SFCs (general purpose, specific purpose, and establishment). The total amount received under SFC provisions therefore has to be pieced together from its components. As shown in chapter 2, this is not easy to do. The receipts picture as recorded from the recipient end, through the field survey, is shown in chapter 3. SFCs also make recommendations on a wide range of other issues. Details on the present status of implementation of these are in chapter 3 of the state reports.

Aside from Orissa, no SFC reports appear to have made substantive recommendations in respect of expanding the fiscal domain of PRIs. Taxation rights are principally vested at GP level, with possibly superimposed cesses going to the JP or ZP. The principal own tax is on *pucca* houses, with possible add-ons such as the lighting or

<sup>4</sup> The Third SFC of Rajasthan has submitted its Interim Report on February 17, 2006, covering two years (2005-06 and 2006-07) of recommendations for the devolution.

<sup>5</sup> The First SFC of Chhattisgarh has submitted its report in May 2007..

drainage tax. There is also an assortment of non-tax revenue sources, where these are often of far greater significance than tax revenues.

**Table 1.4: State Finance Commissions: PRI Shares in State Revenues**

	<b>Madhya Pradesh (undivided)</b>	<b>Chhattisgarh</b>	<b>Rajasthan</b>	<b>Orissa</b>
<b>First SFC</b>				
Award Period	(1996-2001)		(1995-2000)	(1998-2005)
Divisible pool	Gross own tax and non-tax revenue	Constituted on 22 August 2003, report submitted in May 2007**	Net own tax proceeds	Individual taxes are shared
PRIs share (%) per annum	2.91 *		1.68	Various taxes shared on individual basis
<b>Second SFC</b>				
Award period	(2001-06)		(2000-05)	(2005-10)
Divisible pool	Net own tax revenue		Net own tax revenue (excluding entertainment tax) and 1 % royalty on minerals	Gross own tax revenue of 2002-03
PRIs share (%) per annum	2.93		1.72	7.61
<b>Third SFC</b>				
Award Period			(2005-10) IR (2005-07)	
Divisible pool			Net state tax revenues	
PRIs share (%) per annum			1.70	

**Source:** SFC Reports of the respective states.

**Notes:** These are the accepted prescriptions of the SFCs. Details on Action Taken Reports are in the four state reports.

\* The divisible pool excludes the cess on land revenue and additional stamp duties, the whole of which goes as a separate grant-in-aid.

\*\* Recommendations of the First and Second SFCs of MP are applicable for Chhattisgarh.

There is no standing database on panchayats, notwithstanding the allocation by the Eleventh Finance Commission of Rs 197.06 crore for this purpose. Chapter 3 of the state reports will attempt to assess the extent to which this provision has been utilized. The only secondary source therefore is the Report of the Twelfth Finance Commission, which compiled data submitted in the state memoranda to the Commission. These data will be shown in chapter 3 of this report. Finally, it goes without saying that the pressure

to devolve ever more funds to PRIs, without monitoring and auditing, is a recipe for corruption. The monitoring purpose is sought to be achieved through caps on expenditures that can be incurred without approval from higher levels of government, but this robs autonomy without necessarily controlling corruption. The EFC provided an amount Rs 98.61 crore at GP and PS level for this purpose. Once again, the effectiveness of use of this will be dealt with in chapter 3 of the state reports.

### **1.3 THE NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME 2006**

Since the NREGS is a major new rural initiative, details of the scheme, and of PRI involvement in it, are set out in what follows.

The National Rural Employment Guarantee Act launched on 2 February 2006, guaranteed 100 days of wage employment each fiscal year for every rural household that self-selects into the programme. The programme targets adults willing to do unskilled manual work. Two hundred backward districts are covered under the Act, and coverage of all districts is targeted over the next five years. In the absence of provision of work within 15 days of application by registered households, there is provision for unemployment allowance.

The Central government bears the cost of: (a) wages for unskilled manual workers, (b) 75 percent cost of material cost, defined to include wages of skilled and semiskilled workers; (c) an undetermined percentage of the administrative expenses (salary and allowances of Programme Officers, their support staff and work site facilities), and (d) administrative expenses of the Central Employment Guarantee Councils.

The funding responsibility of state government would be to provide: (a) 25 percent of the material cost, which includes wages of skilled and semiskilled workers, (b) unemployment allowance payable in case the state government cannot provide wage employment within 15 days of application, (c) an undetermined percentage of

administrative expenses, and (d) administrative expenses of State Employment Guarantee Councils.

Since the material cost is to be held at 40 percent of total cost, the Centre in effect bears 90 percent of the cost of the total wage employment component of the programme.

The execution of the scheme is entrusted to the District Programme Coordinator, who could be either the Chief Executive Officer of the District Panchayat, or the District Collector or some other officer of similar rank, appointed by the state government. The District Programme Coordinator is a joint account holder at the district level. At the block level, the Programme Officer equivalent to the rank of Block Development Officer or some other officer of same rank would be appointed by the state government as Programme Officer. He is the joint account holder at block level and solely responsible for the implementation of scheme at the block level.

Thus, the funds do not flow directly to PRIs. However, at least 50 percent of the works (in terms of costs) are to be allotted to gram panchayat as a statutory minimum. The share can be more if found feasible by the Programme Officers/District Programme Coordinators. The remainder can be assigned to zilla panchayats, janpad panchayats or NGOs (authorized by Central or state government), Cooperative Societies or Self Help Groups.

Since the scheme is demand-driven, fund release depends on the proposals prepared and submitted by the state government to the Central Ministry of Rural Development. The detailed requirements and the procedures of release are as follows:

1. The state has to prepare and submit an Annual Work Plan and Budget Proposal (AWPB) to the Ministry of Rural Development.
2. The funds are released by instalment to a revolving fund. After utilization of 60 percent of the funds released earlier, the District Programme Officer/state government may apply to the Ministry for the next instalment from the central fund.

3. The state government is to release its share within 15 days of the release of central funds.
4. The fund would be released by the Programme Officer to the implementing agencies in the block for works sanctioned. The information about the sanctioned amounts would be communicated to all gram panchayats.

Under the provisions of the Act, executing gram panchayats are required to have a separate bank account for the works related to the scheme. The Sarpanch and the Panchayat Secretary are authorized to operate this account jointly. There is a requirement of administrative and technical sanction, which may be a source of procedural delays.

The gram sabha is empowered to monitor: (a) all works at village level; (b) employment to each person applied for the job; (c) registration and issue of job cards and (d) timely payment. GPs are responsible for monitoring of: (a) works executed by implementing agencies; (b) muster rolls maintained at worksites; and (c) payments made. The janpad panchayat and Programme Officer at the block level are made responsible for monitoring: (a) registration of households; (b) employment provided to each applicant; (c) unemployment allowances paid; (d) social audits; (e) flow of funds; (f) timely and correct payment of wages; (g) progress and quality of works.

The Programme Officer at the block level is largely responsible for sending all reports and returns to the District Programme Coordinator (at district level), and then these reports would be sent to the state and Central government. It is the state government's responsibility to send all the consolidated reports and returns to the Central government.

## **2. EXPENDITURE ASSIGNMENT AND FUNCTIONAL DEVOLUTION BY STATES**

### **2.1 MAPPING FUNCTIONS ONTO BUDGET HEADS**

The Eleventh Schedule added to the Constitution by the Seventy-third Amendment lists twenty-nine functions devolvable to PRIs. States were free to set the speed and design of their approach to decentralization under the general framework of the Constitutional mandate.

Fourteen years on, a quantitative measure is attempted in this chapter of the extent to which this functional transfer has been achieved. Table 2.1 regroups into four sets the functions in the Eleventh Schedule. Against each function is shown the four-digit revenue budget head onto which it maps. These four-digit heads are the major classificatory boundaries for revenue expenditure, and are fortunately uniform in subject coverage across states. Each carries sub-heads (two-digit with three-digit components, or directly three-digit). In some cases, as shown, the Eleventh Schedule function is so finely specified as to map onto only a sub-head, or the sum of a few sub-heads. In addition to the budget heads in table 2.1, individual states have idiosyncratic ways of accounting for their expenditures. These are added on wherever they were discovered, through the process of tracking the fund flow of major national schemes.

There is a residual miscellany of eight functions outside the four groups, whose equivalent budget heads are not explored. Some of them, like rural electrification, non-conventional energy sources, or technical and vocational education, will require much greater maturity in PRI governance and capacities before any substantial transfer can take place. Some, like cultural activities, libraries, or maintenance of community assets, are a bit inchoate and difficult to map onto any particular budget head. Finally, markets and fairs were among the functions traditionally performed by panchayats much before the Constitutional Amendments, and are a major entry in revenue receipts rather than in revenue expenditures. That leave 21 Eleventh Schedule functions which map onto 21 budget heads, but not one to one. A single function like poverty alleviation maps onto



three budget heads, and there are other functions like social forestry, and minor forest produce, that map onto a single budget head.

**Table 2.1: Eleventh Schedule Functions and Equivalent Budget Heads**

Eleventh schedule		Equivalent budget heads			
No.	Description	Four digit heads			Constituents
<b>Livelihoods</b>					
1	Agriculture including agricultural extension	2401	Crop husbandry		
2	Land improvement, land consolidation, soil conservation	2402	Soil and water conservation		
3	Minor irrigation, water mgt, watershed development	2702 & 2245	Minor irrigation Relief for natural calamities	01	Drought
4 & 12	Animal husbandry, dairy, poultry Fuel and fodder	2403	Animal husbandry		
5	Fisheries	2405	Fisheries		
6 & 7	Social forestry, farm forestry Minor forest produce	2406	Forestry and wild life	01	Forestry
8 & 9	Small scale industries Khadi, village industries	2851	Village and small industries		
<b>Infrastructure</b>					
11	Drinking water	2215	Water supply and sanitation	01	Water supply
13	Roads, culverts, bridges, ferries, waterways	3054	Roads and bridges	04	District and other roads
<b>Education, health</b>					
17	Education, primary and secondary	2202	General education	01	Elementary education
19	Adult and non-formal education.	2202		04	Adult education
23	Health and sanitation	2210	Medical and public health	03,04,06	Rural, public health
<b>Anti-poverty, social welfare</b>					
16	Poverty alleviation programs	2501 & 2515 & 2505	Special programs for rural development Other rural development programs Rural employment		
10	Rural housing	2216	Housing	03	Rural housing

24	Family welfare	2211	Family welfare		
25	Women and child development	2236	Nutrition	02	Distribution of nutrition
26	Social welfare	2235	Social security and welfare	02,60	Social welfare, other social security programme
27	Welfare of weaker sections, SC/ST	2225	Welfare of SC, ST, OBC	01,02,03	Total

**Miscellaneous**

14	Rural electrification, electricity distribution
15	Non-conventional energy sources
18	Technical training and vocation education
20	Libraries
21	Cultural activities
22	Markets and fairs
28	Public distribution system
29	Maintenance of community assets

**Source:** The Eleventh Schedule from the Constitution of India; budget categories from Budget Documents 2006-07.

**Notes:** 1. The sub-heads of four-digit budget categories are two-digit, with further three-digit components, as in 2215 (water supply) where sub-head 01 is for water supply, and 102 is for rural water supply; or directly three-digit, as in 2851 (village and small scale industries) or 2211 (family welfare). Details of sub-heads are in annex 2.

2. Table 2.7 will show that one of the major national schemes, which is wholly routed through state government budgets, and also wholly devolved to PRIs, the Rashtriya Sam Vikas Yojana, is accounted for in Orissa not under budget heads 2501 or 2515, as in the other states, but under 3451 (Secretariat Economic Services), subhead 102 (District Planning Machinery). That is included in the figures for Orissa, but not in the other three states.

3. The budget head for Social Welfare (2235), sub-heads 02 and 60 also include women's and child welfare, so that function 25 in the Eleventh Schedule could be additionally seen as mapped onto constituents of this budget head as well, in addition to 2236.

Capital expenditures are not examined (with a major exception, dealt with below). There might be episodic capital expenditures directly incurred by state government departments on PRIs, for construction of panchayat buildings and structures for example, under the heads of administration, or public works. But where these funds for capital expenditure are transferred to PRIs, they get recorded in revenue expenditure, since the capital account cannot by definition include grants to PRIs, even where it is intended for

capital expenditure. Loans to PRIs if any would get recorded in the capital expenditure of the state, but states have not so far lent funds to PRIs.

## **2.2 MAPPING FUND TRANSFER TO PANCHAYATS: DEDICATED DEMANDS**

Budgets of both Central and state governments are presented in numbered demands for grants, and approved in that form by the Parliament or legislature. These demands carry no uniformity whatever across states in terms of either numbering or purpose. In an earlier simpler era, there would have been a one-to-one mapping between demand, four-digit budget head, and department. For example, the demand for grants for forests would have mapped exclusively onto the four-digit revenue budget head for forests (2406 along with the corresponding capital budget head 4406), and been assigned to the forestry department.

This clear mapping broke down much before the advent of decentralization. New demands defined by the identity of beneficiaries (special component plans for scheduled castes for example) mapped onto a very wide assortment of budget heads. Even the demand for forests might have a component classified under the education four-digit budget head, for schools located in forest areas, and this education component alone might map onto several departments. The blurring of accounting boundaries in this manner made state budgets non-transparent to the point of being impenetrable. The audited finance accounts perform the impossible task of grouping all expenditures under the four-digit heads, but these are issued with a considerable time-lag of at least a year, usually more. More than the time-lag, however, the finance accounts compress information that is available in the budget, for reasons spelled out below.

After decentralization, there is additional variation in the manner in which the process of transfer of funds and functional responsibility to PRIs is recorded. Unearthing the extent of transfer assumes the character of an archaeological dig.

Most states have a basic dedicated demand for fund transfer to panchayats, which has at its core the four-digit budget head 3604, for assigned revenues to PRIs as shares of either particular taxes or generalized state revenue, in accordance with accepted recommendations of SFCs, and other basic revenue support grants under the four-digit budget head 2515, for “Other Rural Development Programmes”. Even here there are exceptions; budget head 3604 may be found under other demands as well (table 2.10). Rajasthan places these flows not only in the demand designated for the purpose (49), but also in another for community development (41).

In addition, Madhya Pradesh and Chhattisgarh include under this basic demand, other departmental fund transfers, as part of the process of functional decentralization. Orissa similarly includes more than just the core revenue transfer under a separate demand, but there are very few functional transfers that have actually taken place. The inclusion of departmental transfers in dedicated demands for grants for PRIs in this manner,<sup>1</sup> running in parallel with the parent demands for grants down through rows of budgetary heads, yields a matrix array with two advantages. Functional decentralization for each of the twenty-nine functions becomes monitorable as the migration over time of budgetary provisions (in each row of the matrix) from the parent demand (column) to the set of demands (columns) for PRIs. The second advantage is that the sum of dedicated demands for PRIs, and the percent they constitute of total budgeted expenditure, yields an aggregate (albeit very approximate)<sup>2</sup> estimate of transfer of resources.

Rajasthan is different. The basic demand for PRIs (or its de facto replacement, as shown in table 2.2) does not include functional transfers of funds to PRIs. Instead, these are incorporated within the parent functional demands under three-digit budget subheads, which specify the panchayat tier receiving the fund (196, 197 and 198 for Zilla, Block and Gram Panchayats respectively). This carries two disadvantages. First, it is impossible to obtain a summary approximation to the aggregate transfer of resources to PRIs from

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<sup>1</sup>Madhya Pradesh and Chhattisgarh have multiple demand heads exclusively targeted at PRIs, which complicates matters, but retains the essential advantage of transparency.

<sup>2</sup>Unfortunately, the inclusion of departmental transfers under the separate demands designated for PRIs, even in Madhya Pradesh and Chhattisgarh, is not comprehensive; see section 2.3.

demand heads alone, as is possible for the other three states. Second, the three-digit sub-head under which the transfer took place is not known, in the way possible with a parallel demand, which carries the same budget head structure, and enables an understanding of the function that has been transferred along with the funds. This is a matter of immense importance, since fund transfer to PRIs is merely a concomitant of transfer of functions.

The practice of recording transfers to PRIs under the three-digit budget subheads 196, 197, and 198, is adopted also at the Centre, where it is entirely appropriate. It is not at the Centre that functional decentralization of governance is expected to take place, so a budgetary system for recording fund transfers adopted at the Centre is not suitable at state level, where it is only the pattern of fund transfer that records the associated functional transfer.

**Table 2.2: Dedicated Demands for Grants to PRIs**

Type	MP	CH	RJ	OR
Fin assis to 3-tier PRIs	80	80	49	17
Fin assis to 3-tier PRIs for SCs	15	15		
Fin assis to 3-tier PRIs for STs	52	82		
Panchayats	62	30		
Rural development	30	30	50,28	28
Externally aided plans for rural development	59	59		
Community development			41	

**Source:** Compiled from Budget Documents for 2006-07 of the State Governments of Madhya Pradesh (MP), Chhattisgarh (CH), Rajasthan (RJ) and Orissa (OR).

**Notes:** 1. The description of each demand corresponds to the nomenclature used in MP and CH. Demand 49 in Rajasthan is titled Local and Panchayat Compensation and Assignment, but flows to PRIs for establishment, and other provisions by the State and National Finance Commissions (Eleventh/Twelfth) are actually included in demand 41, titled Community Development; see also notes to table 2.5. Demand 50 of Rajasthan is for Rural Employment, and 28 for Special Programs for Rural Development. Demand 17 in Orissa is for the Panchayati Raj Department, and 28 for the Rural Development Department.

2. The demands for expenditure on rural development, and externally aided expenditure on rural development, are not formally designated for devolution of funds to PRIs, but are included in this table because they contain large grant components to PRIs, and in the case of Chhattisgarh demand 30, merge expenditure on PRIs and rural development.

The dedicated demands for grants under which fund transfer to PRIs is effected in the four states are listed in table 2.2. The list includes, in addition to demands explicitly for financial assistance to PRIs, those for expenditure on rural development and externally aided plans under which there might be substantial grants-in-aid to PRIs.

Tables 2.3a and 2.3b illustrate the advantage of having an accounting structure whereby the functional transfer gets identified, with the example of crop husbandry (budget head 2401). This is the first function in the Eleventh Schedule. In Madhya Pradesh (table 2.3a), it is clear which subfunctions have been devolved, and the degree of devolution in each case. Funds for horticulture and vegetable crops have been the most devolved, with foodgrain and commercial crops second. (There is the larger issue of the unsatisfactory classification system into subheads itself, which is taken up below). In Rajasthan (table 2.3b), by contrast, the accounting mechanism does not indicate which subfunctions have been transferred. All that is known is the total quantum transferred, without the associated functional transfer.

**Table 2.3a: Transfer of Funds to PRIs by Function in Crop Husbandry (2401):  
Madhya Pradesh**

		(Rs. crore)						
2401	Crop husbandry	Not-devolved demands			Devolved demands			Percent devolved
		13	41	64	15	52	80	
001	Direction and administration	111.66	10.33					0.00
102	Food grain crops	6.36	3.43	12.02	2.48	1.08	3.53	24.54
103	Seeds	5.97	4.97	4.48		0.45		2.87
105	Manures and fertilizers	0.68						0.00
107	Plant protection	0.07						0.00
108	Commercial crops	20.42	5.79	6.25	2.27	2.39	7.68	27.54
109	Extension and training	10.34						0.00
110	Crop insurance	6.64	9.27	18.68				0.00
113	Agriculture engineering	14.40	0.98	0.75				0.00
119	Horticulture and vegetable crops	0.00	3.24	3.21	2.21	2.56	8.40	67.13
800	Other expenditure	54.52	17.37			1.54	3.55	6.61
	<b>Total</b>	<b>231.06</b>	<b>55.38</b>	<b>45.40</b>	<b>6.96</b>	<b>8.03</b>	<b>23.16</b>	<b>10.31</b>

**Source:** Budget Documents: 2006-07, Government of Madhya Pradesh.

**Notes:** The percent devolved in the last column is obtained from the sum of entries in the devolved demand columns, as a percent of the total budgetary provision in the row across all columns. See notes to table 2.2.

**Table 2.3b: Transfer of Funds to PRIs by Function in Crop Husbandry (2401):  
Rajasthan**

		(Rs. crore)		
2401	Crop husbandry	Not devolved	Devolved	Percent devolved
001	Direction and administration	92.23		
103	Seeds	1.71		
105	Manures and fertilizers	5.30		
107	Plant protection	0.47		
108	Commercial crops	70.95		
109	Extension and training	15.72		
110	Crop insurance	2.02		
111	Agricultural economics & statistics	1.35		
113	Agriculture engineering	0.57		
119	Horticulture and vegetable crops	15.20		
196	Assistance to Zilla Panchayats		0.0009	
197	Assistance to Block Panchayats		0.15	
789	Special component plan for scheduled castes	24.12		
796	Tribal areas sub-plan	20.32		
800	Other expenditure	29.48		
	<b>Total</b>	<b>279.61</b>	<b>0.15</b>	<b>0.054</b>

**Source:** Budget Documents: 2006-07, Government of Rajasthan.

**Notes:** See notes to table 2.3a.

The entries for budget head 2401 are found under demand 37 (Agriculture), 51 (Special Component Plan for SCs) and 30 (Tribal Area Development). None of these is a demand dedicated to PRIs.

Table 2.4 provides another illustration with figures for Madhya Pradesh for village and small industries. (Rajasthan has not transferred any funds to PRIs under the budget head 2851.)<sup>3</sup> The largest transfers are for co-operatives and sericulture. Handloom, handicraft and khadi industries, surprisingly, have zero or negligible transfer to PRIs. This interesting profile of functional transfer is possible only because of the accounting structure adopted in Madhya Pradesh.

<sup>3</sup> In Rajasthan, this budget head is found under demands 30, 42 and 51.

**Table 2.4: Transfer of Funds to PRIs by Function in Village and Small Industries (2851):  
Madhya Pradesh**

(Rs. crore)

2851	Village & small industries	Not devolved demands				Devolved demands			Percent devolved
		56	11	41	64	52	80	15	
101	Industrial estates		3						0.00
102	Small scale industries			6.24	8.60				0.00
103	Handloom	7.51	3.14	0.04	0.10			0.03	0.35
104	Handicraft	2.53		1.79	3.66				0.00
105	Khadi	4.99		2.14	1.90				0.00
107	Sericulture industries	10.85		2.29	2.63	0.40	2.34		14.82
108	Powerloom		9.54						0.00
110	Cooperatives	1.26	1.99			0.17	1.67	0.66	43.50
200	Other village industries		16.04						0.00
800	Other expenditure		4.65						0.00
	<b>Total</b>	<b>27.14</b>	<b>38.36</b>	<b>12.50</b>	<b>16.88</b>	<b>0.57</b>	<b>4.01</b>	<b>0.69</b>	<b>5.27</b>

Source: Budget Documents: 2006-07, Government of Madhya Pradesh

Notes: See notes to table 2.3a.

Table 2.5 summarises revenue account transfers under the demand heads of table 2.2, as a percent of total revenue expenditures budgeted in 2006-07, with an unavoidable element of both inclusion and exclusion error. Inclusion error arises as in the case of demand number 62 in Madhya Pradesh, for example, which includes expenditure on panchayat elections, clearly not a transfer to PRIs, or more seriously in the case of Orissa demand number 28, where expenditure of 387 crore on construction of district roads and water supply is not devolved to PRIs. Exclusion error arises because even in Madhya Pradesh, there are grants-in-aid to PRIs, which exist in the small print of parent demands for grants. This initial estimate will be juxtaposed against that obtained from the sum of the detailed examination of functional devolution that follows.

The function-specific figures from the budget heads onto which each function maps, are taken in turn in the sections that follow.



**Table 2.5: Demands for Fund Transfer to PRIs as a Percent of Total Revenue Expenditure: 2006-07**

<b>Type of demand</b>	<b>MP</b>	<b>CH</b>	<b>RJ</b>	<b>OR</b>
Transfers to PRIs:80(MP,CH)/49(RJ)/17(OR)	4.97	5.79	0.00	3.98
Transfers to PRIs: SCs 15(MP,CH)	1.63	0.24		
Transfers to PRIs: STs 52(MP)/82(CH)	2.69	1.48		
Exp on PRIs: 62(MP)	0.23			
Exp on PRIs & RD: 30(CH)		2.37		
Exp on RD: 30(MP)/50,28(RJ)/28(OR)	1.93		0.25	2.93
Ext aided rural dev exp: 59(MP&CH)	0.09	1.67		
Community dev: 41(RJ)			4.35	
<b>Sum</b>	<b>11.54</b>	<b>11.56</b>	<b>4.60</b>	<b>6.91</b>

**Source:** See source to table 2.2.

**Notes:** See table 2.2 and notes for coverage under each demand. In Rajasthan the demands for PRIs are not comprehensive in their coverage, and therefore do not purport to represent the full measure of transfer to PRIs. Where, as in Rajasthan, these demands include capital expenditures, only the revenue expenditure total has been taken. Demand 50 in Rajasthan is for rural employment.

### **2.3 BUDGETARY ROUTES FOR SOME MAJOR SCHEMES**

Even where, as in Madhya Pradesh and Chhattisgarh, there are separate demands for transfer of funds to PRIs, not all transfers to PRIs take place within these grants. This is illustrated below with respect to three major Central rural schemes, designed for full devolution to PRIs.<sup>4</sup> The National Rural Employment Guarantee Scheme (NREGS), the newest and most ambitious of the employment programmes on offer in two hundred districts, is not intended for full devolution to gram panchayats, since the guidelines specify that they must actually implement only a minimum of fifty percent of the works under the scheme. However, middle and zilla panchayats may implement the remainder, and the funds are transferred in any case to a district-level programme officer who can be the CEO of the zilla panchayat. The Rashtriya Sam Vikas Yojana (RSVY), a scheme for development of one hundred backward districts; and the Swarnajayanti Gram Swarozgar Yojana (SGSY), a nationwide scheme for self-employment, are both fully devolved to PRIs. The provision under state budgets for NREGS and SGSY is for the state contribution alone, with the Central contribution flowing directly to PRIs. The RSVY on

<sup>4</sup> This was the process through which budget heads, outside those mapped in table 2.1, were uncovered.

the other hand is entirely routed through state budgets under Central support for state plans, so that state budgets capture the full fund flow to PRIs under the scheme.

The NREGS is split into several demands in each state. In Madhya Pradesh, all are devolved demands, but in Chhattisgarh, the funds are devolved through grants-in-aid to PRIs in parent demands for tribals (demand 41) and scheduled castes (demand 64), not through the corresponding demands for transfer of funds to PRIs for tribals (demand 82) or scheduled castes (demand 15). Quite aside from the tedium of assembling the total provision across these separate provisions, there is the larger issue of whether a demand-driven employment programme not intended for demarcation by caste or tribe, should be separately provided for by identity of recipient in state-level demands in this manner.

In Rajasthan, the NREGS budgetary provisions are not in the revenue account at all, but are in the capital account, from where a grant to PRIs is technically not possible in an accounting sense. The justification for this in Rajasthan seems to be that the NREGS was the descendant of the earlier National Food for Work Programme, under which both receipts from the Centre and expenditures were recorded in the capital account. In the section that follows, the share of devolved expenditures is obtained for revenue expenditure categories alone.

The RSVY (which has been renamed the Backward Area Development Fund with effect from 2006-07) is recorded under different budget heads across states (2501, 2515), even 3451 for Secretariat Economic Services in Orissa, and there is the splintering by demand as well. The Orissa practice departs seriously from the intent of RSVY, and is what makes the mapping of table 2.1 not complete in its depiction of actual practice. The SGSY is splintered in all three states, not merely into multiple demands including parent demands for tribals and scheduled castes, but also under multiple budget heads (2501 and 2225).

**Table 2.6: Budgetary Classification of Fund Transfer under the National Rural Employment Guarantee Scheme: 2006-07**

Budget head/(devolved or rural demand)	Rs.cr.	Budget head/(non-devolved demand)	Rs. cr.	Total Rs.cr.
<b>Madhya Pradesh</b>				
2505				
01(Nat progs)				
702 (JGSY)				
#42 (NREGS)				
/Demand 30	4.0			
/Demand 15	28.0			32.0
<b>Chhattisgarh</b>				
2505/Demand 30		2505		
60 (Other programme)		60 (Other programme)		
101 (NREGS)		101 (NREGS)		
#14 Grant	30.0	#14 Grant		
		/Demand 41	25.0	
		/Demand 64	5.0	
				60.0
<b>Rajasthan</b>				
4515/Demand 50		4515/Demand30		
101 (PR)		796 (ST)		
18 (NREGS)	6.0	08 (NREGS)	10.0	
		4515/Demand51		
		789 (SC)		
		06 (NREGS)	4.0	20.0
<b>Orissa</b>				
2505/Demand17				
01(Nat progs)				
701 (JRY)	53.8			
789(SC)	25.9			
796(ST)	44.8			124.5

Source: *Ibid.*

**Notes:** 1. NREGS is targeted nationally at 200 districts. For coverage of budget heads, see table 2.1, and for demands, table 2.2. The budgetary provisions can be seen to not fall exclusively under the broad definition of devolved demands as listed in table 2.2. NREGS provisions in Chhattisgarh fall under demands 41 (tribal area sub plan), and 64 (special component plan for SCs), notwithstanding the parallel set of demands 82 and 15 respectively, intended to cover transfers to PRIs directed at the same set of beneficiaries. Demands 30 and 51 of Rajasthan are for tribal area development and special component plan for SCs. The total budgeted provision for other national rural employment schemes under budget head 2505, excluding NREGS, in Madhya Pradesh is 245.58 crore; in Chhattisgarh 87.5 crore; and in Rajasthan (under budget head 4515 in the capital account), 45 crore. Orissa has no formal budget head for NREGS. The provision is recorded under the head for the Sampoorna Grameen Rozgar Yojana.

2. In Rajasthan, no NREGS provision is made in the revenue account.

From the evidence for these three schemes, a summary percentage of devolved expenditures from devolved demands alone may understate transfers to PRIs. In

Rajasthan in particular, where major schemes like NREGS are accounted for under the capital account, devolved expenditures are not contained even within the revenue account.

**Table 2.7: Budgetary Classification of Fund Transfer to PRIs Under  
Rashtriya Sam Vikas Yojana: 2006-07**

Budget head/(devolved demand)	Rs. cr.	Budget head/(non-devolved demand)	Rs. cr.	Total Rs. cr.
<b>Madhya Pradesh</b>				
2501				
01 (IRDP)				
101 (DRDA)				
#42 (RSVY)				
/Demand 15	10.5			
/Demand 80	25.0			
/Demand 52	99.5			135.0
<b>Chhattisgarh</b>				
2515/Demand 30		2515/Demand 41		
102 (Com. Dev)		102 (Com. Dev)		
#14 (RSVY)	75.0	#14 (RSVY)	75.0	150.0
<b>Rajasthan</b>				
2515/Demand 41				
101 (PR)				
01/05 (RSVY)	0.0			
2515/Demand 41				
196 (ZP)				
03 (RSVY)	0.0			
		2515/Demand 30		
		196 (ZP)		
		06 (Bckwrđ ADF )	60.0	60.0
<b>Orissa</b>				
		3451/Demand 16		
		102 (District Plan)		
		0922 (Misc)		
		78006 (RSVY)	75.0	75.0

**Source:** *Ibid.*

- Notes:** 1. The RSVY has been renamed the Backward Area Development Fund from the fiscal year 2006-07.
2. The Orissa budget is for the Backward District Initiative under RSVY. Budget head 3451 is for Secretariat Economic Services. Demand 16 is for Planning and Coordination Department.
3. See notes to table 2.6.

**Table 2.8: Budgetary Classification of Fund Transfer to PRIs Under the Swarnajayanti Gram Swarozgar Yojana: 2006-07**

Budget head/(devolved demand)	Rs. cr.	Budget head/(non-devolved demand)	Rs. cr.	Total Rs. cr.
<b>Madhya Pradesh</b>				
2501		2225/64		
	01(IRDP)		01(SC)	
	101 (DRDA)		102 (Econ Dev)	
	#42 (SGSY)		#42 (Grant)	10
/Demand/15	5.5			
/Demand /80	17.6			
/Demand /52	6.7			39.8
<b>Chhattisgarh</b>				
2501/30		2501		
	06(Self emp)		06(Self emp)	
	101 (SGSY)		101 (SGSY)	
	#14 Grant	10.1	#14 Grant	
		Demand/41		7.7
		Demand/64		2.4
		2225/64		
			01(SC)	
			102 (Econ Dev)	
			#14 (Grant)	4.5
				24.7
<b>Rajasthan</b>				
2501/28		2501/30		
	06(Self emp)		06(Self emp)	
	196(ZP)	5.7	196(ZP)	1.0
		2501/51		
			06(Self emp)	
			196(ZP)	1.6
				8.3
<b>Orissa</b>				
2501/17				
	01(IRDP)			
	001(Dir & admin)	3.1		
	789(SC)	5.1		
	796(ST)	6.0		
	800(Other)	12.0		26.3

Source: *Ibid.*

Notes: 1. SGSY is intended by the guidelines to reach PRIs.

2. SGSY provisions in Chhattisgarh fall under demands 41 (tribal area sub plan), and 64 (special component plan for SCs), notwithstanding the parallel set of demands 82 and 15 respectively, intended to cover transfers to PRIs directed at the same set of beneficiaries.

3. The Orissa Annual Plan for 2006-07 shows a provision for SGSY of 20 crore, lower than the sum obtained here from the Budget documents.

## 2.4 DEVOLVED AS A PERCENT OF DEVOLVABLE EXPENDITURES

The budget head equivalences of the Eleventh Schedule functions listed in table 2.1 do not constitute devolvable expenditures in their totality. Every budget head has constituents that cannot be devolved to PRIs, certainly at the present stage of their development. The sub-heads within each four-digit budget category assigned to the devolvable and non-devolvable categories are listed in annex 2. Although there is an unavoidably subjective element in the designation of some expenditure in any segment as devolvable, it is nevertheless preferable to interpolate this in measuring the progress made by the state towards devolution of the specified functions. It serves to underline the fact that it is not desirable, and indeed may be seriously counter-productive, if all components of functions listed in the Eleventh Schedule are designated as devolvable. Even with this attempt, the identification of devolvable expenditures is by no means as delimited as it should be in principle. Budget heads make no distinction between rural and urban expenditures, so that the devolvable base in most cases includes expenditures targeted at urban areas as well.

The devolved percentage given in the sections that follow are percentages of devolvable expenditure within each budget head. The corresponding percentage of devolvable as a percent of total expenditures is also provided alongside. The product of the two yields the percent of devolved to total expenditures in each budget category.

Table 2.9 provides an illustrative example with respect to crop husbandry. The budget head boundaries within crop husbandry, and within many other heads as well, are not very rationally drawn at present. There are some input based categories (like seeds or manure and fertilizers), and output based categories (like foodgrain crops, and commercial crops). The assignment of expenditure between these categories would necessarily be ad hoc. Expenditure on direction and administration (001) of state government departments cannot under any budget head immediately be devolved to PRIs. However, there are sometimes grants-in-aid to PRIs under this sub-head, which have then been included in the devolvable aggregate.

**Table 2.9: Budget Sub-heads within Crop Husbandry**

<b>Non devolvable</b>		<b>Devolvable</b>	
001	Direction and administration	102	Food grain crops
104	Agricultural farms	103	Seeds
109	Extension and farmer's training	105	Manures and fertilizers
110	Crop insurance	107	Plant protection
111	Agricultural economics and statistics	108	Commercial crops
113	Agricultural engineering	119	Horticulture and vegetable crops
		800	Other expenditures

Source: Budget Documents: 2006-07.

Extension and farmer's training, which is designed to transmit knowledge from the laboratory to the field, is again a function which inherently cannot be devolved to PRIs. It is only at state level that an assessment can effectively be made of the technological improvements needed in each of the several agro-climatic zones falling in the state, and of the availability of technology from the laboratories funded by the state or the Centre. Crop insurance, another critical function, is best performed at national level, so as to enable the largest possible risk pool (there is fortunately an absence of synchronous weather shocks over the different agro-climatic regions of India in most years). Expenditure on the subsidy component, towards the risk premium, needs to be paid by state governments to the national programme rather than downward to panchayats. Other categories designated as non-devolvable call for no special justification.

In addition to the functions listed in the Eleventh Schedule, there are other funds devolved to PRIs. The basic revenues owed to them under the accepted recommendations of the State Finance Commissions, as revenue shares and establishment and other grants, are recorded under budget head 3604, but also under budget head 2515 (other rural development programmes). These provisions are tabulated in table 2.10. There is a total lack of uniformity in recording practices once again. In two states, shares of levies are recorded under designated budget heads which indicate the source (such as 102 for stamp duty), but in Rajasthan and Orissa, shares are recorded by destination in terms of panchayat tier. Once again, uniformity in accounting practices would be a great aid to a cross-state understanding of patterns of revenue sharing between states and panchayats.

**Table 2.10 State Revenue Transfers to PRIs as Mandated by  
State Finance Commissions**

		(Rs. crore)				
		Demand	MP	CH	RJ	OR
<b>3604</b>	<b>Compensation to local bodies and PRIs</b>					
101	Land revenue	49			0.13	
102	Stamp duty	80	15.00	19.00		
108	Profession tax	80	4.30	4.25		
200	Miscellaneous	80	114.23			
		52	49.54			
		15	49.13			
196	To Zilla Panchayats	17				6.46
197	To Block Panchayats	17				8.04
198	To Gram Panchayats	17				73.94
<b>2515</b>	<b>Other rural development programmes</b>					
001	Direction and admin	17				8.43
101	Panchayati Raj	15	0.87			
		52	0.67			
		80	45.74	138.53		
102	Community dev.	17				46.86
196	To Zilla Panchayats	41			15.80	
197	To Block Panchayats				184.13	
198	To Gram Panchayats				211.93	
<b>Total</b>			<b>279.47</b>	<b>161.78</b>	<b>411.86</b>	<b>143.75</b>
	Estimated rural population		4.96	1.80	4.96	3.36
	Per capita		56.34	89.88	83.04	42.78

**Source:** Budget documents for the four states, 2006-07.

**Notes:** 1. The basic demands for fund transfer to PRIs are 80 in Madhya Pradesh and Chhattisgarh, 49 in Rajasthan, and 17 in Orissa; see table 2.2 and notes for the constituent of each demand. There are in addition the flows mandated by the national Finance Commissions (Eleventh/ Twelfth), which are not included here. The sums so transferred under budget head 2515 are Rs. 328.41 crore (lower than Rs. 332.6 crore prescribed for Madhya Pradesh in the TFC Report), Rs.123 crore (Chhattisgarh), Rs. 246 crore (Rajasthan demand 41), and Rs. 160.6 crore (Orissa).

