



KERALA – A CASE STUDY OF CLASSICAL DEMOCRATIC DECENTRALIZATION

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CONTENTS

PREFACE	5
Chapter 1 ADMINISTRATIVE DECENTRALIZATION	7
Chapter 2 DEVELOPMENTAL DECENTRALIZATION	25
Chapter 3 FISCAL DECENTRALIZATION	28
Chapter 4 ACHIEVEMENTS, CHALLENGES AND NEXT STEPS	44
Annexe 1 FUNCTIONS ASSIGNED TO THE PANCHAYAT RAJ INSTITUTIONS	51
Annexe 2 FUNCTIONS OF URBAL LOCAL GOVERNMENTS	60
Annexe 3 LIST OF ACTS FOR WHICH THE AMENDMENTS HAVE BEEN CLEARED	66
Annexe 4 GROSS DETAILS OF OWN STAFF IN VILLAGE PANCHAYATS AND URBAN LOCAL GOVERNMENTS	68
Annexe 5 DETAILS OF FUNCTIONARIES TRANSFERRED	72
Annexe 6 DETAILS OF ENGINEERING STAFF TRANSFERRED TO THE LOCAL GOVERNMENTS	76
Annexe 7 STEPS IN PREPARATION OF PLAN	77
Annexe 8 STATE FINANCE COMMISSIONS' IMPORTANT RECOMMENDATIONS	86

PREFACE

The first Administrative Reforms Committee of the State headed by late Shri E.M.S. Namboodiripad recommended, way back in 1958 for a strong Local Government system to ensure that the gains of freedom and democracy would flow to the disadvantaged, marginalized and exploited sections of society. Yet, Kerala did not develop a strong local government system either in the rural areas or urban areas. As happened elsewhere in India, the State Government assumed responsibilities in all the development sectors, departments became very strong and carved out exclusive spheres for their activities jealously ring fencing their turf. The original concept of concerted action for community development introduced through the Block system was ignored. To complicate matters, parastatals in the form of Boards, Corporations, Authorities, Agencies and Societies sprung up in different areas of developmental governance. In this scenario Village Panchayats and Urban Local Governments were pushed to the margins and naturally atrophied.

There was a brief attempt at a comprehensive and well-structured local government system at the district level through powerful district Councils in the early 90's. But their powers were taken away within the first six months of their functioning. However, after the passage of the 73rd and 74th Amendments to the Constitution, Kerala carried out pioneering reforms and set out on the path of rapid and wide-ranging decentralization. These initiatives are summed up in four Chapters as indicated below:

Chapter 1: Administrative Decentralization

Chapter 2: Developmental Decentralization

Chapter 3: Fiscal Decentralization

Chapter 4: Achievements, Challenges and Next Steps

Expectations from the Thirteenth Finance Commission

Chapter 1

ADMINISTRATIVE DECENTRALIZATION

1.1 Local Governments in Kerala

1.1.1 Kerala has 999 Village Panchayats, 152 Block Panchayats and 14 District Panchayats in the rural areas and 53 Municipalities and five Corporations in urban areas. The distribution of Village Panchayats and Municipalities according to population range is given in Tables 1.1 and 1.2.

Table 1.1
Village Panchayats

<i>Range of Population</i>	<i>No. of Village Panchayats</i>
Below 10,000	13
Between 10,000 and 20,000	233
Between 20,000 and 30,000	429
Between 30,000 and 40,000	243
Between 40,000 and 50,000	69
Above 50,000	12
Total	999

Table 1.2
Municipalities

<i>Range of Population</i>	<i>No. of Village Panchayats</i>
Below 25,000	6
Between 25,000 and 40,000	18
Between 40,000 and 50,000	9
Between 50,000 and 60,000	7
Between 60,000 and 75,000	8
Between 75,000 and 100,000	2
Above 100,000	3
Total	53

1.1.2 The population of the five Corporations is shown in Table-1.3

Table 1.3
Population of Corporations

<i>Corporations</i>	<i>Population</i>
Thiruvananthapuram	744983
Kollam	361560
Kochi	595575
Thrissur	317526
Kozhikode	436556

1.1.3 The distribution of Village Panchayats, Municipalities and Corporations according to area grouping is indicated in Table-1.4.

Table 1.4
Distribution of Local Governments According to Area

Area	Village Panchayats	Municipalities	Corporations
Below 5 Sq. Km	5	Nil	Nil
Between 5 – 10 Sq.Km	64	4	Nil
Between 10 to 15 Sq.Km	128	10	Nil
Between 15 – 20 Sq.Km	199	10	Nil
Between 20 – 30 Sq. Km	282	13	Nil
Between 30 – 40 Sq.Km	125	9	Nil
Between 40 – 50 Sq.Km	45	2	Nil
Between 50 – 75 Sq.Km	66	3	1
Between 75 – 100 Sq.Km	34	1	2
Between 100 – 150 Sq.Km	26	1	2
Between 150 – 200 Sq.Km	8	Nil	Nil
Above 200 Sq.Km	17	Nil	Nil
Total	999	53	5

1.1.4 The distribution of local governments according to density of population classes can be seen in Tables 1.5, 1.6 and 1.7.

