LOGIN GA 2016

Country Template: India
Basic Structure of Local Governments in India: Constitutional provisions (73rd & 74th Amendment Acts, 1993)

- Constitutional status for Gram Sabha (assembly of the community in rural areas), Three tier Panchayat system at the village, intermediate and district levels, Single tier municipalities in urban areas
- Regular elections every 5 years, from separately delimited territorial constituencies at every level of Local Government (LG), through independent State Election Commissions
- Wards Committees mandated in urban areas for citizens’ participation
- Reservation of seats and leadership positions for deprived communities and women,
- State Finance Commissions to be set up once in 5 years to recommend financial share of LGs, Central Finance Commission to do the same, from central revenues,
- Powers to be devolved upon LGs by each State to enable them to function as institutions of self government. While discretion is there with State governments to devolve, Constitution contains list of matters that may be devolved, as a guide.
Inclusion of people in governance: Statistics on Local governments

- About 242,000 Panchayats in rural areas (Three levels: District, intermediate and village) and Urban Local Governments (City Corporations, Municipalities and Town Panchayats)

- 3.2 million elected representatives (of which women comprise 43 % and deprived community reps, 23 %)

- At the Village Panchayat level, each elected representative’s constituency comprises of about 340 people, (70 families), in urban areas it can vary from 600 people in small towns to 35,000 people in large cities
Rural Gram Sabha powers delineated through provincial law, typically covering:

- Approval of plans and programmes of local governments
- Identification of beneficiaries of government projects
- Oversight of action through social accountability mechanisms, (approval of utilisation certificates, conduct of social audit mechanisms)

Higher level governments tend to ignore decisions of Gram Sabhas, or treat it as consultation advisory.
Special powers for communities in tribal areas, through the Panchayats(Extension to Scheduled Areas) Act, 1996

- Gram Sabhas given extensive powers to:
  - safeguard and preserve traditions, customs, cultural identity, community resources and customary mode of dispute resolution.
  - approve the plans, programmes and projects for social and economic development,
  - identify beneficiaries under poverty alleviation and other programmes,
  - authorise the issue of utilization certificates after examining the utilisation of funds by the Gram Panchayat,
  - protect common property resources, including minor forest produce,
  - be consulted prior to land acquisition, extraction of minerals, acquisition of land/rehabilitation

- State legislation to give primacy to tribal communities to manage their affairs in accordance with traditions and customs.
Weaker design in urban areas

- Wards Committees not constituted in many States.
- If constituted, then not through democratic processes.
- Not adequately empowered, as in the case of Gram Sabhas.
- Leading to very weak oversight over high expenditure decisions in urban areas.

Government of India’s reform recommendations of enacting public participation law largely ignored.
Background to changes in 2015 and 2016

- **May 2014:** New government comes to power at the Union level, with no stated commitment to strengthen local governments in their political manifesto.
- However, new Union Government commits to strengthen Federalism.
- Planning Commission, which played an important role in central policy on decentralisation abolished and a consultative body, ‘Neeti Aayog’, established in its place. No role played by ‘Neeti Aayog’ in crafting decentralisation policy.
- Several steps taken towards fiscal decentralisation by new Union Government during 2014-16
- Individual steps taken in each State, regarding decentralisation
Events on Political and Administrative Decentralisation in 2016

- **Union Government**
  - No steps taken on structural aspects of political decentralisation – idea of synchronizing the conduct of central and state elections mooted;
  - ‘President’s rule’ (i.e., direct rule by Union Government in a State by suspending or dismissing State assembly) imposed in 3 States, Arunachal Pradesh, Uttarakhand and Jammu and Kashmir;
  - President’s rule in Arunachal Pradesh, struck down by the Supreme Court, which criticises the unconstitutional interference by the Governor in State legislature activities;
  - President’s rule in Uttarakhand struck down by the State High Court, but this order is held in abeyance by the Supreme Court.
  - On local government strengthening, Union Government exhorts States to strengthen devolution, through several ceremonial actions, including Prime Minister directly addressing LG representatives through special broadcasts during symbolic peoples assemblies on Nationally important days (Independence day, 2016)
  - Ministry of Panchayati Raj discontinues quarterly newsletter in 2016 (Newsletter had been published in 2014 and 2015)
Events on Political and Administrative Decentralisation in 2016

- **State governments:**
  - No ‘Big Bang’ efforts in any State to strengthen democratic decentralisation.
  - Karnataka passes major amendments to State Panchayat Raj Act, giving more powers to LGs and Gram Sabhas in the State. However, action to operationalize is slow;
  - Kerala elects new State Government, which displays intent to strengthen local government legislation
  - In the net analysis, most States have not taken any further steps to strengthen devolution by introducing new legislation or new policies.
Events on Fiscal Decentralisation, 2015-2016