2. The mid-year population figure for 2006-07 has been used to obtain per capita equivalent.

Aggregating across all these entries the basic revenue transfer from state governments to PRIs, independent of the functional flows addressed in the rest of this chapter, stand at Rs. 56.34 per head in Madhya Pradesh, Rs. 89.88 in Chhattisgarh, Rs. 83.04 in Rajasthan and Rs. 42.78 in Orissa. Thus, Chhattisgarh and Rajasthan are about at par, and transfer about 60 percent more than Madhya Pradesh and Orissa. These figures exclude the provisions made by the TFC, which are routed through the State Budget. The TFC transfers are listed in the notes to table 2.10.



## 2.4.1 Madhya Pradesh

The devolvable percentage (table 2.11) is low where there is large expenditure on departmental infrastructure (as in crop and animal husbandry, fisheries, minor irrigation and water supply) and in a few of the targeted welfare categories. The devolvable percentages are high, where the function maps onto only a sub-head, or a sum of sub-heads, such as medical and public health for example.

**Table 2.11: Percent of Revenue Expenditure Devolved by Budget Head in Madhya Pradesh: 2006-07**

		<b>Devolved/ devolvable</b>	<b>Devolvable/ total</b>
<b>Livelihoods</b>			
2401	Crop husbandry	<b>20.41</b>	[50.52]
2402	Soil and water conservation	<b>0.00</b>	[89.17]
2702	Minor irrigation	<b>56.31</b>	[11.65]
2245 (01)	Drought	<b>0.00</b>	[100.00]
2403	Animal husbandry	<b>10.35</b>	[45.37]
2405	Fisheries	<b>24.70</b>	[66.66]
2406 (01)	Forestry	<b>0.00</b>	[82.97]
2851	Village and small industries	<b>6.35</b>	[82.84]
<b>Infrastructure</b>			
2215 (01)	Water supply	<b>25.48</b>	[36.95]
3054 (04)	District and other roads	<b>0.00</b>	[100.00]
<b>Education, Health</b>			
2202(01)	Elementary education	<b>12.23</b>	[98.49]
2202(04)	Adult education	<b>0.00</b>	[100.00]
2210(03,04,06)	Rural and public health	<b>0.00</b>	[96.26]
<b>Anti-poverty, Social Welfare</b>			
2501	Special programs for rural development	<b>86.16</b>	[100.00]
2515	Other rural dev programs	<b>94.33</b>	[94.82]
2505	Rural employment	<b>100.00</b>	[100.00]
2216 (03)	Rural housing	<b>100.00</b>	[100.00]
2211	Family welfare	<b>0.00</b>	[62.53]
2236(02)	Distribution of nutrition	<b>13.38</b>	[100.00]
2235(02,60)	Social security and welfare	<b>41.99</b>	[95.67]
2225	Welfare of SC, ST, OBC	<b>24.41</b>	[95.36]

**Source:** Authors' calculations from Budget Documents: 2006-07, Government of Madhya Pradesh.

**Notes:** The names of categories correspond to the budget sub-head indicated, where relevant. For details on inclusions within each four-digit major category, see table 2.1.

Devolved as a percentage of devolvable expenditures vary very widely within each class of functions. The highest devolved percentages are of course in the rural employment and other rural programmes, where they are equal or close to 100 percent. These programmes are driven by Central directives on devolution of funds to PRIs, and do not really reflect state moves towards devolution. Between the other classes of functions, somewhat surprisingly, the devolved percentages are higher in some livelihood and infrastructure categories (minor irrigation, crop husbandry,<sup>5</sup> fisheries, water supply), than in education, health and nutrition programmes. The devolution of old age and widows' pensions to PRIs accounts for the high devolved percentages in the two welfare heads.

#### **2.4.2 Chhattisgarh**

The devolvable percentages are in general much higher in Chhattisgarh than in Madhya Pradesh (table 2.12), the state of which it was until 2000-01 a part. The reasons could be that the state inherited a lower departmental overhang.

With some major exceptions, devolved percentages are much lower than in Madhya Pradesh, or about on par (Chhattisgarh also devolves old age and widows' pensions). The two major exceptions are elementary education and fisheries, nearly one-third of which is devolved. The rural programmes show high devolved percentages, as expected.

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<sup>5</sup> The product of the devolved and devolvable percentages in this table for crop husbandry will yield the devolved to total percentage figure of 10.31 shown in table 2.3a.

**Table 2.12: Percent of Revenue Expenditure Devolved by Budget Head in Chhattisgarh: 2006-07**

		<b>Devolved/ devolvable</b>	<b>Devolvable/ total</b>
<b>Livelihoods</b>			
2401	Crop husbandry	1.75	[63.28]
2402	Soil and water conservation	0.00	[96.71]
2702	Minor irrigation	8.54	[71.89]
2245 (01)	Drought	0.00	[100.00]
2403	Animal husbandry	4.09	[63.07]
2405	Fisheries	35.28	[84.14]
2406 (01)	Forestry	0.00	[77.71]
2851	Village and small industries	3.67	[98.10]
<b>Infrastructure</b>			
2215 (01)	Water supply	5.55	[73.85]
3054 (04)	District and other roads	0.00	[100.00]
<b>Education, Health</b>			
2202(01)	Elementary education	31.45	[96.38]
2202(04)	Adult education	0.00	[100.00]
2210(03,04,06)	Rural and public health	1.27	[97.94]
<b>Anti-poverty, Social Welfare</b>			
2501	Special programs for rural development	73.53	[100.00]
2515	Other rural dev programs	85.72	[95.66]
2505	Rural employment	100.00	[100.00]
2216 (03)	Rural housing	100.00	[100.00]
2211	Family welfare	0.00	[68.43]
2236(02)	Distribution of nutrition	0.48	[100.00]
2235(02,60)	Social security and welfare	41.72	[96.44]
2225	Welfare of SC, ST, OBC	0.89	[96.94]

**Source:** Authors' calculations from Budget Documents: 2006-07, Government of Chhattisgarh.

**Notes:** See notes to table 2.11.

### 2.4.3 Rajasthan

Devolvable shares are more similar to those in Madhya Pradesh, with relatively lower shares in crop husbandry, minor irrigation, animal husbandry, fisheries, water supply and forestry in addition. In view of the importance of animal husbandry in Rajasthan, the low devolvability is of some concern.

The devolved percentages, while low in general in Rajasthan, are sharply high in some categories. For example, soil and water conservation, an important function in a water-scarce state, is highly devolved, at 85.99 percent of the devolvable total.

Elementary education is also at around the one-third mark, as in Chhattisgarh. In all other functions, including minor irrigation, drought relief and water supply, the devolved percent is surprisingly low. Rajasthan also does not devolve old age and widows' pensions, unlike Madhya Pradesh and Chhattisgarh.

**Table 2.13: Percent of Revenue Expenditure Devolved by Budget Head in Rajasthan: 2006-07**

		Devolved/ devolvable	Devolvable/ total
<b>Livelihoods</b>			
2401	Crop husbandry	0.09	[59.98]
2402	Soil and water conservation	85.99	[95.16]
2702	Minor irrigation	9.52	[53.62]
2245 (01)	Drought	0.00	[100.00]
2403	Animal husbandry	0.00	[19.61]
2405	Fisheries	26.73	[61.58]
2406 (01)	Forestry	16.76	[44.17]
2851	Village and small industries	0.00	[98.90]
<b>Infrastructure</b>			
2215 (01)	Water supply	7.26	[36.28]
3054 (04)	District and other roads	0.0006	[100.00]
<b>Education, Health</b>			
2202(01)	Elementary education	34.55	[97.43]
2202(04)	Adult education	0.00	[100.00]
2210(03,04,06)	Rural and public health	0.00005	[98.99]
<b>Anti-poverty, Social Welfare</b>			
2501	Special programs for rural development	99.90	[100.00]
2515	Other rural dev programs	99.29	[98.70]
2505	Rural employment	100.00	[100.00]
2216 (03)	Rural housing	0.00	[0.00]
2211	Family welfare	0.00	[73.35]
2236(02)	Distribution of nutrition	0.00005	[100.00]
2235(02,60)	Social security and welfare	1.25	[89.68]
2225	Welfare of SC, ST, OBC	8.71	[97.63]

**Source:** Authors' calculations from Budget Documents: 2006-07, Government of Rajasthan.

**Notes:** There is no entry for 2216(03) in Rajasthan. The Indira Awaas Yojana is accounted for under 2505 (rural employment).

#### 2.4.4. Orissa

The devolvable percentages are at lower levels than in the other three states, reflecting the low share of expenditures on other than departmental administration. What

uniquely distinguishes Orissa however is that the percent devolved is at or close to zero, with the exception of the Centrally funded rural programmes. Even expenditure on fisheries, at high devolved percentages in the other three states, is not devolved in Orissa. The devolved percentage in elementary education is zero.

**Table 2.14: Percent of Revenue Expenditure Devolved by Budget Head in Orissa: 2006-07**

		Devolved/ devolvable	Devolvable/ total
<b>Livelihoods</b>			
2401	Crop husbandry	0.00	[37.52]
2402	Soil and water conservation	0.00	[64.29]
2702	Minor irrigation	0.00	[44.61]
2245 (01)	Drought	0.00	[100.00]
2403	Animal husbandry	0.00	[35.11]
2405	Fisheries	0.00	[69.00]
2406 (01)	Forestry	0.00	[88.80]
2851	Village and small industries	0.00	[77.13]
<b>Infrastructure</b>			
2215 (01)	Water supply	0.00	[50.19]
3054 (04)	District and other roads	10.42	[100.00]
<b>Education, Health</b>			
2202(01)	Elementary education	0.00	[97.94]
2202(04)	Adult education	4.44	[27.66]
2210(03,04,06)	Rural and public health	0.00	[89.88]
<b>Anti-poverty, Social Welfare</b>			
2501	Special programs for rural dev.	100.00	[100.00]
2515	Other rural dev programs	100.00	[94.36]
2505	Rural employment	96.50	[100.00]
2216 (03)	Rural housing	0.00	[0.00]
2211	Family welfare	0.00	[70.61]
2236(02)	Distribution of nutrition	0.00	[99.50]
2235(02,60)	Social security and welfare	0.00	[97.18]
2225	Welfare of SC, ST, OBC	0.00	[99.91]

**Source:** Authors' calculations from Budget Documents: 2006-07, Government of Orissa.

**Notes:** There is no entry for 2216(03) in Orissa. The Indira Awaas Yojana is accounted for under 2505 (rural employment).

## 2.5 AGGREGATE COMPARISON ACROSS THE FOUR STATES

Tables 2.15 and 2.16 present the final cross-state figures of devolvable and devolved shares. The product of the two will yield the share of devolved to total expenditure in the relevant budget category.

The burden of this chapter has been to unearth the devolution profile of each state by function. However, a few cross-functional aggregates are of interest.

In aggregate, the weighted average of devolvable expenditure as a percent of the total across all functions is remarkably similar, falling in a narrow range of 86 to 91 for the four states. The percentage is this high because it is heavily weighted by the Centrally-driven anti-poverty programmes.

With devolved as a percentage of devolvable expenditure, there are large differences between states for particular functions. A few of these cases, of unusually large devolved functions, are quantified by sub-function in annex 2. In aggregate, these differences get averaged out, and devolved percentages vary once again within a narrow band of 25 to 30 percent in three states, all except Orissa, where the weighted average is 11 percent. Because of the high devolvable average across functions, devolved as a percent of total expenditure falls in the range 23 to 26 percent for Madhya Pradesh, Chhattisgarh and Rajasthan, and 10 percent for Orissa.

An analysis of variance on the devolved percentages in table 2.16 does not show any statistical significance for the difference between all four states taken together, although of course it does show differences for pair-wise comparisons of Orissa with each of the other three taken in turn.

**Table 2.15: Devolvable Percent of Total Revenue Expenditure by Budget Head:  
All States (2006-07)**

		MP	CH	RJ	OR
<b>Livelihoods</b>					
2401	Crop husbandry	50.52	63.28	59.98	37.52
2402	Soil and water conservation	89.17	96.71	95.16	64.29
2702	Minor irrigation	11.65	71.89	53.62	44.61
2245 (01)	Drought	100.00	100.00	100.00	100.00
2403	Animal husbandry	45.37	63.07	19.61	35.11
2405	Fisheries	66.66	84.14	61.58	69.00
2406 (01)	Forestry	82.97	77.71	44.17	88.80
2851	Village and small industries	82.84	98.10	98.90	77.13
<b>Infrastructure</b>					
2215(01)	Water supply	36.95	73.85	36.28	50.19
3054(04)	District and other roads	100.00	100.00	100.00	100.00
<b>Education, Health</b>					
2202(01)	Elementary education	98.49	96.38	97.43	97.94
2202(04)	Adult education	100.00	100.00	100.00	27.66
2210(03,04,06)	Rural and public health	96.26	97.94	98.99	89.88
<b>Anti-poverty, social welfare</b>					
2501	Special programs for rural development	100.00	100.00	100.00	100.00
2515	Other rural dev programs	94.82	95.66	98.70	94.36
2505	Rural employment	100.00	100.00	100.00	100.00
2216	Housing	100.00	100.00	0.00	0.00
2211	Family welfare	62.53	68.43	73.35	70.61
2236	Nutrition	100.00	100.00	100.00	99.50
2235	Social security and welfare	95.67	96.44	89.68	97.18
2225	Welfare of SC, ST, OBC	95.36	96.94	97.63	99.91
<b>Average across all functions</b>					
	<b>Weighted</b>	<b>89.53</b>	<b>90.89</b>	<b>86.06</b>	<b>88.61</b>

**Source:** Tables 2.11 – 2.14.

**Notes:** 1. Uniform assignments by budget head and sub-head have been made across states with two exceptions (see annex 2). The exceptions are sub-head 001 (direction and administration) in 2403 (animal husbandry) and 2501 (special programmes for rural development), and sub-head 109 (extension and training) in 2405 (fisheries) in Madhya Pradesh, Chhattisgarh and Orissa.

2. See notes to tables 2.11, 2.13 and 2.14.

**Table 2.16: Devolved as a Percent of Devolvable Revenue Expenditure by Budget Head:  
All States (2006-07)**

		MP	CH	RJ	OR
<b>Livelihoods</b>					
2401	Crop husbandry	20.41	1.75	0.09	0.00
2402	Soil and water conservation	0.00	0.00	85.99	0.00
2702	Minor irrigation	56.31	8.54	9.52	0.00
2245 (01)	Drought	0.00	0.00	0.00	0.00
2403	Animal husbandry	10.35	4.09	0.00	0.00
2405	Fisheries	24.70	35.28	26.73	0.00
2406 (01)	Forestry	0.00	0.00	16.76	0.00
2851	Village and small industries	6.35	3.67	0.00	0.00
<b>Infrastructure</b>					
2215 (01)	Water supply	25.48	5.55	7.26	0.00
3054 (04)	District and other roads	0.00	0.00	0.0006	10.42
<b>Education, Health</b>					
2202(01)	Elementary education	12.23	31.45	34.55	0.00
2202(4)	Adult education	0.00	0.00	0.00	4.44
2210 (03,04,06)	Rural and public health	0.00	1.27	0.00005	0.00
<b>Anti-poverty, social welfare</b>					
2501	Special programs for rural development	86.16	73.53	99.90	100.00
2515	Other rural dev programs	94.33	85.72	99.29	100.00
2505	Rural employment	100.00	100.00	100.00	96.50
2216 (03)	Rural housing	100.00	100.00	0.00	0.00
2211	Family welfare	0.00	0.00	0.00	0.00
2236 (02)	Distribution of nutrition	13.38	0.48	0.00005	0.00
2235	Social security and welfare	41.99	41.72	1.25	0.00
2225	Welfare of SC, ST, OBC	24.41	0.89	8.71	0.00
<b>Average across all functions</b>					
<b>Weighted</b>		29.57	25.30	29.89	10.93
<b>Unweighted</b>		29.35	23.52	23.34	14.83
<b>Average devolved to total</b>					
<b>Weighted</b>		<b>26.47</b>	<b>23.00</b>	<b>25.72</b>	<b>9.69</b>

Source: *Ibid.*

Notes: See notes to tables 2.11, 2.14 and 2.15.

## 2.6 SUMMARY OF TRANSFERS

Pulling together the consolidated flow from states to PRIs in the four states, table 2.17 shows the per capita flow in terms of the budgeted release from state budgets in the ongoing budget year 2006-07. The functional flow is obtained by adding on to the 21 listed functions in table 2.16, the flows from the capital account in Rajasthan for NREGS and other rural employment schemes (table 2.6), and from other than rural budget heads



in Orissa for the RSVY (table 2.7). These flows include those TFC and other flows from the Centre routed through state budgets. It is not feasible, nor really analytically useful, to separate those out, since the intent here is to capture what flows to PRIs, and not so much to capture the source of funding of these flows.

Adding on the revenue support, in accordance with SFC recommendations, yields a total per capita flow in the range 473 to 484 rupees per capita in Madhya Pradesh and Rajasthan, about thirty percent higher, at Rs. 621 in Chhattisgarh, and lowest of all in Orissa, at 198 rupees per head.

**Table 2.17: Summary of Per Capita Flows from State Governments to PRIs: 2006-07**

<b>Rs. per capita</b>	<b>MP</b>	<b>CH</b>	<b>RJ</b>	<b>OR</b>
Functional flows	427.46	531.58	390.26	154.81
<i>of which TFC</i>	<i>66.2</i>	<i>68.3</i>	<i>49.6</i>	<i>47.8</i>
Rev transfers	56.34	89.88	83.04	42.78
Total to PRIs	483.80	621.46	473.30	197.59

**Source:** Based on tables 2.6, 2.7, 2.10 and 2.16

**Notes:** Functional flows add on to the absolute flows under the 21 heads of table 2.16, the NREGS flows from the capital account in Rajasthan, and RSVY flows from account head 3451 in Orissa.

Finally, table 2.18 obtains the sum obtained from the detailed extraction of flows to PRIs described in this chapter across revenue transfer and functional expenditure, as a percent of total revenue expenditure budgeted for fiscal year 2006-07. (There is a slight, but unavoidable error, in adding on the capital flows under NREGS in Rajasthan.) These are then juxtaposed against the estimate from the sum of PRI-dedicated demands shown in table 2.5. It can be seen quite clearly that in Madhya Pradesh and Chhattisgarh, which have separate (albeit multiple) demands for PRIs, the sum of dedicated demands yields a good approximation. However, in Rajasthan, where functional flows to PRIs are not recorded in dedicated demands, clearly they underestimate total flows. In Orissa, the sum of dedicated demands include about 437 crore of expenditures incurred by the state government on rural roads and waterworks, but not actually devolved to PRIs.

**Table 2.18: State Flows to PRIs as a Percent of Total Revenue Expenditure 2006-07**

	(Rs. crore)			
	MP	CH	RJ	OR
Total revenue expenditure	22509.97	9597.27	24034.35	15939.88
Total to PRIs	2399.67	1118.62	2347.56	663.90
PRI share in total rev exp (%)	10.66	11.66	9.77	4.17
Sum PRI dds in total rev exp (%)	11.54	11.56	4.60	6.91

Source: See source to table 2.2 and calculations in table 2.5.

A final relative ranking of the four states follows in table 2.19. This is juxtaposed against the rural poverty headcount percentage for 2004-05. It is clear that Orissa where rural poverty incidence is highest also has the lowest devolution achievement in both per capita and percentage terms. Two caveats immediately follow. First, no causal relationship can be inferred between the two. Second, the relationship is not neatly inverse, since Rajasthan is not at the top of the devolution indicators.

**Table 2.19: Ranking of Four States by Devolution Progress**

Per capita revenue transfers (Rs.)	Devolved/total expenditures on 21 functions (%)	Per capita total transfers (Rs.)	PRI share in total revenue expenditures (%)	Rural poverty headcount (URP) 2004-05 (%)
CH:89.88	MP: 26.47	CH: 621.46	CH: 11.66	OR: 46.80
RJ :83.04	RJ: 25.72	MP: 483.80	MP: 10.66	CH: 40.80
MP:56.34	CH: 23.00	RJ: 473.30	RJ: 9.77	MP: 36.90
OR:42.78	OR: 9.69	OR: 197.59	OR: 4.17	RJ: 18.70

Source: Tables 2.16, 2.17 and 2.18; poverty figures from Government of India, 2007.

Note: The ranking of states by poverty using the URP estimates for 2004-05 remains unchanged with the MPR estimates (see table 2.6 of state reports).

### **3. REVENUE ASSIGNMENT**

#### **3.1 OWN REVENUES OF PRIs: 2002-03**

There is no standing national database on panchayat finances. Reports of the Finance Commissions serve as the only source of information. The Eleventh Finance Commission Report had data on revenue receipts of PRIs for the period 1990-91 to 1997-98, which was further extended by the Twelfth Finance Commission Report up to 2002-03.

Panchayati Raj Institutions are marked by their poor internal revenue effort and high dependence on grants-in-aid and assigned revenues and other specific grants from both central and state governments. In their memorandum to Twelfth Finance Commission the Ministry of Rural Development estimates the internal revenue mobilization of the PRI at 4.17 percent of their total revenues (TFC Report, 2004). In another study by National Institute of Rural Development (NIRD) for the Eleventh Finance Commission, the annual average internal revenue receipts of PRIs for the period 1992-93 to 1997-98 was estimated at 6.34 per cent of their total receipts excluding central grants (Subrahmanyam and Choudhury, 2002). In per capita terms also the internal revenue mobilization of the PRIs is very low as is evident from our analysis. Higher internal revenue mobilization would enable the PRIs to function as effective institutions of self-government at local level by improving their autonomy in the decision making and the ability to plan and implement various schemes under functions assigned to them.

The own tax and non-tax revenues for the four states of Madhya Pradesh, Chhattisgarh, Rajasthan and Orissa in 2002-03, as reported by the Twelfth Finance Commission are given in table 3.1. The share of internal revenues in total revenues of PRIs varies from 36.53 percent for Madhya Pradesh to 2.08 percent for Rajasthan, while for the country as a whole is 6.84 percent.

**Table 3.1: Own Revenues of PRIs: 2002-03**

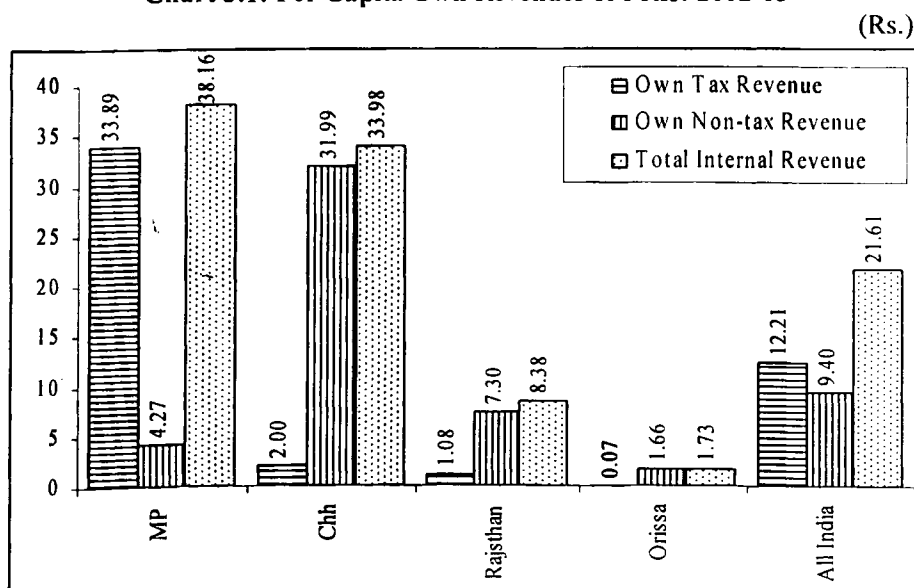
	Own tax revenue	Own non-tax revenue	Total internal revenue	Total revenue	(Rs. crore) Share of internal to total revenues (%)
Madhya Pradesh	155.23	19.58	174.81	478.52	36.53
Chhattisgarh	3.40	54.47	57.87	280.83	20.61
Rajasthan	4.84	32.84	37.68	1811.63	2.08
Orissa	0.21	5.30	5.51	187.84	2.93
<b>All India</b>	<b>928.71</b>	<b>714.80</b>	<b>1643.51</b>	<b>24010.52</b>	<b>6.84</b>

**Source:** Twelfth Finance Commission Report, Government of India, 2004.

**Note:** Total revenue includes total internal revenues, grants-in-aid and assigned and devolved taxes from the state governments. It however, does not include CSS.

The per capita own revenue equivalents of the figures in table 3.1 are shown in chart 3.1. Among the four states Madhya Pradesh has the highest per capita own revenue followed by Chhattisgarh while Orissa has the least. The per capita own revenues of Madhya Pradesh and Chhattisgarh are Rs.38.16 and Rs.33.98 respectively as compared to the all India figure of Rs. 21.61. The corresponding figures for Rajasthan and Orissa are Rs. 8.38 and Rs. 1.73 respectively.

**Chart 3.1: Per Capita Own Revenues of PRIs: 2002-03**



**Note:** Per capita figures are derived using mid-year rural population.

### **3.2 OWN REVENUE IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS 2005-06**

In the statutes of the four states, it is the gram panchayat which is endowed with revenue-raising tax and non-tax powers, exclusively in the case of Orissa, and for the most part in the other three states, where a few tax powers are granted to janpad panchayats as well. However, in Madhya Pradesh following the Gram Swaraj Adhiniyam 2001, some of the revenue raising powers of the gram panchayats have been transferred to the gram sabhas. In Rajasthan, apart from the gram panchayat and janpad panchayats, the zilla panchayats are also empowered to levy taxes. But these powers are limited (see respective state reports for detailed list of taxes assigned to different tiers of PRIs).

Two states, Madhya Pradesh and Chhattisgarh designate some taxes as obligatory. In the case of both obligatory and optional taxes, the tax rate and the base are decided by the state government, either in the relevant statute, or by executive order. These rules and rates are typically not revised for long periods of time. For instance, in Orissa the vehicle tax rates have not been revised since 1975. The statute prescribes the maximum rate at which the panchayats can levy the tax, and in some cases a range (minimum and maximum tax rates) within which the PRIs can fix their own tax rates. For example the Madhya Pradesh and Chhattisgarh Acts prescribe minimum and maximum rates for the tax on land and buildings, profession tax, and entertainment tax.

The house and building tax is the core element in the PRI fiscal domain, but not in Orissa despite recommendation by successive State Finance Commissions. Even in the other three, where this tax is assigned to the panchayats, it is specified as a specific absolute levy, slabbed at best with respect to floor area.

In addition to tax sources, the PRIs are empowered to collect non-tax revenues in the form of fees, fines, and user charges. Apart from fees and user charges, the panchayats are vested with public properties like irrigation sources, ferry ghats, waste lands and communal lands, orchards, tanks, markets and fairs. Income from these vested properties forms part of the non-tax revenue of panchayats, although where these are still

owned and controlled by the line departments of the state governments, the non-tax revenue accrues to the state. The properties built by the panchayats such as sewerage, drains, public roads, and buildings are also panchayat properties and some of these do generate non-tax revenues.

The survey results show better non-tax performance in the form of various user charges, fees and fines, and income from vested properties (the details of tax and non-tax sources by state are given in the respective state reports). The number and type of own taxes collected by the GPs in the pre-assigned backward districts and the comparator districts in table 3.2 show in aggregate across the four states, that in backward districts, 70.28 percent of GPs do not levy any taxes. In the selected comparator districts the percentage is even more at 80.25. Around 24 percent of the GPs in backward districts and 15 percent in comparator districts, collect only one source of revenue. That leaves very few GPs collecting more than one source of tax revenue. Among the taxes collected by the GPs the house tax and lighting and animal taxes are most usually levied. The water tax is collected by a large number of GPs in the backward districts of Madhya Pradesh and Chhattisgarh, but the profession tax is not levied, even though it is obligatory. The miscellaneous category includes vehicle, conservancy and drainage taxes.

More GPs from the backward districts as compared to the comparator districts seem to be exploiting their tax powers. The collection of house tax is more prevalent in Madhya Pradesh and Chhattisgarh. Water tax which is prevalent only in these two states is found to be mostly collected by GPs in the backward district of Khargone in Madhya Pradesh under the scheme called 'Nal Jal Yojana'.

At the middle tier, it is only JPs in Madhya Pradesh and Rajasthan which levy some taxes. In Madhya Pradesh the taxes levied by the JPs are the business tax and entertainment tax while in Rajasthan they levy panchayat samiti tax, vikas tax and education cess. In case of ZPs, none of them collect any taxes at all.

**Table 3.2: Matrix of GPs by Number and Type of Own Taxes**

	House tax	Lighting tax	Animal tax	Water tax	Other misc.	Total no. of GPs by source	Percent
<b>Comparator districts</b>							
0 source	0	0	0	0	0	256	80.25
1 source	9	3	8	3	25	48	15.05
2 source	2	4	4	4	6	10	3.13
3 source	1	3	3	2	3	4	1.25
4 source	1	1	1	0	1	1	0.31
<b>Total</b>	<b>13</b>	<b>11</b>	<b>16</b>	<b>9</b>	<b>35</b>	<b>319</b>	<b>100</b>
	(4.08)	(3.45)	(5.02)	(2.82)	(10.97)		
<b>Backward districts</b>							
0 source	0	0	0	0	0	324	70.28
1 source	26	1	23	24	35	109	23.64
2 source	10	4	6	14	8	21	4.56
3 source	5	4	1	4	1	5	1.08
4 source	2	2	0	2	2	2	0.43
<b>Total</b>	<b>43</b>	<b>11</b>	<b>30</b>	<b>44</b>	<b>46</b>	<b>461</b>	<b>100</b>
	(9.33)	(2.39)	(6.51)	(9.54)	(9.98)		

**Source:** Authors' calculations.

**Notes:** 1. Figures in parenthesis refer to percent of GPs to total number of GPs.

2. Percentages in the bottom row do not add up to 100. Taxes from miscellaneous sources such as markets and fairs, commercial property, and water charges that vary considerably across the states are included in the 'other' category.

Table 3.3 shows that around 30 percent of GPs in backward districts and 23 percent in comparator districts collect no non-tax revenues at all. On the other hand, the cumulative total of backward districts with more than 2 sources at 15.40 percent is higher as compared to 14 percent for comparator districts. Around 40 percent of the GPs exploit property rental and lease income to raise revenues. This includes renting out panchayat properties, auctioning of ferry ghats, orchards, trees and leasing out properties for public use. A large number, 35 percent in backward and 44 percent in comparator districts, also receive interest receipts from the bank deposits of funds received by them under various central and state schemes. However, this source of income depends upon the amount of unspent funds under different schemes remaining with the banks and is not based on any revenue effort of the GPs. Royalty from minor minerals and income from forest products accrue to relatively fewer GPs, depending upon the endowment of such properties. Other sources mainly include fees on issuing various certificates and for use of shops and buildings in markets and fairs, user fees on services provided by the GPs, sale of scrap, and fines.

**Table 3.3: Matrix of GPs by Number and Type of Own Non-Tax Revenues**

	Property rental & lease income	Interest receipt	Royalty from minor minerals	Income from forest products	Others	Total no. of GPs by source	Percent
<b>Comparator districts</b>							
0 source	0	0	0	0	0	74	23.20
1 source	33	51	1	0	29	114	35.74
2 source	51	51	9	1	60	86	26.96
3 source	28	24	2	7	29	30	9.40
4 source	14	14	6	8	14	14	4.39
5 source	1	1	1	1	1	1	0.31
<b>Total</b>	<b>127</b>	<b>141</b>	<b>19</b>	<b>17</b>	<b>133</b>	<b>319</b>	
	(39.81)	(44.20)	(5.96)	(5.33)	(41.69)		
<b>Backward districts</b>							
0 source	0	0	0	0	0	137	29.72
1 source	48	47	4	1	49	149	32.32
2 source	79	54	6	2	67	104	22.56
3 source	52	43	8	8	51	54	11.71
4 source	16	16	7	9	16	16	3.47
5 source	1	1	1	1	1	1	0.22
<b>Total</b>	<b>196</b>	<b>161</b>	<b>26</b>	<b>21</b>	<b>184</b>	<b>461</b>	
	(42.52)	(34.92)	(5.64)	(4.56)	(39.91)		

Source: *Ibid.*

Notes: Figures in parenthesis refer to percent of GPs to total number of GPs. Percentages in the bottom row do not add up to 100.

For the JPs and ZPs in the surveyed districts property rental and lease income and interest receipts on the bank deposits are the major sources of non-tax revenue as is evident from tables 3.4 and 3.5 respectively. The 'other' category shown in the tables consists of various non-tax revenue sources such as sale of scrap, audit recovery, fees for issuing certificates and bone tender in the case of Rajasthan where livestock is a major activity.



**Table 3.4: Matrix of JPs by Number and Type of Own Non-Tax Revenues**

	Property rental & lease income	Interest received	License fee	Others	Total	Percent
<b>Comparator districts</b>						
0 source	0	0	0	0	6	19.35
1 source	1	4	0	2	7	22.58
2 source	8	8	0	6	11	35.48
3 source	5	5	0	5	5	16.13
4 source	2	2	2	2	2	6.45
<b>Total</b>	<b>16</b>	<b>19</b>	<b>2</b>	<b>15</b>	<b>31</b>	
	(51.61)	(61.29)	(6.45)	(48.39)		
<b>Backward districts</b>						
0 source	0	0	0	0	5	10.64
1 source	6	16	0	0	22	46.81
2 source	10	5	0	5	10	21.28
3 source	9	9	0	9	9	19.15
4 source	1	1	1	1	1	2.13
<b>Total</b>	<b>26</b>	<b>31</b>	<b>1</b>	<b>15</b>	<b>47</b>	
	(55.32)	(65.96)	(2.13)	(31.91)		

Source: *Ibid.*

Notes: Figures in parenthesis refer to percent of JPs to total number of JPs.  
Percentages in the bottom row do not add up to 100.

**Table 3.5: Matrix of ZPs by Number and Type of Own Non-Tax Revenues**

	Property rental & lease income	Interest received	Others	Total	Percent
<b>Comparator districts</b>					
0 source	0	0	0	3	37.50
1 source	0	1	1	2	25.00
2 source	3	2	1	3	37.50
3 source	0	0	0	0	0.00
<b>Total</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>8</b>	
	(37.50)	(37.50)	(25.00)		
<b>Backward districts</b>					
0 source	0	0	0	2	22.22
1 source	1	1	0	2	22.22
2 source	3	2	3	4	44.44
3 source	1	1	1	1	11.11
<b>Total</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>9</b>	
	(55.56)	(44.44)	(44.44)		

Source: *Ibid.*

Notes: Figures in parenthesis refer to percent of ZPs to total number of ZPs.  
Percentages in the bottom row do not add up to 100.

Table 3.6: Composition of Own Revenue Sources of GPs by District

(percent)

		Comparator Districts		Backward Districts		
		Bhind	Vidisha	Khargone	Mandla	
Madhya Pradesh	Taxes	18.90	14.79	70.60	36.04	
	Fees & fines	0.32	0.46	0.18	0.04	
	Rent	56.02	3.71	6.11	15.47	
	Lease & auction	4.58	16.02	2.23	13.82	
	Interest	14.83	4.57	3.10	1.88	
	Other sources	5.35	60.45	17.78	32.75	
	Total	100.00	100.00	100.00	100.00	
		<b>Dhamtari</b>		<b>Bastar</b>	<b>Rajnandgaon</b>	
Chhattisgarh	Taxes	38.24		21.26	20.21	
	Fees & fines	2.06		0.64	1.25	
	Rent	7.44		17.31	33.92	
	Lease & auction	42.70		26.42	37.50	
	Interest	2.82		4.71	2.89	
	Other sources	6.74		29.66	4.23	
	Total	100.00		100.00	100.00	
		<b>Jhunjhunun</b>	<b>Jodhpur</b>	<b>Banswara</b>	<b>Dungarpur</b>	<b>Jhalawar</b>
Rajasthan	Taxes	0.00	11.63	0.63	19.67	23.43
	Fees & fines	12.69	46.82	38.08	8.23	20.40
	Rent	16.43	32.36	41.42	60.68	4.55
	Lease & auction	5.99	0.88	3.18	2.52	5.22
	Interest	10.15	1.35	6.48	0.72	0.20
	Other sources	54.74	6.96	10.22	8.18	46.20
	Total	100.00	100.00	100.00	100.00	100.00
		<b>Bargarh</b>	<b>Kendrapara</b>	<b>Malkangiri</b>	<b>Kandhamal</b>	<b>Mayurbhanj</b>
Orissa	Taxes	6.51	6.97	2.31	1.47	6.52
	Fees & fines	0.40	0.83	1.09	5.54	1.49
	Rent	3.38	3.57		27.74	3.67
	Lease & auction	61.98	74.40	67.89	29.20	48.98
	Interest	11.38	4.72	23.54	25.21	14.04
	Other sources	16.36	9.51	5.17	10.84	25.30
	Total	100.00	100.00	100.00	100.00	100.00

Source: *Ibid.*

The preceding tables show the number of PRIs collecting revenues by type of source. Table 3.6 shows the shares in own revenue collected by gram panchayats, by source and by district. There is considerable variation between districts within each category, but the following patterns emerge.