Table 1.5
Density of Population among Village Panchayats

Density of Population (Persons per sq. Km)	No. of Village Panchayats
Below 100	16
Between 100 and 500	141
Between 500 and 1000	269
Between 1000 and 1500	278
Between 1500 and 2000	129
Between 2000 and 3000	116
Above 3000	50
Total	999

Table 1.6
Density of Population among Municipalities

Density of Population (Persons per sq. Km)	No. of Municipalities
Below 1000	5
Between 1000 and 1500	8
Between 1500 and 2000	11
Between 2000 and 2500	9
Between 2500 and 3000	5
Between 3000 and 3500	8
Above 3500	7
Total	53

Table 1.7
Density of Population in Corporations

Corporations	Density of Population (Persons per sq. KM)
Thiruvananthapuram	5263
Kollam	6312
Kochi	6277
Thrissur	3131
Kozhikode	5280

1.1.5 The above data show that there are certain implications for decentralization. They are summed up below:

- (1) Village Panchayats have an average population of around 27,000 which makes them viable units for public service delivery and for grassroots-level planning. Almost all Village Panchayats in the State have Primary Health Centres, Veterinary Hospitals, Krishi Bhawans, Schools etc.
- (2) There are no large Urban Local Governments. There are only three Municipalities which have a population of more than 100,000. None of the City Corporations touch the one million mark. Thus they are all manageable from a governance point of view but their resource bases are small.
- (3) Kerala has a rural-urban continuum with new areas in the suburbs becoming residential and commercial locations. This has implications for service delivery in rural areas in the vicinity of towns and cities and also for transportation requirements for the commuting citizens.
- (4) The density of population is very high with more than half the Village Panchayats and all but five of the urban local governments having a density of population of above 1000 persons per sq.KM. This combined with the spread nature of population, means that the cost of provision of infrastructure for communication, water supply, electricity etc. and the cost of delivery of civic services would be comparatively very high. Accordingly the cost of maintenance would also go up.
- (5) The large population and size of Village Panchayat affects public participation through village-wide Grama Sabhas. Therefore Kerala has

gone in for sub-Village Panchayat Grama Sabhas at the level of the Ward which is the electoral constituency of a Village Panchayat Member. The semi-urban character of the large majority of Village Panchayats in Kerala brings in the problems of solid and liquid waste management, pollution etc. Thus a large number of Rural Local Governments have to provide services which, in rest of India, are provided only by Urban Local Governments.

- (6) Since the cutting edge Local Governments are fairly large they have to be equipped with high quality staff and attendant office hardware and software. This has huge financial implications.
- (7) The relatively large size of Village Panchayats and the relatively small area of District Panchayats, makes it difficult to invest the Block Panchayats with a meaningful set of functions.

1.2 Strategy of Decentralisation in Kerala

- 1.2.1 Traditional wisdom calls for capacity building of local governments and then giving power to them in degrees to match the improvements in capacity. But real and effective decentralisation probably calls for a big bang approach – functions, powers and resources being transferred at one go in a political act of faith. If decentralisation is effected in one fell blow, the suddenness would stun potential dissenters into silent acceptance; and before different interest groups realize what they have lost, decentralization would have become a fait accompli. The ‘reversals’ – of giving responsibility and then building capacity, of giving powers and then creating procedures and systems, of giving funds and then setting up umpiring systems – help in another way. As government transfers a lot of responsibilities and funds considerable pressure would build on government from various sides to ensure that the responsibilities are carried out effectively and the funds are utilized properly. It would then become Government’s responsibility to ensure that decentralization works.
- 1.2.2 Kerala followed this latter approach and hindsight shows that strategically it was a sound decision as it would have been practically impossible to transfer power in small doses.
- 1.2.3 To operationalise decentralisation, Kerala chose the path of participatory local level planning as the entry point. This succeeded to a considerable extent in harnessing public action in favour of decentralisation. In order to push the system and force the process a campaign approach was followed for

decentralised planning – known as the ‘People’s Planning Campaign’. This campaign created a powerful demand factor for decentralisation to be guided along the right path. To a large degree the campaign succeeded in setting the agenda for decentralisation.

1.2.4 The milestones in Kerala’s decentralization initiatives are indicated below:

April/May 1994	Enactment of the Kerala Panchayat Raj Act and the Kerala Municipality Act.
October 1995	Transfer of powers and functions to local governments; along with institutions, offices and functionaries
February 1996	Introduction of a Special Budget Document for local government allocations.
August 1996	Launching of People’s Plan Campaign for decentralized planning and announcement of earmarking of about 35% plan resources to local governments.
March 1999	Restructuring of the Kerala Panchayat Raj Act and the Kerala Municipality Act.
March 2000	Amendments to 35 Acts having relevance to local government functioning.
July 2000	Transfer of district level offices and staff to District Panchayat Decision to redeploy surplus ministerial staff and engineers to local governments.
2002 – 03	Actual redeployment of surplus ministerial staff and engineers.
2004	Sharing/devolution of selected taxes converted into fixed shares from total Own Tax revenue of State – 3.5% as General Purpose Fund and 5.5% as Maintenance Fund. System of automatic monthly release of funds introduced.
2005	Institutionalization efforts begun
2006	Recommendation of Third SFC operationalized with local government-wise predictable grant system
2007	Relaunch of People’s Plan
2008	Formation of common engineering cadre for all Local Self Governments Policy decisions to set up ministerial and executive cadres.

1.3 Principles of Devolution

1.3.1 The Committee on Decentralization of Powers (popularly known as Sen Committee) laid down the key principles of devolution of functions which have been adhered to by government in practice. The relevant portion of the recommendations are extracted below:

(1) **Autonomy**

The LSGIs should be left to function freely and independently. Government supervision should be limited to the obligatory and regulatory functions of the LSGIs. In developmental matters, only national and state priorities and general guidelines need be indicated to help them take their own decisions. Of course, autonomy does not mean sovereignty. A multi-level exercise of developmental functions implies the existence of a sphere of independent action at each level, a sphere of cooperative and coordinated action, a sphere of delegated agency function, and a sphere of guidance from above, in the descending order of magnitude. Autonomy has three basic aspects:

- (i) Functional autonomy
- (ii) Financial autonomy
- (iii) Administrative autonomy

LSGIs have to be assigned clear functional areas with the required resources, staff and administrative infrastructure and enabled to raise resources and to take independent decisions and implement them. Autonomy implies that various levels of LSGIs especially the Panchayats should not be seen as hierarchically organized, with one unit controlling the others below it. However there is need for active co-operation, co-ordination, complementation and integration. These could be attained by the iterative process of consultation and the system should be so designed as to facilitate such a process.

