



Initiative *for* Policy Dialogue

Based at Columbia University 

## *Working Paper Series*

# Overview of Decentralization in India

Rohini Pande

Task Force on Decentralization

*The opinions expressed in these papers represent those of the author(s) and not The Initiative for Policy Dialogue. These papers are unpublished. Do not cite them without explicit permission from the author(s).*

## I. Institutional Details

Institutions of local governance -- Panchayati Raj -- have existed in India since 1882. However, prior to the 1990s, these institutions were largely ineffective. In response to various Committee reports, and political demand, the Union government passed the 73<sup>rd</sup> Amendment of the Indian constitution with the stated aim of 'revolutionizing democratic participation and local development planning'. The amendment mandated that every Indian state institute Panchayati Raj institutions (now on, PRI) within one year, and defined several mandatory and discretionary items to be devolved to PRIs. Broadly speaking, political decentralization was made mandatory, but the extent of administrative and fiscal decentralization left to individual state's discretion. To summarize the main features of this Act:

### 1. Political decentralization (mandatory on all states):

**Institutions:** Introduction of a three-tiered Panchayat structure, with the constitution of a local participatory forum at the village level called the Gram Sabha. Panchayats shall have a uniform five-year term and elections to constitute new bodies shall be completed before the expiry of the term. In the event of dissolution, elections will be compulsorily held within six months.

**Representation:** In all PRIs, seats shall be reserved for Scheduled Castes and Scheduled Tribes in proportion to their population and one-third of the total number of seats will be reserved for women.

**Policy decentralization:** The 73<sup>rd</sup> Amendment, in the XIth Schedule, created a list of 29 different areas of rural local government (see Appendix). States were asked to use their discretion in conferring both fiscal and administrative autonomy, and delegating functions and responsibility to PRIs.

A natural consequence is that while the extent of political decentralization has been relatively uniform across states, the extent of fiscal and administrative decentralization has exhibited significant inter-state variation. In particular, the large body of rules and regulations incorporated in the state conformity acts have given state governments significant power over panchayats. This, together with historical differences in the experience of Panchayati Raj, the nature of state bureaucracies and political attitudes toward decentralization, have meant that the scope, extent and implementation of decentralization varies greatly across states. I now turn to a discussion of the existing literature on the efficacy of decentralization in India.

## II. Impact of Decentralization

International comparisons of rural decentralization suggest Indian states are amongst the most politically decentralized, are at the level of other countries/states on fiscal decentralization, and are lagging on administrative decentralization (World Bank overview). In this section I discuss some of the existing literature on how successful

decentralization in India has been, with an emphasis on how it's affected policy outcomes.

### Administrative decentralization

The 73<sup>rd</sup> Amendment, in the XIth Schedule, created a list of 29 different areas of rural local government functional responsibility which most State Acts have broadly devolved to PRIs. However, the fact that the majority of these items are concurrently state government responsibilities has caused ambiguity in the delineation of functions to panchayats. Moreover, there is no clear demarcation of functions between the three tiers of the panchayats. A number of authors have argued that this has generated a confusing and uncertain situation, and threatening accountability. Even where roles are defined, few states have matched responsibilities with the necessary administrative reforms, such as staff transfer or changes in administrative rules (Mukarji and Dutta 1996). This, together with a complex bureaucratic structure, has implied that the role of state bureaucracies has not effectively changed with respect to functions, responsibilities and accountability. More often than not state bureaucracies keep control over key decisions involving resource allocation. In most cases they are under the jurisdiction of senior bureaucrats with locally elected panchayat members having little control. It is therefore unclear what the scheduled transfer of powers translates into in terms of the ability of PRIs for making decisions that actually make a difference.

### Fiscal decentralization

The unclear devolution of functions to Panchayats has contributed to the weak extent of fiscal decentralization. Every state was required to institute a State Finance commission that would recommend the extent and type of fiscal decentralization the State should provide. There appears to be a general consensus amongst individual State Finance Commissions and authors on Panchayat finances that Panchayat functional responsibilities have to be matched with additional resources. Furthermore, in order for effective decentralization to occur Panchayats need significant autonomy in their taxation and expenditure decisions. However, in the absence of clear transfer of functions there are major problems in assessing the resource requirements of local bodies. Consequently, state legislators have not devolved adequate fiscal autonomy to Panchayats who remain heavily dependent on transfers from central and state government (Jha 2000). The majority of these are in the form of tied grants giving local elected authorities little discretion in resource allocation decisions. In spite of this, these transfers form a small percentage of state and central government expenditures, PRI transfers typically being 1% to 4% of total state expenditure. Panchayats have been given limited taxation and revenue collecting powers. Moreover, the lack of adequate bureaucratic structures at the local level implies that they are unable to efficiently mobilize their own resources (World Bank overview).