Non-tax revenues are the dominant source of own revenues of GPs everywhere except Khargone (a backward district in Madhya Pradesh). Among the various non-tax sources the important ones are the income from lease and auctions of ponds, markets, and orchards, and rent from panchayat properties. In addition to these sources interest receipts form an important source of non-tax revenues of the GPs in Orissa while in

Rajasthan income from fees and fines is high as is evident from the table. In general, taxes contribute little in Orissa and Rajasthan with two exceptions, the backward districts of Dungarpur and Jhalawar where 20-24 percent of own revenues of the GPs come from taxes. Tax rights are more effectively exercised in Madhya Pradesh and Chhattisgarh, which are the two states designating certain taxes as obligatory.

**Table 3.7: Composition of Own Revenue Sources of JPs by District**

(percent)

	Comparator Districts		Backward Districts			
	Bhind	Vidisha	Khargone	Mandla		
<b>Madhya Pradesh</b>	Taxes	0.16	0.79	0.03	1.29	
	Fees and fines	0.77	0.42	0.00	0.00	
	Rent	0.67	1.89	10.00	3.33	
	Lease & auction	0.53	3.88	12.70	41.93	
	Interest	97.71	33.58	77.24	45.35	
	Other sources	0.16	59.44	0.03	8.10	
	Total	100.00	100.00	100.00	100.00	
<b>Chhattisgarh</b>		<b>Dhamtari</b>	<b>Bastar</b>	<b>Rajnandgaon</b>		
	Taxes	0.00	0.00	0.00		
	Rent	39.23		1.47	3.50	
	Lease & auction	19.66		51.55	18.61	
	Interest	41.08		46.98	77.89	
	Other sources	0.03		0.00	0.00	
Total	100.00		100.00	100.00		
<b>Rajasthan</b>		<b>Jhunjhunun</b>	<b>Jodhpur</b>	<b>Banswara</b>	<b>Dungarpur</b>	<b>Jhalawar</b>
	Taxes	21.03	38.00	15.43	9.94	11.19
	Fees and fines	0.00	0.00	0.45	0.00	0.00
	Rent	20.87	2.76	11.88	3.44	34.47
	Lease & auction	17.62	9.14	12.57	18.37	7.16
	Interest	16.90	0.08	6.79	0.00	19.39
	Other sources	23.58	50.02	52.88	68.25	27.79
Total	100.00	100.00	100.00	100.00	100.00	
<b>Orissa</b>		<b>Bargarh</b>	<b>Kendrapara</b>	<b>Malkangiri</b>	<b>Kandhamal</b>	<b>Mayurbhanj</b>
	Taxes	0.00	0.00	0.00	0.00	0.00
	Rent	1.51	0.00	0.00	0.00	0.00
	Lease & auction	0.00	0.00	100.00	0.00	0.00
	Interest	72.73	0.00	0.00	100.00	100.00
	Other sources	25.76	0.00	0.00	0.00	0.00
Total	100.00	0.00	100.00	100.00	100.00	

Source: *Ibid.*

The composition of own revenue sources of the middle tier i.e. the janpad panchayats by district is given in table 3.7. The JPs in Rajasthan are assigned with tax powers such as tax on rent payable for the use of agricultural land, education cess, profession tax and tax on panchayat samiti fairs (panchayat samiti tax). However, from the survey results we found that JPs in Rajasthan do not exploit profession tax and rent

on agricultural land use. The education cess collected by the JPs does not reflect their own tax effort because they piggy back on the state revenue collection. The share of own taxes in own revenues is higher in the comparator districts in Rajasthan as compared to the backward districts. The JPs in Madhya Pradesh collect some taxes from their assigned tax powers such as entertainment tax and fees on use of JP properties but its share in own revenues is very low. Though the JPs in Chhattisgarh are assigned with similar tax powers as is in Madhya Pradesh, they do not collect any tax revenue. Both in Madhya Pradesh and Chhattisgarh, the state governments assign a portion of the state revenues such as land revenues and a cess on land revenue and surcharge on stamp duties to JPs and ZPs. These assigned revenues are included in the overall state transfers to the various tiers of PRIs and are not considered here as own revenues. The JPs in Orissa are not assigned with any tax powers and do not raise any tax revenue as is evident from the survey in selected districts.

Among the non-tax sources of JPs the important ones are income from lease and auction, and interest receipts. In Rajasthan income from rent is another important source of non-tax revenue of the JPs. Income from bone tender i.e., auctioning/selling of bones of dead animals and audit fees which are clubbed under 'other sources' is an important source of revenue for the JPs in both the comparator and backward districts in Rajasthan.

The composition of own revenue sources of ZPs illustrated in table 3.8 reveal that ZPs in all the four states under study do not raise any tax revenue. This is due to the non-assignment of tax powers to this tier except in Rajasthan. Although, the ZPs in Rajasthan are assigned with tax powers such as fees on fairs, water rates, surcharge on stamp duty and market fees, the survey results indicate that they do not exploit their tax rights. Thus the own revenues of ZPs mainly comprises of income from non-tax sources. Among the non-tax sources income from lease and auction, rent from panchayat properties are important revenue sources in both the backward and comparator districts of Madhya Pradesh, Chhattisgarh and Rajasthan. The ZPs in Orissa do not raise any non-tax revenue, exception being Kendrapara where interest receipts are the only source of own revenue.

**Table 3.8: Composition of Own Revenue Sources of ZPs by District**

(percent)

	Comparator Districts		Backward Districts			
	Bhind	Vidisha	Khargone	Mandla		
Madhya Pradesh	Taxes					
	Rent	19.90		31.14	9.02	
	Lease & auction	7.06	4.05	43.25	15.83	
	Interest	73.04	95.95	25.61		
	Other sources				75.15	
	Total	100.00	100.00	100.00	100.00	
Chhattisgarh	Dhamtari		Bastar	Rajnandgaon		
	Taxes					
	Lease & auction				100.00	
	Interest			100.00		
	Total			100.00	100.00	
Rajasthan	Jhunjhunū		Jodhpur	Banswara	Dungarpur	Jhalawar
	Taxes					
	Fees & fines	0.04	0.37			
	Rent	20.62				14.35
	Lease & auction	75.32				83.84
	Interest				79.15	
	Total	100.00	100.00	100.00	100.00	100.00
Orissa	Bargarh		Kendrapara	Malkangiri	Kandhamal	Mayurbhanj
	Taxes					
	Interest		100.00			
Total		100.00				

Source: *Ibid.*

Per capita own revenues raised by the GPs in surveyed districts for the year 2005-06 are presented in table 3.9. From the table we see that in Chhattisgarh the mean per capita own tax revenue in the comparator districts is much higher than that of the backward districts, while in Madhya Pradesh the opposite is true. In Orissa and Rajasthan, however, the mean per capita own tax is negligible in both the district clusters. The comparator districts in Orissa are collecting marginally higher amount than the backward districts and reverse is the case in Rajasthan.

As regards own non-tax revenue, the mean per capita own non-tax revenue is higher in the comparator districts vis-à-vis the backward districts. From the table it is evident that the share of mean per capita own non-tax revenue in mean per capita own revenue is higher than that of mean per capita own tax revenue in both backward and comparator districts in all the four states exception being the backward districts in

Table 3.9: Mean Per Capita Own Revenues Receipts of the GPs

(Rs.)

		Comparator districts			Backward districts			
		Bhind	Vidisha	Average	Khargone	Mandla	Average	
Madhya Pradesh	Own tax	0.14	1.38	0.85	5.88	3.71	4.75	
	Own non-tax	0.42	10.44	6.18	2.18	7.10	4.73	
	Own revenue	0.56	11.81	7.03	8.06	10.81	9.48	
Chhattisgarh		Dhamtari			Bastar	Rajnandgaon		
	Own tax	4.10		4.10	0.17	1.72	0.98	
	Own non-tax	6.89		6.89	2.03	6.07	4.14	
	Own revenue	10.99		10.99	2.20	7.78	5.11	
Rajasthan		Jhunjhunun	Jodhpur		Banswara	Dungarpur	Jhalawar	
	Own tax	0.00	0.24	0.14	0.01	0.38	0.62	0.29
	Own non-tax	2.87	2.36	2.57	1.73	1.44	1.88	1.69
	Own revenue	2.87	2.59	2.71	1.75	1.83	2.49	1.98
Orissa		Bargarh	Kendrapara	Malkangiri	Kandhamal	Mayurbhanj		
	Own tax	0.65	0.17	0.15	0.39	0.33	0.27	
	Own non-tax	7.24	2.74	7.78	5.78	5.08	5.02	
	Own revenue	7.89	2.91	7.93	6.17	5.40	5.29	

Source: *Ibid.*

Madhya Pradesh. Mean per capita own revenue of the GPs in both the district clusters in Rajasthan is substantially lower than those of the other three states.

The per capita own revenue raised at the three tiers averaged over comparator and backward districts are given in table 3.10.

**Table 3.10: Mean Per Capita Own Revenues Receipts of all the Tiers**

		Comparator districts			Backward districts			(Rs.)
		GP	JP	ZP	GP	JP	ZP	
<b>Madhya Pradesh</b>	Own tax	0.85	0.01	0.00	4.75	0.11	0.00	
	Own non-tax	6.18	2.80	1.89	4.73	6.01	0.36	
	Own revenue	7.03	2.82	1.89	9.48	6.12	0.36	
<b>Chhattisgarh</b>	Own tax	4.10	0.00	0.00	0.98	0.00	0.00	
	Own non-tax	6.89	0.52	0.00	4.14	1.48	0.20	
	Own revenue	10.99	0.52	0.00	5.11	1.48	0.20	
<b>Rajasthan</b>	Own tax	0.14	1.14	0.00	0.29	0.38	0.00	
	Own non-tax	2.57	2.11	0.16	1.69	2.33	0.44	
	Own revenue	2.71	3.25	0.16	1.98	2.71	0.44	
<b>Orissa</b>	Own tax	0.39	0.00	0.00	0.27	0.00	0.00	
	Own non-tax	5.78	1.18	0.03	5.02	3.37	0.00	
	Own revenue	6.17	1.18	0.03	5.29	3.37	0.00	

Source: *Ibid.*

GPs collect more per capita taxes as compared to the middle and district tier panchayats, the exception being Rajasthan where the per capita own tax is higher in JPs, in part because of the education cess on a state levy. These figures represent only the districts sampled, and do not yield state-level averages. But the range does not encompass the per capita figures for 2002-03 from the Twelfth Finance Commission Report for Madhya Pradesh, which at Rs. 34 per capita is higher than the survey figures which fall in the range of Rs. 1-5 per capita, by a very large multiple. For the other three states, however, the two sources are roughly at par. The share of own tax and non-tax in total own revenues across the three tiers as given in table 3.11 shows that the GPs collect some taxes while in case of JPs and ZPs own revenues consist only of non-tax revenues, except for JPs in Rajasthan.

**Table 3.11 Own Tax and Non-tax Percent to Total Own Revenues**

		Comparator districts			Backward districts		
		GP	JP	ZP	GP	JP	ZP
Madhya Pradesh	Own tax	15.15	0.45	0.00	49.32	0.98	0
	Own non-tax	84.85	99.55	100.00	50.68	99.02	100.00
Chhattisgarh	Own tax	38.24	0.00	0.00	20.62	0.00	0.00
	Own non-tax	61.76	100.00	0.00	79.38	100.00	100.00
Rajasthan	Own tax	8.44	35.45	0.00	13.57	13.33	0.00
	Own non-tax	91.56	64.55	100.00	86.43	86.67	100.00
Orissa	Own tax	5.89	0.00	0.00	5.57	0.00	0.00
	Own non-tax	94.11	100.00	100.00	94.43	100.00	0.00

Source: *Ibid.*

### 3.3 OWN REVENUE SHARE IN TOTAL RECEIPTS IN BACKWARD AND COMPARATOR DISTRICTS: SURVEY RESULTS 2005-06

The share of own revenues, both tax and non-tax, in total receipts from CSS funds, Central Finance Commission funds, State scheme funds and funds from the State Finance Commissions (table 3.12) at GP level is higher in the comparator districts than in backward districts with the exception of Orissa, where the two percentages are about at par. That is consistent with the higher receipt of CSS funds in backward districts.

At the JP level the share of own revenue in total receipts is higher in comparator districts of Madhya Pradesh and Rajasthan, but lower in Chhattisgarh and Orissa. In case of ZPs the share is almost close to zero in all the states except in the comparator districts of Chhattisgarh and backward districts of Orissa.

**Table 3.12: Share of Own Revenues of the PRIs in Total Funds Received**  
(percent)

	Comparator districts			Backward districts		
	GP	JP	ZP	GP	JP	ZP
Madhya Pradesh	3.53	1.50	0.71	2.70	0.91	0.04
Chhattisgarh	4.16	0.21	0.00	1.64	0.33	0.03
Rajasthan	2.77	2.77	0.06	0.63	0.48	0.08
Orissa	2.62	0.21	0.01	2.80	0.46	0.00

Source: *Ibid.*

Looking at the three tiers in both the district clusters, the share of own revenue is higher among GPs than among JPs and ZPs, except in Rajasthan where the shares are at par for the JPs and GPs in the comparator districts. These shares include CSS receipts.



and are therefore not comparable to those from the Twelfth Finance Commission in table 3.1.

### 3.4 CONCLUSIONS

1. Revenue raising powers by the state PRI statutes are assigned mainly to GPs, to a limited extent to JPs in three of the four states (Orissa is the exception), and to ZPs in Rajasthan alone. Classification of some taxes as obligatory is done only in Chhattisgarh and Madhya Pradesh. In Orissa and Rajasthan all taxes are optional, despite repeated recommendations by SFCs.

2. Accordingly, per capita tax collection is higher in GPs as compared to the middle and district tier panchayats. The Rajasthan exception, where the JPs collect higher per capita taxes than the GPs, is to some degree on account of the education cess on state taxes. These figures represent only the districts sampled, and do not yield state-level averages. But the range does not encompass the per capita figures for 2002-03 from the Twelfth Finance Commission Report for Madhya Pradesh, which at Rs. 34 per capita is higher than the survey figures which fall in the range of Rs. 1-5 per capita by a very large multiple. For the other three states, however, the two sources are roughly at par.

3. In both categories of districts, both the tax share and per capita tax revenue of GPs are higher in Madhya Pradesh and Chhattisgarh, than in Orissa and Rajasthan. Since the first two states have obligatory taxes whereas the latter two leave all taxes as optional, the designation of some taxes as obligatory does appear to have had a demonstrable impact on tax effort. However, not all obligatory taxes in Madhya Pradesh and Chhattisgarh are exploited by the PRIs in these two states. For instance, the obligatory profession tax is not levied in either state. In Orissa and Rajasthan, levy of optional taxes is almost non-existent.

4. At all tiers of the PRI structure in both categories of districts, taxes are less significant than non-tax revenues in total own revenue, both in terms of the number levying and in terms of contribution to revenue.

5. In backward districts, 70.28 percent of GPs do not levy any taxes. In the selected comparator districts the percentage is even more at 80.25. Around 24 percent of the GPs in backward districts and 15 percent in comparator districts, collect only one source of revenue. That leaves very few GPs collecting more than one source of tax revenue. Among the taxes collected by the GPs the house tax, followed by lighting and animal taxes, are most usually levied. The water tax is collected by a large number of GPs in the backward districts of Madhya Pradesh and Chhattisgarh.

6. Non-tax revenues are derived principally from property rental and lease income, and interest on unspent balances from development schemes. Perhaps because in backward districts, the non-tax revenue capacity in terms of exploitable physical and financial assets is lower, the GP tax effort on average across all states is found to be higher among backward districts, in terms of percentage of GPs levying at least one tax. In Madhya Pradesh and Rajasthan, even the mean own tax collected per capita is higher in backward districts than in comparator districts. In the other two, the mean own tax collected per capita is lower in the backward districts. (The higher own tax revenue per capita in Khargone district, higher than in comparator districts is an exception, due to larger contribution from the water tax, under the scheme called 'Nal Jal Yojana'.)

7. Notwithstanding the higher tax effort in backward districts, the low non-tax revenue capacity makes for lower own revenue collected per capita in backward districts relative to comparator districts. In conjunction with the fact that receipts from Central schemes are equity promoting, as will be substantiated in chapter 4 from published budgetary sources, and are therefore higher per capita in backward districts, own revenues contribute a lower share of panchayat revenues aggregating across all sources, including Central Schemes, in backward districts.

8. At JP and ZP level as well, the own revenues of JPs and ZPs mainly comprise income from non-tax sources, the important ones being income from lease and auction, rent receipts and interest receipts. The last source depends upon the amount of unspent funds under different schemes remaining with the banks and is not based on any revenue effort of the GPs. JPs collect own taxes only in Rajasthan and to a very small extent in Madhya Pradesh. Despite having tax rights the JPs in Chhattisgarh do not exploit them. while in Orissa the JPs are not assigned any taxes. ZPs across the four states do not

collect any tax at all due to non-assignment of tax power in all the states barring Rajasthan, where they do not exploit their tax rights.

9. Across the three tiers in both the district clusters, the share of own revenue, that includes both tax and non-tax, seems to be higher for GPs than that of JPs and ZPs, except in Rajasthan where the shares are at par for the JPs and GPs in the comparator districts.

## **4. INTERGOVERNMENTAL TRANSFERS: FLOWS FROM THE CENTRAL GOVERNMENT**

### **4.1 OVERVIEW OF AGGREGATE CENTRAL FLOWS TO RURAL AREAS: ALL STATES**

Transfer of resources from the centre to the states is made on the basis of the recommendations of Central Finance Commissions, plan grants by the Planning Commission and Centrally Sponsored Schemes (CSS) of various ministries and departments. This chapter examines the rural component of the flow. Of the rural component, some transfers go directly to Panchayati Raj Institutions (PRIs). This chapter separates the resource transfer reaching directly to PRIs from that which is routed through state budgets.

The Centrally Sponsored Schemes form part of the Central Plan as they are meant to provide additional resources to the states for implementing programmes that are considered by the Government of India to be of national/regional importance. Over the years the number of CSS has proliferated and has become an important tool of the central government to influence policies and expenditures on subjects constitutionally allocated to the states. The number of CSS in operation in the year 2006-07 as identified from the Budget documents is 195.<sup>1</sup> Of these, 30 have been identified as directed exclusively at urban areas. That leaves 165 directed at rural areas, albeit with some unavoidable urban components within them.

The funds to the states under the CSS are routed in two ways, either through state budgets, or bypassing the state budget (some of the latter may require a matching contribution from the states). However, the Central budget does not enable a clear classification of CSS into these two categories. There is a budget head 3601 for routing

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<sup>1</sup> An expert group set up in October 2005 to develop concrete proposals to restructure the schemes submitted its report in September 2006. The group has recommended that only 25 schemes are to be continued, the schemes having an outlay of less than Rs. 300 crore are to be wound up and in future schemes which have an outlay of more than Rs. 300 crore would be approved along with the terminal dates for existing and future schemes.

through state budgets, but only 90 of the 165 CSS are so categorised. The other CSS can only be identified from the outcome budget of each central ministry/department. But the outcome budgets give no indication of the destination of the flow. The final recipients therefore had to be identified for this exercise from the detailed guidelines of all these schemes.<sup>2</sup> An added complication is that the amounts going to the north eastern states for all CSS are given under a separate budget head (account head 2552). These figures were incorporated to arrive at the scheme-specific amounts.

From the budget documents for the year 2006-07, of the total of 165 CSS amounting to Rs. 59236 crore, identified as going to rural areas, 41 (Rs. 36516 crore) bypass the state budget, and 124 (Rs. 22719 crore) are routed through the state budgets. The total flow of funds from the centre to rural areas, adding on the TFC amount of Rs. 4000 crore for the PRIs for the year 2006-07, amounted to Rs. 63236 crore. The fund flow is schematically shown in chart 4.1. The schemes are listed in annexes 7,8 and 9.

#### **4.2 CENTRAL FLOWS BYPASSING STATE GOVERNMENT BUDGETS: ALL STATES**

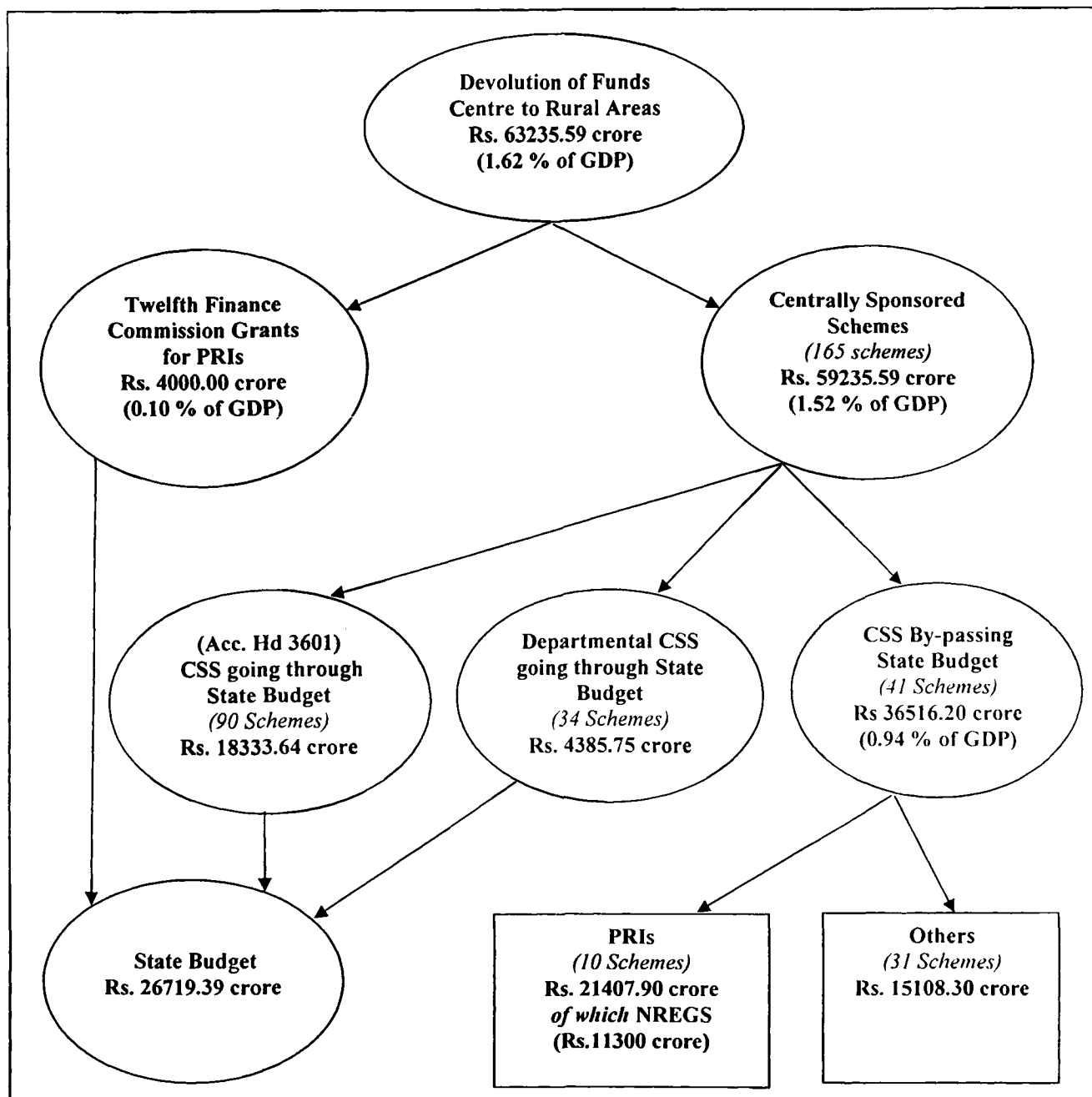
Table 4.1 lists the 41 schemes amounting to Rs. 36516 crore that bypass the state budget in 2006-07. These schemes have been classified into those that flow directly to the PRIs and those that flow to other agencies, missions, corporations and district authorities categorised as “Others” (for details see annexes 8 and 9). Of these, 10 schemes go directly to the PRIs. They are the Sampoorna Grameen Rozgar Yojana (SGRY), National Food for Work Programme (NFFWP), Swarnjayanti Gram Swarozgar Yojana (SGSY), Indira Awaas Yojana (IAY), National Rural Employment Guarantee Scheme (NREGS),<sup>3</sup> Integrated Wastelands Development Programme (IWDP), Drought Prone Areas

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<sup>2</sup> With the help of Garg (2006).

<sup>3</sup> Under NREGS the program officer or the district programme officer will allot at least 50 percent of the works in terms of the costs to the gram panchayat for execution. This is the statutory minimum but the concerned officer can allot more if deemed feasible. The intermediate and district panchayats can also be given the responsibility of executing works from among the 50 percent that are not to be executed by the gram panchayat. Additionally line departments of the government, public sector undertakings of the central and state governments, cooperative societies, NGOs, Self-Help-Groups can also be the implementing agencies. Here we have assumed that the entire fund under NREGS go to PRIs.

**Chart 4.1: Devolution of Funds from Centre to Rural Areas: 2006-07**



**Notes:**

1. Here the central devolution to rural areas excludes Central Assistance to State Plans.
2. CSS reaching the PRIs includes those received by DRDAs as well. The entire flow under NREGS is deemed as having reached PRIS.
3. Others here include (1) District Authorities (other than DRDA), (2) Collector/District Planning Committee/District Industry Centre/Directorate of industries, (3) Registered Autonomous Societies/State Missions/State Council, (4) SLDB, (5) SCDC, (6) STFDC, (7) STDC, and (8) SRRDA.
4. For some CSS, funds going to urban areas are not entirely excludable. So these schemes include components going to urban areas as well.

Programme (DPAP), Areas Programme (DPAP), Desert Development Programme (DDP), Central Rural Sanitation Programme (CRSP) and Member of Parliament Local Area Development Scheme (MPLADS).<sup>4</sup> The remaining 31 schemes go to destinations other than PRIs.

**Table 4.1: Centrally Sponsored Schemes Bypassing the State Budgets**

Scheme	(Rs. crore)		
	Bypassing state budgets		
	2005-06	2005-06	2006-07
	BE	RE	BE
Department of Agriculture and Cooperation (2)	615.00	829.16	500.00
Ministry of Agro and Rural Industries (1)	218.50	273.77	324.98
Department of Family Welfare (1)	1846.48	1256.14	1491.01
Department of Elementary Education (9)	8181.03	8181.03	4715.63
Department of Women and Child Development (1)	5.00	3.00	2.00
Ministry of Labour (1)	125.05	115.76	127.46
Ministry of Non-Conventional Energy Resources (7)	279.00	120.41	283.55
Department of Rural Development (8)	18249.21	20844.21	23934.17
Department of Land Resources (5)	1146.00	1154.00	1162.90
Department of Drinking Water (2)	2014.90	2014.90	2334.00
Ministry of Social Justice & Empowerment (1)	32.50	31.50	33.00
Ministry of Statistics and Programme Implementation (1)	1580.00	1580.00	1580.00
Ministry of Tribal Affairs (2)	32.00	10.80	27.50
<b>CSS By-passing State Budgets (41)</b>	<b>34324.67</b>	<b>36414.68</b>	<b>36516.20</b>

**Sources:** 1. Expenditure Budget: 2006-07, Vol. 1&2, Ministry of Finance, 2006, Government of India.

2. Detailed Demand for Grants: 2006-07, Various Ministries, Government of India.

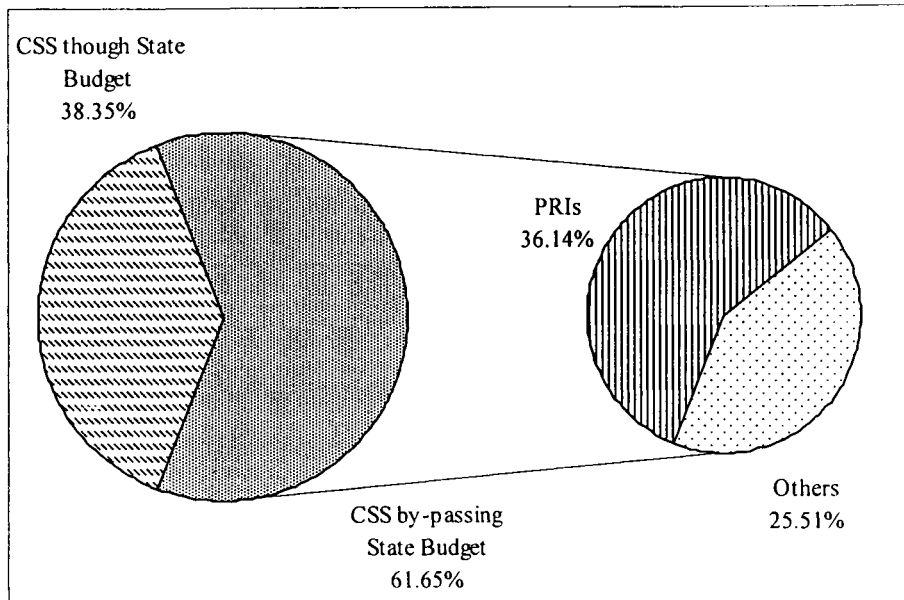
3. Garg, State Sector Plan Grants by Centre, (mimeo), 2006.

**Note:** Figures in parenthesis refer to the number of schemes.

Chart 4.2 shows the proportion of fund flows through the state budget and those bypassing the state budget. CSS funds bypassing the state budget constitute 61.65 percent of total CSS funds in 2006-07, and 36.14 percent of total CSS funds go directly to the PRIs.

<sup>4</sup> MPLADS is not a designated CSS, but is similar because it is a Central provision for constituency development expenditure by Members of Parliament. We have assumed that 75 percent of the funds under MPLADS go to the rural areas and PRIs as they are the preferred implementing agencies.

**Chart 4.2: Central Fund Flows through State Budget and Bypassing State Budget**



### 4.3 MAJOR CENTRAL SCHEME FLOWS TO PRIs: FOUR STATES

The CSS funds discussed in the earlier section capture the total amount going to all the states. There is no formula whereby each state's share in this total can be derived. However, in the case of the eight CSS of the Ministry of Rural Development, a state-wise break up is possible.<sup>5</sup> The details of these schemes are shown in box 4.1.

<sup>5</sup> The other two of the ten identified as directly reaching the PRIs, are MPLADS (Member of Parliament Local Area Development Scheme), which is problematic because the ultimate recipients could well be urban or non-PRI rural, and the Central Rural Sanitation Programme for which state-specific figure were not available.



#### **Box 4.1: Major Centrally Sponsored Schemes Reaching PRIs**

##### **Sampoorna Grameen Rozgar Yojana (SGRY)**

The Sampoorna Grameen Rozgar Yojana was launched in 2001 to provide additional wage employment in all rural area and thereby provide food security and improve nutritional levels. This programme is implemented through the PRIs. Two schemes viz., Jawahar Gram Samridhi Yojana and Employment Assurance Scheme were combined to form the SGRY. The scheme envisages generation of Rs. 100 crore mandays of employment in a year. The cost of the programme is to be shared between the centre and the state on a cost sharing ratio of 87.5:12.5 (including foodgrains component).

##### **Swarnjayanti Gram Swarozgar Yojana (SGSY)**

The Swarnjayanti Gram Swarozgar Yojana is a major self employment programme in rural India since April, 1999 to bring the assisted poor families above the poverty line by organising them into self help groups through a mix of bank credit and government subsidy. Earlier programmes like Integrated Development Programme (IRD), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self-Employment (TRYSEM), Supply of Improved Toolkits to Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY) were reviewed and integrated into one programme. The banks and other financial institutions are closely associated with this programme. The funds for SGSY are shared between the centre and the state in the ratio of 75:25. Within the rural poor families living below the poverty line, the guidelines for the Yojana provide that the SC/ST shall account for 50 percent, women for 40 percent and disabled for 3 percent of the target.

##### **National Food For Work Programme (NFFWP)**

The National Food for Work Programme was launched in November 2004, in the 150 most backward districts of the country, identified by the Planning Commission with the Ministry of Rural Development and the State Governments. This programme was started to ensure additional wage employment and food security to the rural poor. However, with the implementation of National Rural Employment Guarantee Act on 2 February 2006, the NFFWP has been subsumed in NREGS.

##### **National Rural Employment Guarantee Scheme (NREGS)**

The National Rural Employment Guarantee Act was notified on 7 September, 2005. The Act provides a legal guarantee of at least 100 days of wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. Government has decided to implement the scheme in 200 districts in the country in the first phase of its implementation launched on 2 February, 2006. The Act would become operational within the entire country within a period of five years.

##### **Indira Awaas Yojana (IAY)**

The Indira Awaas Yojana is being implemented from the year 1985-86 to provide assistance for construction/up-gradation of dwelling units to the Below Poverty Line (BPL) rural households belonging to the Scheduled Castes (SC), Scheduled Tribes (ST) and freed bonded labourer categories. From 1993-94 onwards, the scope of the scheme was extended to cover the rural BPL from the non-SC and ST category subject to the condition that the benefits to the non-SC/ST poor would not be more than 40 percent of the total IAY allocation. The benefits of the scheme have also been extended to the families of ex-servicemen of the armed and paramilitary forces killed in action. IAY has become an independent scheme from 1 January 1996. The funding pattern is shared between the centre and the states in the ratio of 75:25. However, from 1999-00, the allocation of funds was being made on the basis of the poverty ratio as approved by

the Planning Commission and rural housing shortage, as specified in the census. From 2005-06 the allocation criteria have been modified to assign 75 percentage weightage to housing shortage and 25 percentage weightage to SC/ST component.

#### **Integrated Waste Land Development Programme (IWLDP)**

The Integrated Waste Land Development Programme has been under implementation since 1989-90. From 1 April 1995, the programme is being implemented through watershed approach under the common guidelines for watershed development. This programme is basically to monitor the progress of implementation of various land reforms measures to improve the economic conditions of rural poor and landless and poor farmers of our country. The revision of the watershed guidelines in 2001 envisaged a role for PRIs in the implementation of watershed projects. From 1999-00, the new IWDP projects are prioritised in consultation with the state government. The project proposals are prepared by the Zilla Panchayats/District Rural Development Agencies and they are submitted to the Department through the state government to the Project Sanctioning Committee headed by additional secretary in the Department of Land Resources.

#### **Drought Prone Areas Programme (DPAP)**

The Drought Prone Areas Programme is the earliest area development programme launched by the central government in 1973-74 to tackle the special problems faced by states affected by severe drought conditions. The objective of the programme is to minimise the adverse impact of drought on the production of crops and livestock and productivity of land, water and human resources thereby ultimately leading to the drought proofing of affected areas.

#### **Desert Development Programme (DDP)**

The Desert Development Programme was started both in hot desert areas of Rajasthan, Gujarat and Haryana and the cold deserts of Jammu and Kashmir and Himachal Pradesh in 1977-78. From 1995-96, the coverage has been extended to a few districts in Andhra Pradesh and Karnataka. The programme is being funded on the basis of 75:25 between the centre and the states. The funds are directly released to DRDAs/ZPs for implementation. The programme is in operation in 235 Blocks in 40 districts of 7 states.

**Source:** 1 Annual Report: 2005-06, Ministry of Rural Development, Government of India, 2006.  
2. Union Budget, Ministry of Finance, Government of India, 2006.

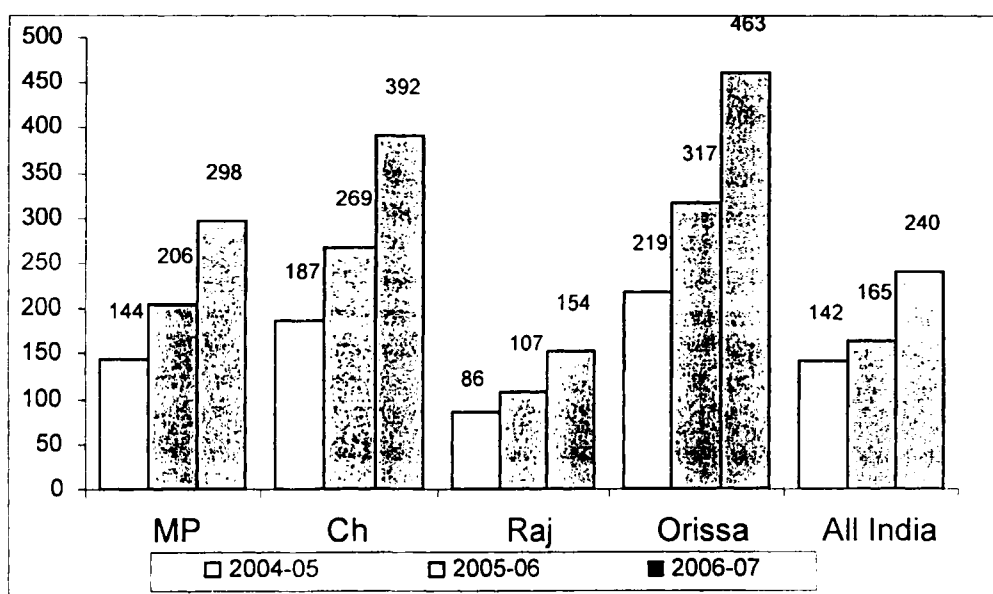
The scheme-wise details of these eight CSS (only central transfers) for Madhya Pradesh, Chhattisgarh, Rajasthan and Orissa for the years 2004-05 and 2005-06 are given in annex 10. In 2005-06 these schemes accounted for 69 percent of the total flow to PRIs, and 25 percent of the total CSS flow.<sup>6</sup>

<sup>6</sup> The total amount of funds released for these eight schemes in 2005-06 is Rs. 13212.74 crore. This works out to 68.70 percent of the total PRIs expenditure of Rs. 19234.10 crore (ten schemes) and 24.74 percent of the total CSS expenditure of Rs. 53404.19 crore. If MPLADs funds are included then this amounts to Rs. 14397.74 crore which is 74.86 percent of the total PRIs expenditure for the year 2005-06 and 26.96 percent of total CSS expenditure. The budgeted expenditure for the 9 schemes in 2005-06 (Rs. 18604 crore) as percent of total PRIs expenditure works out to 96.72 percent. This implies that there has been under spending of resources during the year 2005-06 to the extent of 22 percent.