(2) **Subsidiarity**

It means what can be done best at a particular level should be done at that level and not at a higher level. If this principle is applied, the process of transferring functions and powers should start from the level of the Grama Sabhas and Ward Committees and go up to the Union Government. Only residual functions need get allotted to the higher level.

(3) Role-clarity

This would govern the exercise of autonomy. Decentralised development implies unity of vision and diversity of means. This calls for a clear perception by the various levels of their role in the developmental process so that the sub-systems can support each other and do not work at cross-purposes. There must be clarity at the conceptual and operational level about what each tier of local self-government can do in each area of development. Of course, neat divisions are not possible, nor are they desirable. Yet functional clarity should be there. Only this can facilitate proper devolution of powers, their creative exercise and a meaningful monitoring of the whole process.

(4) Complementarity

This is closely related to the principle of role-clarity. While functions should not be overlapping and repetitive, they should merge into an overall unity through a process of horizontal integration. This would mean that the activities of higher levels should complement those of the lower levels and the programmes implemented by all agencies in a given LSGI would be consistent with local needs and priorities and would converge into an integrated local plan.

(5) Uniformity

This implies that the norms and criteria for selection of beneficiaries, sites or prioritization of activities and pattern of assistance within a given LSGI would be the same for all programmes implemented within its area irrespective of the agency sponsoring such a programme.

(6) People's Participation

It is necessary to involve the people fully, particularly those sections hitherto excluded from the development process. And participation should not be limited to mere information giving or consultation or contribution or even, seeking prior concurrence. It should reach the level of empowering the people to take their own decisions after their analysing their situation. Genuine participation is not the same as mobilization.

The LSGIs provide the institutional structure to facilitate participatory democracy. The reservation of seats for women, Scheduled Castes and Scheduled Tribes in the various LSGIs is meant to ensure greater participation of vulnerable sections in the process of development. People's participation should be there in all stages of a development

programme right from identification of a need and formulation of a scheme through its planning, implementation, operation and maintenance as well as monitoring and evaluation phases. The Grama Sabhas and Ward Committees are ideal vehicles for promoting direct decision-making and mobilizing local resources in cash, kind and labour.

(7) Accountability

The LSGIs are accountable to the people within their jurisdiction, and, in certain respects, to the whole nation. The accountability to the people is not to be left to the elections alone to be settled. There has to be provision for continuing social audit of the performance of the LSGIs in the Grama Sabhas and Ward Committees as well as by special groups. The accountability to the nation can be ensured through objective audit, both concurrent and post-facto.

(8) Transparency

Every decision taken has to be based on norms and criteria evolved on the basis of social consensus and the rationale behind each decision has to be made public. There should be freedom to the people to know every detail of how money is going to be spent, before a scheme is taken up; and how it was spent, after its completion. The procedures and the language of the administration need to be demystified and made people-friendly.

1.3.2 In addition principles of determining inter-tier responsibilities are the following factors:

- (1) Service area – Institutions or schemes which service only a Grama Panchayat should be under that Panchayat and likewise for the higher tiers and the municipal bodies.
- (2) Technical complexity – Simple schemes can be handled by lower level LSGIs and technically sophisticated schemes require handling by larger institutions with the required manpower.
- (3) Management complexity – For example, running of a seed farm intended to supply seeds to a region can be managed at the district level if the management needs are not all that complex. Similar logic works in assigning high schools, technical institutions etc. to the District Panchayat.
- (4) Physical size – As in the case of roads, the physical dimensions can be the factor in deciding the level of ownership.

- (5) Financial size – Financial limits can be set for approval, implementation and running of certain projects.
- (6) Nature of a scheme – It is always better that a pioneering or pilot project with large scale replication possibilities is run by a higher level body. With a same scheme there could be multiple roles. For instance, in a pilot scheme implemented by the District Panchayat, the Block Panchayat could carry out construction activities while the beneficiary selection be done by the Grama Panchayat or better still, the Grama Sabha.

1.3.3 These first principles adopted by Kerala have universal relevance.

1.4 Legislative Entitlements

1.4.1 The Kerala Panchayati Raj Act and the Kerala Municipality Act, both of which were enacted in 1994 were thoroughly restructured in 1999 incorporating the lessons from experience of the initial years of ‘big bang’ decentralization. This provided the strong legal foundation for the local government system in Kerala. The key features are outlined below:

(1) Definition of Functional Domain

Kerala is the only State which carved out the functional domain of different Local Governments with a great deal of precision. In areas related to infrastructure and management of public institutions the conventional differentiation is extremely sharp and clear. However in productive sectors neat division of responsibilities is not easy – only through experience can the natural functional area of different tiers of Local Government get identified. The functions have been divided into mandatory, general and sector-wise functions. Those assigned to the three tier PRIs are given in Annexe 1 and those assigned to Urban Local Governments are given in Annexe 2.

(2) Participatory Fora

Grama Sabhas have been given clear rights and responsibilities with absolute powers for identification of functionaries, wide powers for social audit and strong advisory powers for prioritizing developmental needs. In the urban areas Ward Sabhas consisting of all the electors of a ward have been created wherever population is less than 100,000. In other Urban Local Governments Ward Committees have been set up. They have the same powers and functions as their rural counterparts.

