

## DEVOLUTION TO PANCHAYATS IN STATE 2024 - INDEX

**NEWS:** *The Union Ministry of Panchayati Raj has released the report titled 'Status of Devolution to Panchayats in States – An Indicative Evidence-Based Ranking' (2024).*

### WHAT'S IN THE NEWS?

#### What is the Devolution Index?

1. The **Devolution Index** is an **assessment tool** designed to evaluate the **extent and effectiveness of power and resource devolution** to local self-governments in India, particularly **Panchayati Raj Institutions (PRIs)**.
2. It measures how well **states and union territories (UTs) have implemented the provisions of the 73rd and 74th Constitutional Amendments**, which mandated the creation of **Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs)** to strengthen decentralized governance.
3. The index is **prepared by the Indian Institute of Public Administration (IIPA)**, a premier research and training institution, to provide an **objective ranking of states and UTs** based on their progress in empowering local governance structures.

#### Key Evaluation Criteria for the Devolution Index

The **Devolution Index** ranks states and UTs based on six key dimensions, which serve as the foundation for assessing the depth of decentralization in governance:

1. **Framework** – Evaluates the **legal and policy structures** established to support decentralized governance, including state-specific laws governing PRIs.
2. **Functions** – Examines the **extent to which responsibilities and service delivery functions** have been effectively transferred to local bodies.
3. **Finances** – Assesses whether **sufficient financial resources** have been allocated to panchayats and local bodies to enable effective governance.
4. **Functionaries** – Measures the **availability and adequacy of personnel and administrative staff** at the Panchayat level to ensure smooth governance.
5. **Capacity Enhancement** – Evaluates the **training and skill development programs** conducted for Panchayat members and functionaries to build effective leadership at the grassroots level.
6. **Accountability** – Focuses on **transparency and mechanisms of public participation**, including the role of **Gram Sabhas** in decision-making and social audits.

#### Need for the Devolution Index Assessment

##### 1. Implementation of Mandatory Constitutional Provisions

- The **73rd and 74th Constitutional Amendments** have made several provisions mandatory for state governments to ensure the **functioning of PRIs and urban local bodies**.
- These include:

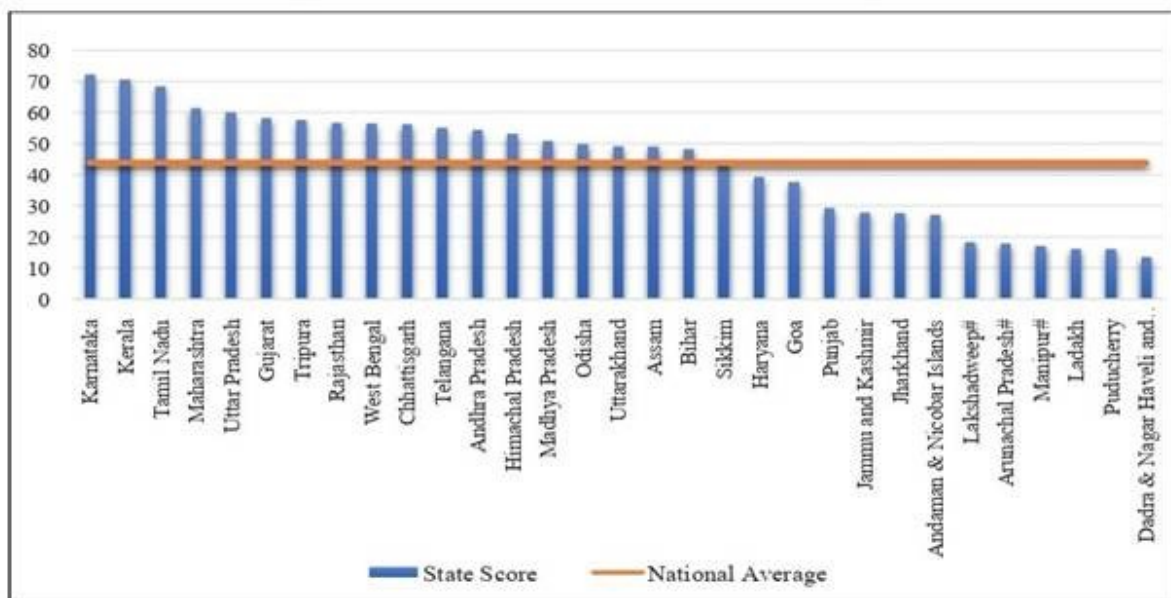
- Conducting **regular Panchayat elections** by **State Election Commissions (SECs)**.
- Ensuring **reservations for Scheduled Castes (SCs), Scheduled Tribes (STs), and women** in local governance structures.
- Establishing **State Finance Commissions (SFCs)** to determine the financial resources to be allocated to local governments.