The per capita receipts from these eight schemes for the two years 2004-05 to 2005-06 and budget estimates of 2006-07<sup>7</sup> are shown in chart 4.3. The budget estimates for 2006-07 are derived by using respective state shares of Central releases of these eight CSS from the aggregate of 2005-06 estimates.<sup>8</sup>

In 2005-06 the per capita provision of the eight Centrally Sponsored Schemes in the four states stood at Rs. 317 in Orissa, Rs. 269 in Chhattisgarh, Rs. 206 in Madhya Pradesh, and Rs. 107 in Rajasthan. The all India per capita figure was Rs. 165. The per capita budget estimates for 2006-07 varies between a high of Rs. 463 for Orissa and a low of Rs. 154 for Rajasthan around an all India per capita figure of Rs. 240.

**Chart 4.3: Per Capita Flows under Eight CSS**



The latest poverty estimates available for the year 2004-05 by the uniform recall period shows Orissa with a rural poverty head count ratio of 46.80, as compared to 40.80 for Chhattisgarh, 36.90 for Madhya Pradesh and 18.70 for Rajasthan. (The ranking of states remain unchanged under the mixed recall period, although of course the head

<sup>7</sup> Mid year projected rural population were used to fiscal year data (e.g. for 2005-06, population of 2005).

<sup>8</sup> Budgetary allocations are not provided by destination for an ongoing fiscal year. These figures so derived could overestimate the actual releases as schemes like NREGS are demand driven and the fund flow would depend upon utilisation by the state government.

count ratio itself is lower in all states). Thus, the per capita flow is directly related to the poverty headcount ratio.

The per capita budget estimates for eight CSS and MPLADS in these four states for the year 2006-07 are given in table 4.2. The fund flows under MPLADS are estimated by taking the number of MPs (both Lok Sabha and Rajya Sabha) in the respective states and assuming that 75 percent of the allocations are directed to PRIs. The budgeted per capita fund flows so obtained varies between Rs. 476.50 for Orissa and Rs. 164.21 for Rajasthan around an all India per capita estimate of Rs. 254.59.

**Table 4.2: Per Capita Budget Estimates for 2006-07 (Eight CSS and MPLADS)**

	(Rs. crore)					Per capita (Rs.)
	Central releases (2005-06)		2006-07(BE)			
	8 CSS	Share (%)	8 CSS	MPLADS	Total (9 schemes)	
Madhya Pradesh	1001.41	7.58	1478.15	60.00	1538.15	310.11
Chhattisgarh	477.56	3.61	704.91	24.00	728.91	404.95
Rajasthan	516.23	3.91	761.99	52.50	814.49	164.21
Orissa	1053.17	7.97	1554.55	46.50	1601.05	476.50
<b>All India</b>	<b>13212.74</b>	<b>100.00</b>	<b>19502.90</b>	<b>1185.00</b>	<b>20687.90</b>	<b>254.59</b>

**Source:** Annual Report: 2005-06, Ministry of Rural Development, and Expenditure Budget: 2006-07, Ministry of Finance, Government of India.

**Notes:** The state-wise budget estimates for 2006-07 are derived by multiplying respective state shares in total central releases for the year 2005-06 with total budget estimates of 8 CSS for 2006-07. The MPLADS figures are estimated by taking the number of MPs (both Lok Sabha and Rajya Sabha) in the respective states and assuming that 75 percent of the allocations are directed to PRIs

The 9-scheme total of Rs. 20688 crore in 2006-07 amounts to 96.64 percent of the ten-scheme provision of Rs. 21408 crore that year.

#### **4.4 SPLICING TOGETHER CENTRAL AND STATE FLOWS TO PRIS: FOUR STATES**

The state flows to PRIs quantified in chapter 2 and flows to PRIs from the Centre for the eight CSS and MPLADS (see note to table 4.2) quantified in this chapter are for

2006-07. Budgetary allocations are not provided by destination for an ongoing fiscal year. Keeping in mind the further limitation that the nine Central flows exclude one other source of flows to PRIs, from the Central Rural Sanitation Programme, the spliced total in table 4.3 shows a range between a low of Rs. 637 per capita in Rajasthan, to a high of Rs. 1027 for Chhattisgarh.

State functional transfers accounts for 61 percent of the total flow in Madhya Pradesh and Chhattisgarh and three-fourths in Rajasthan, where these include poverty alleviation and rural employment schemes, along with Twelfth Finance Commission flows; the remaining comes from the direct flow from the Central government. These percentages are reversed in Orissa, where 71 percent of the flow is from the Centre, through the nine Central schemes which flow directly to PRIs. A small percent, of the order of 9 percent on average, comes from state government revenue support to PRIs in all four states.

**Table 4.3: Per Capita Flows to PRIs: 2006-07**

	(Rupees)			
	MP	CH	RJ	OR
State revenue support	56 (7)	90 (9)	83 (13)	43 (6)
State functional transfers	428 (54)	532 (52)	390 (61)	155 (23)
8 CSS + MPLADS	310 (39)	405 (39)	164 (26)	477 (71)
Sum	794 (100)	1026 (100)	638 (100)	674 (100)

**Source:** Authors' calculation from data underlying table 2.10 and 2.17 for state flows; table 4.2 for central flows

**Notes:** 1. State functional transfers include the TFC provision, which flows from the Centre to the state budgets in the first instance, and through budgetary heads for rural development, to PRIs. See notes to table 2.10.

2. Figures in parenthesis refer to percent to total flows.

#### **4.5 ANALYSIS OF SURVEY RESULTS: FOUR STATES**

The results of the survey are analysed for the four states first for zilla panchayats (ZP), followed by janpad panchayats (JP), and gram panchayats (GP).

Table 4.4 shows the distribution of the sample of 17 ZPs, 78 JPs and 780 GPs by number and type of the central schemes received by the states.

**Table 4.4: Major Centrally Sponsored Schemes in Operation in the PRIs**

Schemes	ZP		JP		GP	
	Comparator	Backward	Comparator	Backward	Comparator	Backward
<b>No. of districts</b>	<b>8</b>	<b>9</b>	<b>31</b>	<b>47</b>	<b>319</b>	<b>461</b>
SGRY	8	9	29	47	318	461
IAY	8	9	21	38	260	393
NFFWP	2	8	5	43	36	190
NREGS						61
RSVY		9	1	31	2	89
MP FUNDS					29	22
Pension scheme					164	283
PMGSY	1		1	2		
SGSY	7	9	19	31		
DPAP	3	5	2	6		
ARWSP	1	1				
CRSP	3	1	1			

**Source:** Authors' calculation.

The initial set of eight pre-selected districts was chosen because of coverage under the RSVY (the Backward Area Development Fund). The field survey shows the ZP to be the principal tier for receipt of RSVY funds, and confirms that the programme is fully operational in all the backward districts. The SGRY (rural employment) on the other hand flows to all three tiers, universally in backward districts, and nearly universally in the comparator district cluster. Other programmes with a near-universal presence at all three tiers, although more in backward districts than in the comparator set, are the NFFWP (food for work) and the IAY (rural housing). The pension scheme is received only in Madhya Pradesh and Chhattisgarh. The NREGS is found only in a small number of GPs because it was begun in February 2006, with only two months to go before the end of the 2005-06 reference year. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

Tables 4.5, 4.6 and 4.7 show the per capita distribution of funds by district for centrally sponsored schemes and Central Finance Commission funds separately, for ZPs, JPs and GPs respectively. There is a clear evidence of CSS funds being distributed within each state in inverse proportion to economic status, in terms of both quantum of funds

**Table 4.5: Mean Funds Received Per Capita of ZP by District**

	Comparator districts		Average	Backward districts			(Rupees) Average
<b>Madhya Pradesh</b>	<b>Bhind</b>	<b>Vidisha</b>		<b>Khargone</b>	<b>Mandla</b>		
Centrally Sponsored Scheme	85.12	108.73	96.92	613.66	952.51		783.09
Central Finance Commission	65.71	79.38	72.54	69.84	73.31		71.58
Total	150.83	188.11	169.47	683.50	1025.83		854.67
<b>Chhattisgarh</b>	<b>Dhamtari</b>			<b>Bastar</b>	<b>Rajnandgaon</b>		
Centrally Sponsored Scheme	511.86		511.86	244.48	628.27		436.37
Central Finance Commission	39.15		39.15	85.37	73.56		79.47
Total	551.01		551.01	329.85	701.83		515.84
<b>Rajasthan</b>	<b>Jhunjhunu</b>	<b>Jodhpur</b>		<b>Banswara</b>	<b>Dungarpur</b>	<b>Jhalawar</b>	
Centrally Sponsored Scheme	62.80	154.25	108.52	327.35	838.80	202.70	456.28
Central Finance Commission	6.16	5.72	5.94	1.47	6.81	2.91	3.73
Total	68.96	159.97	114.46	328.82	845.61	205.61	460.01
<b>Orissa</b>	<b>Bargarh</b>	<b>Kendrapara</b>	<b>Malkangiri</b>	<b>Kandhamal</b>	<b>Mayurbhanj</b>		
Centrally Sponsored Scheme	297.74	291.51	1583.27	724.17	1249.63	671.34	960.48
Central Finance Commission	42.45	41.16	48.58	44.07	52.74	40.06	46.40
Total	340.19	332.68	1631.85	768.24	1302.37	711.40	1006.88

Source: *Ibid.*

Table 4.6: Mean Funds Received Per Capita of JP by District

	Comparator districts		Average	Backward districts			(Rupees) Average
<b>Madhya Pradesh</b>	<b>Bhind</b>	<b>Vidisha</b>		<b>Khargone</b>	<b>Mandla</b>		
<b>No. of JPs</b>	<b>3</b>	<b>4</b>		<b>4</b>	<b>5</b>		
Centrally Sponsored Scheme	26.89	29.03	28.12	166.54	765.95		499.55
Central Finance Commission	67.06	63.48	65.01	64.98	52.70		58.16
Total	93.95	92.51	93.13	231.52	818.66		557.70
<b>Chhattisgarh</b>	<b>Dhamtari</b>			<b>Bastar</b>	<b>Rajnandgaon</b>		
<b>No. of JPs</b>	<b>2</b>			<b>6</b>	<b>4</b>		
Centrally Sponsored Scheme	142.05		142.05	278.23	278.94		278.52
Central Finance Commission	23.63		23.63	32.49	50.31		39.62
Total	165.68		165.68	310.72	329.25		318.13
<b>Rajasthan</b>	<b>Jhunjhunu</b>	<b>Jodhpur</b>		<b>Banswara</b>	<b>Dungarpur</b>	<b>Jhalawar</b>	
<b>No. of JPs</b>	<b>4</b>			<b>5</b>	<b>3</b>	<b>3</b>	
Centrally Sponsored Scheme	33.51	48.97	42.10	381.91	554.08	77.74	345.91
Central Finance Commission	29.66	47.77	39.72	36.42	45.11	75.02	49.32
Total	63.17	96.74	81.82	418.33	599.19	152.76	395.23
<b>Orissa</b>	<b>Bargarh</b>	<b>Kendrapara</b>	<b>Malkangiri</b>	<b>Kandhamal</b>	<b>Mayurbhanj</b>		
<b>No. of JPs</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>12</b>		
Centrally Sponsored Scheme	158.62	226.90	822.00	332.72	515.03	354.55	401.75
Central Finance Commission	0.14	34.89	0.00	10.80	0.00	20.36	14.37
Total	158.77	261.78	822.00	343.52	515.03	374.92	416.13

Source: *Ibid.*



**Table 4.7: Mean Funds Received Per Capita of GPs by District**

	Comparator districts		Average	Backward districts			(Rupees) Average
<b>Madhya Pradesh</b>	<b>Bhind</b>	<b>Vidisha</b>		<b>Khargone</b>	<b>Mandla</b>		
<b>No. of GPs</b>	54	73		65	70		
Centrally Sponsored Scheme	67.14	105.74	89.33	183.65	398.21		294.90
Central Finance Commission	29.43	8.29	17.28	5.30	14.64		10.14
<b>Total</b>	<b>96.56</b>	<b>114.04</b>	<b>106.61</b>	<b>188.95</b>	<b>412.84</b>		<b>305.04</b>
<b>Chhattisgarh</b>	<b>Dhamtari</b>			<b>Bastar</b>	<b>Rajnandgaon</b>		
<b>No. of GPs</b>	42			76	83		
Centrally Sponsored Scheme	166.70		166.70	192.27	210.08		201.57
Central Finance Commission	12.45		12.45	28.45	21.15		24.64
<b>Total</b>	<b>179.15</b>		<b>179.15</b>	<b>220.71</b>	<b>231.23</b>		<b>226.20</b>
<b>Rajasthan</b>	<b>Jhunjhunu</b>	<b>Jodhpur</b>		<b>Banswara</b>	<b>Dungarpur</b>	<b>Jhalawar</b>	
<b>No. of GPs</b>	32	46		44	29	28	
Centrally Sponsored Scheme	62.17	72.89	68.49	257.78	590.70	134.85	319.29
Central Finance Commission	22.04	25.93	24.33	37.35	43.04	44.53	40.97
<b>Total</b>	<b>84.22</b>	<b>98.82</b>	<b>92.83</b>	<b>295.12</b>	<b>633.74</b>	<b>179.38</b>	<b>360.26</b>
<b>Orissa</b>	<b>Bargarh</b>	<b>Kendrapara</b>	<b>Malkangiri</b>	<b>Kandhamal</b>	<b>Mayurbhanj</b>		
<b>No. of GPs</b>	34	25	13	16	50		
Centrally Sponsored Scheme	122.65	71.55	496.07	172.33	180.76	146.90	155.10
Central Finance Commission	31.82	67.75	48.93	47.38	63.58	14.00	26.02
<b>Total</b>	<b>154.47</b>	<b>139.30</b>	<b>545.00</b>	<b>219.72</b>	<b>244.33</b>	<b>160.89</b>	<b>181.12</b>

Source: *Ibid.*

received, and number of programmes operating Chhattisgarh is something of an exception to this general rule with Dhamtari receiving more per capita than Bastar, a backward district. Malkangiri, in the comparator set in Orissa, receives more than Kandhamal and Mayurbhanj which are in the backward set, but this is because the selection of comparator districts in Orissa spans the full range of the PFCA ranking. With the Central FC fund flow, the distribution formula between districts within each state is roughly uniform with Chhattisgarh as an exception again. However, the distribution between states is quite uneven in per capita terms, and is unrelated to ranking by poverty. In respect of both flows, the JP pattern is roughly in accordance with the ZP pattern. At GP level again, exactly as for the higher tiers, the backward districts receive more per capita except Orissa. The Central FC flows once again exhibit no systematic pattern between the two sets of districts.

Table 4.8 shows the mean per capita receipts of the CSS obtained from the survey along with the per capita central releases of eight centrally sponsored schemes for the year 2005-06. The per capita figure as calculated from central releases (also shown in chart 4.3) is a mean across all tiers and districts, and can be seen to fall within the range of the tier and district group figures from the survey.

**Table 4.8: Mean Per Capita Centrally Sponsored Scheme Funds Received by the PRIs: 2005-06**

State	Comparator districts			Backward districts			(Rupees)
	ZP	JP	GP	ZP	JP	GP	Per capita actual release 2005-06
Madhya Pradesh	96.92	28.12	89.33	783.09	499.55	294.90	205.94
Chhattisgarh	511.86	142.05	166.70	436.37	278.52	201.57	269.29
Rajasthan	108.52	42.10	68.49	456.28	345.91	319.29	106.72
Orissa	724.17	332.72	172.33	960.48	401.75	155.10	317.37

Source: *Ibid.*

**Table 4.9: Share of Centrally Sponsored Schemes in Total Funds Received**

							(Percent)	
Comparator Districts			Total	Backward Districts			Total	Aggregate
<b>ZP</b>								
Madhya Pradesh	Bhind	Vidisha		Khargone	Mandla			
	38.06	36.27	37.09	77.04	87.04		81.64	71.96
Chhattisgarh	Dhamtari			Bastar	Rajnandgaon			
	76.75		76.75	51.57	78.86		67.95	69.95
Rajasthan	Jhunjhunu	Jodhpur		Banswara	Dungarpur	Jhalawar		
	37.33	50.26	46.33	85.66	93.33	66.50	86.32	73.41
Orissa	Bargarh	Kendrapara	Malkangiri	Kandhamal	Mayurbhanj			
	66.28	65.41	89.74	76.10	86.99	81.47	83.33	80.23
<b>JP</b>								
Madhya Pradesh	Bhind	Vidisha		Khargone	Mandla			
	19.52	39.68	30.40	45.01	81.58		70.90	61.16
Chhattisgarh	Dhamtari			Bastar	Rajnandgaon			
	59.64		59.64	70.26	71.88		70.99	68.92
Rajasthan	Jhunjhunu	Jodhpur		Banswara	Dungarpur	Jhalawar		
	35.28	35.29	35.29	74.64	50.88	35.75	58.19	53.83
Orissa	Bargarh	Kendrapara	Malkangiri	Kandhamal	Mayurbhanj			
	44.39	60.21	79.05	60.99	65.41	68.46	67.66	64.39
<b>GP</b>								
Madhya Pradesh	Bhind	Vidisha		Khargone	Mandla			
	38.91	53.89	46.44	69.43	80.89		76.82	66.63
Chhattisgarh	Dhamtari			Bastar	Rajnandgaon			
	59.57		59.57	65.17	62.99		64.13	63.30
Rajasthan	Jhunjhunu	Jodhpur		Banswara	Dungarpur	Jhalawar		
	46.53	44.75	45.38	72.09	75.47	57.50	70.69	63.42
Orissa	Bargarh	Kendrapara	Malkangiri	Kandhamal	Mayurbhanj			
	66.32	45.70	84.18	66.68	66.39	84.27	79.36	71.97

Source: *Ibid.*

Table 4.9 shows the district wise share of CSS in the total funds received by the four states for the year 2005-06. Since the field survey records data on a scheme-specific basis, after merger of the contributory shares of Centre and state, the CSS schemes are the dominant source of funding at PRI level. This is consistent with the larger contribution of state funds than of Central funds in three of the four states, as shown from budget data in table 4.3.

The share of CSS in total funds is higher in backward districts as compared to the comparator set at all three tiers. The only exception is Chhattisgarh at the ZP level. Among backward districts, the percentage contribution of CSS to total funds is surprisingly uniform across tiers, and varies within the range 54-80 percent.

#### **4.6 CONCLUSIONS**

1. In 2006-07 there are 165 schemes identified as going to the rural areas, of which 41 bypass the state budget and 124 are routed through the state budgets. The total flow of funds from the centre to rural areas (including the TFC grants) amounted to Rs. 63236 crore. Of the 41 schemes that bypass the state budget, 10 schemes go directly to the PRIs and the remaining 31 schemes go to destinations other than PRIs. Nine of the ten schemes going directly to PRIs account for the major share of the funds flow to PRIs by the budget provision in 2006-07.
2. The per capita budget estimates for 2006-07 varies between a high of Rs. 463 for Orissa and a low of Rs. 154 for Rajasthan around an all India per capita figure of Rs. 240. The latest poverty estimates available for the year 2004-05 by the uniform recall period shows Orissa with a rural poverty head count ratio of 46.80, as compared to 40.80 for Chhattisgarh, 36.90 for Madhya Pradesh and 18.70 for Rajasthan. (The ranking of states remain unchanged under the mixed recall period, although of course the head count ratio itself is lower in all states). Thus, the per capita flow is directly related to the poverty headcount ratio.

3. State transfers account for three-fifth of the total flow to PRIs in Madhya Pradesh and Chhattisgarh, and three-fourths in Rajasthan, the remainder coming from the Centre. In Orissa, however, Central flows account for 70 percent of the total flow.

4. Since the field survey records data on a scheme-specific basis, after merger of the contributory shares of Centre and state, the CSS schemes are the dominant source of funding at PRI level. This is consistent with the larger contribution of state funds than of Central funds in three of the four states.

5. The initial set of eight pre-selected districts was chosen because of coverage under the RSVY (the Backward Area Development Fund). The field survey shows the ZP to be the principal tier for receipt of RSVY funds, and confirms that the programme is fully operational in all the backward districts. The SGRY (rural employment) on the other hand flows to all three tiers, universally in backward districts, and nearly universally in the comparator district cluster. Other programmes with a near-universal presence at all three tiers, although more in backward districts than in the comparator set, are the NFFWP (food for work) and the IAY (rural housing). The pension scheme is received only in Madhya Pradesh and Chhattisgarh. The NREGS is found only in a small number of GPs because it was begun in February 2006, with only two months to go before the end of the 2005-06 reference year.

6. The survey evidence for 2005-06 shows that CSS funds are distributed within each state in inverse proportion to economic status, in terms of both quantum of funds received, and incidence of operation, at all three tiers. Chhattisgarh is something of an exception to this general rule with Dhamtari receiving more per capita than Bastar, a backward districts. Malkangiri, in the comparator set in Orissa, receives more than Kandhamal and Mayurbhanj which are in the backward set, but this is because the selection of comparator districts in Orissa spans the full range of the PFCA ranking (see annex 6).

7. With the Central FC fund flow, the distribution formula between districts within each state is roughly uniform per capita with Chhattisgarh as an exception. However, the distribution between states is quite uneven in per capita terms, and is unrelated to ranking by poverty. This is true at all three tiers.

## 5. FISCAL MONITORING

### 5.1 AUDITING OF FUNDS AT THE THREE TIERS

The 73<sup>rd</sup> Constitutional amendment provides that the State Legislature may make provisions with respect to the audit of the panchayats accounts. The states of Chhattisgarh<sup>1</sup>, Madhya Pradesh<sup>2</sup> and Rajasthan<sup>3</sup> have incorporated such provisions in their respective conformity Acts (State Panchayati Raj Acts). In Orissa, the responsibilities of audit of Zilla Panchayats and Panchayat Samitis' accounts have been entrusted to the Comptroller and Auditor General of India (C&AG).

Two states, namely, Madhya Pradesh and Chhattisgarh have clearly stated in their Acts that the accounts of the panchayats (three tiers) will be audited by an independent audit organization under the control of the state government. This will not be affected by any other audit ordered by the Accountant General of respective states. In Rajasthan, the Director, Local Fund Audit is assigned to carry out the audit of panchayats accounts and the C & AG may carry out a test audit of such accounts. From these Acts it is clear that the organization entrusted with the audit function will be under the control of the state government. At the centre, Comptroller and Auditor General, as per their Act, 1971, has

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<sup>1</sup> Section 129 of Chhattisgarh Panchayati Raj (Amended) *Adhiniyam*, 2004, provides for a separate and independent Audit Organization under the control of the State Government to perform audit of accounts of panchayats. The state has made Chhattisgarh Panchayat Audit Rules, 1997, for the purpose. The Audit Rules provide that the accounts of a Panchayat shall be audited annually and as far as possible, before the close of the succeeding financial year. This requirement of annual audit shall be independent and not affected by any other audit ordered by Accountant General of Chhattisgarh.

<sup>2</sup> Section 129 of Madhya Pradesh Panchayati Raj Avam Gram Swaraj *Adhiniyam*, 1993, provides for a separate and Independent Audit Organization under the control of the State Government to perform audit of accounts of Panchayats. The state has made Madhya Pradesh Panchayat Audit Rules, 1997, for the purpose. The Audit Rules provide that the accounts of a Panchayat shall be audited annually and as far as possible, before the close of the succeeding financial year. This requirement of annual audit shall be independent and not affected by any other audit ordered by Accountant General of Madhya Pradesh.

<sup>3</sup> Section 75(d) of the Rajasthan Panchayati Raj Act, 1994 provides that all accounts kept and maintained by the Panchayati Raj Institution shall be audited, as soon as may be after the end of financial year by the Director, Local Fund Audit for the State and the provisions of the Rajasthan Local Fund Audit Act, 1954 (Rajasthan Act 28 of 1954) shall apply. It also provides that the Comptroller and Auditor General of India may carry out a test audit of such accounts.

the power to audit all expenditure from the Consolidated Fund of India and of each State,<sup>4</sup> through the state officers of Accountant General.

The EFC in its report<sup>5</sup> has recommended that the responsibility of exercising control and supervision over the maintenance of panchayats accounts and their audit should be entrusted to the C&AG who may get it done through C&AG's own staff or by engaging an outside agency. The Director of Local Fund Audit, or any other agency assigned the task of auditing of panchayats' accounts is to work under the technical and administrative supervision of the C&AG. The EFC has also recommended on an average an amount of Rs 4000/- per panchayat per annum for maintenance of accounts. The details of allocation by EFC and its utilisation are shown in table 5.1. The utilisation in case of Orissa and Rajasthan far exceeds 100 percent, because of the states' contributions which have also been added under this head.

**Table 5.1: Provision and Utilisation of Grants for Maintenance of Accounts and Auditing**

(Rs. lakh)			
State	Annual allocation by EFC	Utilisation reported	Percent utilisation
Madhya Pradesh	892.57	879.60	98.55
Chhattisgarh	370.83	370.83	100.00
Rajasthan	376.84	1884.20	500.00
Orissa	222.76	1392.25	625.00
<b>Total</b>	<b>1863.00</b>	<b>4526.88</b>	<b>242.99</b>

**Source:** Government of India, Ministry of Finance, Finance Commission Division, 2006.

<sup>4</sup> Section 13 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 (56 of 1971) states that it shall be the duty of the C&AG to audit all expenditure from the Consolidated Fund of India and of each state. Therefore, to the extent the local bodies are performing agency functions on behalf of the Central or state governments, the duty of C&AG would include the audit of expenditure incurred by the local bodies too. As per Section 14 (1), where any body or authority receives grant or loan from the Consolidated Fund of India or of any state amounting to not less than rupees twenty-five lakh and the amount of such grant or loan is not less than seventy-five per cent of the total expenditure of that body or authority, the C&AG shall, subject to the provision of any law for the time being in force, applicable to such body or authority, audit all receipts and expenditure of that body or authority and report on the receipts and expenditure so audited by him. Further, since Section 14 (2) waives the limit of 'seventy-five per cent', if the amount exceeds rupees one crore, most of the panchayats at district level will invariably fall in the purview of audit by C&AG. Section 15 states that when any grant or loan is given for a specific purpose from the Consolidated Fund of India or of any State to any body or authority, the C&AG shall scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillments of the conditions subject to which such grants were given.

<sup>5</sup> The Twelfth Finance Commission has not given any particular recommendation in this regard.



The status of audit at ZP, JP and GP level is shown in table 5.2.

**Table 5.2: Frequency Distribution of ZP, JP and GP by Year Accounts Last Audited**

State	Year	Cumulative Percentage					
		ZP		JP		GP	
		Comparator	Backward	Comparator	Backward	Comparator	Backward
Madhya Pradesh	2006-07	0.00	0.00	57.14	0.00	23.62	31.11
	2005-06	50.00	0.00	100.00	88.89	86.61	80.00
	2004-05	100.00	50.00		100.00	92.91	91.11
	2003-04		100.00			96.06	94.81
	2002-03					96.06	96.30
	2001-02					96.06	96.30
	2000-01					96.06	96.30
						100.00	100.00
Chhattisgarh	2006-07	100.00	50.00	0.00	0.00	11.90	15.72
	2005-06		100.00	0.00	20.00	59.52	48.43
	2004-05			0.00	70.00	69.05	62.89
	2003-04			50.00	70.00	80.95	73.58
	2002-03			100.00	70.00	85.71	85.53
	2001-02				90.00	85.71	85.53
	2000-01				100.00	85.71	85.53
						100.00	100.00
Rajasthan	2006-07	0.00	0.00	88.89	63.64	24.36	23.76
	2005-06	50.00	33.33	100.00	81.82	69.23	85.15
	2004-05	50.00	66.67		90.91	83.33	98.02
	2003-04	100.00	100.00		100.00	84.62	98.02
	2002-03					87.18	98.02
	2001-02					87.18	98.02
	2000-01					87.18	98.02
						100.00	100.00
Orissa	2006-07	0.00	0.00	23.08	23.53	27.78	15.15
	2005-06	100.00	100.00	92.31	100.00	70.83	81.82
	2004-05			100.00		93.06	89.39
	2003-04					94.44	92.42
	2002-03					98.61	95.45
	2001-02					98.61	95.45
	2000-01					98.61	95.45
						100.00	100.00
All four states	2006-07	12.50	11.11	48.39	23.40	23.20	21.91
	2005-06	75.00	55.56	90.32	76.60	75.24	70.50
	2004-05	87.50	77.78	93.55	91.49	87.46	82.65
	2003-04	100.00	100.00	96.77	93.62	90.91	87.85
	2002-03			100.00	93.62	93.10	92.84
	2001-02				97.87	93.10	92.84
	2000-01				100.00	93.10	92.84
						100.00	100.00

**Source:** Authors' calculations.

**Note:** NR/NA : Not received/not available.

The process of audit of accounts at the JP level is about the same as at ZP level. GP level audits are the most delayed of all the three tiers. Since this is the level at which major schemes like SGRY and NREGS are targeted, delayed audit at GP level is a matter of serious concern. Across all tiers, auditing is somewhat more tardy in backward districts. Across states, Rajasthan shows the best performance across all three tiers.

## **5.2 UTILISATION OF CENTRAL FUNDS: BACKWARD AND COMPARATOR DISTRICTS**

The utilisation of major Centrally Sponsored Scheme (CSS) funds at ZP and JP level is presented in table 5.3. In both this table and table 5.4 on GP utilisation, utilisation of funds received during the year can exceed 100 percent, because of non-lapsable funds carried forward from preceding years.

At ZP level, utilisation in backward districts was markedly higher than in comparator districts in Madhya Pradesh alone, and higher to some degree in Orissa. In the other two, comparator districts did better. At JP level, it was about the same in both sets of districts. As a generalization, no class of districts shows systematically different rates of utilisation than the other across all states. But between the two tiers, utilisation rates are markedly higher at ZP than at JP level

### **5.2.1 Utilisation of SGRY Funds with Gram Panchayat/State Government Appointed Record Keeper**

Amongst the major CSS, the SGRY is essentially the only scheme implemented at GP level. Table 5.4 shows utilisation of SGRY funds separately by type of record keeper (GP/state appointed). In aggregate, GP utilisation rates of SGRY funds are higher than at the upper two tiers. At GP level 70-90 percent report utilisation at 80 percent or more everywhere except Chhattisgarh. Even Chhattisgarh GPs, at 60 percent, do better than the upper two tiers, where the percentage reporting 80 percent or more fund utilisation falls in the 30-60 percent range, with one or two exceptions. This is consistent with the finding in chapter 3 that interest from unspent funds is a major source of non-tax revenue for the upper two tiers.

**Table 5.3: Frequency Distribution of ZPs and JPs by Percent Utilisation of Major CSS Funds (SGRY, NFFWP, PMGSY, IAY, SGSY) Received During the Year**

State	Percentage	Cumulative Percentage			
		ZP		JP	
		Comparator	Backward	Comparator	Backward
Madhya Pradesh	100 +	62.50	50.00	22.73	27.50
	80 ... <=100	87.50	100.00	77.27	60.00
	60 ... <= 80	87.50		90.91	75.00
	40 ... <= 60	87.50		90.91	87.50
	20 ... <= 40	87.50		90.91	95.00
	00 ... <= 20	100.00		95.45	100.00
	00			100.00	
Chhattisgarh	100 +	40.00	30.00	33.33	38.30
	80 ... <=100	100.00	60.00	77.78	74.47
	60 ... <= 80		80.00	77.78	85.11
	40 ... <= 60		90.00	77.78	95.74
	20 ... <= 40		90.00	77.78	95.74
	00 ... <= 20		100.00	100.00	100.00
Rajasthan	NA	0.00	0.00	13.04	7.32
	100 +	71.43	28.57	39.13	26.83
	80 ... <=100	100.00	50.00	82.61	78.05
	60 ... <= 80		71.43	95.65	92.68
	40 ... <= 60		78.57	100.00	97.56
	20 ... <= 40		100.00		100.00
	00 ... <= 20				
Orissa	100 +	35.71	40.00	35.29	48.75
	80 ... <=100	85.71	90.00	76.47	86.25
	60 ... <= 80	92.86	100.00	88.24	92.50
	40 ... <= 60	100.00		96.08	96.25
	20 ... <= 40			98.04	100.00
	00 ... <= 20			100.00	
	00				
All four states	NA	0.00	0.00	2.86	1.44
	100 +	50.00	36.36	33.33	37.98
	80 ... <=100	91.18	72.73	78.10	76.92
	60 ... <= 80	94.12	86.36	89.52	87.50
	40 ... <= 60	97.06	90.91	94.29	94.71
	20 ... <= 40	97.06	97.73	95.24	98.08
	00 ... <= 20	100.00	100.00	99.05	100.00
00			100.00		

Source: *Ibid.*

Notes: NA: Not received/utilized.

00 : Received but not utilized.

**Table 5.4: Matrix of GPs by type of Record Keeper and Percent Utilisation of SGRY Funds Received During the Year**

		Cumulative percentage of GP					
		Comparator			Backward		
		Appointed by					
State	Percentage	GP	State govt.	Total	GP	State govt.	Total
Madhya Pradesh	100 +	45.45	49.18	47.24	47.76	48.53	48.15
	80 ... ≤100	77.27	70.49	74.02	85.07	79.41	82.22
	60 ... ≤80	89.39	86.89	88.19	91.04	91.18	91.11
	40 ... ≤60	95.45	91.80	93.70	97.01	98.53	97.78
	20 ... ≤40	98.48	95.08	96.85	98.51	100.00	99.26
	00 ... ≤20	100.00	95.08	97.64	98.51		99.26
	00		100.00	100.00	100.00		100.00
	Total	51.97	48.03	100.00	49.63	50.37	100.00
Chhattisgarh	100 +	14.29	25.71	23.81	27.27	33.04	31.45
	80 ... ≤100	71.43	62.86	64.29	54.55	60.87	59.12
	60 ... ≤80	100.00	82.86	85.71	86.36	86.09	86.16
	40 ... ≤60		94.29	95.24	97.73	93.91	94.97
	20 ... ≤40		94.29	95.24	100.00	99.13	99.37
	00 ... ≤20		100.00	100.00		100.00	100.00
	00						
	Total	16.67	83.33	100.00	27.67	72.33	100.00
Rajasthan	100 +	50.00	37.14	38.46	50.00	45.45	45.54
	80 ... ≤100	87.50	74.29	75.64	100.00	75.76	76.24
	60 ... ≤80	100.00	90.00	91.03		89.90	90.10
	40 ... ≤60		92.86	93.59		98.99	99.01
	20 ... ≤40		98.57	98.72		100.00	100.00
	00 ... ≤20		98.57	98.72			
	00		100.00	100.00			
	Total	10.26	89.74	100.00	1.98	98.02	100.00
Orissa	100 +	47.83	19.23	37.50	47.62	41.67	45.45
	80 ... ≤100	73.91	65.38	70.83	73.81	75.00	74.24
	60 ... ≤80	82.61	80.77	81.94	85.71	87.50	86.36
	40 ... ≤60	86.96	84.62	86.11	97.62	100.00	98.48
	20 ... ≤40	91.30	92.31	91.67	100.00		100.00
	00 ... ≤20	95.65	96.15	95.83			
	00	100.00	100.00	100.00			
	Total	63.89	36.11	100.00	63.64	36.36	100.00
All four states	100 +	44.88	36.46	39.81	41.94	41.18	41.43
	80 ... ≤100	76.38	69.79	72.41	73.55	70.92	71.80
	60 ... ≤80	88.19	86.46	87.15	88.39	88.56	88.50
	40 ... ≤60	92.91	91.67	92.16	97.42	97.06	97.18
	20 ... ≤40	96.06	95.83	95.92	99.35	99.67	99.57
	00 ... ≤20	98.43	97.40	97.81	99.35	100.00	99.78
	00	100.00	100.00	100.00	100.00		100.00
	Total	39.81	60.19	100.00	33.62	66.38	100.00

Source: *Ibid.*

Notes: Total here refers to type of record keeper (%).  
See notes to table 5.3.

In aggregate around two-thirds of record-keepers are state-appointed, and one-third GP appointed. However, in Chhattisgarh and Rajasthan, they are almost entirely state-appointed.

In aggregate, across both classes of districts, there is no marked differences between the GPs with state appointed record keepers and GP-appointed record keepers. Utilisation is somewhat higher in general in backward districts as compared to the comparator set.

### 5.2.2 Nature of Utilisation of SGRY Funds by Gender of Sarpanch

The nature of utilisation of SGRY funds by gender of sarpanch as discussed in table 5.5, shows that roads and culverts are the dominant choice in all states, followed by building construction and construction and maintenance of water works (though not necessarily in that order everywhere).