(3) Supremacy of the Elected Body

The elected Heads of the Local Governments has been declared as the executive authority. The senior most officials of various departments brought under the control of the Local Governments have been declared as ex-officio Secretaries for that subject. The Local Governments have full administrative control including powers of disciplinary action over their own staff as well as staff transferred to it.

In keeping with the spirit of democratic decentralization, decisions are taken by elected Councils. The Standing Committee system – 3 in Village Panchayats and Block Panchayats, 5 in District Panchayats and Municipalities and 7 in Corporations – with clear functional roles has been structured in such a way that every elected member belongs to one Committee or the other. This system facilitates in depth analysis of issues and proposals before they are considered by the full body. For the purpose of co-ordination, a Steering Committee consisting of the elected head, and all the chairpersons of Standing Committees have been set up. There is also a provision for constituting Functional Committees for different subject areas inclusive of experts, activists, professionals, practitioners and other stakeholders. Local Governments set up such committees to advise them on plan formulation.

(4) Good Governance Features

The Acts provide for certain innovative features promoting good governance.

- (1) Absolute right to information.
- (2) Mandatory publication of Citizen Charters indicating the entitlements of citizens vis-a-vis a Local Government with respect to the quality and standards of various services provided by that Local Government.
- (3) A Performance Audit system has been put in place to provide auxiliary as well as concurrent audit focusing on procedures and processes.
- (4) In order to ensure a healthy relationship between officials and elected members, the Act prescribes a code of conduct, which lays down certain directive principles of polite behaviour, respect for elected authorities and protection of the freedom of the civil servant to render advice freely and fearlessly.

(5) Autonomy

The Panchayati Raj and Municipality Acts were amended to drastically reduce the powers of direct governmental control over Local Governments. While

Government can issue general guidelines regarding national and State policies it cannot meddle in day to day affairs or individual decisions. The Government can cancel resolutions of a Local Government only through a process and in consultation with the Ombudsman or Appellate Tribunal according to the subject matter of the resolution. Similarly a Local Government can be dissolved directly by government, only if it fails to pass the budget or if majority of its members have resigned. In all other cases a due process has to be followed by issuing a Memo of charges and the Ombudsman has to be consulted before dissolution takes place. This is a unique feature which does not exist even in Center–State relations.

Local Governments are empowered to issue Administrative Sanction for all schemes subject only to their budgetary allocations. Similarly Technical Advisory Groups set up by the District Planning Committees accord Technical Sanction for public works. Thus the Local Governments do not have to go to an outside authority for discharging their development functions.

(6) Powerful Support Institutions

In order to reduce governmental control and to nurture the growth of institutions of local self government as envisaged in the constitution the Acts provide for creation of institutions to deal with different aspects of local government functioning. They are listed below:

- (i) The State Election Commission:** Kerala has the strongest State Election Commission in the country with powers for absolute control over staff on election duty, preparation of voters list, verification of accounts and disqualification of candidates not submitting accounts in time, conduct of elections of the head and vice head of Local Governments as well as to the District Planning Committees, conduct of no-confidence motions and disqualification of defectors.
- (ii) Delimitation Commission:** This is an independent body headed by the State Election Commission to carry out delimitation of wards.
- (iii) State Finance Commission (SFC):** Kerala has already constituted three State Finance Commissions in 1994, 1999 and 2004 and implemented practically every recommendation in letter and spirit. The Fourth SFC is to be constituted in 2009.
- (iv) District Planning Committee:** Kerala is the only State with active District Planning Committees with functional experience of over 12 years.

- (v) **Ombudsman for Local Governments:** This is a high power institution manned by a High Court Judge with vast powers to check malfeasance in Local Governments.
- (vi) **Appellate Tribunals:** This is a judicial tribunal set up in the State headquarters with a District Judge as the Tribunal to consider appeals by citizens against decisions of Local Governments taken in exercise of their regulatory functions like issue of licences, grant of permits etc.
- (vii) **State Development Council.** This institution set up on the analogy of the National Development Council is headed by the Chief Minister and consists of the entire Cabinet, Leader of Opposition, Vice Chairman of the State Planning Board, the Chief Secretary, Mayors, Presidents of the District Panchayats who are also Chairpersons of District Planning Committees and representatives of other tiers of Local Governments. This institution functions as the forum for discussion of policy and operational issues.

1.5 Amendment to allied Acts

The State made a path breaking amendment to 42 Acts dealing with subjects which are in the functional domain of local governments. This decision was taken to make it clear that local governments are not just the creatures of the Panchayati Raj and Municipality Acts; but they are entitled to legal space in all legislations having something to do with their functions, thus becoming the third tier of governments below the Central and State Governments. The list of the Acts amended is given in Annexe – 3.

1.6 Transfer of Institutions

1.6.1 The hallmark of Kerala's administrative decentralization is the transfer of public service delivery institutions to Local Governments. The important institutions transferred are the following:

- (1) Primary, Secondary and Higher Secondary Schools.
- (2) Dispensaries, Primary Health Centres, Community Health Centres, Taluk Hospitals under the three streams of medicine, namely; Allopathy, Ayurveda and Homoeopathy.
- (3) Anganwadis
- (4) District Farms – Agriculture and Animal Husbandry
- (5) All veterinary institutions at the district level and below
- (6) Prematric Hostels for Scheduled Castes

1.6.2 This shows that in terms of service delivery nearly 3/4^{ths} has become the responsibility of Local Governments.

1.7 Human Resources

1.7.1 Expecting local governments to do functions without assigning at least the staff who were hitherto performing those functions would be futile. Transfer of staff to local governments is a very tricky issue. There would be a lot of natural resistance by employees to move on to control by elected bodies particularly the lower tiers. Some of the reasons for the staff being reluctant to work under local governments are –

- (1) Uncertainty about service conditions
- (2) Fear regarding payment of salaries due to unsound financial position
- (3) Fear of whimsical political decisions
- (4) Probable loss of promotion chances due to smallness of the unit of employment
- (5) Reluctance to move to distant areas
- (6) Ego and other problems in having to deal with elected representatives directly, some of whom could be semi-literate.