## 2. Inconsistencies in Devolution Among States

- Despite constitutional provisions, the actual **transfer of functions, finances, and functionaries (3Fs) to Panchayats** has remained inconsistent across different states.
- Some states have **empowered Panchayats with significant autonomy**, while others have **kept them financially and administratively weak**, limiting their effectiveness.

## 3. Importance of Capacity Enhancement and Accountability

- Effective **local self-governance** cannot be achieved **solely through power and financial devolution**.
- There is a **strong need for capacity enhancement** initiatives to train **elected Panchayat members, functionaries, and local administrators**.
- Additionally, ensuring **accountability and transparency** in decision-making is crucial to:
  - Prevent **corruption**.
  - Improve **service delivery**.



- Strengthen **public trust in governance**.

## Major Findings of the Devolution Index Report

### 1. Overall Ranking of States in Devolution Index

- **Karnataka secured the top position** in the overall Devolution Index ranking, highlighting its **strong governance structures and well-implemented decentralization policies**.

- **Kerala and Tamil Nadu** ranked **second and third**, respectively, based on their **effective devolution of powers and financial support to Panchayats**.

## 2. Increase in Overall Devolution Scores

- The level of devolution has improved over the years, increasing from **39.9% in 2013-14 to 43.9% in 2021-22**, indicating **gradual progress in empowering local governments**.

## 3. Growth in Capacity Enhancement Component

- The introduction of the **Rashtriya Gram Swaraj Abhiyan (RGSA)** has significantly **improved capacity enhancement measures** within Panchayati Raj Institutions.
- As a result, the **capacity enhancement component of the index increased from 44% to 54.6%** during this period.

## 4. Improvement in Functionaries Component

- The index component related to **functionaries (availability of skilled administrative personnel in Panchayats)** increased from **39.6% in 2013-14 to 50.9% in 2021-22**, showing **substantial growth in human resource allocation** for local governance.

## 5. Rankings Based on Different Devolution Dimensions

- **Framework Criterion:** Kerala ranked first, followed by **Maharashtra, Karnataka, and Haryana**, indicating **strong legal and policy structures** in these states.
- **Functional Criterion:** **Tamil Nadu** secured the top rank, followed by **Karnataka, Odisha, and Rajasthan**, showing a **better delegation of service delivery functions**.
- **Finances Criterion:** **Karnataka** ranked first, followed by **Kerala, Tamil Nadu, and Rajasthan**, demonstrating **efficient fiscal devolution to Panchayats**.
- **Functionaries Criterion:** **Gujarat** ranked highest, followed by **Tamil Nadu and Kerala**, indicating **better availability of human resources for local governance**.
- **Capacity Building Criterion:** **Telangana** secured the top position, followed by **Tamil Nadu and Gujarat**, highlighting the **effectiveness of training programs for local representatives**.

## What is a Panchayati Raj Institution?

- The **73<sup>rd</sup> Constitutional Amendment Act, 1992** gave **constitutional status** to the Panchayati Raj Institutions (PRIs) and established a system of uniform structure (three tiers of PRIs), **elections**, reservation of seats for **Scheduled Caste, Scheduled Tribes** and women and **devolution of fund, functions and functionaries to PRIs**.
  - **Panchayats act on three levels:** gram sabhas (village or group of small villages), panchayat samithis (block council), and zila parishads (district).
- **Article 243G** of the Constitution of India gives state legislatures the power to **provide Panchayats with the authority and powers** to function as self-government institutions.
- For financial empowerment of Panchayats, provisions have been made in terms of **Article 243H, Article 280(3)(bb) and Article 243-I** of the Constitution.
  - Article 243H gives state legislatures the **power to authorize Panchayats to levy, collect, and appropriate taxes, duties, tolls, and fees**. It also allows

them to assign these taxes, duties, tolls, and fees to Panchayats, subject to conditions and limits.

- Article 280(3) (bb), it shall be the duty of the Central Finance Commission to make recommendations to the President as to the measures needed to augment the **Consolidated Fund of a State to supplement the resources of the Panchayats in the State** on the basis of the recommendations made by the Finance Commission of the State.
- Article 243-I mandates the formation of state finance commissions every five years by the Governor. These commissions are tasked with **reviewing the financial status of panchayats and advising the Governor on:**
  - Principles guiding the distribution of taxes, duties, tolls, and fees between the state and panchayats, including their respective shares and allocation among different levels of panchayats.
  - Measures to improve panchayats' financial position.
  - Any other finance-related matters referred by the Governor.
- The **Ministry of Panchayati Raj** looks into all matters relating to the Panchayati Raj and Panchayati Raj Institutions. It was created in May 2004.