**Table 5.5: Matrix of GPs by Total Constituents of Nature of Utilisation of SGRY Funds by Gender of Sarpanch**

State	Percent constituent	Economic status of GP								
		Gender of sarpanch								
		Comparator			Backward			Aggregate		
		Female	Male	Total	Female	Male	Total	Female	Male	Total
Madhya Pradesh	Roads and culverts	55.23	70.53	65.78	60.36	59.99	60.11	58.95	63.09	61.74
	Construction/main- tenance of buildings	4.34	4.45	4.42	12.84	12.82	12.83	10.51	10.35	10.41
	Construction/main- tenance of water works	38.02	20.06	25.64	20.06	23.45	22.33	24.98	22.45	23.28
	Plantation	0.30	0.31	0.31	0.47	0.18	0.27	0.42	0.22	0.28
	Administrative	1.18	0.48	0.70	0.65	0.92	0.83	0.80	0.79	0.79
	Others	0.93	4.17	3.17	5.62	2.64	3.63	4.33	3.09	3.50
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Chhattisgarh	Roads and culverts	47.71	48.32	48.10	64.87	50.54	37.52	62.01	50.12	39.42
	Construction/main- tenance of buildings	9.83	10.00	9.94	9.41	22.69	17.48	9.48	20.30	16.13
	Construction/main- tenance of water works	35.48	26.70	29.85	13.35	16.08	15.01	17.03	18.08	17.68
	Plantation	0.52	4.20	2.88	1.07	0.70	0.85	0.98	1.36	1.21
	Administrative	0.21	0.31	0.28	0.40	0.44	0.42	0.37	0.41	0.40
	Others	6.25	10.46	8.95	10.90	9.55	10.08	10.13	9.72	9.88
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Rajasthan	Roads and culverts	45.96	41.09	43.49	49.27	52.03	44.49	47.83	48.34	44.11
	Construction/maintenance of buildings	21.26	32.28	26.85	25.03	26.17	25.73	23.39	28.23	26.15
	Construction/maintenance of water works	29.86	21.39	25.57	14.90	15.53	15.29	21.42	17.51	19.19
	Plantation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Administrative	0.68	0.79	0.73	0.33	1.43	1.00	0.48	1.21	0.90
	Others	2.24	4.46	3.36	10.47	4.84	7.03	6.88	4.71	5.64
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Orissa	Roads and culverts	62.57	78.34	71.55	74.38	62.05	74.49	68.61	68.45	73.23
	Construction/maintenance of buildings	32.60	18.71	24.69	14.38	15.86	15.36	23.27	16.98	19.36
	Construction/maintenance of water works	4.46	2.27	3.21	9.38	20.61	16.80	6.98	13.41	10.98
	Plantation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Administrative	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Others	0.37	0.68	0.55	1.86	1.48	1.61	1.13	1.17	1.15
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
All Four States	Roads and culverts	56.30	66.82	62.44	64.22	57.34	59.81	61.21	60.41	60.72
	Construction/maintenance of buildings	24.42	17.49	20.38	14.93	18.45	17.19	18.54	18.14	18.29
	Construction/maintenance of water works	17.47	11.83	14.18	13.61	19.38	17.31	15.08	16.93	16.23
	Plantation	0.08	0.50	0.33	0.36	0.19	0.25	0.25	0.29	0.28
	Administrative	0.33	0.27	0.30	0.30	0.55	0.46	0.31	0.46	0.40
	Others	1.39	3.08	2.38	6.59	4.08	4.98	4.61	3.76	4.08
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: *Ibid.*

The gender wise preference for work done through SGRY funds thus obtained for both the district clusters in each of the four states is now statistically tested for statistical significance. We test for the null hypothesis  $H_0: (\rho_1 = \rho_2)$  i.e., there is no gender difference in preferences for the type of work done against the alternative hypothesis  $H_0: (\rho_1 \neq \rho_2)$  i.e., there exist gender differences in preferences. Here  $\rho_1$  is the proportion of total funds utilised by female-headed GP for a particular type of work and  $\rho_2$  represents the funds utilised by the male-headed GP for the same type of work. The type of work considered are a) construction and maintenance of roads and culverts, b) construction and maintenance of buildings and c) construction and maintenance of water works in the GP. The results are tabulated in table 5.6. From the table one can see that the null hypothesis of no gender difference in preferences cannot be rejected in both the district clusters in all

the four states under consideration with certain exceptions. In the comparator district cluster in Madhya Pradesh the results indicate that there exists a significant female preference towards activities related to construction and maintenance of water works while in the backward district cluster in Chhattisgarh there is a statistically significant male preference for construction and maintenance of buildings.

**Table 5.6: Test for Differences in Preferences Between Female and Male Sarpanch in Utilization of SGRY Funds**

State	Type of SGRY works	Comparator districts	Backward districts
<b>Madhya Pradesh</b>	Construction & maintenance of roads & culverts	-1.6968	0.0411
	Construction & maintenance of buildings	-0.0305	0.0043
	Construction & maintenance of water works	<b>2.1041 #</b>	-0.4550
<b>Chhattisgarh</b>	Construction & maintenance of roads & culverts	-0.0378	1.8017
	Construction & maintenance of buildings	-0.0178	<b>-2.3495 #</b>
	Construction & maintenance of water works	0.5852	-0.4772
<b>Rajasthan</b>	Construction & maintenance of roads & culverts	0.4287	-0.2685
	Construction & maintenance of buildings	-1.1051	-0.1268
	Construction & maintenance of water works	0.8431	-0.0868
<b>Orissa</b>	Construction & maintenance of roads & culverts	-1.4270	1.0307
	Construction & maintenance of buildings	1.3066	-0.1577
	Construction & maintenance of water works	0.4852	-1.2805
<b>All States</b>	Construction & maintenance of roads & culverts	-1.8697	1.4583
	Construction & maintenance of buildings	1.4573	-0.9838
	Construction & maintenance of water works	1.3577	-1.6378

Source: Authors' calculations based on data in table 5.5.

Note: # Null hypothesis is rejected at 5% level of significance.

### 5.2.3 Utilisation of Central Finance Commission Funds

Fund utilisation is about the same everywhere, and in general, fairly low. The data show non-receipt of FC funds to the extent of an astonishing 43 percent of comparator district GPs in Chattisgarh and 35 percent of backward districts GPs in Orissa (table 5.7 confined to GPs alone). However, as chapter 4 showed, FC funds are mostly targeted at the upper two tiers.

**Table 5.7: Frequency Distribution of GPs by Percent Utilisation of Central FC Funds Received During the Year**

State	Percentage	Cumulative percentage	
		Comparator	Backward
Madhya Pradesh	NR/NA	1.57	4.44
	100 and above	16.54	10.37
	80 ... <=100	59.84	54.81
	60 ... <= 80	69.29	61.48
	40 ... <= 60	80.31	71.85
	20 ... <= 40	84.25	80.00
	00 ... <= 20	84.25	82.96
	00	100.00	100.00
Chhattisgarh	NR/NA	42.86	6.92
	100 and above	42.86	8.81
	80 ... <=100	57.14	40.88
	60 ... <= 80	61.90	57.86
	40 ... <= 60	71.43	67.30
	20 ... <= 40	73.81	77.36
	00 ... <= 20	76.19	81.13
	00	100.00	100.00
Rajasthan	NR/NA	6.41	2.97
	100 and above	20.51	13.86
	80 ... <=100	64.10	50.50
	60 ... <= 80	73.08	68.32
	40 ... <= 60	79.49	79.21
	20 ... <= 40	89.74	86.14
	00 ... <= 20	91.03	91.09
	00	100.00	100.00
Orissa	NR/NA	0.00	34.85
	100 and above	11.11	37.88
	80 ... <=100	40.28	48.48
	60 ... <= 80	47.22	50.00
	40 ... <= 60	56.94	56.06
	20 ... <= 40	65.28	56.06
	00 ... <= 20	70.83	56.06
	00	100.00	100.00
All four states	NR/NA	7.84	9.33
	100 and above	19.75	14.53
	80 ... <=100	56.11	48.16
	60 ... <= 80	64.26	60.09
	40 ... <= 60	73.67	69.63
	20 ... <= 40	79.94	77.01
	00 ... <= 20	81.82	80.26
	00	100.00	100.00

Source: *Ibid.*

Notes: See notes to table 5.3.



### 5.3 UTILISATION OF STATE FUNDS: BACKWARD AND COMPARATOR DISTRICTS

#### 5.3.1 Utilisation of State Scheme Funds

In the field survey, receipts of CSS funds are taken in a scheme-specific manner aggregating across Central and state contributions. So the following section on state schemes applies to funds entirely originating in state-level schemes, which as shown in chapter 4, are not a major source of fund flow to PRIs.

**Table 5.8: Frequency Distribution of ZPs, JPs and GPs by Percent Utilisation of State Scheme Funds Received During the Year**

State	Percentage	Cumulative Percentage					
		ZP		JP		GP	
		Comparator	Backward	Comparator	Backward	Comparator	Backward
Madhya Pradesh	NR/NA	0.00	0.00	0.00	0.00	52.76	45.93
	100 and above	0.00	0.00	42.86	0.00	73.23	67.41
	80 ... <=100	100.00	100.00	57.14	55.56	84.25	85.93
	60 ... <= 80			100.00	66.67	85.83	88.89
	40 ... <= 60				77.78	88.19	88.89
	20 ... <= 40				88.89	88.98	93.33
	00 ... <= 20				100.00	96.06	98.52
	00					100.00	100.00
Chhattisgarh	NR/NA	0.00	0.00	0.00	0.00	0.00	3.14
	100 and above	100.00	0.00	0.00	50.00	11.90	9.43
	80 ... <=100		50.00	100.00	90.00	78.57	93.08
	60 ... <= 80		50.00		100.00	85.71	94.97
	40 ... <= 60		50.00			90.48	96.86
	20 ... <= 40		100.00			95.24	98.74
	00 ... <= 20					97.62	99.37
	00					100.00	100.00
Rajasthan	NR/NA	0.00	0.00	0.00	0.00	19.23	26.73
	100 and above	50.00	0.00	22.22	18.18	26.92	35.64
	80 ... <=100	50.00	0.00	66.67	27.27	73.08	79.21
	60 ... <= 80	50.00	100.00	66.67	63.64	78.21	81.19
	40 ... <= 60	50.00		88.89	72.73	83.33	83.17
	20 ... <= 40	50.00		100.00	81.82	83.33	86.14
	00 ... <= 20	100.00			100.00	85.90	87.13
	00					100.00	100.00

Orissa	NR/NA	0.00	0.00	0.00	0.00	98.61	98.48
	100 and above	33.33	0.00	15.38	29.41	98.61	100.00
	80 ... <=100	100.00	100.00	76.92	82.35	98.61	
	60 ... <= 80			92.31	88.24	98.61	
	40 ... <= 60			92.31	94.12	98.61	
	20 ... <= 40			100.00	100.00	98.61	
	00 ... <= 20					98.61	
	00					100.00	
All four states	NR/NA	0.00	0.00	0.00	0.00	47.96	34.49
	100 and above	37.50	0.00	22.58	25.53	59.56	45.12
	80 ... <=100	87.50	55.56	70.97	65.96	84.01	88.94
	60 ... <= 80	87.50	88.89	87.10	80.85	86.83	90.89
	40 ... <= 60	87.50	88.89	93.55	87.23	89.66	91.97
	20 ... <= 40	87.50	100.00	100.00	93.62	90.60	94.58
	00 ... <= 20	100.00			100.00	94.36	96.53
	00					100.00	100.00

**Source:** *Ibid.*

**Notes:** See notes to table 5.3.

Utilisation of state scheme funds is in general higher at ZP level, and lowest at GP level. Between classes of districts, it is for the most part better in comparator districts. There are no marked differences across states.

## 5.4 UTILISATION OF NREGS FUNDS IN 2006-07

### 5.4.1 NREGS in four Selected States of Madhya Pradesh, Chhattisgarh, Orissa and Rajasthan

**Coverage:** The NREGS districts in these four selected states are listed in table 5.9. Amongst the four states under consideration, the maximum number of districts covered under NREGS fall in the jurisdiction of Madhya Pradesh (18 districts) and Orissa (19 districts). The number of NREGS districts in Chhattisgarh and Rajasthan are 11 and 6 respectively. Of this, two NREGS districts each from Madhya Pradesh and Orissa and three districts each from Chhattisgarh and Rajasthan are covered in this study.

### 5.4.2 Progress of Utilisation

The state-wise details regarding the issue of job cards, employment demanded and provided, fund released and the expenditure incurred on the works undertaken is

presented in table 5.10. The percent expenditure incurred on these works from the total release is indicated in the last column of the table 5.10. Only 7 states were able to utilize more than 50 percent of the fund released for this work. The average utilisation for all states worked out to 34.10 percent.

**Table 5.9: Coverage of NREGA Districts Under Four Selected States**

S. No.	Madhya Pradesh (18)	Chhattisgarh (11)	Rajasthan (6)	Orissa (19)
1	Balaghat	<b>Bastar</b>	<b>Banswara</b>	Balangir
2	Barwani	Bilaspur	<b>Dungarpur</b>	Boudh
3	Betul	Dantewada	<b>Jhalawar</b>	Deogarh
4	Chhatarpur	<b>Dhamtari</b>	Karauli	Dhenkanal
5	Dhar	Jashpur	Sirohi	Gajapati
6	Dindori	Kanker	Udaipur	Ganjam
7	East Nimar	Kawardha		Jharsuguda
8	Jhabua	Koriya		Kalahandi
9	<b>Khargone</b>	Raigarh		<b>Kandhamal</b>
10	<b>Mandla</b>	<b>Rajnandagon</b>		Kendujhar
11	Satna	Surguja		Koraput
12	Seoni			<b>Malkangiri</b>
13	Shahdol			<b>Mayurbhanj</b>
14	Sheopur			Nabarangapur
15	Shivpuri			Nuapada
16	Sidhi			Rayagada
17	Tikamgarh			Sambalpur
18	Umaria			Sonepur
19				Sundargarh

**Source:** Government of India, Ministry of Rural Development, 2006.

**Note:** Highlighted districts in the states are covered in this study.

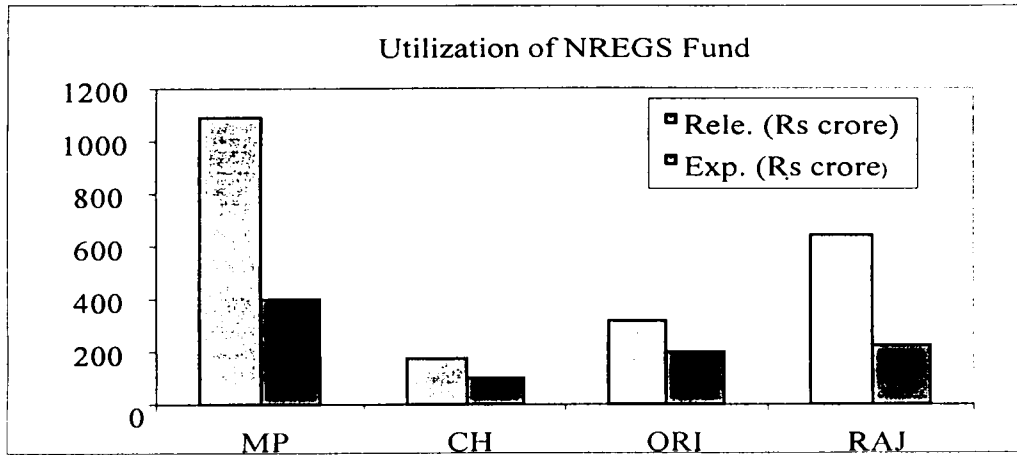
*Utilisation: Release and Expenditure of NREGS Fund in Four Reporting States:*

Among the four states covered in this study, the maximum utilisation was achieved by Orissa with 62.75 percent. Chhattisgarh had a 56.77 percent utilisation rate. These two states are above the four state average utilisation of 41.50 percent, and also above all states average of 34.10 percent. The other two states of Madhya Pradesh and Rajasthan were below the four state average, but above the national average.

The pattern of funds released and the expenditure incurred on the works undertaken in four states is shown in chart 5.1. Chart 5.2 indicates the percent share of selected four states in the total release and expenditure of NREGS funds. Of the total of 23 states reporting expenditure figures, 68 percent of total expenditure was claimed by

the selected four states. Amongst them, the maximum share of 30 percent was claimed by Madhya Pradesh, which was followed by Rajasthan (16 percent) and Orissa (15 percent). The state of Chhattisgarh claimed 7 percent of the total expenditure. The remaining 19 states contended with the 32 percent of the total expenditure put together.

**Chart 5.1: Utilisation Pattern of Fund Released and Expenditure Incurred Under NREGS - 4 States**



**Chart 5.2: Percent Share of Fund Released and Expenditure Incurred Under NREGS**

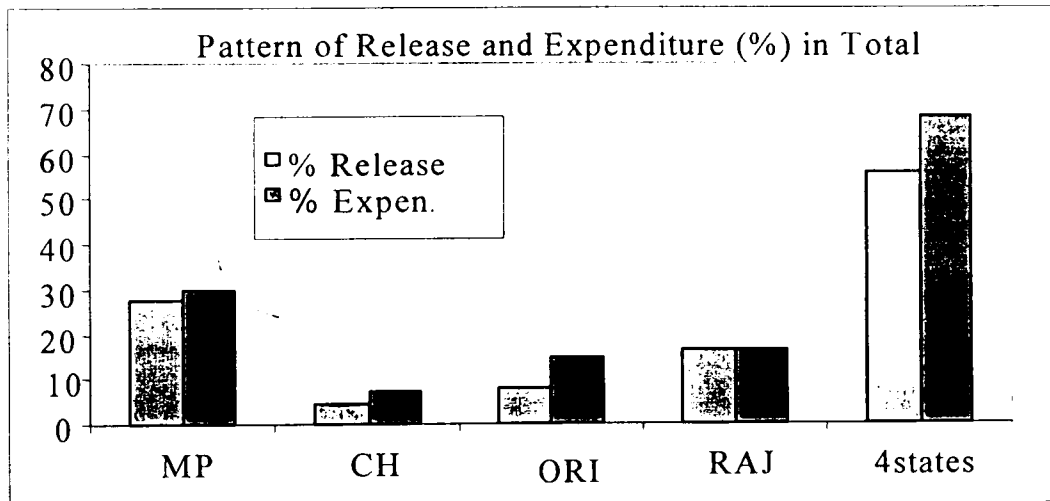


Table 5.10: Progress of NREGS: Funds Released and Expenditure on Works Undertaken (as on 21.8.06)

(Rs. lakh)

State	No of districts	Total rural house-holds	Job cards	Employment demanded	Employment provided	No. of works	Funds released	Expenditure	Release per district	Expenditure per district	Exp. (col. 9) as % of total exp.	Rank-based on % exp.	Exp as % of release per dist.
1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>More than 5 percent of total exp.</b>													
Madhya Pradesh	18	3890287	4144413	1913133	1804953	69783	109384	40381	6077	2243	29.74	1	36.9
Chhattisgarh	11	1792584	1534636	165245	162480	9671	17322	9834	1575	894	7.24	5	56.8
Rajasthan	6	1461606	1423013	853061	846263	13809	64100	22266	10683	3711	16.40	2	34.7
Orissa	19	3503354	2094958	713551	563681	26686	31517	19778	1659	1041	14.56	3	62.8
<b>Total (4 states)</b>	<b>54</b>	<b>10647831</b>	<b>9197020</b>	<b>3644990</b>	<b>3377377</b>	<b>119949</b>	<b>222322</b>	<b>92259</b>	<b>4117</b>	<b>1709</b>	<b>67.9</b>		<b>41.5</b>
Andhra Pradesh	13	6104032	4213766	755861	755861	39642	21100	12715	1623	978	9.36	4	60.3
Utttar Pradesh	22	9021545	2464057	1792390	1684110	25105	33499	8512	1523	387	6.27	6	25.4
<b>1 to 5% of exp.</b>													
West Bengal	10	7374151	2728773	1551613	1343414	7908	18359	5693	1836	569	4.19	7	31.0
Bihar	23	8943456	1071522	533009	505281	17619	40503	5171	1761	225	3.81	8	12.8
Maharashtra	12	3706706	1094659	192867	183075	6152	17962	4441	1497	370	3.27	9	24.7
Gujarat	6	1596636	610193	151511	151511	2794	4114	1867	686	311	1.37	10	45.4
<b>Less than 1% of exp.</b>													
Karnataka	5	1484815	315412	118810	66530	3678	6330	909	1266	182	0.67	11	14.4
Manipur	1	22299	17880	45172	45172		571	850	571	850	0.63	12	148.9
Punjab	1	237480	36498	39318	19059	1316	756	781	756	781	0.58	13	103.3
Himachal Pradesh	2	167349	76246	34341	29968	3429	684	606	342	303	0.45	14	88.7
Uttarakhand	3	211495	187029	13522	11178	2221	1911	502	637	167	0.37	15	26.3
Tamil Nadu	6	1811557	535519	86625	82009	668	9889	429	1648	72	0.32	16	4.3
Nagaland	1	48697	27884	8950	8950	53	430	324	430	324	0.24	17	75.3
Tripura	1	57709	58114	20148	16218	327	1457	277	1457	277	0.20	18	19.0
Haryana	2	304178	76421	20261	15573	288	913	189	457	94	0.14	19	20.7
Assam	7	923966	104383	11205	6990	534	13971	156	1996	22	0.11	20	1.1
Jammu & Kashmir	3	319692	159158	20261	20261	1211	986	49	329	16	0.04	21	4.9
Kerala	2	603527					2180	45	1090	22	0.03	22	2.1
Mizoram	2	22828	29016	14508			299	24	149	12	0.02	23	7.9
Arunachal Pradesh	1	7905	17480				273		273	0	0.00	24	0.0
Jharkhand	20	3806040	1205239	501388	501388	9513	37619		1881	0	0.00	25	0.0
Meghalaya	2	109577					2065		1032	0	0.00	26	0.0
Sikkim	1	7955	4323	1484	1069	31	452		452	0	0.00	27	0.0
<b>TOTAL ( 27 states)</b>	<b>200</b>	<b>57541426</b>	<b>24230592</b>	<b>9558234</b>	<b>8824994</b>	<b>242438</b>	<b>438642</b>		<b>1990</b>	<b>679</b>	<b>100</b>		
<b>TOTAL ( 23 states)</b>							<b>397936</b>	<b>135799</b>					<b>34.1</b>
<b>Total (4 states)</b>	<b>54</b>	<b>10647831</b>	<b>9197020</b>	<b>3644990</b>	<b>3377377</b>	<b>119949</b>	<b>222322</b>	<b>92259</b>	<b>4117</b>	<b>1709</b>	<b>67.9</b>		<b>41.5</b>

Source: *Ibid.*

Notes: NREGS does not extend to Goa. Funds released pertain to April-August 2006-07. Only 23 states report figures for expenditure.

## 5.5 CONCLUSIONS

1. As per the State PRI Acts, the primary responsibilities of auditing of panchayats accounts are assigned to independent audit organizations under the control of the state government, except in Orissa, where the C&AG has formally been assigned the task of auditing of ZP and PS accounts. The independent auditor, who may further authorize a Chartered Accountant, carries the statutory responsibility, although simultaneous test audits are permissible, under the over-riding powers of the C&AG.
2. The survey results show that auditing is most delayed at GP level. Since the GP is the level at which major schemes like SGRY and NREGS are largely (though not exclusively) targeted, delayed audit at GP level is a matter of serious concern. Across all tiers, auditing is somewhat more tardy in backward districts.
3. With respect to utilisation rates of CSS funds at ZP and JP levels, as a generalization, no class of districts shows systematically different rates of utilisation than the other across all states. But between the two tiers, utilisation rates are markedly higher at ZP than at JP level
4. In aggregate, GP utilisation rates of SGRY funds are higher than at the upper two tiers. Utilisation at 80 percent or more is reported by 70-90 percent of GPs in all states except Chhattisgarh. Even Chhattisgarh GPs, at 60 percent, do better than the upper two tiers, where the percentage reporting 80 percent or more fund utilisation falls in the 30 to 60 percent range, with one or two exceptions. This is consistent with the finding in chapter 3 that interest from unspent funds is a major source of non-tax revenue for the upper two tiers. Utilisation at GP level is somewhat higher in general in backward districts as compared to the comparator set.
5. In aggregate around two-thirds of record-keepers are state-appointed, and one-third GP appointed. However, in Chhattisgarh and Rajasthan, they are almost entirely state-appointed. In aggregate, across both classes of districts there is no marked

difference between GPs with state appointed record keepers and GP appointed record keepers.

6. The nature of utilisation of SGRY funds by gender of sarpanch as discussed shows that roads and culverts are the dominant choice in all states, followed by building construction and construction and maintenance of water works (though not necessarily in that order everywhere). Tests for differences between female and male headed GPs show significant difference only in two cases. In the comparator district cluster in Madhya Pradesh there exists a significant female preference towards activities related to construction and maintenance of water works while in the backward district cluster in Chhattisgarh there is a statistically significant male preference for construction and maintenance of buildings.

7. Utilisation of the Central Finance Commission flow at GP level is about the same everywhere, and in general, fairly low. The data show non-receipt of FC funds to the extent of an astonishing 43 percent of comparator district GPs in Chhattisgarh and 35 percent of backward districts GPs in Orissa. However, as chapter 4 showed, FC funds are mostly targeted at the upper two tiers.

8. In the field survey, receipts of CSS funds are taken in a scheme-specific manner aggregating across Central and state contributions. Survey figures on receipts from the state schemes apply to funds entirely originating in state-level schemes and are not a major source of fund flow to PRIs. Utilisation of state scheme funds is in general higher at ZP level, and lowest at-GP level. This is a strange reversal of the situation with respect to CSS funds. Between classes of districts, it is for the most part better in comparator districts. There are no marked differences across states.

9. National level data on state-wise utilisation of NREGS fund shows a four-state average of 41.5 percent over April-August 2006, as against an average across all reporting states of 34.1 percent. Orissa and Chhattisgarh are above the four-state average. Madhya Pradesh and Rajasthan are below the four-state average, but above the

national average. In the total expenditure incurred on NREGS, 68 percent was claimed by these selected four states. Amongst them, the highest share was that of Madhya Pradesh.



## 6. CONCLUSIONS

### 6.1 THE FORMAL STATUS OF RURAL DECENTRALISATION

All four states under review are fully in conformity with the Constitutional provisions, with amended Acts in place. There are in aggregate across the four around 48 thousand Gram Panchayats, one thousand middle-level Janpad Panchayats, and 126 Zilla Panchayats. These four states together account therefore for around one-fifth of the total number of PRIs in the country.

All four states have had three rounds of elections. Madhya Pradesh, and Rajasthan have constituted their third SFCs, and Chhattisgarh its first (after its formation in 2000-01), although the reports of these are a bit overdue (Rajasthan has an interim report covering 2005-07). Orissa is yet to constitute its third SFC, since the second covers the period 2005-10.

The statutory revenue shares prescribed by the SFCs (and accepted by state governments) exhibit little change between the first and second rounds of SFCs. The shares fall within a fairly narrow range of 1.7 to 2.9 percent, with however some variations in the divisible pool base (net or gross, state taxes alone or state revenues inclusive of non-tax revenue). The single exception is the second SFC of Orissa, which gave PRIs a share of 7.6 percent of gross own revenue, although pegged at the absolute collection of 2002-03. There may in addition be shares of particular taxes or cesses, and other grants, for establishment or other purposes. The final set of revenue prescriptions is therefore not tidily defined. SFCs also make recommendations in respect of a number of other issues, which are detailed in the state reports.

The budgets of the four states for the year 2006-07, show the budgetary provision for PRIs, inclusive of those mandated by the SFCs, at Rs. 89.88 per capita in Chhattisgarh, Rs. 83.04 in Rajasthan, followed by Rs. 56.34 in Madhya Pradesh, and Orissa a distant fourth at Rs. 42.78. These are the basic transfers for establishment and general purposes, and do not include functional transfers.

These absolutes may or may not correspond to the SFC provisions for at least three reasons, maybe more. First, miscellaneous grants added onto the SFC mandate may vary substantially from year to year. Typically, the flows are shown as a consolidated flow undifferentiated by type. Second, because of the extreme variation in budgetary accounting provisions from state to state, which are sufficiently serious as to warrant a separate section of these conclusions, it is possible that some part of the revenues transferable to PRIs may be recorded in other than the standard four-digit head 3604 specified for the purpose, or budget head 2515 (for other rural development programmes) which is also commonly used for the purpose. The lack of systematic accounting procedures and standards is a sufficiently serious matter that it has been assigned a separate section 6.4 of this chapter. Finally, arrears payable on shortfalls in past years may pile onto annual dues under SFC provisions.

Perhaps the greatest single lacuna is the absence of a reliable database on PRIs. In the absence of a central systematic source, the revenue flows to PRIs from state and Centre, their own revenue collections, and their utilization of funds under various schemes, remain difficult to penetrate. The utilization of the provision made by the Eleventh Finance Commission for setting up a database on PRIs is dealt with in Chapter 6 of the state reports.

The assigned own fiscal domain of PRIs, again, shows little change across the SFCs within each state. The amounts actually collected are summarized in section 6.6 of this chapter. Revenue collection rights are vested at GP level, exclusively in Orissa, and principally in the other three, with some tax rights at JP level, and in Rajasthan at ZP level as well. At JP and ZP level, these limited rights include cesses and surcharges on GP or state levies, such as the land revenue. At GP level, the own tax most commonly levied is on *pucca* houses and structures, followed in importance by the lighting tax and the animal tax, and a water tax in Madhya Pradesh and Chhattisgarh. These two states also designate a subset of taxes as obligatory. There is also an assortment of non-tax revenue rights, where these are of far greater revenue significance than taxes.

## 6.2 FUND FLOWS FROM THE CENTRE TO PRIs

Excluding Central Assistance to State Plans, which is an undifferentiated sum flowing from the Centre to states, the total fund flow from the Centre for rural areas budgeted during the current fiscal year 2006-07 amounted to Rs. 63236 crore, around 1.62 percent of GDP. This is a sum across 165 Centrally sponsored schemes (CSS) targeted at rural areas, and the Twelfth Finance Commission (TFC) annual provision for PRIs of Rs. 4000 crore per year.

Of the total of 165 CSS targeted at rural areas, ten schemes accounting for Rs. 21408 crore reach PRIs directly from the Centre. Another 31 schemes aggregating to Rs. 15108 crore also flow from the Centre to the rural areas independently of the State budgets, but by way of state or district-level agencies, missions, corporations or authorities of various kinds. The remaining 124 schemes flow along with the TFC provision from the Centre into State budgets, where the further share of that going to PRIs has to be determined from the State budgets (see next section 6.3).

The ten schemes identified as flowing directly to PRIs include what might at first glance seem a strange inclusion, the Member of Parliament Local Area Development Scheme (MPLADS). MPLADS is not a designated CSS, but is similar because it is a Central provision for constituency development expenditure given to Members of Parliament. Since PRIs are most often the preferred implementing agencies, it has been assumed that the rural share, pro-rated by population at 75 percent, reaches the hands of PRIs.

Of the ten schemes, eight are administered by the Ministry of the Rural Development, and for these, a state-wise break-up is possible for 2005-06. Pro-rating this with the budget estimates for 2006-07 yields a budgeted flow per capita for the four states in the current year. An important caveat with this procedure is that the figures for 2006-07 include budgetary provisions for NREGS, to which application of state shares from a prior year like 2005-06 could seriously distort the actual state-wise flow (since the distribution of NREGS funds between states is demand-driven, not formula-driven).

Keeping that in mind, the figures obtained range between Rs. 463 per head for Orissa, and Rs. 154 per head for Rajasthan, as against an all-India mean of Rs. 240 per head. The ranking of the four is directly related to the poverty head count ratio, thus exhibiting evidence of equity in state-wise allocations. Adding on the MPLADS yields a range between Rs. 477 per head for Orissa, and Rs. 164 per head for Rajasthan, around an all-India average of Rs. 255. In section 6.5, the flows from the States will be added on to these to obtain a consolidated picture of receipts of PRIs.

The field survey, which collected figures for PRI receipts from all sources for the fiscal year 2005-06, does not yield state-level estimates. As already stated in the introduction, the limitations imposed by the design of the UNDP study meant that the field survey results could only be presented in the form of separate findings for the set of nine pre-selected backward districts in the four states, juxtaposed against those for a comparator set of eight sample districts, purposively chosen through principal component analysis so as to represent areas with higher developmental indicators. A caveat that has to be borne in mind is that Malkangiri district in Orissa, which falls in the comparator set, is actually ranked lower than the two backward sample districts in that state. Since the pre-selected districts in Orissa were not at the bottom of the ranking by principal component analysis, the attempt in selecting the comparator set was to span the full range of the PCA ranking for that state. Malkangiri and Dhamtari in Chhattisgarh, among the comparator set of districts, happen also to be among the selected NREGS districts. The details of sample selection are in Annex 6 of this report, and the questionnaires used are in annexes 3, 4 and 5.

The initial set of eight pre-selected districts was chosen because of coverage under the RSVY. The field survey shows the ZP to be the principal tier for receipt of RSVY funds, and confirms that the programme is fully operational in all the backward districts. The SGRY (rural employment) on the other hand flows to all three tiers, universally in backward districts, and nearly universally in the comparator district cluster. Other programmes with a presence at all three tiers, although more in backward districts than in the comparator set, are the NFFWP (food for work) and the IAY (rural housing).

The pension scheme is received only in Madhya Pradesh and Chhattisgarh. The NREGS is found only in a small number of GPs because it was begun in February 2006, with only two months to go before the end of the 2005-06 reference year. In general across all three tiers of the PRI structure, all programmes have a higher incidence of operation in backward districts than in the comparator set.

Per capita fund receipt at all three tiers also exhibits inverse proportionality to economic status, with higher receipts recorded in backward districts (and in Malkangiri, in the comparator set in Orissa). Thus, both in terms of incidence of operation and the pattern of cross-state receipts, the field survey provides further within-state evidence of equity in CSS allocations. Against the background of the widespread criticism of CSS, these findings provide heartening evidence that, both the cross-state budgetary provision, as well as the field evidence on the pattern of actual receipt by PRIs within states show clear evidence of the equity-promoting configuration of this fund flow. The figures of per capita receipt from the field survey are broadly consonant with the per capita release as recorded in the finance accounts for 2005-06, although to repeat, the field survey yields only figures that are averages for the sample districts surveyed, and do not yield state-level aggregates.

The distribution of the Central Finance Commission fund flow for PRIs is uneven in per capita terms across states, with no evidence whatever of inverse relationship to poverty. The distribution within states is broadly uniform within each in per capita terms, but there is also some evidence of high levels of non-receipt in two states (see the conclusions on monitoring and utilisation in section 6.7).

### **6.3 QUANTITATIVE INDICATORS OF EXPENDITURE ASSIGNMENT AND FUNCTIONAL DEVOLUTION**

The present status of functional devolution to PRIs of the functions listed in the Eleventh Schedule is quantified in this study through the budgetary transfer of funds, with respect to the current fiscal year, 2006-07. A notified functional transfer without an associated budgetary provision does not carry any operational significance.

Of the twenty-nine functions listed in the Eleventh Schedule, twenty-one are mapped onto the relevant revenue budget head or sub-head, as the case may be. There is a residual miscellany of functions outside the four groups, whose equivalent budget heads are not explored. Some of them, like rural electrification, non-conventional energy sources, or technical and vocational education, will require much greater maturity in PRI governance and capacities before any substantial transfer can take place. Some, like cultural activities, libraries, or maintenance of community assets, are a bit inchoate and difficult to map onto any particular budget head.

Devolution percentages have been computed for each budgetary head as a percentage of what is devolvable; the devolvable and non-devolvable components are listed in Annex 2. Although there is an unavoidably subjective element in this process, it underlines the fact that it is not desirable, and indeed may be seriously counter-productive, if all components of functions listed in the Eleventh Schedule are designated as devolvable. Percentages of devolvable to the total for each budget head are provided alongside, and the product of this with the devolved percentage yields the percent devolved to total expenditure.

Budgets of both Central and State governments are presented in numbered demands for grants, and approved in that form by the Parliament or legislature. If demands for grants are visualized as columns in a matrix array with budgetary heads and sub-heads in rows, a separate demand head comprehensively covering all fund transfers to PRIs carries the advantage that functional decentralization becomes monitorable as the migration over time of budgetary provisions (in each row of the matrix) from the parent demands (columns) to the demand (column) for PRIs. The second advantage is that such a comprehensive dedicated demand for PRIs would yield an aggregate estimate of transfer of resources.

Madhya Pradesh, Chhattisgarh and Orissa do assign all fund transfers to PRIs to (multiple) dedicated demands for PRIs, although not comprehensively, since some flow

to PRIs are not included in these dedicated demands. They also include expenditures by the state-level panchayati raj department which are not transferred to PRIs. (The multiplicity of dedicated demands is an unfortunate complication, but retains the essential advantage of separateness and transparency.) Rajasthan differs. Flows to PRIs are incorporated within the parent functional demands under three-digit budget subheads, which specify the panchayat tier receiving the fund (196, 197 and 198 for Zilla, Block and Gram Panchayats respectively). This practice is adopted at the Centre, where it is entirely appropriate, since it is not at the Centre that functional decentralization of governance is expected to take place. It is not suitable at State level, where functional transfer can be tracked only through the associated pattern of fund transfer by sub-head. For example, the Madhya Pradesh system makes it possible to see that within the budget head for village and small-scale industries, the least progress towards devolution has been made in handloom, handicrafts and khadi industries. The Rajasthan system does not disclose the pattern of devolution by sub-head.

The budgetary sub-head structure (which fortunately is common across states) is itself not very rationally drawn at present. To take just one example, within the four-digit head 2401, crop husbandry, some three-digit sub-heads are input based (like 103 for seeds, or 105 for manure and fertilizers), and some are output based (like 102 for foodgrain crops, and 108 for commercial crops). The assignment of expenditure between these categories would necessarily be ad hoc.

The sum of dedicated demands for Madhya Pradesh, Chhattisgarh and Orissa yields percentages at 11.54, 11.56 and 6.91 percent of total revenue expenditure respectively, for the current year 2006-07 (budget estimates). No such estimate is possible for Rajasthan. These estimates are reasonably close to the final percentages for aggregate transfer of resources to PRIs, pieced together from the revenue shares and the functional transfers under the twenty-one tracked functions, of 10.66 and 11.66 percent for Madhya Pradesh and Chhattisgarh, but at 4.17, quite a bit lower for Orissa (where the dedicated demands include a lot of direct state government expenditure).