1.7.2 The salient features of how Kerala has handled these problems in spite of a highly unionized and powerful government staff are summarized below:

- (1) Historically Village Panchayats and Urban Local Governments had their own staff. The staff creation is done by government. The terms and conditions are on par with government staff. But they are paid for by the Local Governments from their own resources as well as General Purpose fund from Government. Though the staff pattern varies according to the category of the Local Government an average Village Panchayat would have the following staff.

Secretary	:	1
Junior Superintendent/Head Clerk	:	1
LD/UD Clerks	:	6
Peon	:	1
Total	:	9

The gross details of the own staff in Village Panchayats and Urban Local Government are given in Annexe-4.

- (2) When new functions were devolved the principle of work and worker going together was enunciated. This enabled the government to transfer institutions and offices along with staff to the local governments.

(The posts transferred to local governments in Kerala are listed in Annexe -5).

- (3) Even after the above principle was put into effect it was realized that there was shortage of staff particularly engineering staff. A quick work study was conducted to determine the staff in the offices of the Heads of Departments and their subordinates who have become surplus or superfluous as their work was now transferred to Local Governments. 1302 such posts (excluding engineering staff) were identified from the following departments and redeployed on a working arrangement basis to Local Governments.

Sl. No.	Department		No. of Posts
1	Agriculture Department	:	337
2	Soil Conservation Department	:	30
3	Animal Husbandry Department	:	48
4	Dairy Development Department	:	24
5	Fisheries Department	:	29
6	Industries Department	:	28
7	Co-operation Department	:	28
8	Public Works Department	:	62
9	Irrigation Department	:	300
10	Rural Development Department	:	11
11	Social Welfare Department	:	87
12	S.C. Development Department	:	54
13	S.T. Development Department	:	14
14	Education Department	:	15
15	Health Services Department	:	28
16	Indian Systems of Medicine Dept	:	19
17	Revenue Department	:	126
18	Labour Department	:	36
19	Employment Department	:	26
	Total		1302

This arrangement has proved cumbersome in practice. Therefore government had initiated the process of permanent transfer of these posts.

- (4) In the case of Engineers, in addition to the principle of work and worker going together which was employed in the case of Public Works Department it was also decided to transfer redundant staff from the Irrigation Department. The details of such staff to be transferred and actually transferred are given in Annexe- 6. These officers have been permanently transferred to a unified cadre of Engineers for Local Governments. Now all Village Panchayats have Overseers, two Village Panchayats share an Assistant Engineer and two Block Panchayats share an Assistant Executive Engineer. At the District Panchayat level there are two Executive Engineers with their complement of staff.
- (5) The cadre of the staff transferred is not disturbed. This prevents promotion chances being affected and facilitates movement of staff from one local government to another or from local government to government. In a sense the analogy of All India Service Officers serving both Central and State Government is relevant.
- (6) The Local Governments have full managerial and part disciplinary control over the staff. They can assign any work to the staff transferred to them related to their area. They can review their performance and give the required directions. They are empowered to impose minor penalties on all staff transferred to them and, in the case of non-gazetted officers, resort to suspension whenever warranted.
- (7) A kind of dual control is inevitable. Since the State Government carries out some of its functions through the field level staff who have been transferred to the Local Governments, State control over the staff becomes necessary. Also, as the cadre is managed by State, such control is automatic.
- (8) The salaries of the staff transferred continue to be paid for by Government. This prevents unnecessary burdening of Local Governments with the costs and efforts of salary disbursement and account keeping.
- (9) Even the own staff of Local Governments i.e., Village Panchayats and Municipal bodies who are paid for by the Local Governments themselves are recruited through the Public Service Commission.
- (10) Based on work-study, staff pattern has been fixed for different types of Local Governments. Only government can create new posts in Local Governments.

- (11) Now a policy decision has been taken to constitute unified Ministerial and Management cadres to service all Local Governments.
- (12) There is a published transfer norm which ensures that all Local Governments including remote and backward ones get the staff on a rational basis. This also prevents government from exercising partisanship in favour of Local Governments perceived to be on the government side or discrimination against other Local Governments.
- (13) To protect the legitimate professional interest of staff a Code of Conduct has been legislated and detailed rules issued. This helps officials in discharging their functions without fear or favour. Violation of the code is justiciable before the Ombudsman
- (14) In the case of professional staff where ego conflicts tend to be more, government has been trying out a two-pronged approach – one of interfering whenever there is a complaint and sorting it out through negotiations and the other of trying to organize joint training courses for elected heads and the professional staff to foster mutual understanding and trust.