- Major changes in Union Government - State Government fiscal relations.
  - Following acceptance of 14th Central Finance Commission Recommendations, share in the Central divisible pool of funds going to States increases from 32 percent to 42 percent.
  - This leaves the Union Government with less funds (at least temporarily) to run specific purpose funding programmes (Centrally Sponsored Schemes) through line Ministries. Hence number of such schemes and allocations under them drastically pruned.
  - Ministry of Panchayati Raj drastically hit in such cuts; its budgetary allocation is brought down from Rs. 80 billion per year, to about 0.5 billion. Allocation gets restored to Rs. 20 billion in 2016-17.
  - Replacing specific purpose fiscal transfers, by giving States a greater proportion of revenue shares leads to fears that States will behave more irresponsibly. Research done by Accountability Initiative (a LoGiN member), shows that such fears are overstated. States have increased their social sector expenditure after receiving greater untied revenue shares. (research report available).
Events on Fiscal Decentralisation, 2015-2016

- Major changes in Union Government - State Government fiscal relations.
  - After protracted negotiations with States, a Goods and Services Tax bill is passed by Parliament. The Act is aimed to boost the Union Government’s tax collections and expected to increase the tax-GDP ratio from the current 16%.
  - GST levy at end point of use and final point of sale hits manufacturing States, but likely to be compensated temporarily at first, and more permanently by future finance commissions recommending compensatory horizontal formulae.
Union Government – Local Government fiscal relations.

Based on 14th Finance Commission recommendations, LG share of Union Government divisible pool goes up from 2.5 percent to 4.34 percent. In terms of actual allocations, there is a 400 percent jump.

Such allocations are given only to Gram Panchayats and Municipalities, for expenditure on core functions (water supply & sanitation, solid waste management, roads & waterways, streetlights).

GST enactment may adversely impact revenue from some local government tax sources, such as entertainment tax and advertisement tax. This may make LGs even more dependent on inter-governmental fiscal transfers in future.
Union Government – Local Government fiscal relations.

Even though Finance Commission grants are block grants that LGs can use at their discretion, Ministry of Panchayati Raj floats the idea of a Gram Panchayat Development Plan (GPDP), as an additional conditionality to receive these funds.

GPDP moots that each Gram Panchayat prepares a participatory plan buckling together (a) Their grants from the Union Government’s revenue pool (b) the National Employment Guarantee Programme (c) Other National Programmes for housing, watershed development etc. implemented at local level (d) State Finance Commission grants

The GPDP approach is accepted by all States. Thus, Union Ministry of Panchayati Raj wrests control over money devolved to local governments from the Union Revenue pool! In reality, a well meaning tool becomes another instrument of Centralisation.

Ministry of Panchayati Raj also gets its allocations for capacity building partly restored, thus enabling it to play a major role in funding capacity building plans prepared by States.
State Government– Local Government fiscal relations.

Guidelines for GPDP preparation in each State have become another insidious mode of ‘creeping centralization’. States are interfering in how local governments are preparing these plans, by issuing additional guidelines not envisaged earlier.

Many States severely curtail their training programmes for Panchayats due to temporary reduction in funding for capacity building from the Union Government. However, with the restoration of funding allocations, State resume their activity on capacity building.
State Government– Local Government fiscal relations.

- Research shows serious shortcomings and flaws in the functioning of State Finance Commissions. Many are not appointed in time, there are time overruns in them submitting their report, and action is not taken on these reports when submitted. (research report available).

- The ‘Paisa for Panchayats’ research study shows that in Karnataka State, the local government’s share of all local expenditure happening within its area is only about 2 percent. The remainder is spent by other entities, parastatals and deconcentrated agencies of the State, without any participatory planning process, or the knowledge and approval of the local government. This shows the extent of parallel expenditure happening within the LG’s domain. (research report available)
The implications of these changes for LGs/Citizens are:

- Political will lacking for giving meaningful thrust towards real devolution
- Inclusion continues to be a major challenge; women, Scheduled Castes, Scheduled Tribes, continue to be ignored or treated with condescension, barring a few exceptions.
- Boost in financial allocations to LGs promises autonomy and flexibility, but in reality, these are severely curbed by State and Central Ministry actions.
- Departmental control over LG actions continue in several ways, particularly because administrative decentralisation is low.
- There is a great deal of activity happening within the jurisdiction of each LG. Plenty of government money is spent by various entities, but citizens and LGs are kept in the dark and have no way of holding such parallel entities to account.
- Integrated participatory planning at the local level is meaningless, if the fund envelope for such planning is just 2 percent of the total expenditure incurred locally.
Key responses/ Follow ups/ Further Changes expected are:

- That LGs see potential for concerted political organization, in order to demand that creeping centralization be stopped, and the vision of devolution articulated by various policy documents is implemented in reality.
- Associations of LG elected representatives could catalyse the next generation of reforms, by putting pressure through political channels;
- The struggle to include the concerns of the marginalized will continue; it may be undergone both through and outside the associations.
- New age political parties that may come to the fore, could give new life to the devolution story, particularly if they are able to touch a responsive chord with the marginalized, where levels of dissatisfaction are running high.
- Classical NGOs working on devolution may need to evolve, particularly in improving their scale up and communication strategies, in the age of social media.
- Actions facilitated by INGOs are likely to further diminish; throwing funding for classical NGOs into disarray.
High scope for collaborative citizens actions, through social media groups focused on solving local problems – several examples of such actions already, particularly in urban areas which were hitherto less vibrant when it comes to participatory action.

Need to renew understanding of the struggles of the marginalized; more studies, more grassroots level actions required.

High potential for research institutions and activists to take up ‘following the money’ studies, to understand how money flows to the local level.

Equally high potential for capacity building to go ‘viral’, spreading news and information through social media channels to evoke initial interest, promote collaboration and build networks.

When following the money trail, studies on corruption will emerge as a natural consequence.

A potential source of funding for the above activities is the private philanthropist, but many hesitate to fund local government or accountability related projects, because they are too ‘political’.
## Mapping the Actors

### Actively Support
- Local Government elected representatives
- Few politicians at other levels, who are committed to the idea of true devolution
- Dedicated bureaucrats, researchers, academics, NGOs and those involved in capacity development
- Dedicated media personnel

### Enable
- Officials dealing with devolution in the government
- Technology providers, social media activists, social entrepreneurs,
- Research institutions

### Passive
- Most higher level politicians and bureaucrats
- Technocrats
- Private philanthropists and new age funders entering the development space
Critical Reflection: Successes

Our Main Successes

- More than quadrupling of fiscal transfers to LGs from the Union Government’s divisible pool
- Key amendments to LG legislation in a few States (e.g., Karnataka)
- Promise of a few ‘follow the money’ studies
- Slow, but steady consolidation of the voice of the marginalized and excluded

Key Factors

- Better understanding of the LG issues over time, by the Union Finance Commissions
- Organisation of LG associations and their slow evolution to apply pressure on higher level politicians
- Awakening of interest in LG finances
- Steadfast activity by NGOs working on issues of inclusion
Critical Reflection: Challenges

Our Main Challenges

- Elite capture of local governments continues, even as the struggle for inclusive participation is ongoing.
- Political levels and policy makers increasingly biased towards de-concentration, treating LGs as agencies and not as devolved self governing institutions.
- Champions in the bureaucracy are fading out with very little new talent coming to the fore
- New age funders and social entrepreneurs shying away from working with LGs, due to distaste generally, with politics,
- Corruption across multiple levels emerging as a strong inhibitor of simplification of processes, reduction of levels and local transparency. The argument that decentralisation is only the decentralisation of corruption, remains a popular argument against decentralisation

What we did not Achieve:

- We can bring problems to the fore, but nuanced academic and research findings are not causing enough political change
- Facilitating the LG representatives to form associations and act as an effective lobby body, has not happened in every State.
- We have not made a dent on corruption across different levels of government
- The inclusion of women and the marginalized in decision making continues to be a constant battle
Critical Reflection: Lessons

Key lesson:

- One cannot declare victory when the results of research are put out, or projects for training and capacity development are implemented, or even when legal provisions are put in place after hard bargaining.

Next Time…

- Compartmentalisation to be avoided.
- Findings of research and pilot actions to be immediately fed into the political process.
- Greater engagement with politicians, more time to be spent on change management strategies.
- Tackle issues that have been avoided so far, such as corruption.
Looking at 2017…..

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<th>Challenges</th>
<th>Opportunities</th>
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<td>Political support for decentralisation</td>
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<td>Well intentioned initiatives such as GPDP that went wrong in implementation.</td>
<td>New aspects of action relating to long standing issues, such as gender, inclusion, environment</td>
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<td>Corruption in the inter-governmental system, political, administrative and fiscal</td>
<td>Using social media for upscaling and strengthening learning networks</td>
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Events in 2017 that LOGIN can leverage:

- Elections to State Assemblies in 5 or 6 States are due. This is a good opportunity to put pressure on political parties to make declarations and commitments in their political manifestos.

- Also opportune to ensure that those with pro-decentralisation credentials get candidature to stand for elections, across all political parties.