Capital expenditures are excluded from consideration. There might be episodic capital expenditures directly incurred by state government departments on PRIs, for construction of panchayat buildings and structures for example, under the heads of administration, or public works. But where these funds for capital expenditure are transferred to PRIs, they are (or should be) recorded in revenue expenditure, since the capital account cannot by definition include grants to PRIs, even where it is intended for capital expenditure. Rajasthan again is an exception. In a serious departure from accepted practice elsewhere, expenditures on the national rural employment schemes like NREGS and SGRY are recorded in the capital account. This is the kind of non-uniformity that makes it so difficult to make a cross-state comparison of functional decentralization.

The Eleventh Schedule functions are subdivided here into four groups, covering livelihood functions, infrastructure, education and health, and anti-poverty and welfare. The devolvable percentage is low, at two-thirds or less (with considerable variation across states), in budget heads with large departmental infrastructure, such as crop and animal husbandry, fisheries, minor irrigation and water supply. Transfer of departmental overheads of this kind to PRIs will be possible only when bound with transfer of the relevant functionaries to PRIs. That is not an immediate prospect.

The percent actually devolved is highest in the rural programmes, driven by Central directives on devolution of funds to PRIs, and not really reflecting State moves towards devolution. It is low in general for all the other groups, including the five four digit welfare budget heads, with the sole exception of Madhya Pradesh, where old age and widows' pensions (budget head 2235) to PRIs have been devolved to PRIs. The other major exceptions are soil and water conservation in Rajasthan, minor irrigation in Madhya Pradesh, elementary education in Chhattisgarh and Rajasthan, and fisheries in all states barring Orissa. Details on the function-specific percentages for each state may be found in chapter 2 and annex 2.

The final ranking of the four states by devolved percentages averaged across all functions, including the rural employment and other programmes where the devolved



percentages are high by Central design, are shown in table 6.1. It is clear that Orissa, with the highest rural poverty headcount by the latest, estimates for 2004-05, is also the state which lags behind the other three states, which are about at par.

**Table 6.1: Devolved Funds from States to PRIs**

<b>Per capita revenue transfers (Rs.)</b>	<b>Devolved/total expenditures on 21 functions (%)</b>	<b>Per capita total transfers (Rs.)</b>	<b>PRI share in total revenue expenditures (%)</b>	<b>Rural poverty headcount 2004-05 (%)</b>
CH:89.88	MP:26.47	CH:621.46	CH:11.66	OR:46.80
RJ :83.04	RJ:25.72	MP:483.80	MP:10.66	CH:40.80
MP:56.34	CH:23.00	RJ:473.30	RJ:9.77	MP:36.90
OR:42.78	OR:9.69	OR:197.59	OR:4.17	RJ:18.70

**Source:** Tables 2.16, 2.17, 2.18; poverty figures from Government of India, 2007.

**Notes:** Per capita total transfers include functional transfers to PRIs from the relevant functional departments.

#### **6.4 REFORM OF THE ACCOUNTING STRUCTURE**

The most astonishing feature of decentralization of governance in India has been the complete absence of a uniform accounting system that would render transparent the transfer of functions mandated. Even transfer of state funds to PRIs under some major national schemes like National Rural Employment Guarantee, the Rashtriya Sam Vikas Yojana, and the Swarnajayanti Gram Swarozgar Yojana is not uniformly dealt with across states. This is a major deficiency of the process of decentralization in India. Accounting uniformity was entirely compatible with the freedom rightly granted to state governments to shape the contours and speed of decentralization.

An important preface to the seven recommendations that follow, is that the structure of budget heads and sub-heads is nationally uniform, and therefore a requirement of uniformity in terms of what is assigned under each head, is entirely in order. The structure of demands for grants however is not nationally uniform. Here, the appeal for a common structure is based on the need for monitoring the process of functional transfer over time.

The first five of the seven recommendations are immediately implementable at state level, and two are possible only at national level. It will be impossible to quantify the extent of functional devolution over time unless these recommendations are fully implemented.

First, at the state level, all revenues transfers from states to PRIs, under the mandate of State Finance Commissions, along with establishment and salary grants, should be recorded entirely under the head 3604 specified for this purpose (“compensation to local bodies and PRIs”). Rajasthan records these transfers entirely, and Chhattisgarh largely, under the head 2515, which is for “other rural development programmes”, with line entries specifying that these are SFC-mandated flows. Madhya Pradesh and Orissa record them largely under 3604, but also have some bits under the head 2515.

Second, state transfers to PRIs under the major Centrally funded schemes have to be uniformly recorded in the revenue account. Departures from this practice, such as in Rajasthan, where the NREGS budgetary provisions are not in the revenue account at all, but are recorded in the capital account, make cross-state comparisons very difficult. The justification for this in Rajasthan seems to be that the NREGS was the descendant of the earlier National Food for Work Programme, under which both receipts from the Centre and expenditures were recorded in the capital account. A grant to PRIs recorded in the capital account is in any case technically wrong in an accounting sense.

Third, the major-state flows to PRIs under Centrally funded schemes need to be recorded under uniform (revenue) budget heads. This is astonishingly not the case at present. With the rural employment schemes, at least they do get recorded under the same budget head 2505 for rural employment programmes (everywhere except Rajasthan, where they go into 4515, which is capital expenditure for rural development). The muddle with the Rashtriya Sam Vikas Yojana for backward districts is much worse. It is recorded either under 2501 (Special Rural Development Programmes), or 2515 (Other Rural Development Programmes), or even 3451 (Secretariat Economic Services).

The Swarnajayanti Gram Swarozgar Yojana for rural self-employment can be found in 2501 or in 2225 (Welfare of scheduled castes and tribes).

Fourth, although states are perfectly free to structure their demands for grants, it is possible to monitor the progress towards functional devolution only if all fund flows from states to PRIs, whether of the revenue transfer or the functional variety, are assigned to demands uniquely designated for the purpose. This is presently being done, though not comprehensively, in three of the four states. Rajasthan is the exception again. The Rajasthan budget records functional flows to PRIs within the parent functional demands under three-digit budget subheads, specifying the tier receiving the fund (196, 197 and 198 for Zilla, Block and Gram Panchayats respectively). This practice is adopted at the Centre, where it is entirely appropriate, since there is no functional decentralization of governance from Centre to PRIs. It is not suitable at State level, where functional transfer can be tracked only through the associated pattern of fund transfer.

Even where fund flows to PRIs are placed in separate demands, as in Madhya Pradesh and Chhattisgarh, a few are tucked away as grants-in-aid under general demand heads. These states also have multiple demand heads dedicated for PRIs, reflecting the historical evolution of demands, away from what was initially a purely functional orientation, towards demands for designated caste and other beneficiaries. These practices add an avoidable element of extreme tedium in determining what flows to PRIs from State exchequers.

Fifth, state provisions under the NREGS, a demand-driven programme for all rural households that self-select into it, should not therefore be carved into demand heads for targeted groups like scheduled castes or tribes. By the national objectives, which are to provide employment to self-selecting poor households regardless of caste or tribe, the state contribution should come under general demands for transfer of funds, and not under demands targeted towards special groups.

Sixth, at the national level, there is an acute need for a re-structuring of the budgetary heads and sub-heads, such that a clearer picture emerges of the functions corresponding to each budget head. There is duplication between categories 2501 and 2515, both of which cover rural development programmes. Then, within four-digit heads, such as crop husbandry (2401) for example, there are some input based categories (like 103 for seeds or 105 for manure and fertilizers), and output based categories (like 102 for foodgrain crops, and 108 for commercial crops). The assignment of expenditure in such an irrational system would necessarily be ad hoc. Again, the catch-all component 001 for direction and administration in this as under other budget -heads needs to be subdivided and grouped with other non-salary expenditures for the performance of a particular function so as to enable a more functional understanding. The category 109 for extension and training is an example. Salaries for extension staff are not included under this head, but is grouped with other salaries under 001. These boundaries do not enable an understanding of the different sub-functions within an overall head.

Seventh, also at national level, the budgetary structure needs to provide for distinctions between rural and urban expenditures. The devolvable base in most budget heads in the previous section unavoidably includes expenditures targeted at urban areas as well.

## **6.5 SUMMARY OF FLOWS TO PRIS FROM CENTRE AND STATES**

Table 6.2 sums up the per capita flows budgeted for the current fiscal year. Chhattisgarh is far and away the leader in terms of per capita transfers, at Rs. 1026 per head, because of both the large per capita receipts from the Centre, as well as the large transfers from the state, both by way of revenue support and functional transfers. Transfers from the Centre for 39 percent of total PRI receipts across all sources in Madhya Pradesh and Chhattisgarh, and only 26 percent in Rajasthan, which because of its low poverty headcount, receives much less in the way of Central transfers. For Orissa, the Centre provides 71 percent of total receipts. The State flow is in turn fed by transfers to the State exchequer from the Centre by way of CSS flowing through both departmental

and non-departmental channels, but the final feeder channels to PRIs are dominated by the State flow, except in Orissa.

**Table 6.2: Per Capita Flows to PRIs: 2006-07**

	Rupees (% to total)			
	MP	CH	RJ	OR
State revenue support	56	90	83	43
State functional transfers	428	532	390	155
State transfers total	484 (61)	622 (61)	473 (74)	198 (29)
Eight rural dev min CSS	298	392	154	463
MPLADS	12	13	10	14
Central transfers total	310 (39)	405 (39)	164 (26)	477 (71)
Sum	794 (100)	1026 (100)	638 (100)	674 (100)

**Source and Notes:** See table 4.3.

The larger contribution of state funds than of Central funds in three of the four states, as shown from budget data in the table, is not inconsistent with the field survey, which records data on a scheme-specific basis, after merger of the contributory shares of Centre and state, and thereby shows CSS schemes to be the dominant source of funding at PRI level. State transfers account for three-fifths of the total flow to PRIs in Madhya Pradesh and Chhattisgarh, and three-fourths in Rajasthan, the remainder coming from the direct flow from the Centre. In Orissa, however, Central flows account for 70 percent of the total flow.

## 6.6 QUANTITATIVE INDICATORS OF REVENUE SELF-RELIANCE

Although data were collected from the field survey on both own revenue and receipts from the Centre, the field survey in terms of the sample design cannot yield a state-wise estimate that can be juxtaposed against the estimates derived in table 6.2 from budgetary sources. That design limitation was inherent in the design of the UNDP project, and has been spelled out in Chapter 1, and in Annex 6 of this report.

This section will therefore be confined to the survey results on own revenues of PRIs, keeping in mind that the survey yields results only for each group of districts, backward and comparator, within each state.

There are four stylized facts of policy consequence emerging from the field survey evidence on the own revenue collected at the Gram Panchayat level, which is where the right to levy taxes is largely vested.

First, both in terms of number of GPs levying, and in terms of contribution to own revenue, taxes are in general insignificant as compared to non-tax sources. Between states, the revenue contribution of taxes is relatively greater in Madhya Pradesh and Chhattisgarh. Since these are the two states with obligatory taxes, whereas the other two leave all taxes as optional, the designation of some taxes as obligatory does appear to have had a demonstrable impact on tax effort. Even in Madhya Pradesh and Chhattisgarh however, not all obligatory taxes are levied by all GPs. Thus, the policy provision does have an impact, but it is by no means fully enforced in practice.

Second, non-tax revenues are derived principally from exploitable physical and financial assets, such as rental and lease income from panchayat properties, and interest on unspent balances from development schemes. Perhaps because the non-tax revenue capacity is higher among the comparator districts, the tax effort *on average* across all states is found to be higher in backward districts, in terms of both percentage of GPs levying at least one tax, and in terms of percentage contribution to total own revenue. In aggregate across the four states, 70 percent of GPs in backward districts, and 80 percent of GPs in the comparator set, collect no tax revenue whatever. Even absolute tax collections per capita are higher on average in backward than in comparator districts in two states, Madhya Pradesh and Rajasthan, although not in the other two.

Third, notwithstanding the higher tax effort in backward districts, the low non-tax revenue capacity makes for lower own revenue collected per capita in backward districts relative to comparator districts. Thus, own per capita revenue even within a state is not to

be construed as an indicator of tax effort, since it is non-tax revenue, and the capacity to raise non-tax revenue, which drives the observed results. In conjunction with the higher receipts from Central schemes in backward districts, there is a lower contribution from own revenue to total revenue in aggregate across all sources in backward districts, relative to comparator districts. There is clearly room for incentivising tax effort in more prosperous districts, by a suitable distribution formula for revenues from the state inversely related to the revenue capacity of PRIs, estimated on the basis of a simple indicator such as the number of pucca structures, for example.

Fourth, comparing revenue outcomes across tiers, the JP is empowered to collect revenue in all states except Orissa, but own revenue is actually collected by JPs only in two states, Madhya Pradesh and Rajasthan. In Rajasthan, JPs raise more tax revenue than GPs, aided by a piggyback education cess, but ZPs do not exploit their tax rights at all in Rajasthan, where they are empowered to collect own taxes.

## **6.7 MONITORING AND UTILISATION**

Under the 73<sup>rd</sup> Constitutional amendment, the responsibility of providing for audit of panchayat accounts is assigned squarely to the respective State Legislatures. Accordingly, the conformity Acts in the four states, which are fully compliant with the Constitutional amendment, provide for annual audits by an independent audit organization under the control of the state government, who may further authorize a Chartered Accountant. The Accountant General of the respective states may conduct an independent audit, under the over-riding powers of the Comptroller and Auditor General, which is unrelated to the systematic provision in the State Acts.

The survey results show that auditing is most delayed at GP level, relative to the higher two tiers. Since the GP is the level at which major schemes like SGRY and NREGS are largely (though not exclusively) targeted, delayed audit at GP level is a matter of serious concern. Across all tiers, auditing is somewhat more tardy in backward districts.

Utilisation rates of CSS funds at GP level are much higher than at the upper two tiers. At GP level, the SGRY is the single most important scheme, received by all GPs in the sample in both district clusters. Therefore utilisation of CSS funds was confined to the SGRY scheme alone, because of its universal coverage. Between 70 to 90 percent of GPs report 80 percent or more utilisation of SGRY funds received during the year, in all states barring Chhattisgarh, where only 60 percent achieve that level. At the upper two tiers, only 30 to 60 percent of ZPs and JPs achieve utilisation at 80 percent or more of CSS funds received. This is consistent with the finding that interest from unspent funds is a major source of non-tax revenue for ZPs and JPs. Between these two tiers, utilisation rates are markedly lower at JP than at ZP level.

GP utilisation is somewhat higher in backward districts as compared to the comparator set. This is an encouraging finding. At the upper two tiers, no class of districts shows systematically different rates of utilisation than the other across all states.

At GP level, there are no systematic differences between GPs with state-appointed record-keepers, and those where the record-keeper is GP appointed. In two states, Chhattisgarh and Rajasthan, the overwhelming majority are state-appointed in any case, but in the other two, between-one-third to one-half of record-keepers are GP appointed.

Roads and culverts are the dominant choice for use of SGRY funds, accounting for between 40 to 70 percent of fund utilised, followed by building construction, and construction and maintenance of water works (though not necessarily in that order everywhere). A test performed for whether the gender of sarpanch influences the percentage expenditure by type of project showed significance in only two cases, of the many pair-wise alternatives tested for. In the comparator district cluster in Madhya Pradesh there exists a significant female preference for water works, while in the backward district cluster in Chhattisgarh there is a statistically significant male preference for construction and maintenance of buildings.



National level data on state-wise utilisation of NREGS funds in the selected states show a four-state average of 41.5 percent over April–August 2006, as against an average across all reporting states of 34.1 percent. Orissa and Chhattisgarh are above the four-state average. Madhya Pradesh and Rajasthan are below the four-state average, but above the national average.

Utilisation and monitoring of funds devolved to panchayats are of paramount importance from the poverty-reduction perspective. Effective utilisation is not ensured by high utilisation rates by themselves, but unutilised funds do not achieve any purpose whatever. The finding of higher utilisation rates of CSS funds among GPs than at higher tiers is encouraging, as is the slightly higher utilisation among GPs in backward districts. The type of record-keeper does not seem to matter for GP utilisation rates. Initial tests on the impact of gender of sarpanch on choice of projects with SGRY funds show very few cases of statistical significance.

Low utilisation of CSS funds, which is a problem at JP level in particular, becomes a source of non-tax revenue in the form of interest on unspent balances. This is a result of non-lapsability of CSS funds, and carries an implicit incentive for not spending, an issue that needs to be addressed. Lapsability is an incentive used within the governmental system to encourage utilisation, but in the case of developmental spending, unless the lapsability cycle is matched to project cycles, that in itself will lead to hasty and unproductive usage. Finally, the much tardier monitoring of GP accounts, and among backward districts at all three tiers, is a serious issue which needs to be urgently addressed.

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## ***ANNEXES***



## **Terms of Reference**

### **Background**

Decentralisation is an important means to achieve greater impact in combating poverty, as decentralized governments are likely to be closer and responsive to the needs of the poor, and to implement policies and programmes in a pro-poor manner. Although the 73rd Constitutional Amendment Act (CAA) mandating decentralisation was passed more than a decade ago, limited devolution and inadequate capacity of local governments seem to have undermined the autonomy of Panchayati Raj Institutions.

In order to strengthen decentralisation, UNDP is collaborating with Planning Commission for promoting Rural Decentralisation and Participatory Planning for Poverty Reduction. This programme aims to provide catalytic support in the backward districts and create an enabling environment for decentralization at the State level and to strengthen endowment of the local government with sufficient autonomy and resources to respond to local needs. One of the important objectives is to improve the fiscal domain of local self governments (LSGs) for local level development through resource convergence and local resource mobilization.

The project is operational in four States in nine of the poorest districts in Chhattisgarh (Bastar & Rajnandgaon), Madhya Pradesh (Mandla & Khargone), Rajasthan (Dungarpur, Banswara & Jhalawar) and Orissa (Mayurbhanj & Kandhamal). It is proposed that a study is undertaken to assess the level of fiscal decentralisation in these states, determine the fiscal autonomy of the panchayats and provide recommendations for improvements. The study should also outline areas for capacity development of the panchayats in strengthening their financial capabilities. The strategy for capacity development will also be implemented in these districts.

### **Justification**

A political commitment for fiscal decentralisation to local self-government is expressed through the National Common Minimum Programme of the Government, which has resolved to take the following steps to strengthen the LSGs.

- All funds for poverty alleviation and rural development programmes will be credited directly to local government bodies as per the recommendations of the Finance Commission. Appropriate guidelines will be prepared in consultation with the State Governments for the effective utilization of such funds.
- Devolution of funds will be accompanied by similar devolution of functions and functionaries as well.
- At least one-third of all funds flowing into LSG will be earmarked for programmes for the development of women and children.

The National Commission to Review the Working of the Constitution has also suggested an amendment to the Constitution to devolve financial powers to local governments.

While Central Governments generally expect local governments to contribute to achieving national policy objectives, the system of local government finance needs to be aligned with these policy objectives. For local governments to fully deliver the potential benefits of decentralisation, they need to be fiscally empowered. The entire systems of local government

finance (the assignment of revenue sources, the definition of intergovernmental fiscal transfers) should be considered as an integral part of the policies and strategies for achieving MDGs. Federalism in India is characterised by constitutional demarcation of revenue and expenditure powers among the three levels of government. There is considerable need to rationalize the assignment system to enable the decentralized governments to raise revenues and incur expenditures according to the preferences of their citizens. It is necessary to understand the policies and institutions necessary for the success to make the local fiscal governance successful.

A salient feature of fiscal federalism in India is that decentralization is mainly in incurring expenditures and not in raising revenues. The state governments determine the fiscal options of local governments. Expenditure functions remain non-transparent and little expenditure autonomy has been given. It is important to specify expenditure responsibilities to enhance accountability, reduce unproductive overlap, duplication of authority and legal challenge. It is believed that more local control over expenditure decisions can make things better and improve service delivery. LSGs are positioned to determine the best location of capital investments, they can recognise unwanted service level disparities within the local area, they may better control the performance of employees working at the local level, and they might be better at maintaining the local public capital. Hence, linkages between expenditure reform and vitalized service delivery must be looked at. Studies on local government finance have pointed out that local governments own revenues are able to meet only a part of their expenditure, and that transfers from the state governments for meeting the revenue gap of local governments which account for anywhere between 15-95 % are ad-hoc and discretionary, and often even distortional.

The CAA has maintained the prerogative of the state legislature to decide which taxes, duties, tolls and fees should be assigned to local bodies and which of them should be shared between the state and the local bodies. The state governments, out of its own tax powers, devolve certain tax powers to local bodies, which typically have included tax objects that are less mobile, not easily, exportable. Further, the administration of local taxes is unsatisfactory, and reflected in low collection to demand ratios, inability of local governments to periodically adjust property values, tax rates, and user charges to inflation. As state governments themselves are faced with several resource constraints, the revenue accruals to the local bodies are not adequate to enable them to effectively deliver the required standards of public services.

Transfers are the biggest source of revenue for panchayats. There are general-purpose transfers and specific purpose transfers. A predominant part of the transfers is for specific purposes; mainly to implement centrally sponsored schemes. The reason why panchayats continue to be treated as "agencies" of government to implement programmes and not as "government" itself (in its third tier) has a lot to do with inadequate functional and fiscal devolution. Being spending agents or delivery agents of higher-level governments, there is a sense of dependence rather than empowerment among LSGs. Even if they have money through transfers or own revenue, no control over this money to spend again disempowers them. The role of performance-oriented fiscal transfers in enhancing accountability and competition for the supply of public goods should also be looked at.

The financial needs of local governments far outweigh the resources at their disposal especially with discretionary use. Lack of untied funds is a major cause why local bodies have not accepted local planning wholeheartedly. The scheme based devolution and micro allocation within the schemes allow little expenditure discretion to the local governments in making allocation decisions according to their priorities. Local governments have few sources of own-revenues, limited access to borrowing for capital projects, and the design of intergovernmental transfers does neither address regional fiscal equity nor convey appropriate incentives for fiscal

discipline, improved service delivery performance, and accountability to citizens. There is a need to study accountability of local bodies, rules and procedures and financial management and audit procedures.

The provisions in the Constitution have provided to the Central Finance Commission an opportunity to strengthen the financial base of local bodies. There is a need to study the extent of linking devolution of Central Finance Commission funds to states to transfer of administrative and financial powers to LSG. The State Finance Commission reports in general have paid far less attention to issues of autonomy, financial management and auditing procedures. The main deficiency of the reports lies in the fact that the recommendations are not based on a clear statement of the spending responsibilities of local bodies. The reports are deficient on linkages between devolution of funds to local governments and their responsibilities. Instead of leading to improvement of fiscal base at the local level, the SFCs have left the existing tax powers of local bodies unchanged. There is no proper fiscal information system at the state level. Further, the system of accounts to be used is one approved by the Comptroller and Auditor General of India but this system is defined only for the Union and State Governments. Thus, when it comes to local bodies, budget information is not available in the appropriate form. There is a need to assess the capacity of the Finance Department to track and monitor annual receipts and expenditure and compile and computerize a database on basic economic indicators of local bodies.

An effective institutional mechanism is required for facilitating fiscal decentralisation, for enabling the state to monitor the fiscal performance of local governments, identify those in financial difficulties as well as those exerting weak revenue mobilisation efforts. It is also important to monitor the success of central government finance instruments (transfers, subsidies, local taxes) on a periodic basis.

Revenues, expenditures and transfers depend upon various economic, demographic, social and political factors. Compiling information on these variables is particularly important to estimate fiscal capacities and needs, and to evaluate the equity and efficiency of the transfer system. There are a number of issues that need to be analysed to understand the fiscal decentralization process and its implications. Review of jurisdictional assignments is essential to realign responsibilities with changing economic and political realities. An enabling environment for decentralisation (i.e., institutions of citizen participation and accountability) must be addressed in any serious reform of fiscal systems.

Given the national context and background, it becomes imperative to embark on an initiative for fiscal decentralization in the four project states, which is a key to achieving development goals.

### **Objectives of the study**

In the above context, the present study will examine the current situation and present a normative framework for fiscal decentralization in the four project states. Specific objectives are as follows:

I. Assessment of expenditure assignment: The assignment of roles and responsibilities to local governments raises the key issue of how these expenditure responsibilities are to be financed. The study will determine the functions (based on activity mapping) and expenditure responsibilities at three levels of local government. This will enable better understanding of the extent to which there is overlapping of functions between three tiers in the assignment system. This will include assessment of volume and composition of expenditures incurred on individual

functions/schemes by each government unit. The extent to which local governments have control over their expenditure package (production efficiency), and responsibility to deliver services that are important to the local population (allocative efficiency) will be looked at. The study will also develop some indicators of expenditure efficiency and if the quality of service delivery is commensurate with expenditure. Local discretion on the other hand is often limited in several ways including minimum expenditure requirements, unfounded mandates, conditional grants, and higher level government determination of the hiring/firing and compensation of local public employees. This may require examining cases where expenditure is assigned but funds are not transferred or if funds are given, the power to spend does not exist. An important question is also therefore, who controls the number of local self governments employees, and who controls the compensation paid. An attempt will be made to find out how equal or unequal local governments are in their expenditure needs. What are the mechanisms for addressing regional equity dimensions?

The study will throw light on the share of local government expenditure as proportion of total government expenditure to give an idea of how deep the fiscal decentralization is. The study will attempt an economic classification (capital and recurrent expenditure) and a functional classification (health, education). More broadly, though 6% of GDP is allocated to rural areas only 1% is spent through local bodies. The study will examine what allocations to rural areas can be routed through panchayats (along with functions). It will also examine schemes under which money is spent directly bypassing the panchayats such as MP / MLA Local Area Schemes.

2. Assessment of the status of Finance Commissions recommendations: Since fiscal commissions are main institutions for facilitating a dialogue on fiscal decentralisation and developing an appropriate framework for local government finance, the study will look at the status of the implementation of the recommendations of the State Finance Commission in the four project states and its implications on improving the fiscal base of the panchayats. To what extent it has created an efficient and reliable fiscal information system on the revenues and expenditures of local bodies. It will also assess the leadership role that the SFCs play in the development and implementation of a policy plan for fiscal decentralization.

3. Assessment of revenue assignment: On studying the expenditure responsibilities, analysis of the revenue structure and its productivity is extremely critical to enable the panchayats to play a major role in service delivery.

The study will make an assessment of and address the issues of own revenue as well as transfer of revenues.

Own revenue that could come from tax and non-tax sources (e.g., property tax, user charges, business tax, entertainment tax), their relative shares will be studied. The study will assess which tax or non-tax revenue sources will be made available to local government in order to meet their responsibilities. How stable are the sources of revenue? What is the extent of discretion on the level of their budgets and to what extent local governments choose the level of taxes and charges, and where appropriate, access capital markets for financing of sustainable infrastructure assets. The study will identify additional tax and non-tax sources of revenue that can be assigned to panchayats. Since village panchayats are the nearest institutions of local governments to the people and have some taxing powers, they will be the primary focus of this study but will examine if this needs reform. Current arrangements for tax collection and cost of tax collection will also be examined.

Shared taxes will be further examined from the point of view of the autonomy that panchayats have in changing the tax base or rate. Extent of upward sharing of taxes will also be examined. Setting the tax rates (and rates of fees, fines, charges and the like) is an extremely important instrument with any level of government for adjusting its resources and financial requirements.

4. Assessment of intergovernmental transfers: This is to determine the design and implementation of intergovernmental transfers. The study will identify the process and the extent to which the local self-governments receive inter-governmental transfers that give them discretion to choose the mix of their public expenditures. Extent of general purpose grants to meet general expenditures, grants of Central Finance Commission and specific purpose transfers of centrally sponsored schemes/district sector schemes and for maintenance of basic services will be assessed. General purpose transfers are generally not based on any formula (are discretionary) and have no incentives built into it. Multiplicity of schemes under specific transfers and possibility of consolidation / convergence will be an aspect the proposed study will examine. What is the composition of the transfers for plan and non-plan purposes? The study will examine the trends of such transfers, how such transfers take place, vertically and horizontally, and whether the intra-state regional disparities are a guiding factor in determining the quantum. The relative shares of such transfers between various levels as also the timing (whether there is year-end concentration) will also be examined.

The gap between allocated funds (budgeted) and actual cash receipts by panchayats will be assessed. Capacity to absorb the transfers will also be examined. How and what is the basis of determining the intergovernmental transfer pool? How and what basis allocation to local governments are calculated? Are their guidelines and conditionalities imposed for the use of funds that are transferred to the local level? To what extent unconditional grants or block grants are given to them discretion, as well as tightly earmarked transfers. What is the level of freedom of local governments to decide on the use of transfers? Are there equalisation grants or any intergovernmental transfer mechanisms to prevent fiscal inequality? Are equity dimensions built into transfer pools? Are there any systems of compliance of minimum conditions or performance based allocation in intergovernmental transfers? What is the impact of state fiscal deficit/cash constraints on transfers to LSG?

5. Fiscal monitoring: The study will look into current arrangements, if any, for monitoring of fiscal issues between different tiers of panchayats. Local government accounting system needs to be looked at and its ability to handle diverse flow of resources. The information system at all levels including the three tiers will be assessed for determining reliability of information on finances and financial performance. This is also critical for the recommendations of the Central and State Finance Commissions. The study will recommend data needs for fiscal monitoring, proper maintenance of accounts of revenue and expenditure, financial management practices (including whether liabilities are also reflected), audit reforms (including social audit), capacity building needs, and need to generate local debates on budgets. Recommendations with respect to the level at which such monitoring should take place will also be made.

## **Outputs**

A. Four state wise reports and presentation of analysis on expenditure assignment, revenue assignment and recommendations on required features of an efficient system for a well-designed intergovernmental transfer.

B. The study should provide recommendations for determining fiscal system reform and clarify:

- roles of various levels of government in public service delivery in accordance with the principle of subsidiarity with clarity on expenditure responsibilities of the local governments for each level.
- institutional arrangements for intergovernmental fiscal relations and how can we better coordinate policies.
- taxing responsibilities to ensure local revenue autonomy, accountability, and efficiency with tax instruments and mechanisms for efficient resource use and required institutional capacity.
- possibilities, extent and mechanisms for state transfers to local governments in the form of untied grants.
- fiscal transfers to determine regional fiscal equity.
- required alignment of operational capacity with the authorizing environment through the "accountability for results" framework of public management.
- outlining of a structure of a sound information system on local finances that provides information to citizens and promotes accountability.

C. Report on areas of capacity development as well as strategies for strengthening panchayats in fiscal domain. Capacity development strategy supported and implemented in four project states in collaboration with State Resource Institutions, State Governments and district level implementing agencies in 9 project districts

This should assist in strengthening fiscal regime of local bodies to make it transparent, predictable, need-based, equitable, flexible (untied) and efficient.

### Methodology

Public Expenditure Tracking Surveys (PETS) will track the flow of resources through different strata to determine how much of the originally allocated resources reaches each level. It is therefore useful as a device for locating and quantifying political and bureaucratic capture. It can bring together data on inputs, outputs, user charges, quality as well as linkages, leakages and the way spending is transformed into services. It can also be used to evaluate impediments to the reverse flow of information to account for actual expenditures.

Compilation of the fiscal data at the village, taluk and district panchayat levels from the selected districts will be undertaken. Secondary sources like Central and State Finance Commission Reports; published official documents like budgets and accounts of local bodies (on a sample basis) will be looked at. Discussions with local representatives, panchayats, officials and communities will be held.

Fiscal Incidence Studies will be used to measure benefits received by the poor from different expenditure programmes. Incidence studies will look at who pays for public services. Incidence studies will help to guide the decision on which public programmes- and which levels of government - are best positioned to provide pro-poor services.

The proposed methodology would also be revised based on inputs from the expert group of the project.

## Geographical Coverage

The study will cover the four project states of Madhya Pradesh, Chhattisgarh, Orissa and Rajasthan. For the sample of local bodies, the study will take the same districts as are selected under the project

## Time Period

The study will be completed in six months followed by capacity development interventions with different stakeholders in the project. Peer review of the reports will be carried out. The study reports will be published and findings will be disseminated and discussed at a national level workshop as well as state and district level workshops. The selected institutions will prepare the detailed workplan and the budget.

## Budget

<b>Expenditure Estimate for the Study of one State</b>		
<b>Cost Estimate for the study on Rural Decentralisation and Participatory Planning for Poverty Reduction (Rs)</b>		
<b>S.No.</b>	<b>Item of expenditure</b>	<b>Estimates by NIPFP for one state</b>
1	Salary Cost (One Senior Fellow, 4 Senior Economists & 4 Research Assistants)	825,000
2	Data Collection Cost/ Local Institutions	400,000
3	Travel cost and per diem	275,000
4	Data Analysis	125,000
5	Peer Reviews and Dissemination (at districts, state and national levels)	175,000
6	Printing and publication	50,000
7	Total -	1,850,000
8	Secretarial Assistance @ 7.5 %	138,750
9	Total including Secretarial Assistance	1,988,750
10	Overhead Expenses 7.5 %	149,156.3
	Total for one state	2,137,906

**A: List of Devolvable & Non devolvable Sub Heads Within Each Major Head**

Of the 29 functions listed in the Eleventh Schedule of the Constitution of India, the 21 considered in this report have been grouped under four classifications: Livelihood, Infrastructure, Health & Education, and Anti Poverty and Social Welfare as shown in Chapter 2. The following tables present the list of devolvable and non-devolvable components under each major head within the four groups.

In Rajasthan and Orissa transfers to PRIs are recorded under the heads: 196 (assistance to district panchayats); 197 (assistance to block panchayats); 198 (assistance to gram panchayats); 789 (special component plan for SCs); 793 (special central assistance for SCs component plan); 794 (special central assistance for tribal sub plan) and 796 (tribal area sub plan). These heads are devolvable by definition and are therefore not listed against each function.

**Livelihood**

<b>Crop Husbandry (2401)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	102 Food grain crops
104 Agricultural farm	103 Seeds
109 Extension & farmer's training	105 Manures & fertilisers
110 Crop insurance	107 Plant protection
111 Agricultural economics & statistics	108 Commercial crops
113 Agricultural engineering	119 Horticulture and vegetable crops
	800 Other expenditures

Food grain crops (102), seeds (103), manures and fertilisers (105), commercial crops (108), horticulture and vegetable crops (119) and other expenditure (800) fall under the demands dedicated for PRIs in MP and Chhattisgarh. Hence, all of them have been taken as devolvable.

<b>Soil &amp; Water Conservation (2402)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	102 Soil conservation
101 Soil survey & testing	800 Other expenditure
103 Land reclamation & development	
109 Extension & farmer's training	

Soil conservation (102) is taken as devolvable as there is some provision for grants to PRIs under the demand head for relief for natural calamities and drought-prone areas in MP and Chhattisgarh.

<b>Minor Irrigation/Surface Water (2702/01)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
800 Other expenditure	101 Water tanks
	102 Lift irrigation schemes



<b>Minor Irrigation/Ground Water (2702/02)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
005 Investigation	103 Tubewell

<b>Minor Irrigation/Maintenance (2702/03)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
	101 Water tanks
	102 Lift irrigation schemes
	103 Tubewell

Maintenance (03) is not found in MP.

<b>Minor Irrigation/General (2702/80)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	
052 Machinery & equipment	
799 Suspense	
800 Other expenditure	

As direction & administration (001) is present only in Orissa, the other States appear to include it in other expenditure (800) in absence of any other provision for that and hence that has been taken as non-devolvable.

<b>Relief on Account of Natural Calamities/Drought (2245/01)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
	101 Gratuitous relief
	102 Drinking water supply
	103 Special nutrition
	104 Fodder supply
	105 Veterinary services
	282 Public health
	800 Other expenditure

Other expenditure (800) is not present in MP and Chhattisgarh. It has been taken as devolvable as most of the expenditure in Orissa is on grants.

<b>Animal Husbandry (2403)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Veterinary services & animal health
109 Extension & training	102 Cattle & buffalo development
113 Admin. investigation & statistics	103 Poultry development
	104 Sheep & wool development
	105 Piggery development
	106 Other live stock development
	107 Fodder & feed development
	800 Other expenditure

Direction & administration (001) for this category is not uniformly non-devolvable. Where it occurs in the demands targeted for PRIs in MP and Chhattisgarh, those components have been taken as devolvable. Veterinary services and animal health (101) has not been taken as fully devolvable because it includes expenditures on hospitals and other expenses. Only a part of it for control of animal diseases has been taken as devolvable.

<b>Fisheries (2405)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Inland fisheries
102 Estuarine/brackish water fisheries	120 Fisheries cooperatives
103 Marine fisheries	800 Other expenditure
105 Processing, preservation & marketing	
109 Extension & training	

Extension & training (109) has been uniformly taken as non-devolvable except where it occurs in PRI-dedicated demands in MP and Chhattisgarh.

<b>Forestry &amp; Wild Life/Forestry (2406/ 01)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Forest conservation dev. & regeneration
003 Education & training	102 Social & farm forestry
004 Research	105 Forest produce
005 Survey & utilisation of forest Resources	800 Other expenditure
013 Statistics	
070 Communications & buildings	
109 Extension & training	
111 Departmental working of forest coupes & depots	
203 Timber	
204 Bamboo	
206 Khair	
797 Accounts	

<b>Village and Small Industries (2851)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	102 Small scale industries
101 Industrial estates	103 Handloom industries
108 Powerloom industries	104 Handicraft industries
800 Other expenditure	105 Khadi industries
	106 Coir industries
	107 Sericulture industries
	110 Cooperatives
	200 Other village industries

Since direction & administration (001) is not present in MP and Chhattisgarh, it is assumed that other expenditure (800) in both these States is inclusive of (001), and therefore non-devolvable.

## *Health and Education*

<b>General Education/Elementary Education (2202/01)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Government primary schools
104 Inspection	102 Assistance to non government primary schools
107 Teachers training	103 Assistance to local bodies for primary education
109 Scholarships and incentives	105 Non formal education
110 Examinations	108 Text books
	800 Other expenditure

Of all the major heads, elementary education poses a serious problem, as it is difficult to distinguish between the urban and rural schools within a particular subhead.