1.8 Supplementary Systems

- 1.8.1 In order to eke out the human resource availability and supplement the skill sets available in Local Governments a system of sourcing-in expertise from outside the governmental system has been put in place. For the preparation of projects for different Local Governments, Working Groups are set up for different sectors. The typical Working Group is headed by an elected member and has experts professionals, officials, practitioners and other stakeholders. This facilitates a process of multiple points of view getting imbibed – political, professional, official, activist and primary stakeholder-based.
- 1.8.2 Similarly for vetting the large number of projects, Technical Advisory Groups are set up by the District Planning Committee at the Block / Municipal/ Corporation and District levels. These bodies again draw expertise from different sources largely on a voluntary mode. An innovative feature introduced in Kerala is the committee system of issuing Technical Sanction for public works in which Local Government engineers sit along with retired engineers and those working in academic / research institutions and non-government organizations. Though there are co-ordination problems this system has practically eliminated corruption in the issue of Technical Sanction and substantially speeded up the process.

1.8.3 Another innovative feature is the accrediting of eminent NGOs to execute public works without competitive bids.

1.9 Administrative Operating Systems

The administrative operating systems were all designed for centralized governance. They are not suitable for decentralized local governance. This has been realised by Government and interim adhoc systems have been put in place especially for execution of public works and procurement of materials. It is a challenge to convert these into pucca permanent systems robust enough from the point of view of integrity and simple enough for local application.

Chapter 2

DEVELOPMENTAL DECENTRALIZATION

2.1 Responsibilities of Local Governments

2.1.1 The hallmark of decentralization in Kerala is the transfer of well-defined developmental responsibilities to Local Governments. The broad features have been discussed under administrative decentralization. Specifically the extent of decentralization and its nature can be understood from the following facts.

- (1) In the case of infrastructure, barring Highways and Major District Roads connectivity has become an exclusive local government responsibility. In the case of power in addition to the traditional function of street light maintenance, extension of electricity lines to unserved areas is now by and large carried out by Local Governments. They also play the major role in promotion of non-conventional energy.
- (2) Sanitation including solid and liquid waste management is now totally under Local Governments. Rural Water supply is substantially under the PRIs with the Kerala Water Authority concentrating on larger schemes. In urban areas through JNNURM cities and towns are coming back in a big way in providing drinking water. In such areas they have entered into a formal MoU with the Kerala Water Authority under which the decision making power is with the elected councils and KWA functions as a technical support and managing agent.
- (3) Promotion of tiny cottage and small industries is now a shared responsibility with the Industries Department.
- (4) In the Agriculture and allied sectors, the following have become the *de facto* and *de jure* local government functions.
 - (i) Agricultural extension including farmer oriented support for increasing production and productivity.
 - (ii) Watershed management and minor irrigation.
 - (iii) Dairy development.
 - (iv) Animal Husbandry including veterinary care.
 - (v) Inland fisheries.

- (5) As regards social welfare, barring statutory functions relating to juvenile justice, the entire functions have gone to local governments. The ICDS is fully implemented by Village Panchayats and Urban Local Bodies. Care of the disabled, to a substantial degree has become a local government responsibility.
- (6) In respect of social justice 50% of Tribal Sub Plan and 2/3rds of Special Component Plan is totally planned and implemented by Local Governments.
- (7) In respect of poverty alleviation Local Governments play the predominant role especially in partnership with Kudumbashree which is a unique poverty alleviation Mission. Under this Mission every family below poverty line along with a few families just above the poverty line is organized into Neighbourhood Group (NHG) at the local level with each family being represented by a woman. NHGs in a Village Panchayat/Municipal/Corporation Ward are networked into Area Development Societies (ADSs) and all ADSs within the jurisdiction of a Village Panchayat / Municipality / Corporation are federated into a registered society called Community Development Society (CDS). The CDS system works in partnership with the Local Government system focussing poverty reduction. All centrally sponsored anti-poverty programmes are planned and implemented by Local Governments.
- (8) In the education sector Local Governments have responsibilities upto the Higher Secondary level.
- (9) All welfare pensions are administered by Local Governments – including selection of beneficiaries and disbursement of pensions. With the important role given to Local Governments in the proposed universal health insurance scheme for the poor, they have a critical role to play in social security also.

2.1.2 Thus most of the responsibilities relating to human and social development are now in the hands of Local Governments. This is very significant considering the historical fact that Kerala's development has been based on human and social development.

2.1.3 The public service institutions and offices related to these responsibilities have been transferred to the Local Governments concerned on as is where is condition. In respect of these institutions Local Governments have the following responsibilities which are typically of non-plan nature.

- Routine and heavy maintenance
- Upkeep and maintenance of equipments

- Replenishment of consumables
- Meeting of non-salary administrative charges.

Of course, upgradation and addition of new infrastructure have also to be carried out by Local Governments.

2.2 Participatory Planning

Planning by the people is perhaps the best known feature of Kerala's decentralization. It follows a definite methodology which has been continuously refined for the last 12 years. The robustness of the methodology of participatory planning developed by Kerala is testified by the fact that the methodology recommended by the Expert Group on Planning at the Grassroots Level – under Shri V. Ramachandran set up by the Ministry of Panchayati Raj has recommended a similar methodology. The key steps in preparation of the plan are given in Annexe-7.

2.3 Role of District Planning Committee

2.3.1 As stated earlier Kerala has fully functional DPCs. DPCs have 15 members of whom 12 are elected from the District Panchayat and Urban Local Governments in the ratio of rural and urban population in the district. The nominated members are the President of the District Panchayat who is also the Chairperson of the DPC, the District Collector who is designated as its Member Secretary and an expert. All MPs and MLAs are permanent invitees to the DPC. The district level officers are ex-officio Joint Secretaries. Further, as the Constitution does not provide for membership to Village and Block Panchayats, one representative each of these tiers is also designated as permanent invitee. Recently, Government have transferred the district level staff of the Planning, Town Planning and Economics and Statistics departments to function as the Secretariat of the DPC. Also DPC buildings are to be constructed in all the districts.