### Political decentralization

The two main aspects of political decentralization in India are: (i) local accountability via village level elected institutions, and (ii) representation for women and other disadvantaged groups. I briefly discuss the success of PRIs in ensuring these:

(i) Local accountability: Evidence on this is mixed, with some suggestion that participation in local elections, but not attendance in meetings of the locally elected bodies, is reasonably high. It has been suggested for this reflects the limited fiscal and administrative decentralization has affected rural participation in Panchayats. Evidence from interview-based case-studies suggest that people perceive Panchayats to be ineffective, of limited importance in local development planning and without adequate power or financial resources to implement essential projects (Alsop et al (2000), Kuhn (1998) . It is often suggested that village Panchayats are seen mainly as beneficiary selection committees over which individual villagers exert little power and which are not accountable to villagers. In addition, since Gram Panchayats are multi-village institutions, resolution of competing village demands is difficult – existing evidence suggests that the village of the Panchayat head is favored in resource allocation (Chattopadhyay and Duflo (2001)). Consequently, even in areas where rural participation in local politics and development is high, attendance at Gram Sabhas is low with turnout being approximately 7% (Alsop et al 2000).

(ii) Representation: It is clear that mandated political representation for women and disadvantaged minorities has significantly increased their presence in local elected bodies. Recent evidence by Chattopadhyay and Duflo (2001) suggests that this has affected policy outcomes -- women and men favor different public goods, and hence increasing female representation in PRIs has altered the mix of public good provided.

However, evidence on how mandated political representation in PRIs has affected participation of various groups is limited. Most studies consist of village or Panchayat case-studies, and concentrate on the effects of mandated political representation and the participation of these groups in the Gram Sabha and Panchayat meetings. These note that while reservation allows women to legally participate in local elections accounts of intimidation and acrimony from high-caste, better educated males are not rare. In some cases female candidates openly represent their husbands or other powerful village male even to the extent that they actively attend panchayat meetings. Some authors have attempted to assess the effectiveness of female representatives to participate in meetings and in accomplishing development goals (Gowda et al (1996); Mayaram & Pal (1996)). Similar to Chattopadhyay and Duflo (2001) these authors conclude that while female members are able to secure developmental benefits for villagers in some cases, in others where their initial power base is weak, they face considerable problems. It appears that despite mandated political representation, males, well informed citizens, and educated people are the most likely to be active in the panchayats while landless people, tribals and women are less active (Alsop et al 2000). Education and access to information are the two most significant influences associated with participation, more so than gender and caste. Hence, although participation rates are lowest amongst women and the lower castes, they increase with education and greater access to information.

**APPENDIX:“ELEVENTH SCHEDULE (ARTICLE 243-G)”**

**Policies that a state can devolve to Panchayats:**

Agriculture, including agricultural extension.

Land improvement, implementation of land reforms, land consolidation and soil conservation.

Minor irrigation, water management and watershed development.

Animal husbandry, dairy and poultry.

Fisheries.

Social forestry and farm forestry.

Minor forest produce.

Small scale industries, including food processing industries.

Khadi, village and cottage industries.

Rural housing

Drinking water.

Fuel and fodder.

Roads, culverts, bridges, ferries, waterways and other means of communication.

Rural electrification, including distribution of electricity.

Non-conventional energy sources.

Poverty alleviation programme.

Education, including primary and secondary schools.

Technical training and vocational education.

Adult and non-formal education.

Libraries

Cultural Activities

Markets and fairs

Health and sanitation, including hospitals, primary health centres and dispensaries

Family welfare

Women and child development

Social welfare, including welfare of the handicapped and mentally retarded.

Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled tribes.

Public distribution system

Maintenance of community assets.

*Source: “Encyclopaedia of India and her States – Vol. 1”, Grover, K. & Arora, R. (1998)*

## BIBLIOGRAPHY

Alsop, R., A. Krishna and D.Sjoblom (2000) "Are Gram Panchayats Inclusive?" South Asia Social Development Unit (SASSD), unpublished

Chattopadhyay, R and Esther Duflo (2001), ` Women's Leadership and Policy Decisions: Evidence from a nationwide randomized experiment in India', mimeo MIT.

Gowda, S.G., M.S. Dhadave & M.V.S. Gowda (1996) "Developmental Role of Women Members of Panchayati Raj Institutions: A Study in Karnataka", *Journal of Rural Development*, 15(2), 249-59.

Jha, S. (2000) "Fiscal Decentralization and Rural Local Government: Panchayati Raj Institutions in India", unpublished.

Kuhn, B. (1998) "*Participatory Development in Rural India*", Radiant Publishers: New Delhi.

Mayaram, S. and P. Pal (1996) "The Politics of Women's Reservation: Women Panchayat Representatives in Rajasthan, Performance, Problems and Potential", Working Paper No. 74, Institute of Development Studies: Jaipur.

Mukarji, N. & A. Datta (1996) "New Perspectives of Local Government", ISS Occasional Paper Series No.20, Institute of Social Sciences: New Delhi.

World Bank "Overview of Rural decentralization in India, Volumes 1 & 2", unpublished.