Government primary schools (101), assistance to local bodies for primary education (103) and text books (108) appear in demands targetted for PRIs in Madhya Pradesh and Chhattisgarh. In addition, 101 in MP & Chhattisgarh has grants in aid for Sarva Shiksha Abhiyaan, free uniforms, Kasturba Gandhi Gram Vidyalaya and NPEGEL. Chhattisgarh specifically has shown a provision for mid-day-meal scheme under this category. Demand 103 in Rajasthan has grants in aid for Panchayat Samitis for primary education and for the mid-day-meal scheme. Non formal education (105) in Rajasthan and Orissa has expenditures on Sarva Shiksha Abhiyaan.

<b>General Education/ Adult Education (2202/04)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	200 Other adult education programmes
	800 Other expenditure

Direction & administration (001) is present only in Orissa. Other expenditure (800) for the other States could not however be categorised as non-devolvable, because it contains devolvable components also. Hence, the devolvable percentage of Orissa is low as compared to other states.

<b>Medical and Public Health/ Rural Health Services-Allopathy (2210/03)</b>	
<b>Non-devolvable</b>	<b>Devolvable</b>
	101 Health sub centres
	103 Primary health centre
	104 Community health centres
	110 Hospitals and dispensaries
	800 Other expenditure

Other expenditure (800) is present only in Orissa and Rajasthan, with very small allocations.

**Medical and Public Health/ Rural Health Services-Other  
Systems of Medicine (2210/04)**

Non-devolvable	Devolvable
	101 Ayurveda
	102 Homoeopathy
	103 Unani

**Medical and Public Health/ Public Health (2210/06)**

Non-devolvable	Devolvable
001 Direction & administration	101 Prevention & control of diseases
003 Training	
102 Prevention of food adulteration	
104 Drug control	
107 Public health laboratories	
112 Public health education	
113 Public health publicity	
800 Other expenditure	

Though Medical and Public Health covers the entire rural section separately, public health here also has been taken into consideration because of the two highly devolvable components in it: prevention and control of diseases (101) and tribal area sub plan (796).

*Infrastructure*

**Water Supply and Sanitation/Water Supply (2215/01)**

Non-devolvable	Devolvable
001 Direction & administration	102 Rural water supply programs
003 Training	
005 Survey & investigation	
052 Machinery & equipment	
101 Urban water supply programs	
191 Assistance to urban local bodies	
192 Assistance to urban parishads/ municipalities	
799 Suspense	
800 Other expenditure	

In Madhya Pradesh, two of the demands targetted for PRIs carry only urban components. Rural water supply could not be found anywhere in these demands.

**Roads and Bridges/ District and Other Roads (3054/04)**

Non-devolvable	Devolvable
	105 Maintenance
	337 Road works
	800 Other expenditure

Orissa specifically has shown grants under Twelfth Finance Commission award for construction of rural roads in Road Works (337) under the demand for PRI. Chhattisgarh has shown a provision for grants under PMGSY in maintenance (105) in the demand for panchayat

and rural development. Although, the allotted amount is to be devolved to the State rural development agency and not to panchayats, 105 has been taken as devolvable in principle. Other Expenditure (800) is also taken as devolvable as one of the components in Rajasthan has expenditure on repair of rural roads. Orissa and Chhattisgarh do not have this category at all.

*Anti Poverty, Social Welfare*

**Special Programmes for Rural Development/Integrated Rural Development Programme (2501/01)**

Non-devolvable	Devolvable
	001 Direction and administration
	101 DRDA
	800 Other expenditure

Integrated rural development programme (01) is totally absent in Chhattisgarh. Direction and administration (001) has been taken as devolvable as it falls under the demands dedicated for PRIs in MP and Orissa. Rajasthan does not have 001.

**Special Programmes for Rural Development/ Drought Prone Areas Development Programme (2501/02)**

Non-devolvable	Devolvable
	800 Other expenditure

Drought prone area programmes (02) is not found in Rajasthan.

**Special Programmes for Rural Development/ Desert Development Programme (2501/03)**

Non-devolvable	Devolvable
	800 Other expenditure

Desert development programme (03) is not found in Chhattisgarh and Orissa.

**Special Programmes for Rural Development/ Integrated Rural Energy Planning Programme (2501/04)**

Non-devolvable	Devolvable
	101 Rural energy planning & design

Integrated Rural Energy Planning Programme (04) is not found in Rajasthan and Orissa.

**Special Programmes for Rural Development/ Waste Land Development Programme (2501/05)**

Non-devolvable	Devolvable
	101 National wasteland development programme

Wasteland development programme (05) is not found in MP and Orissa.

**Special Programmes for Rural Development/Self  
Employment Programme (2501/06)**

Non-devolvable	Devolvable
	101 SJGSY
	800 Other expenditure

Self-Employment Programme (06) is present only in Chhattisgarh and Rajasthan. While Swarna Jyanti Gram Swarozgar Yojana (SJGSY) exists as a separate three-digit component in Chhattisgarh, in Rajasthan it appears as a part of assistance to district panchayats (196). In MP & Orissa, SJGSY is found in IRDP (01).

**Other Rural Development Programmes (2515)**

Non-devolvable	Devolvable
001 Direction & administration	101 Panchayati raj
003 Training	102 Community development
	800 Other expenditure

Other expenditure (800) in MP has provision for the mid day meal scheme given as grants-in-aid under this head.

**Rural Employment/ National Programmes (2505/01)**

Non-devolvable	Devolvable
	701/702 *

\*This devolvable item has different names with different three-digit numbers across four States as follows:

Madhya Pradesh (702): Jawahar Gram Sammridhi Yojana (JGSY)

Chhattisgarh (702): Jawahar Rozgar Yojana (JRY)

Orissa (701): Jawahar Rozgar Yojana (JRY)

Rajasthan (701): National Rural Employment Programme (NREP)

**Rural Employment/Other Programmes (2505/60)**

Non-devolvable	Devolvable
	101 NREGA

This minor head is present only in Chhattisgarh with NREGS as a separate three-digit subhead. While in MP, NREGS came under National Programme (01) as grant-in-aid under the Jawahar Gram Sammridhi Yojana (702), it was totally absent in Orissa. Rajasthan shows this provision under capital outlay on other rural development programmes (4515).

**Housing/Rural Housing (2216/03)**

Not-devolvable	Devolvable
	102 Provision of house site to the landless

Orissa and Rajasthan have no provision for rural housing (03) even in the demand for rural development. The devolved and devolvable percentages, therefore, in both the States are zero.

**Family Welfare (2211)**

<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Rural family welfare services
003 Training	103 Maternity and child health
004 Research and evaluation	
102 Urban family welfare services	
104 Transport	
105 Compensation	
106 Mass education	
200 Other services and supplies	
800 Other expenditure	

Tribal area sub plan (796) in Orissa has some urban component also.

**Nutrition/Distribution of Nutritious Food and Beverages (2236/02)**

<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Special nutrition programme
	102 Mid day meals

Mid day meals (102) is present as a separate three-digit subhead in Orissa only.

**Social Security and Welfare/Social Welfare(2235/02)**

<b>Non-devolvable</b>	<b>Devolvable</b>
001 Direction & administration	101 Welfare of handicapped
106 Correctional services	102 Child welfare
190 Assistance to public sector & other undertakings	103 Women's welfare
	104 Welfare of aged, infirm & destitute
	105 Prohibition
	107 Assistance to voluntary organisations
	200 Other programmes
	800 Other expenditure

**Social Security and Welfare/ Other Social Security and Welfare Programmes (2235/60)**

<b>Non-devolvable</b>	<b>Devolvable</b>
104 Deposit linked insurance scheme	101 Personal accident insurance scheme for poor families
107 Swatantra sainik samman pension scheme	102 Pensions under social security schemes
200 Other schemes	105 Government employees insurance scheme
	800 Other expenditure

Social security and welfare is another issue where it is difficult to identify rural and urban components separately. Therefore, the subheads were categorised based either on judgement or on the demands under which they fell. For example, 105, which could be thought of as a non-devolvable item has been taken as devolvable because it falls under the demand dedicated for PRIs in MP.

**Welfare of Scheduled Castes, Scheduled Tribes and Other  
Backward Classes/Welfare of Scheduled Castes (2225/01)**

<b>Non-devolvable</b>		<b>Devolvable</b>	
001	Direction & administration	102	Economic development
190	Assistance to public sector & other undertakings	277	Education
		800	Other expenditure

Because urban expenditures are not separated from rural expenditures, it was again difficult to categorize the subheads. Education (277) is one such example of it. The scholarships and stipends are given directly into the hands of beneficiaries and are meant mostly for higher education and for preparation of civil services. Still that has been taken as devolvable as it falls under the demands for PRIs in MP and Chhattisgarh.

**Welfare of Scheduled Castes, Scheduled Tribes and Other  
Backward Classes/Welfare of Scheduled Tribes (2225/02)**

<b>Non-devolvable</b>		<b>Devolvable</b>	
001	Direction & administration	102	Economic development
190	Assistance to public sector & other undertakings	277	Education
		800	Other expenditure

In MP in one of the demands for Tribal area sub plan, there is a provision for a small amount of sum given into the hands of Gram Panchayat as an encouragement for the promotion of education.

**Welfare of Scheduled Castes, Scheduled Tribes and Other  
Backward Classes/Welfare of Backward Classes (2225/03)**

<b>Not-devolvable</b>		<b>Devolvable</b>	
001	Direction & administration	277	Education
190	Assistance to public sector & other undertakings	800	Other expenditure

**B: Devolved Percentage by Sub Heads for Selected Functions/States**

Table 2.16 shows the percentage of revenue expenditure devolved by budget head. Functions showing significantly high percentage of devolution across states are further broken down by sub-heads to illustrate the percentages devolved. Anti-poverty schemes are not included as these are driven by Central directives on devolution. The exercise is possible only for Madhya Pradesh and Chhattisgarh. Rajasthan consolidates all devolved expenditure under heads 196, 197 and 198, with the exclusion of general education (2202). Orissa shows no appreciable devolution under any head other than anti-poverty schemes.



*Madhya Pradesh*

<b>Crop Husbandry (2401)</b>	
<b>Devolvable</b>	<b>Devolved (%)</b>
102 Food grain crops	24.55
103 Seeds	2.87
105 Manures & fertilisers	0.00
107 Plant protection	0.00
108 Commercial crops	27.54
119 Horticulture and vegetable crops	67.13
800 Other expenditures	6.61

<b>Minor Irrigation/Surface Water (2702/01)</b>	
<b>Devolvable</b>	<b>Devolved (%)</b>
101 Water tanks	36.28

<b>Minor Irrigation/Ground Water (2702/02)</b>	
<b>Devolvable</b>	<b>Devolved (%)</b>
103 Tubewell	100.00

<b>Fisheries (2405)</b>	
<b>Devolvable</b>	<b>Devolved (%)</b>
101 Inland fisheries	23.62
120 Fisheries cooperatives	29.15
800 Other expenditure	0.00

*Chhattisgarh*

<b>Fisheries (2405)</b>	
<b>Devolvable</b>	<b>Devolved (%)</b>
101 Inland fisheries	31.41
120 Fisheries cooperatives	92.38
800 Other expenditure	0.00

*Madhya Pradesh*

<b>Water Supply and Sanitation/Water Supply (2215/01)</b>	
<b>Devolvable</b>	<b>Devolved (%)</b>
102 Rural water supply programs	25.48

**General Education/ Elementary Education (2202/01)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Government primary schools	3.18
102	Assistance to non government primary schools	0.00
103	Assistance to local bodies for primary education	100.00
108	Text books	0.00

**Chhattisgarh**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Government primary schools	24.24
102	Assistance to non government primary schools	0.00
103	Assistance to local bodies for primary education	100.00
105	Non formal education	0.00
108	Text books	1.94
800	Other Expenditure	0.00

**Rajasthan**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Government primary schools	0.00
102	Assistance to non government primary schools	0.00
103	Assistance to local bodies for primary education	90.96
105	Non formal education	0.00
196	Assistance to district panchayats	100.00
789	Special Component Plan for SC	0.00
796	Tribal areas sub plan	33.29
800	Other expenditure	0.00

**Madhya Pradesh****Nutrition/Distribution of Nutritious Food and Beverages (2236/02)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Special nutrition programme	13.38

**Social Security and Welfare/Social Welfare(2235/02)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Welfare of handicapped	7.48
102	Child welfare	0.0021
103	Women's welfare	8.01
104	Welfare of aged, infirm & Destitute	0.00
105	Prohibition	0.00
107	Assistance to voluntary organisations	0.00
200	Other programmes	10.33
800	Other expenditure	0.00

**Chhattisgarh****Social Security and Welfare/Social Welfare(2235/02)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Welfare of handicapped	0.00
102	Child welfare	0.10
103	Women's welfare	9.23
105	Prohibition	0.00
107	Assistance to voluntary organisations	1.97
200	Other programmes	0.00
800	Other expenditure	0.00

**Madhya Pradesh****Social Security and Welfare/Other Social Security and Welfare Programmes (2235/60)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
101	Personal accident insurance scheme for poor families	100.00
102	Pensions under social security schemes	100.00
105	Government employees insurance scheme	100.00
800	Other expenditure	100.00

**Chhattisgarh****Social Security and Welfare/Other Social Security and Welfare Programmes (2235/60)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
102	Pensions under social security schemes	100.00
800	Other expenditure	0.00

**Madhya Pradesh****Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes/Welfare of Scheduled Castes (2225/01)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
102	Economic development	92.91
277	Education	40.69
800	Other expenditure	0.00015

**Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes/Welfare of Scheduled Tribes (2225/02)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
102	Economic development	0.00
277	Education	31.74
794	Special central assistance for tribal sub plan	0.00
800	Other expenditure	0.00

**Welfare of Scheduled Castes, Scheduled Tribes and Other  
Backward Classes/Welfare of Backward Classes (2225/03)**

	<b>Devolvable</b>	<b>Devolved (%)</b>
277 Education		0.00
800 Other expenditure		0.00

**Survey of Gram Panchayat****Name of Investigator****Institution****Date of Interview****Sample Gram Panchayat****i) Name****ii) Sampling S.No.****Survey Code****Substitution:****i) Name of Gram Panchayat****ii) Sampling S.No.****Reasons for Substitution (code)****Verified by****Date of Verification****Name of the Respondent and Designation****Address****Compiled by****Date of Compilation****June 2006****NIPFP-UNDP Project****Rural Decentralisation and Participatory Planning for Poverty Reduction****New Delhi**

**Codes:** Survey code: original sample GP surveyed -1, original sample GP is a casualty but a substitute GP surveyed-2, original sample GP is a causality and no substitute surveyed- 3  
**Reasons for substitution:** not accessible-1, restricted area-2, others (specify)-3

## Part I: Gram Panchayat

NIPFP-UNDP Project on Rural Decentralisation and Participatory Planning for Poverty Reduction Date 2006 1 (a)

### Gram Panchayat Questionnaire

Name of investigator Institution

### Gram Panchayat Identification

1. State (Name)	1.01	3. Janpad/Panchayat Samiti: Code	1.03	
		Name		
2. Zila Panchayat: Code		4. Gram Panchayat: Sampling s.no.	1.04	
Name		Name		

### Panchayat details

Where is the panchayat office located?	1.05	Who maintains the records?	1.09	
code		code		
Own building	1	Secretary	1	
House of sarpanch	2	Others (specify)	2	
Rented premises	3	When were accounts last audited?	1.10	
House of member	4			
No. of times panchayat meetings took place in the year 2005-06	1.06	Are there any NGOs operating in the panchayat? (yes-1, no-2)	1.11	
What is the total size (membership) of the gram panchayat?	1.07	If yes, give names and the area of their activity		
No. of seats reserved for women	1.08			

### Villages under the gram panchayat

Number of villages in the GP	1.12	In which village is GP office located	1.13			
		Population				
		1.14	1.15	1.16	1.17	1.18
Name of villages		Area	Total	SC	ST	OBC
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

Gram Panchayat Questionnaire (contd.)		Gram Panchayat			1(b)
Details of elected members		1.19	1.20	1.21	1.21(a)
Name of sarpanch	Sex (code)	Education (code)	Caste (code)	Whether re-elected ? (yes-1, no-2)	
	1.22	1.23	1.24	1.25	
Constitution of panch (i.e., members other than sarpanch)	Total No.	No. of female	No. of male	How many re-elected ?	
Staff of gram panchayat		1.26	1.27	1.28	
Name	Designation	Appointed by (code)	Education (code)		
Households in the gram panchayat					
Total number of households	1.29		Year	1.30	
BPL households	1.31		Year	1.32	
Households registered for NREGA on the date of the survey				1.33	

**Codes:**

**Sex:** male-1, female-2

**Education:** illiterate-0, literate but not having gone to school -1, upto primary (i-v)-2, class vi - viii - 3, class ix-x - 4, class xi-xii -5, above xii -6

**Caste:** general-1, scheduled caste-2, scheduled tribe-3, other backward caste-4

**Appointed By:** gram panchayat-1, state government-2

**NREGA:** National Rural Employment Guarantee Act

**BPL:** Below Poverty Line

## Sources of funds for the gram panchayat from Central &amp; State government for 2005-06 (Rs. Amount)

I. Central Government		Opening Balance	Amount received in 2005-06												
			April	May	June	July	August	September	October	November	December	January	February	March	Total
<b>(a) Centrally Sponsored Schemes</b>															
SGRY	[Cash (Rs.)]	2.01													
SGRY	[Grain (Kg.)-Wheat]	2.02													
SGRY	[Grain (Kg.)-Rice]	2.03													
	Indira Awas Yojana	2.04													
	Old age pension (NOAPS)	2.05													
	Others (specify)	2.06													
		2.07													
		2.08													
<b>(b) Central Finance Commission (EFC &amp; TFC)</b>															
	EFC	2.09													
	TFC	2.10													
<b>II. State Government</b>															
<b>(a) State Sponsored Schemes</b>															
	Widows pension	2.11													
	Kisan (old age) pension	2.12													
	Guru Golwalkar Yojana	2.13													
	Others (specify)	2.14													
		2.15													
		2.16													
		2.17													
		2.18													
		2.19													
		2.20													
<b>(b) Grants from State Finance Commission</b>															
	Moolbhoot/Establishment grant	2.21													
	Panchayat bhavan nirman	2.22													
	Cess	2.23													
	Kendu leaf grant	2.24													
	Sairat	2.25													
	Untied fund	2.26													
	Others (specify)	2.27													
		2.28													
		2.29													
		2.30													

04/



Gram Panchayat					2 (b)
Utilisation of funds by the gram panchayat for 2005-06 (Rs. Amount)					
I. Central Government			II. Grants from State Finance Commission		
(a) Centrally Sponsored Schemes		Amount utilised		(a) Moolbhoot/Establishment Grant	Amount utilised (Rs.)
				(Cess, Kendu leaf grant, Sairat - in case of Orissa)	
Work done under SGRY *		Cash (Rs.)	Grain (Rs.)	Details of work done	
1 Roads (all type)					
2 Building construction					
3 Construction of water works and maintenance					
4 Construction of culverts					
5 Maintenance of buildings					
6 Others (specify)					
7					
8					
9					
10					
11					
12					
<b>Total</b>		<b>2.31</b>		<b>Total</b>	<b>2.37</b>
		Amount utilised (Rs.)		(b) State Sponsored Schemes	Amount utilised (Rs.)
				Widows pension	2.38
Old age pension (NOAPS)		2.32		Kisan (old age) pension	2.39
Others (specify)		2.33		Others (specify)	2.40
		2.34			2.41
(b) Central Finance Commission (EFC & TFC)					2.42
EFC		2.35			2.43
TFC		2.36			

Note: \* for details of work done under SGRY refer to annexure to Item 2.31[(page 2 (c))].

**Annexure to 2.31**

Details of SGRY activities <span style="float: right;">2(C)</span>			
Work done under SGRY	Amount utilised		
	Cash (Rs.)	Wheat (Kg.)	Rice (Kg.)
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			

Gram Panchayat				2 (d)
Sources of funds for the panchayat for 2005-06 (Rs. Amount)				
III. Own resources		Amount (Rs.)		Amount (Rs.)
House tax	2.44		License fee	2.53
Cess on land revenue	2.45		Fees for certificate	2.54
Lighting tax	2.46		Fines	2.55
Animal tax	2.47		Rent from the panchayat property	2.56
Ferry service tax	2.48		Interest receipts	2.57
Others (specify)	2.49		Royalty from minor mineral products	2.58
	2.50		Income from forest products	2.59
	2.51		Mandi fees/auction of mandi	2.60
			Kanji house	2.61
			Rent/fee from shops	2.62
			Auctioning ponds	2.63
			Auction of orchards/trees	2.64
			Others (specify)	2.65
				2.66
				2.67
				2.68
				2.69
				2.70
				2.71
				2.72
				2.73
				2.74
				2.75
				2.76
				2.77
				2.78
				2.79
				2.80
				2.81
				2.82

Code: Disturbance in the village: no disturbance-0, communal-1, murders-2, robberies-3, dacoity-4, others-5

**Local needs of the gram panchayat** **3 (a)**

In your opinion what are the local needs? (yes-1, no-2)			Are you willing to raise resources to meet these needs in terms of money or shramdan? (yes-1, no-2)		
				Money	Shramdan
(i) Drinking water (Hand pump/stand post)	3.01		3.06		
(ii) Street lighting	3.02		3.07		
(iii) Better sanitation and drainage facility	3.03		3.08		
(iv) Weekly visit by doctors	3.04		3.09		
(vi) Other village specific problems/needs	3.05		3.10		
(specify)					

**Contingent Valuation**

**Drinking water facilities**

Is adequate drinking water available in all the villages/wards of the GP? (yes-1, no-2) 3.11

If yes, go to 3.11 and if no, go to 3.13

If yes, what are the present sources of drinking water? 3.12

	code		code
(i) Well	1	(iii) Piped water	3
(ii) Hand pump/tube well	2	(iv) Others (specify)	4

If not, how is it presently sourced? 3.13

(i) Tankers	1	(iii)	3
(ii)	2	(iv)	4

**Option 1: Provision of Drinking Water through Tankers**

If drinking water is provided by tankers in the village/wards where there is a shortage are you willing to collect money from the households in the concerned village/ward to provide water through tankers? (yes-1, no-2) 3.14

If yes, how much are you willing to collect per household? (code) 3.15

**Option 2: Provision of Drinking Water by digging Additional Handpumps/tubewells**

Are you willing to provide drinking water by digging additional handpump/tubewell in the concerned village/ward by collecting money from the residents? (yes-1, no-2) 3.16

If yes, how much are you willing to collect? (code) 3.17

Code: Water charges per household per month: Rs.1-10 - 1, Rs. 11- 20 -2, Rs.21- 25 - 3, Rs. 26-30 -4, above Rs. 30 -5.

**Street lighting**

Do all the villages/wards in the Gram Panchayat have street lights? (yes-1, no-2)

3.18

If yes, go to 3.19 and if no, go to 3.20

If yes, does the Panchayat pay for it? (yes-1, no-2)

3.19

If not, are you willing to collect money from households to provide street lights in villages/wards where there are no streetlights? (yes-1, no-2)

3.20

If yes, how much are you willing to collect from each household? (code)

3.21

**Drainage**

Is there any drainage system in the gram panchayat? (yes-1, no-2)

If yes, go to 3.23 and if no, go to 3.24

3.22

If yes, what type of drainage system?

code

3.23

(i) Open

1

(ii) Covered

2

If not, do you face waterlogging problems in the gram panchayat? (yes-1, no-2)

3.24

If yes are you willing to provide drainage by collecting money from residents? (yes-1, no-2)

3.25

If yes, how much are willing to collect from each household? (code)

3.26

**Codes:****Street lighting charges per household per month:** Rs. 1-5 -1, Rs. 6-10 -2, Rs.11-15 -3.**Drainage charges per household per month:** Rs 1 -1, Rs. 2 -2, Rs.3 -3, Rs. 4 -4, Rs. 5 -5.

Respondent		Part II: Main Village		
NIPFP-UNDP Project on Rural Decentralisation and Participatory Planning for Poverty Reduction				Date 2006 4
Village questionnaire				
Type of approach road to village (code)	4.01			
Distance to the nearest				
	Distance (km)		Distance (km)	
Block head quarters	4.02	Primary school (I-V)		4.08
Bus stand	4.03	Middle school (VI-VIII)		4.09
Ration shop	4.04	High school (IX-X)		4.10
Pucca road	4.05	Higher secondary school (+2) (XI-XII)		4.11
Rural/commercial bank	4.06	Polytechnic/vocational college/Mahavidyalaya		4.12
Primary health center (nearest health facility)	4.07			
Amenities				
Is the village connected to power grid? (yes-1, no-2)		Number of pucca houses?		4.16
	4.13			
Does the village have street lighting? (yes-1, no-2)		Number of working handpumps?		4.17
	4.14	Number of wells?		4.18
No. of households with toilet facilities		Number of ponds?		4.19
	4.15			
Total no. of households in the main village				
	4.15 (a)			

Codes: Type of approach road: approachable all the year round-1, approachable during certain seasons-2

Distance: if within the village-0

Education		Village level				5	
Village schools: primary							
Number of primary schools in village 5.01			Number of middle school in the village 5.02				
5.03	5.04	5.05	5.06	5.07			
Name	Controlling authority (code)	Type of building (code)	Number of students	Number of teachers			
1							
2							
3							
4							
5							
Facilities							
	5.08	5.09	5.10	5.11			
	Electricity (yes-1, no-2)	Toilet (code)	Drinking water (yes-1, no-2)	Mid-day meal (yes-1, no-2)			
1							
2							
3							
4							
5							
	5.12	5.13	5.14	5.15			
	Given free (yes-1, no-2)		Uniform required (yes-1, no-2)	If required given			
	Stationery	Books		free (yes-1, no-2)			
1							
2							
3							
4							
5							
Primary schools							
			1	2	3	4	5
Teachers appointed by (code)			5.16				
Who inspects (code)			5.17				

**Codes:** Controlling authority: gram panchayat-1, state govt.-2, private-3, others-4

Type of building: open-1, kutcha-2, semi-pucca-3, pucca-4

Toilet: none-1, only male-2, only female-3, male and female separate-4, male and female combined-5

Teachers appointed by: gram panchayat-1, state govt.-2, private-3, others-4

Who inspects: no inspection -0, inspected by state education officer- 1, inspected by panchayat official -2

Water supply, sanitation and health		Village level		6
<b>Source of drinking water</b>				
Within village (yes-1, no-2)		6.01		
If within the village tick the sources				
Well	6.02		Tank/pond	6.05
Stand post	6.03		River/canal/lake	6.06
Hand pump	6.04		Others (specify)	6.07
If not within the village specify the sources and distance?				
	6.08			6.10
	6.09			6.11
Is sufficient drinking water available in summer from sources within the village? (yes-1, no-2)		6.12		
If not specify sources				
6.13			6.15	
6.14			6.16	
<b>Drainage</b>				
<b>Type of drainage system</b>				
Open drains (yes-1, no-2)		6.17		
No drains (yes-1, no-2)		6.18		
No. of households with access to a drain		6.19		
<b>Health</b>				
<b>Health facilities</b>		<b>Distance to the nearest facility available (km)</b>		
Health centre (specify)	6.20			
<b>Availability of health providers (yes - 1, no - 2)</b>				
Private doctor	6.21		Mitanin/ANM	6.23
Visiting doctor	6.22		Dai (trained)	6.24
Communicable diseases in the village during the last one year (code)		6.25		

Codes: Distance: within the village -0

Communicable disease in village: no disease- 0, malaria-1, cholera-2, diarrhoea-3, others-4



Gram Sabha				7
If more than one village in a gram panchayat, how many GS are there?			7.01	Total membership of the gram sabha? 7.02
When was GS meeting last held? (date)			7.03	How many people attended it? 7.04
			day	month
			year	
Number of gram sabha meetings held last year			7.05	
How many committees are there in the gram sabha?				7.06
7.07		7.08		7.09
List the committees?		No. of members		Responsibilities assigned
(a) Van suraksha and nirman				
(b) Education and Health				
(c) Agriculture, irrigation and fisheries				
(d) Others (specify)				
(e)				
(f)				
(g)				
(h)				
(i)				

**Survey of Janpad Panchayat**

**Name of Investigator**

**Institution**

**Date of Interview**

**Sample Janpad Panchayat**

**i) Name**

**ii) Sampling S.No.**

**Verified by**

**Date of Verification**

**Name of the Respondent and Designation**

**Address**

**Compiled by**

**Date of Compilation**

June 2006

NIPFP-UNDP Project

Rural Decentralisation and Participatory Planning for Poverty Reduction

New Delhi



## Sources of funds for the Janpad panchayat from central government for 2005-06 (Rs. Amount)

I. Central Government		Opening balance	Amount received (2005-06)	Amount utilised (2005-06)
<b>(a) Centrally Sponsored Schemes</b>				
SGRY [cash (Rs.)]*	2.01			
SGRY [Rice (qntl)]*	2.02			
SGRY [Wheat (qntl)]*	2.03			
NFFWP	2.04			
PMGSY	2.05			
IAY	2.06			
SGSY	2.07			
IWDP	2.08			
DPAP	2.09			
ARWSP	2.10			
CRSP	2.11			
DDP	2.12			
RSVY	2.13			
Rastriya Parivar Yojana	2.14			
WORLP	2.15			
MPRLP	2.16			
NOAPS	2.17			
Rastriya Parivarik Sahayata	2.18			
PMGY	2.19			
Others (specify)	2.20			
	2.21			
	2.22			
	2.23			
<b>(b) Central Finance Commission (EFC &amp; TFC)</b>				
EFC	2.24			
TFC	2.25			
	2.26			
	2.27			

Note: Sampurna Grameen Rozgar Yojana (\*includes JRY and EAS) [SGRY], National Food for Work Programme (NFFWP), Pradhan Mantri Gram Sadak Yojana (PMGSY), Indira Awas Yojana (IAY), Swarnjayanti Gram Swarozgar Yojana (SGSY), Integrated Waste Land Development Programme (IWDP), Drought Prone Area Programme (Hariyali) (DPAP), Accelerated Rural Water Supply Programme (ARWSP), Central Rural Sanitation Programme (CRSP), Desert Development Programme (DDP), Rastrashtrya Sam Vikas Yojana (RSVY), National Old Age Pension Scheme (NOAPS), Rastriya Pariwar Yojana (RPY), Prandan Mantri Gramodaya Yojana (PMGY)

Externally Aided Projects: 1. Western Orissa Rural Livelihood Project (WORLP), 2. Madhya Pradesh Rural Livelihood Project Phase 1 (MPRLP)

Janpad Panchayat				2(b)
Sources of funds for the Janpad panchayat from state government for 2005-06 (Rs. Amount)				
II. State Government		Opening balance	Amount received (2005-06)	Amount utilised (2005-06)
<b>(a) State Sponsored Schemes</b>				
Samajik Suraksha Pension Scheme	2.28			
Nava Anjore (CRPEP)*	2.29			
Sukhad Sahara Yojana	2.30			
Anganwadi	2.31			
Balika Samridhi	2.32			
Bal Poshahar	2.33			
Widows pension	2.34			
Kisan (old age) pension	2.35			
Gokul Gram	2.36			
Samagra Swachhta Abhyan	2.37			
Handicap Scholarship	2.38			
Panchayat Karmi Honorarium	2.39			
Sarpanch Honorarium	2.40			
Old Age Pension (state)	2.41			
CM Relief Fund	2.42			
Guru Golwalkar Yojana	2.43			
Others (specify)	2.44			
	2.45			
	2.46			
	2.47			
<b>(b) Grants from State Finance Commission</b>				
(i) Establishment grant	2.48			
(ii) Onetime grant	2.49			
(iii) Incentive grant	2.50			
(iv) Cess	2.51			
(v) Kendu leaf grant	2.52			
(vi) Sairat	2.53			
(vii) Others (specify)	2.54			
	2.55			
	2.56			
	2.57			
	2.58			
<b>(c) Departmental Funds</b>				
(i) Primary education (salaries)	2.59			
(ii) Primary education (others)	2.60			
(iii) Middle education (salaries)	2.61			
(iv) Middle education (others)	2.62			
(v) Other departments	2.63			
(vi)	2.64			

Note: \* Chhattisgarh Rural Poverty Elevation Programme

## Sources of funds for the Janpad panchayat for 2005-06 (Rs. Amount)

III. Own Resources		Amount (Rs.)	Amount (Rs.)	
Cess on land revenue	2.65		Interest receipts	2.76
Stamp duty	2.66		Education cess	2.77
License fee	2.67		Others (specify)	2.78
Fees for certificate	2.68			2.79
Fines	2.69			2.80
Rent from panchayat buildings	2.70			2.81
Rent from guest/rest houses	2.71			2.82
Rent from shops	2.72			2.83
Lease of ghats/ferry ghats	2.73			2.84
Lease of ponds	2.74			2.85
Auction of fairs	2.75		Total	2.86
<b>IV Other sources</b>				
		Amount (Rs.)	Output/work undertaken	
(a) MP LADs	2.87		Utilised (Rs.)	
			2.88 Hand pumps	
			2.89 Village roads	
			2.90 Community halls	
			2.91 Other (specify)	
			2.92	
			2.93	
(b) MLA Funds		Amount (Rs.)		
	2.94		2.95 Hand pumps	
			2.96 Village roads	
			2.97 Community halls	
			2.98 Other (specify)	
			2.99	

Other functions transferred from the state		Janpad Panchayat	
How many functions have been transferred?			
3.01			
List the functions	Describe the functions	Funds transferred if any	No. of functionaries transferred
3.02			
3.03			
3.04			
3.05			
3.06			
3.07			
3.08			
3.09			
3.10			
3.11			

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**Survey of Zilla Panchayat**

**Name of Investigator**

**Institution**

**Date of Interview**

**Sample Zilla Panchayat**

**i) Name**

**ii) Sampling S.No.**

**Verified by**

**Date of Verification**

**Name of the Respondent**

**Address**

**Compiled by**

**Date of Compilation**

**June 2006**

**NIPFP-UNDP Project**

**Rural Decentralisation and Participatory Planning for Poverty Reduction**

**New Delhi**



NIPFP-UNDP Project on Rural Decentralisation and Participatory Planning for Poverty Reduction				Date: 2006	
Zilla Panchayat Questionnaire					
Name of investigator			Institution		
Zilla panchayat identification					
1. State (Name)		1.01	3. No. of Janpad Panchayat/		
2. Zilla Panchayat: Code		1.02	Panchayat samiti under ZP		1.03
Name			4. No. of gram panchayats under ZP		1.04
Zilla panchayat details					
What is the total size (membership) of the			When were the accounts last audited ?		1.11
Zilla panchayat?					1.05
When was the last election held?					1.06
No. of seats reserved for women					1.07
No. of seats reserved for SC, ST, OBC					1.08
Are the records computerised?			Whether your district is selected for (yes-1, no-2)		
(yes-1, no-2)			(a) Bharat Nirman		1.12
			(b) National Rural Employment Guarantee Act		
Who audits the records? (code)					1.13
CAG auditor 1			(c) National Rural Health Mission		1.14
Authorised by CAG 2					
Local fund audit 3					
Others 4					
Janpad panchayat under the Zilla panchayat					
Population					
	1.15	1.16	1.17	1.18	1.19
Name of Zilla panchayat	Area	Total	SC	ST	OBC
Details of members					
1.20		1.21		1.22	
Name of chairman	Sex (code)	Education (code)	Caste (code)		
	1.23	1.24	1.25	1.26	
Constitution of members of ZP	Total	No. of male	No. of female	How many re-elected ?	
(members other than chairman)					
	1.27	1.28	1.29		
Staff of Zilla panchayat	Total	No. appointed by ZP	No. appointed by state/deputed by state		
Number of Staff					

**Codes:**

**Sex:** male-1, female-2

**Education:** illiterate-0, literate but not having gone to school -1, upto primary (i-v)-2, class vi - viii - 3, class ix-x - 4, class xi-xii -5, above xii -6

**Caste:** general-1, scheduled caste-2, scheduled tribe-3, other backward caste-4

Zilla Panchayat		2 (a)		
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WORLP	2.15			
MPRLP	2.16			
NOAPS	2.17			
Rastriya Parivarik Sahayata Yojana	2.18			
Prevention of Desert Expansion Prog.	2.19			
Others (specify)	2.20			
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<b>(b) Central Finance Commission (EFC &amp; TFC)</b>				
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Externally Aided Projects: 1. Western Orissa Rural Livelihood Project (WORLP), 2. Madhya Pradesh Rural Livelihood Project Phase I (MPRLP)

Zilla Panchayat		2 (b)		
Sources of funds for the Zilla panchayat from state government for 2005-06 (RS. Amount)				
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	2.45			
	2.46			
	2.47			
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	2.55			
	2.56			
	2.57			
	2.58			
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(vi)	2.64			

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Stamp duty	2.66		Contribution from panchayat samiti	2.77
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Fines	2.69			2.80
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			2.99	

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How many functions have been transferred?			
3.01			
List the functions	Describe the functions	Funds transferred if any	No. of functionaries transferred
3.02			
3.03			
3.04			
3.05			
3.06			
3.07			
3.08			
3.09			
3.10			
3.11			

## Summary of Sample Survey

## Identity of Sample Districts

	Madhya Pradesh	Chhattisgarh	Rajasthan	Orissa
Backward	Khargone Mandla	Rajnandgaon Bastar	Jhalawar Banswara Dungarpur	Mayurbhanj Kandhamal
Comparator	Bhind Vidisha	Dhamtari	Jhunjhunun Jodhpur	Kendrapara Bargarh Malkangiri

## Selected Zillas

	No. of districts	Backward	Comparator	All	Percent
(1)	(2)	(3)	(4)	(5)	(5)/(2)
Madhya Pradesh	45	2	2	4	8.89
Chhattisgarh	16	2	1	3	18.75
Rajasthan	32	3	2	5	15.63
Orissa	30	2	3	5	16.67
<b>Total</b>	<b>123</b>	<b>9</b>	<b>8</b>	<b>17</b>	<b>13.82</b>