2.3.2 As of now the important roles played by the DPC include:

- (1) Co-ordinating preparation of plans by Local Governments
- (2) Constituting Technical Advisory Groups for vetting local government Plans
- (3) Providing suggestions to Local Governments on district priorities.
- (4) Approving plans of the Local Governments in the same manner as Planning Commission approves the State plans
- (5) Monitoring plan implementation.

Chapter 3

FISCAL DECENTRALIZATION

3.1 Introduction

Fiscal Decentralization initiatives in Kerala constitutes a best practice with the State following the classical principles of devolving funds to Local Governments.

3.2 Historical Achievements

3.2.1 In the present time when there is a national effort to revitalize fiscal decentralization to Local Governments, there are certain interesting historical achievements in this respect by Kerala which are worth recounting. They are –

- (1) A fairly substantial own tax domain was carved out for Village Panchayats long before the 73rd Constitutional Amendment. Property Tax, Profession Tax and Entertainment Tax have been traditionally assessed and collected by Village Panchayats with the rates being set by Government (in the case of Property Tax the maximum and minimum is to be set by Government). Collection efficiency was high as there was an incentive to the staff for achieving cent percent collection of the demand. The Village Panchayats too developed the culture of revenue raising.
- (2) Fiscal transfers to Local Governments from Government were also done in a systematic manner. The Basic Tax (Land Revenue) and Surcharge on Stamp Duty were fully devolved to Local Governments. In addition 20% of the net collection of Motor Vehicle Tax was also passed down to Local Governments based on road length.
- (3) Further, there were seventeen specific purpose grants relating to items like water supply, street lighting, establishment, level crossing etc.
- (4) It is a little known fact, even within Kerala, that Calicut (now Kozhikode) was the first Local Government in India to float Municipal Bonds way back in 1969. In the absence of any precedents or laid down procedures, the then Mayor and Commissioner of Calicut Corporation directly met Shri Morarji Desai, who was the Finance Minister and placed their proposal before him. Though the request was unconventional, recognizing its objective and potential, the Finance Minister gave his consent. The Corporation harnessed Rs. 30,00,000 from the local public, spent it well and repaid it promptly.

- (5) Kerala was the first State in the country to set up a statutory Rural Development Board to raise funds from the market through debentures and channel them to Village Panchayats for commercially viable projects. The Rural Development Board Act was brought into force in 1971. (Incidentally Kerala was the first State in the country to set up an Urban Development Finance Corporation to raise funds from the market and financial institutions for development purposes in Municipal areas on 24th January, 1970).
- (6) Recognizing that loans from financial institutions are essential for local level development the State enacted the Local Authorities Loans Act as long back as 1963. This Act provides a statutory framework for borrowing by Local Governments.
- (7) Long before the term 'fiscal responsibility' came into vogue the State stipulated that Local Governments can pass budgets only if they showed a 5% surplus. This prevented deficits from accumulating.
- (8) Right at the beginning, the State realized that urban – rural dichotomy is not conducive for proper development of Local Governments and went in for a common ministry of Local Administration (now called Local Self Government), covering both urban and rural Local Governments. More than anything else, it is this unique administrative arrangement that has contributed to the strengthening of Local Governments in Kerala.

3.3 Traditional Sources of Income

3.3.1 These are available only to the Village Panchayats and Urban Local Governments (Municipalities and Corporations). They could be classified into Tax Revenue and Non-tax Revenue.

3.3.2 Tax Revenue: These are taxes directly demanded and collected by Village Panchayats and Urban Local Governments.

- (1) **Property Tax:** Property Tax constitutes the major item of revenue for the Village Panchayat and Urban Local Government which has a per capita collection of Rs. 37 and Rs. 227 respectively. Though the Acts were amended way back in 1999 to introduce plinth area based assessment operational instructions were issued only during the current year and the revision of tax is under way. It is expected that the new system would increase the tax collection by over 50%. Also it would become extremely citizen friendly and reduce possibilities of under assessment and corruption. The tax rates which have been accepted now are given in Table-3.1

Table 3.1
Rates of Property Tax in Village Panchayats and Urban Local Governments
(per Sq. M)

Sl. No.	Type of building based on use	Village Panchayats	Municipalities	Corporations
1	Residential	Rs. 3 to 8	Rs. 6 to 15	Rs. 8 to 20
2	Industrial	Rs. 6 to 16	Rs. 12 to 30	Rs. 16 to 40
3	Commercial	Rs. 12 to 64	Rs. 24 to 120	Rs. 32 to 60

Note:- Local Governments have the freedom to fix the base rate between the minimum and maximum rates fixed by the Government

- (2) **Profession Tax:** The rates of profession Tax were revised based on the recommendation of the First SFC. The existing rates are given in Table-3.2.

Table 3.2
Rates of Profession Tax in Village Panchayats and Urban Local Governments

Class	Half-yearly Income	Maximum Half-yearly Tax
I	Between Rs.12,000 and 17,999	Rs.120
II	Between Rs.18,000 and 29,999	Rs.180
III	Between Rs.30,000 and 44,999	Rs.300
IV	Between Rs.45,000 and 59,999	Rs.450
V	Between Rs.60,000 and 74,999	Rs.600
VI	Between Rs.75,000 and 99,999	Rs.750
VII	Between Rs.1,00,000 and 1,24,999	Rs.1,000
VIII	Above Rs.1,24,999	Rs.1,250

Profession Tax constitutes the second largest source of own income for Village Panchayats and Urban Local Governments. The total collection comes to Rs. 69.19 crore in Village Panchayats and Rs. 65.43 crore in Urban Local Governments for the year 2007-08.