## **Challenges Identified in the Report**

### **1. Legal and Institutional Gaps**

- Some states **fail to conduct regular Panchayat elections**, leading to governance gaps and the **absence of elected local leadership**.
- Weak **State Election Commissions (SECs)** often lack independence and resources to **enforce election mandates effectively**.

### **2. Limited Role in Policy Implementation**

- Panchayats have a **nominal role in the execution of major centrally sponsored schemes**, such as:
  - **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**.
  - **Pradhan Mantri Awas Yojana (PMAY)**.
  - **National Health Mission (NHM)**.
- As a result, their **decision-making authority remains weak**, with most **funds and policies controlled by state and central governments**.

### **3. Disparities Among States**

- Some states, such as **Karnataka and Kerala**, have strong **governance structures and legal provisions**, ensuring effective devolution.
- In contrast, other states **struggle due to poor policy implementation, lack of resources, and political unwillingness**.

### **4. Low Public Participation in Gram Sabhas**

- Gram Sabhas, which are **essential for participatory governance**, often suffer from:
  - **Poor attendance by local citizens**.
  - **Lack of awareness about governance issues**.

- **Limited decision-making powers**, reducing their effectiveness in rural development.

## What is the Status of PRI Funding?

- **Revenue Composition:** PRIs generate **only 1%** of revenue through taxes, indicating limited self-financing capacity.
  - **80% of PRI revenue** comes from **Central government grants**, and **15%** from **State government grants**.
- **Revenue Per Panchayat:** Each Panchayat earns **Rs 21,000** from own taxes and **Rs 73,000** from **non-tax sources**.
  - Central grants average **Rs 17 lakh**, and State grants are around **Rs 3.25 lakh per Panchayat**, showing high reliance on external support.
- **Low Revenue Expenditure:** The ratio of revenue expenditure of panchayats to **nominal GSDP** is less than **0.6%** for all the states ranging from **0.001% in Bihar** to **0.56% in Odisha**.
- **Inter-State Disparities:** **Kerala and West Bengal** have the **highest average revenue** (over Rs 60 lakh and Rs 57 lakh), while states like **Andhra Pradesh and Punjab** report **much lower revenues** (less than Rs 6 lakh).

## How Can PRI Funding be Improved?

- **Regular Transfer of Funds:** The **14th and 15th Finance Commissions** recommended substantial grants to Panchayats, but **regular transfers**, rather than ad-hoc grants, are needed for **sustainability**.
  - Financial transparency and accountability should be ensured through **regular audits, RTI disclosures**, and strong **procurement procedures** to ensure efficient fund use.
- **Capacity Equalization:** Fiscal transfers to PRIs should **match states' capacity** to finance Panchayats, ensuring **balanced and sustained local governance** growth.
- **Strengthening SFCs:** **SFC reports** should be submitted regularly, with **full implementation of recommendations** to ensure consistent Panchayat funding.
- **Enhancing Own Revenue Generation:** Panchayats should boost revenue through **local taxes (e.g., land taxes)**, with states providing **support and incentives for better tax collection and administration**.
- **Creating Special Purpose Grants:** Special-purpose grants should be made to incentivize performance and improve rural infrastructure and services like **roads, water, and sanitation**.

## Recommendations and Suggestions for Improvement

### 1. Strengthening the Legal Framework

- **Ensure regular and timely elections for Panchayats** to prevent governance disruptions.
- **Empower State Election Commissions (SECs)** with greater autonomy and financial independence to ensure **free and fair local elections**.

## 2. Financial Empowerment of Panchayats

- Establish a **Consolidated Fund for Local Government**, ensuring **direct and assured funding** to Panchayati Raj Institutions.
- Implement the **16th Finance Commission's recommendations**, ensuring Panchayats receive an **adequate share of GST revenues and other fiscal allocations**.

## 3. Enhancing Functional Autonomy

- **Decentralize key service delivery functions**, ensuring Panchayats have **decision-making authority in local development programs**.
- Increase **financial independence**, allowing local governments to generate revenue through **local taxation and resource management**.

## 4. Promoting Accountability & Transparency

- **Strengthen Gram Sabha participation** by making them **more accessible, transparent, and interactive**.
- Implement **digital governance tools** to track fund utilization and monitor the impact of Panchayat-level projects.

## Conclusion

- The **Devolution Index** serves as a **critical benchmark** for evaluating the **progress of decentralized governance** in India.
- While **some states have excelled** in transferring power and resources to Panchayats, **many others still face governance challenges**.
- Addressing the **legal, financial, and administrative shortcomings** will be key to achieving **effective local self-governance**, ultimately empowering **Panchayats to play a central role in rural development**.