## Selection of Blocks (i.e., Janpad Panchayats/Panchayat Samitis)

State	Total blocks in selected zillas			Selected blocks			Percent (7)/(4)
	Backward	Comparator	All	Backward	Comparator	All	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Madhya Pradesh	18	13	31	9	7	16	51.61
Chhattisgarh	21	4	25	10	2	12	48.00
Rajasthan	19	17	36	11	9	20	55.56
Orissa	38	28	66	17	13	30	45.45
<b>Total</b>	<b>96</b>	<b>62</b>	<b>158</b>	<b>47</b>	<b>31</b>	<b>78</b>	<b>49.37</b>

## Selection of Gram Panchayats

State	Total gram panchayats in selected blocks			Sample gram panchayats			Percent (7)/(4)
	Backward	Comparator	All	Backward	Comparator	All	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Madhya Pradesh	1093	1028	2121	135	127	262	12.35
Chhattisgarh	1282	336	1618	159	42	201	12.42
Rajasthan	814	627	1441	101	78	179	12.42
Orissa	535	586	1121	66	72	138	12.31
<b>Total</b>	<b>3724</b>	<b>2577</b>	<b>6301</b>	<b>461</b>	<b>319</b>	<b>780</b>	<b>12.38</b>

### Ranking for Districts

Madhya Pradesh				Chhattisgarh			
	PCA	PCY	HDI		PCA	PCY	HDI
1	Bhopal	Raisen	Indore	1	Champa	Korba	Korba
2	Indore	Ratlam	Bhopal	2	Mahasumund	Dantewada	Durg
3	Gwalior	Neemuch	Raisen	3	Raipur	Durg	Mahasumund
4	Jabalpur	Ujjain	Ujjain	4	Bilaspur	Korea	Raipur
5	Morena	Mandsaur	Mandsaur	5	Dhamtari	Dhamtari	Champa
6	Ujjain	Indore	Ratlam	6	Raigarh	Raipur	Dhamtari
7	Ratlam	Damoh	Neemuch	7	Durg	Mahasumund	Jashpur
8	Barwani	Bhopal	Gwalior	8	Kabirdham		Bilaspur
9	Bhind	Shajapur	Shajapur	9	Surguja	Bilaspur	Dantewada
10	Dhar	Dewas	Dewas	10	Jashpur	Raigarh	Raigarh
11	Sheopur	Sidhi	Narsimhapur	11		Champa	Surguja
12	Jhabua	Harda	Harda	12	Kanker	Jashpur	Kanker
13	Hoshangabad	Sheopur	Chhindwara	13	Korba	Kanker	Korea
14	Katni	Hoshangabad	Hoshangabad	14			
15	Dewas	Narsimhapur	Balaghat	15	Korea	Surguja	Kabirdham
16	Khandwa	Sagar		16	Dantewada	Kabirdham	
17	Guna	Sehore	Jabalpur				
18	Chhindwara	Chhindwara	Damoh				
19	Sagar	Gwalior	Bhind				
20	Vidisha	Balaghat	Sagar				
21	Datia	Vidisha	Khandwa				
22	Sehore	Khandwa	Sehore				
23	Shahdol	Dhar	Dhar				
24	Sidhi	Rajgarh	Dindori				
25		Katni	Sidhi				
26	Neemuch	Jabalpur	Seoni				
27	Harda	Shivpuri	Vidisha				
28	Umaria	Betul	Datia				
29	Raisen	Shahdol	Katni				
30	Tikamgarh	Datia	Betul				
31	Mandsaur	Dindori	Shahdol				
32	Shajapur		Morena				
33	Satna	Satna	Sheopur				
34	Rajgarh	Bhind	Rajgarh				
35	Betul	Guna					
36	Shivpuri	Seoni	Guna				
37	Rewa	Tikamgarh	Umaria				
38	Chhatarpur	Chhatarpur	Satna				
39	Damoh	Panna	Rewa				
40	Seoni	Umaria	Shivpuri				
41	Narsimhapur	Rewa	Panna				
42	Dindori	Morena	Tikamgarh				
43	Panna		Chhatarpur				
44		Barwani	Barwani				
45	Balaghat	Jhabua	Jhabua				

Orissa				Rajasthan			
PCA	PCY	HDI		PCA	PCY	HDI	
1	Khurda	Jharsuguda	Khurda	1	Sikar	Ganganagar	Ganganagar
2	Bhadrak	Angul	Jharsuguda	2	Jhunjhunun	Hanumangarh	Hanumangarh
3	Jajpur	Khurda	Cuttack	3	Jaisalmer	Baran	Kota
4	Puri	Sundargarh	Sundargarh	4	Churu	Kota	Jaipur
5	Kendrapada	Jagatsinghpur	Deogarh	5	Bikaner	Chittaurgarh	Alwar
6	Nayagarh	Sambalpur	Angul	6	Barmer	Bundi	Bikaner
7	Cuttack	Cuttack	Puri	7	Hanumangarh	Alwar	Jhunjhunun
8	Balasore	Gajpati	Bhadrak	8	Jaipur	Rajsamand	Karauli
9	Jagatsinghpur	Keonjhar		9	Karauli	Jaipur	SawaiMadhopur
10	Dhenkanal	Rayagada	Kendrapada	10	Ganganagar	Tonk	Ajmer
11	Ganjam	Dhenkanal	Kalahandi	11	Nagaur	Sirohi	Baran
12	Sonepur	Koraput	Dhenkanal	12	Jodhpur	Pali	Dausa
13	Bargarh	Ganjam	Sambalpur	13	Bharatpur	Bikaner	Jodhpur
14	Balangir	Deogarh	Nuapada	14	Dhaulpur	Ajmer	Sikar
15	Boudh	Bargarh	Nayagarh	15	Sawaimadhopur	Bhilwara	Bharatpur
16	Nuapada	Puri	Sonepur	16	Jalor	Dausa	Bundi
17	Keonjhar	Balangir	Bargarh	17	Dausa		Nagaur
18			Balasore	18	Alwar	Karauli	Churu
19	Deogarh	Malkangiri	Jagatsinghpur	19	Bundi	SawaiMadhopur	Pali
20	Angul	Jajpur	Ganjam	20	Udaipur	Nagaur	Tonk
21	Sundargarh	Sonepur	Balangir	21	Kota	Udaipur	Chittaurgarh
22	Kalahandi	Boudh	Jajpur	22	Rajsamand	Jodhpur	Rajsamand
23	Sambalpur	Nayagarh	Boudh	23	Ajmer	Bharatpur	Sirohi
24	Jharsuguda		Keonjhar	24	Pali	Jalor	Jaisalmer
25		Kendrapada	Rayagada	25	Bhilwara		Bhilwara
26	Koraput	Nuapada	Nawarangpur	26		Jaisalmer	
27	Nawarangpur	Kalahandi	Koraput	27	Tonk	Jhunjhunun	Udaipur
28	Rayagada	Balasore	Gajpati	28	Baran	Dhaulpur	Dhaulpur
29	Gajpati	Nawarangpur		29	Sirohi	Churu	Jalor
30	Malkangiri	Bhadrak	Malkangiri	30	Chittaurgarh	Sikar	
				31		Barmer	Barmer
				32			

### Selection of Districts

The geographical coverage of the larger project, and hence the NIPFP component as well, is confined to the four states of Madhya Pradesh, Chhattisgarh, Rajasthan and Orissa and within these states it is further confined to the pre-assigned nine backward districts. The set of districts was subsequently expanded, for the purposes of the NIPFP study alone, to include districts from other areas of the state with lower deprivation characteristics, so as to yield a more varied set of findings with respect to panchayat functioning. We call this new set the comparator districts. The selection of these additional districts was based on a number of indicators and as the number of indicators involved was large and diverse the method of Principal Components was used to rank the districts in each of the four states. The selection of the comparator districts was based on ranking by Principal Component analysis, so as to yield a benchmark set with lower deprivation characteristics, although their location with respect to the backward set by per capita income



alone, or HDI alone, may not necessarily mark them as less deprived. An exception is Orissa, where the pre-selected backward districts are not at the bottom of the PCA ranking. The comparator set therefore spares the full range of the PCA ranking. The backward and the comparator districts list in the four states is given below, and are also marked in the rankings above.

<b>Madhya Pradesh</b>	<b>Chhattisgarh</b>	<b>Rajasthan</b>	<b>Orissa</b>
<b>Pre-assigned backward districts</b>			
Khargone	Rajnandgaon	Banswara	Kandhamal
Mandla	Bastar	Dungarpur	Mayurbhanj
		Jhalawar	
<b>Selected comparator districts</b>			
Bhind	Dhamtari	Jhunjhunun	Bargarh
Vidisha		Jodhpur	Kendrapara
			Malkangiri

## Central Schemes (154) Assigned to State Exchequers (Including Urban)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Agriculture and Cooperation</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>1267.89</b>	<b>859.56</b>	<b>1269.75</b>
1	Integrated Scheme of Oilseeds, Pulses, Oil Palm & Maize (ISOPOM)	178.75	193.75	190.00
2	Technology Mission on Cotton-MM-II (TMC)	44.25	44.25	64.00
3	Enhancing Sustainability of Dry land Farming Systems	195.00	19.50	195.00
4	Improvement of Agriculture Statistics	22.86	20.50	26.84
5	Central Sector Scheme for Strengthening/Promoting Agricultural Information System in the Department of Agriculture and Cooperation	19.00	15.00	12.00
6	Promotion and Strengthening of Agricultural Mechanization through Training, Testing and Demonstration	3.20	3.20	5.68
7	Development & Strengthening of seed Infrastructure Facilities for Production & Distribution of seeds	9.03	20.34	25.00
8	Capacity Building to Enhance the Competitiveness of Indian Agriculture	1.00	0.50	0.50
9	Agriculture Census	9.15	9.15	11.84
10	National Project on Organic Farming	0.15	3.00	9.50
11	Strengthening & Modernization of Pest Management Approach in India	1.41	1.42	2.85
12	Support to State Extension Programmes for Extension Reforms	39.00	14.00	10.00
13	Establishment of Agri-Clinics & Agri-Business Centres by Agricultural Graduates	0.00	0.00	1.00
14	Macro Management of Agriculture	745.09	514.95	715.54
	<b>B Departmental Schemes</b>	<b>1750.43</b>	<b>1311.49</b>	<b>2273.40</b>
15	Integrated Development of Tree Borne Oilseeds	16.00	16.00	8.00
16	On Farm Water Management for increasing Crop Production in Eastern India	25.00	0.00	0.00
17	Forecasting & Remote Sensing Application in Crop Husbandry	5.43	5.31	5.00
18	National Horticulture Mission	645.00	630.00	1000.00
19	Technology Mission for Integrated Development of Horticulture in NE States, Sikkim, J&K, HP and Uttaranchal	170.00	54.90	205.40
20	Integrated Development of Coconut Industry in India including Technology Mission on Coconut (implemented by Coconut Development Board)	20.00	35.00	40.00
21	National Horticulture Board (including Cold Chain)	70.00	70.00	85.00

## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
22	Micro Irrigation	400.00	230.49	520.00
23	National Bamboo Mission	100.00	0.00	80.00
24	Construction of Rural Godowns	70.00	88.50	70.00
25	Development of Agricultural Marketing Infrastructure, Grading and Standardisation	70.00	13.00	67.00
26	Agribusiness Project Development through Venture Capital Assistance	10.00	10.00	38.00
27	Mass Media Support to Agriculture Extension	71.00	90.79	90.00
28	Cooperative Education & Training	70.00	67.50	65.00
29	Other Schemes	8.00	0.00	0.00
<b>Department of Animal Husbandry and Dairy</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>307.80</b>	<b>250.90</b>	<b>250.86</b>
30	National Project for Cattle & Buffalo Breeding	1.00	1.00	12.50
31	Assistance to States for Fodder Development	13.50	8.84	15.40
32	Assistance to States for Control of Animal Diseases	67.40	75.74	77.71
33	Integrated Dairy Development Project	26.50	29.39	33.50
34	Strengthening Infrastructure for Quality & Clean Milk Production	10.00	10.70	7.00
35	Development of Inland Fisheries & Aquaculture	25.50	25.50	10.35
36	Establishment of Fishing Harbours & Fish Landing Centres	12.00	15.71	18.50
37	Development of Marine Fisheries	46.60	60.80	25.90
38	Macro Management Scheme	101.10	21.27	49.40
39	Livestock Census	4.20	1.95	0.60
40	Other Schemes under Animal Husbandry & Dairying	0.00	0.00	0.00
<b>B</b>	<b>Departmental Schemes</b>	<b>142.74</b>	<b>66.47</b>	<b>93.05</b>
41	Conservation of Threatened Breeds of small Ruminants, Pigs, Ruminants, Pack Animals, Equines & Yak	6.00	0.00	4.00
42	Assistance to State Poultry Farm	12.00	24.60	36.86
43	Integrated Fisheries Project	1.14	3.87	6.07
44	National Welfare of Fishermen	25.00	1.20	0.92
45	Training & Extension	1.50	7.75	8.35
46	Strengthening of Database & Information Networking for Fisheries	5.10	2.60	3.95
47	Rinderpest Eradication Programme	7.00	1.45	1.90
48	Foot and Mouth Disease Control Programme	35.00	25.00	25.00
49	Livestock Insurance	50.00	0.00	6.00
<b>Ministry of Agro and Rural Industries</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>1.00</b>	<b>0.01</b>	<b>0.10</b>
50	Promotion of Coir Industries	1.00	0.01	0.10
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Ministry of Civil Aviation (Urban areas)</b>				
A	<b>Demand Head 3601</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
51	Aero Sports Development	0.05	0.05	0.05
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Consumer Affairs (Urban areas)</b>				
A	<b>Demand Head 3601</b>	<b>1.50</b>	<b>0.01</b>	<b>49.50</b>
52	Integrated Consumer Protection	1.50	0.01	49.50
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Culture (Urban areas)</b>				
A	<b>Demand Head 3601</b>	<b>1.79</b>	<b>1.20</b>	<b>0.60</b>
53	Public Libraries	1.79	1.20	0.60
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Environment and Forests</b>				
A	<b>Demand Head 3601</b>	<b>104.19</b>	<b>150.77</b>	<b>114.11</b>
54	National Afforestation Prog. (Centre 100%)	3.00	1.00	0.42
55	Project Tiger (Centre 100% for non- recurring, 50:50 for recurring)	28.50	80.20	31.00
56	Assistance for Development of National Parks & Sanctuaries (as for project tiger)	48.00	46.45	52.50
57	Conservation & Management of Mangroves, Coral Reefs & Wetlands	9.00	8.71	10.00
58	Biosphere Reserves	4.10	3.97	5.10
59	Project Elephant	11.59	10.44	15.09
B	<b>Departmental Schemes</b>	<b>684.35</b>	<b>589.27</b>	<b>794.60</b>
60	National River Conservation Plan (NRCP) & National River Conservation Directorate (NRCD)	347.50	302.20	375.00
61	National Lake (NLCP) Centre: State 70:30	68.00	56.22	60.00
62	National Afforestation Prog. (Centre 100%)	233.85	202.83	324.58
63	Environment Edu. & Training & Awareness	35.00	28.02	35.02
<b>Department of Health</b>				
A	<b>Demand Head 3601</b>	<b>323.08</b>	<b>277.65</b>	<b>311.62</b>
64	National Vector Borne Disease Control Prog.	220.28	194.05	220.00
65	National Prog. for Control of Blindness	32.00	15.00	14.50
66	National Leprosy Eradication Prog.	13.10	11.10	13.00
67	Revised National TB Control Prog.(RNTCP)	24.99	24.99	25.00
68	Other Prog. (Iodine Deficiency Disorders)	0.96	0.96	1.00
69	Other Prog. (Communicable Diseases)	0.25	0.05	0.12
70	Other Prog. (Other Schemes)	31.50	31.50	38.00
B	<b>Departmental Schemes</b>	<b>765.00</b>	<b>833.05</b>	<b>1224.70</b>
71	National Vector Borne Disease Control Prog.	100.00	114.15	157.30
72	Integrated Disease Surveillance Project	35.00	34.00	64.00
73	National Prog. for Control of Blindness	50.00	53.50	145.50
74	National AIDS Control Prog.	450.00	476.50	656.67

## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
75	National Leprosy Eradication Prog.	20.00	14.70	25.23
76	Revised National TB Control Prog. (RNTCP)	110.00	140.20	176.00
<b>Department of AYUSH</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>137.20</b>	<b>157.49</b>	<b>175.20</b>
77	Development of Institutions	37.20	35.20	50.00
78	Hospitals & Dispensaries	86.00	100.65	110.00
79	Medicinal Plants	10.00	18.00	11.00
80	Information, Education & Communication	4.00	3.64	4.20
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Family Welfare</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>3515.86</b>	<b>2443.10</b>	<b>3151.63</b>
81	National Rural Health Mission Urban FW Services & Urban Slums (Urban area)	3133.54	2105.77	2806.33
82	Direction & Administration	132.48	121.46	121.84
83	Direction & Administration	249.84	215.87	223.46
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Elementary Education</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>1996.57</b>	<b>2370.81</b>	<b>2908.46</b>
84	Mid day Meal	1825.07	2159.57	2720.80
85	Strengthening of Teachers Training	169.70	192.70	172.70
86	Continuing Education for Neo-Literates	1.80	18.54	14.96
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Secondary Education</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>152.58</b>	<b>143.35</b>	<b>260.41</b>
87	ICT in Schools	37.25	38.00	57.95
88	Integrated Education for Disabled Child	27.00	35.60	43.20
89	Quality Improvement in Schools	4.75	0.00	0.00
90	Access Education	2.10	0.00	42.74
91	Appointments of Language Teachers	14.38	14.38	22.23
92	Development of Sanskrit Education	15.10	8.10	15.38
93	Area Intensive and Madarasa Modernisation	26.10	26.10	50.00
94	National Merit Scholarship Scheme	9.40	8.81	12.41
95	Vocationalisation of Education	16.50	12.36	16.50
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Women and Child Development</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>3269.96</b>	<b>3286.27</b>	<b>4508.89</b>
96	Integrated Child Development Services (ICDS)	3254.43	3270.77	4484.88
97	Swayam-sidha Scheme of Financial Assistance for Construction of Hostel Building for Working Women	15.50	15.50	24.00
98	Scheme of Financial Assistance for Construction of Hostel Building for Working Women	0.03	0.00	0.01
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Ministry of Labour</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>26.47</b>	<b>16.40</b>	<b>81.20</b>
99	Establishment of New Training Institutes in the North-Eastern States, Sikkim & J&K	25.40	15.40	79.40
100	Upgradation of 100 ITIs into Centres of Excellence	0.00	0.00	0.00
101	Other Schemes	1.07	1.00	1.80
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Law and Justice</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>3.00</b>	<b>1.74</b>	<b>42.60</b>
102	Centrally Sponsored Scheme for Development of Infrastructural Facilities for the Judiciary	3.00	1.74	42.60
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Non-Conventional Energy Resources</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>9.23</b>	<b>8.48</b>	<b>23.06</b>
103	Remote Village Electrification Prog. (RVEP)	1.22	4.42	17.06
104	Biogas Plants	8.01	4.06	6.00
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Panchayati Raj</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>12.00</b>	<b>9.50</b>	<b>0.00</b>
105	Training of Elected Representatives for Implementing Various Developmental Prog. through Local Self Governance	12.00	9.50	0.00
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Planning</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>3.02</b>	<b>3.02</b>	<b>3.00</b>
106	Plan Scheme "50th Year Initiative for Planning"	3.02	3.02	3.00
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Rural Development</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>4.79</b>	<b>4.79</b>	<b>5.50</b>
107	Training SIRDs/ETCs/OTC/IT	4.79	4.79	5.50
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Land Resources</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>126.00</b>	<b>251.00</b>	<b>165.10</b>
108	Integrated Wastelands Development Programme (IWDP)	2.00	113.00	13.10
109	Computerisation of Land Records (CLR)	122.00	132.00	141.00
110	Strengthening of Revenue Administration & Updation of Land Records (SRA & ULR)		4.00	5.00
111	Others	2.00	2.00	6.00
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Department of Drinking Water Supply</b>				
A	<b>Demand Head 3601</b>	<b>2259.75</b>	<b>2674.75</b>	<b>3585.00</b>
112	Accelerated Rural Water Supply Prog (ARWSP)	2259.75	2674.75	3585.00
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Shipping (Urban areas)</b>				
A	<b>Demand Head 3601</b>	<b>15.50</b>	<b>15.30</b>	<b>13.20</b>
113	Others - R&D/Training, Minor Ports Studies, TAMP	0.50	0.30	1.20
114	Centrally Sponsored Scheme on Development of Inland Water Transport	15.00	15.00	12.00
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Road Transport &amp; Safety (Urban areas)</b>				
A	<b>Demand Head 3601</b>	<b>67.00</b>	<b>67.00</b>	<b>64.00</b>
115	Strategic Roads Under Border Roads	66.00	66.00	64.00
116	Pollution Testing and Control	1.00	1.00	0.00
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Small Scale Industries (Urban areas)</b>				
A	<b>Demand Head 3601</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
117	Small Industries Development Organisation	4.00	4.00	4.00
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Social Justice and Empowerment</b>				
A	<b>Demand Head 3601</b>	<b>954.61</b>	<b>983.80</b>	<b>1094.46</b>
118	Special Central Assistance (SCA) to Special Component Plan (SCP) for Scheduled Castes	489.97	397.03	438.62
119	Setting up of Residential Schools for SC Students Studying in Class VI to XII	5.03	30.50	6.02
120	Post-Metric Scholarships and Book Banks for SC students	370.69	370.69	451.50
121	Pre-Metric Scholarships for those Engaged in Unclean Occupations	0.01	15.89	18.39
122	Hostels for SC and OBC Boys and Girls	0.03	41.43	49.20
123	Implementation of PCR Act, 1955 & SC/ST (POA) Act, 1989	35.91	35.91	36.91
124	Merit Based Scholarships for OBC & OBCs Minority Students: (i) Pre & Post Metric Scholarships for OBC & (ii) Merit based Scholarships and Minorities Students	52.96	73.22	71.10
125	Scheme for Prevention and Control of Juvenile Social Maladjustment	0.01	19.13	22.72
B	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Ministry of Statistics and Programme Implementation (Urban areas)</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>37.13</b>	<b>38.26</b>	<b>6.30</b>
126	Fifth Economic Census & Institutional Development & Capacity Building	37.13	38.26	6.30
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Textiles (Urban areas)</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>74.80</b>	<b>87.21</b>	<b>109.99</b>
127	Deen Dayal Hathkargha Protsahan Yojana	62.85	76.35	85.98
128	Workshed Cum Housing Scheme	5.75	5.00	12.50
129	Weavers Welfare Schemes	5.00	5.00	10.00
130	Design Development & Training Prog.	0.20	0.01	1.51
131	Bunkar Bima Yojana	1.00	0.85	0.00
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Tribal Affairs</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>269.45</b>	<b>211.24</b>	<b>221.85</b>
132	Vocational Training Centres in Tribal Areas	6.00		
133	Educational Complex in Low Literacy Pockets	6.00		
134	Development of PTGs	25.00	21.00	27.50
135	Scheme of Post Matric, Book Banks & Upgradation of Merit of ST students	230.15	188.04	189.70
136	Research Information & Mass Education Tribal Festivals & Others	2.30	2.20	4.65
<b>B</b>	<b>Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Department of Urban Development and Works (Urban areas)</b>				
<b>A</b>	<b>Demand Head 3601</b>	<b>249.00</b>	<b>288.00</b>	<b>228.00</b>
137	Integrated Development of Small & Medium Towns (IDSMT) - CSS	99.50	113.50	108.50
138	Mega City Scheme-CSS	149.50	174.50	119.50
<b>B</b>	<b>Departmental Schemes</b>	<b>935.24</b>	<b>1967.49</b>	<b>1054.00</b>
139	Viability Gap Funding (Other Metro Projects)	600.00	1702.00	762.00
140	National Mission Mode Project on e- Governance in Municipalities	25.00	5.00	75.00
141	Accelerated Urban Water Supply Programme- CSS	95.24	45.49	50.00
142	New Central Sector Scheme of Solid Waste Management & Drainage in Ten Selected Airfield Towns	55.00	55.00	35.00
143	10% Lump-sum Provision for the benefit of North Eastern Region including Sikkim	160.00	160.00	132.00



## Annex 7 (contd.)

(Rs. Crore)

S. no.	Scheme name	Through state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Ministry of Urban Employment and Poverty Alleviation (Urban areas)</b>				
	<b>A Demand Head 3601</b>	<b>150.90</b>	<b>150.90</b>	<b>240.90</b>
	Swana Jayanti Shahari Rozgar Yojana (SJSRY)-			
144	CSS	150.90	150.90	240.90
	<b>B Departmental Schemes</b>	<b>340.00</b>	<b>233.04</b>	<b>161.10</b>
	Projects / Schemes for the Development of North Eastern States including Sikkim under 10% Lumpsum Provision - CSS			
145		50.10	40.00	50.00
	Valmiki Ambedkar Awas Yojana (VAMBAY)-			
146	CSS	249.00	182.62	75.01
	Integrated Low Cost Sanitation Scheme (ILCS) -			
147	CSS	30.00	5.00	30.00
148	Other Central Sector Schemes	10.90	5.42	6.09
<b>Department of Water Resources</b>				
	<b>A Demand Head 3601</b>	<b>273.06</b>	<b>206.06</b>	<b>282.68</b>
149	Command Area Development & Water Management Programme	196.50	155.00	193.80
150	Critical Anti Erosion Works in Ganga States	70.00	45.00	81.20
151	Data Collection and Investigation (Various Schemes Related to Data Collection and Investigation for Water Resources Development)	6.56	6.06	7.68
	<b>B Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Ministry of Youth Affairs and Sports (Urban areas)</b>				
	<b>A Demand Head 3601</b>	<b>21.55</b>	<b>25.91</b>	<b>29.41</b>
152	National Service Scheme (NSS)	20.45	24.81	28.41
153	Promotion of Scouting & Guiding	1.00	1.00	1.00
154	Youth Hostels	0.10	0.10	0.00
	<b>B Departmental Schemes</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Central Scheme Fund Flows Assigned to State Exchequers (for Rural Areas)</b>				
	<b>A Demand Head 3601</b>	<b>14885.03</b>	<b>14189.23</b>	<b>18333.64</b>
	<b>B Departmental Schemes</b>	<b>3342.52</b>	<b>2800.28</b>	<b>4385.75</b>
	<b>Total</b>	<b>18227.55</b>	<b>16989.51</b>	<b>22719.39</b>

Source: 1. Government of India (2006), Expenditure Budget 2006-07, Vol. 1&2, Ministry of Finance, February 28.

2. Government of India (2006), Detailed Demand for Grants, Various Ministries for 2006-07.

3. Garg (2006), State Sector Plan Grants by Centre, (mimeo).

Note: 1. 'A' refers to CSS funds that are going through the state budget under accounting head 3601, while 'B' refers to other CSS funds going through the departmental schemes.

2. Schemes identified as going directly to urban areas number 30 in all. This leaves 124 schemes going to rural areas. These 124 schemes may unavoidably carry some components to urban areas.

## Central Fund Flows Assigned to PRIs: Scheme-Specific

(Rs. Crore)

S. No.	Scheme	By-passing state budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Department of Rural Development</b>		<b>13735.00</b>	<b>16345.00</b>	<b>18420.00</b>
1	Sampoorna Grameen Rozgar Yojana (SGRY)	4000.00	8500.00	3000.00
2	National Food for Work Programme (NFFWP)	6000.00	4095.00	0.00
3	Swarnjayanti Gram Swarozgar Yojana (SGSY)	960.00	1000.00	1200.00
4	Indira Awaas Yojana (IAY)	2775.00	2750.00	2920.00
5	National Rural Employment Guarantee Scheme (NREGS)#			11300.00
<b>Department of Land Resources</b>		<b>1066.00</b>	<b>1074.00</b>	<b>1082.90</b>
6	Integrated Wastelands Development Programme (IWDP)	445.00	453.00	452.90
7	Drought Prone Areas Programme (DPAP)	353.00	353.00	360.00
8	Desert Development Programme (DDP)	268.00	268.00	270.00
<b>Department of Drinking Water</b>		<b>630.00</b>	<b>630.00</b>	<b>720.00</b>
9	Central Rural Sanitation Programme (CRSP)	630.00	630.00	720.00
<b>Ministry of Statistics and Programme Implementation</b>		<b>1185.00</b>	<b>1185.00</b>	<b>1185.00</b>
10	Member of Parliament Local Development Scheme (MPLADS)*	1185.00	1185.00	1185.00
<b>Central Fund Flows Assigned to PRIs</b>		<b>16616.00</b>	<b>19234.00</b>	<b>21407.90</b>

Source: *Ibid.*

Notes: # We have assumed that the entire funds under NREGS go to PRIs.

\* We have assumed that 75 percent of the funds under MPLADS go to the rural areas and PRIs as they are the preferred implementing agencies.

## Central Fund Flows Assigned to Other Agencies

(Rs. Crore)

S. No.	Scheme	By-passing State Budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Department of Agriculture and Cooperation</b>		<b>615.00</b>	<b>829.16</b>	<b>500.00</b>
	Investment in Debentures of State Land			
1	Development Banks	65.00	80.16	0.00
2	National Agricultural Insurance Scheme (NAIS) (including Rs. 1.00 crore for NER)	550.00	749.00	500.00
<b>Ministry of Agro and Rural Industries</b>		<b>218.50</b>	<b>273.77</b>	<b>324.98</b>
3	Prime Minister's Rozgar Yojana	218.50	273.77	324.98
<b>Department of Family Welfare</b>		<b>1846.48</b>	<b>1256.14</b>	<b>1491.01</b>
4	National Rural Health Mission	1846.48	1256.14	1491.01
<b>Department of Elementary Education</b>		<b>8181.03</b>	<b>8181.03</b>	<b>4715.63</b>
5	Sarva Shiksha Abhiyan (SSA)	7129.53	7139.78	4210.68
6	Shiksha Karmi Project	6.50	6.50	0.00
7	Mahila Samakhya	29.85	23.85	29.85
8	District Primary Education	597.91	597.91	197.91
9	National Council of Teacher Education	4.50	0.25	0.45
10	Kasturba Gandhi Balika Vidyalaya	225.00	225.00	115.200
11	Continuing Education for Neo-Literates	164.12	149.12	134.54
12	Literacy Campaign and Operation Restoration	22.50	37.50	27.00
13	Population Education in Adult Education	1.12	1.12	0.00
<b>Department of Women and Child Development</b>		<b>5.00</b>	<b>3.00</b>	<b>2.00</b>
	Swa Shakti (Rural Women Development & Empowerment Project) (World Bank & IFAD funded)			
14		5.00	3.00	2.00
<b>Ministry of Labour</b>		<b>125.05</b>	<b>115.76</b>	<b>127.46</b>
15	National Child Labour Project	125.05	115.76	127.46
<b>Ministry of Non-Conventional Energy Resources</b>		<b>279.00</b>	<b>120.41</b>	<b>283.55</b>
16	Wind power	5.00	0.51	3.00
17	Small Hydro (upto 25 MW)	10.00	6.00	29.00
18	Remote Village Electrification Prog. (RVEP)	180.00	59.90	162.00
19	Solar Photovoltaic Prog. (SPV)	27.00	20.15	34.20
20	SPV Pumps	5.00	7.00	5.00
21	Wind Pumps & Hybrid Systems Solar Thermal	2.00	2.00	3.00
22	Solar Thermal	50.00	24.85	47.35
<b>Department of Rural Development</b>		<b>4514.21</b>	<b>4499.21</b>	<b>5514.17</b>
23	Pradhan Mantri Gram Sadak Yojana (PMGSY)	4235.00	4220.00	5225.62
24	Training SIRDs/ETCs/OTC/IT	19.21	19.21	24.50
25	Others	260.00	260.00	264.05
<b>Department of Land Resources</b>		<b>80.00</b>	<b>80.00</b>	<b>80.00</b>
	(i) Andhra Pradesh Rural Livelihoods Project			
26	(APRLP)	60.00	60.00	40.00
	(ii) Western Orissa Rural Livelihoods Project			
27	(WORLP)	20.00	20.00	40.00

**Annex 9 (contd.)**

		(Rs. Crore)		
S. No.	Scheme	By-passing State Budgets		
		2005-06 BE	2005-06 RE	2006-07 BE
<b>Department of Drinking Water</b>		<b>1384.90</b>	<b>1384.90</b>	<b>1614.00</b>
28	Accelerated Rural Water Supply Prog. (ARWSP)	1384.90	1384.90	1614.00
<b>Ministry of Social Justice &amp; Empowerment</b>		<b>32.50</b>	<b>31.50</b>	<b>33.00</b>
	Assistance to State Scheduled Castes Development Corporation (SCDCs)	32.50	31.50	33.00
29		32.50	31.50	33.00
<b>Ministry of Tribal Affairs</b>		<b>32.00</b>	<b>10.80</b>	<b>27.50</b>
30	Grant-in-Aid to STDCs for MFPs	12.00	10.80	16.00
	Support to National/State Scheduled Tribes Finance & Development Corporations	20.00	0.00	11.50
31		20.00	0.00	11.50
<b>Central Fund Flows Assigned to Other Agencies*</b>		<b>17708.67</b>	<b>17180.68</b>	<b>15108.30</b>

Source: *Ibid.*

Notes: \*Other agencies are: (a) District Authorities; (b) Collector/District Planning Committee/District Industry Centre/Directorate of industries; (c) Registered Autonomous Societies/State Missions/State Council; (d) SLDB; (e) SCDC; (f) STFDC; (g) STDC; and (h) SRRDA. This includes 25 percent of the funds under MPLADS (amounting to Rs. 395 crore for each year).

**Fund flows to PRIs in Four States through Eight Centrally Sponsored Schemes: Madhya Pradesh, Chhattisgarh, Rajasthan, Orissa and All India**

	(Rs. crore)				
	Madhya Pradesh	Chhattisgarh	Rajasthan	Orissa	All India
<b><i>Sampoorna Grameen Rozgar Yojana (SGRY)</i></b>					
2004-05	287.14	129.32	145.65	269.40	4490.77
	(0.28)	(0.34)	(0.13)	(0.45)	(0.14)
2005-06	287.87	142.49	151.04	304.92	4391.24
	(0.26)	(0.37)	(0.12)	(0.48)	(0.11)
<b><i>Swarnjayanti Gram Swarozgar Yojana (SGSY)</i></b>					
2004-05	55.16	26.76	29.42	58.66	898.73
	(0.05)	(0.07)	(0.03)	(0.10)	(0.03)
2005-06	50.14	19.48	19.03	52.50	710.12
	(0.05)	(0.05)	(0.02)	(0.08)	(0.02)
<b><i>National Food For Work Programme (NFFWP)</i></b>					
2004-05	158.08	104.10	35.33	222.84	2019.45
	(0.15)	(0.27)	(0.03)	(0.38)	(0.06)
2005-06	339.09	231.81	78.67	432.21	2158.28
	(0.31)	(0.60)	(0.06)	(0.68)	(0.06)
<b><i>National Rural Employment Guarantee Scheme (NREGS)</i></b>					
2004-05	0.00	0.00	0.00	0.00	1.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
2005-06	137.14	7.85	41.42	73.85	2292.57
	(0.13)	(0.02)	(0.03)	(0.12)	(0.06)
<b><i>Indira Awaas Yojana</i></b>					
2004-05	105.95	31.36	49.72	139.55	2878.25
	(0.1)	(0.08)	(0.05)	(0.24)	(0.09)
2005-06	95.92	44.74	64.94	150.48	2737.64
	(0.09)	(0.12)	(0.05)	(0.24)	(0.07)
<b><i>Integrated Waste Land Development Programme (IWDP)</i></b>					
2004-05	29.06	17.24	21.21	14.57	334.42
	(0.03)	(0.04)	(0.02)	(0.02)	(0.01)
2005-06	43.00	14.44	21.32	19.92	381.40
	(0.04)	(0.04)	(0.02)	(0.03)	(0.01)

## Annex 10 (contd.)

	(Rs. crore)				
	Madhya Pradesh	Chhattisgarh	Rajasthan	Orissa	All India
<b><i>Drought Prone Areas Programme (DPAP)</i></b>					
2004-05	52.88	17.94	15.74	11.41	300.18
	(0.05)	(0.05)	(0.01)	(0.02)	(0.01)
2005-06	48.24	16.75	17.12	19.29	310.93
	(0.04)	(0.04)	(0.01)	(0.03)	(0.01)
<b><i>Desert Development Programme (DPP)</i></b>					
2004-05	0.00	0.00	107.25	0.00	215.19
	(0.00)	(0.00)	(0.10)	(0.00)	(0.01)
2005-06	0.00	0.00	122.69	0.00	230.55
	(0.00)	(0.00)	(0.10)	(0.00)	(0.01)
<b>Total</b>					
2004-05	688.27	326.72	404.31	716.43	11136.99
	(0.67)	(0.85)	(0.37)	(1.21)	(0.36)
2005-06	1001.41	477.56	516.23	1053.17	13212.74
	(0.92)	(1.24)	(0.42)	(1.66)	(0.34)

**Source:** Government of India, Annual Report, various years, Ministry of Rural Development. GSDP as released by CSO on 21.07.2006. For Chhattisgarh GSDP for the years 2004-05 and 2005-06 were not available. Using the trend growth rate (9.574%) for the period 1993-04 GSDP was projected forward.

**Note:** # SGSY- 2005-06 central releases are as on 5.01.2006.

\* Funds released for preparation of NREGA from 2<sup>nd</sup> February to March 2006. The total amount released for all the states was Rs. 2292.57 crore. Figures in parenthesis refer to percent to GSDP.