- (3) **Entertainment Tax:** Entertainment Tax provides the third largest source of income for Village Panchayats and Urban Local Governments. Entertainment Tax is fixed as 25% of the price of admission. The annual

(2007–08) collection is Rs. 4.77 crore in Village Panchayats and Rs. 37.89 crore in Urban Local Governments. There appears to be considerable “escaped” tax in these items. A policy decision has been taken to go in for tax based on gross seating capacity. But further studies are required to determine categories and rates before switching over.

- (4) **Advertisement Tax:** Advertisement Tax has relatively good potential in a consumerist state like Kerala; but the realization of revenue under this head has been quite low. It is seen that only 121 Village Panchayats are collecting Advertisement Tax. It constitutes only 0.78 % of own tax revenue in Urban Local Governments; in the case of Village Panchayats its share is a paltry 0.36%. Advertisement Tax is collected as per the provisions of Section 209 of the Kerala Panchayat Raj Act and 271 of the Kerala Municipality Act. The tax is collected based on byelaws framed by the Village Panchayats and Urban Local Governments. There are no rules issued by the Government regarding minimum rates or the mode of collection. Government is in the process of framing common rules.
- (5) **Service Tax:** Service Tax has been existing as a small tax levied by Village Panchayats and in the case of Urban Local Governments levied as a component of the Property Tax. However the First and Second Finance Commissions have recommended that the Service Tax to be made as an independent Tax. This has been accepted. The details have not yet been worked out.
- (6) **Show Tax including Surcharge:** This tax is levied as per Section 200 of the Kerala Panchayat Raj Act and Section 269 of the Kerala Municipality Act, which empower the local governments to levy and collect Show Tax on every show which includes any entertainment, exhibition, performance, amusement game, sport or race, that is performed in their territory.
- (7) **Cess on Conversion of Land Use:** This is a cess which can be levied by local governments for conversion of land use from paddy field, marshy land, pond or water body into garden or building site subject to the provisions of Kerala Land Utilisation Order 1967 issued under the Essential Commodities Act. Since there are severe restrictions on conversion of land use in Kerala, the collection has been naturally low – around Rs.10 lakh in all.
- (8) **Tax on Animals, Vessels and Vehicles:** This is applicable only to Urban Local Governments and is levied as per Section 260 of the Kerala

Municipality Act 1994 which allows the Municipal Council to levy, based on its resolution, tax on domestic animals etc. This is a very insignificant item and the total collection for Municipalities and Corporations during 2007–08 amounted to Rs. 31,108 only.

- (9) **Tax on Timber:** This again is a tax applicable only to Urban Local Governments. It is collected as per Section 277 of the Kerala Municipality Act 1994 which allows the Municipal Council to collect in the manner decided by it a tax on timber brought in to the Municipality at the rate of Rs.24/- per tonne. This has also fallen into disuse and only Kozhikode Corporation which has the traditional timber yard of Kallai within its area is realizing this tax which fetched it a revenue of Rs. 5.10 lakh during 2007–08. This item of revenue has been declining year after year.
- (10) **Surcharge:** Both the Village Panchayats (as per Section 208 of the Kerala Panchayat Raj Act) and Urban Local Governments (as per Section 230 of the Kerala Municipality Act) are empowered to levy Surcharges. In the case of Village Panchayats up to 5% Surcharge can be levied on the Property Tax subject to a maximum of two Surcharges and in the case of Urban Local Governments a Surcharge not exceeding 10% can be levied on any Tax other than Profession Tax. This Surcharge is to be levied for providing for any specific services or amenity in the case of Urban Local Governments and for meeting any extraordinary expenditure by way of implementation of a scheme, plan or project in the case of Village Panchayats. This item has not been tapped in any of the Urban Local Governments.

The realisation from all tax revenue in 2007–08 comes to Rs. 177.67 crore in Village Panchayats and Rs. 222.91 crore in Urban Local Governments.

3.3.3 Non-Tax Revenue: Non-tax revenue of Village Panchayats and Urban Local Governments could be classified as follows: (1) Licence fee, (2) Gate fee, (3) Rent from Property, (4) Income from Property other than rent, (6) Permit fee, (7) Registration fee, (8) Service/User charge and (9) Other sources.

(1) **Licence Fee:** This constitutes the most important source of non-tax revenue. The following are the important items for which licence fees are collected by local governments.

- (i) Trade Licences
- (ii) Licences under prevention of Food Adulteration Act
- (iii) Licences under the Kerala Cinemas Regulation Act.
- (iv) Licencing of Private Slaughter Houses.

- (v) Licencing of Private Markets.
- (vi) Licences under the Kerala Places of Public Resorts Act.
- (vii) Licencing of Private Parking and Halting Places
- (viii) Licencing of Private Burial and Burning Grounds
- (ix) Licencing of Technical Experts
- (x) Licencing of Domestic Animals
- (xi) Licencing of Animal Stalls kept for commercial purposes.
- (xii) Licencing of Special Trades like Butchers, Fishmongers, Poulterers, Commission Agents and Brokers.

(2) Gate Fees. These are fees, which are normally farmed out by auction to the highest bidder who is then given the right to regulate entry based on certain fees. The major sources of gate fees are:-

- (i) Public Market
- (ii) Public Parking and Halting Places
- (iii) Public Slaughter Houses

(3) Income from Property – Rent. This is an important item of non-tax revenue for urban local governments and urbanized Village Panchayats. Rents could be classified based on the type of property.

- (i) Rent from buildings
- (ii) Rent from lands
- (iii) Rent from cloak rooms and comfort stations.

(4) Income from Property other than Rent. This can be classified into three.

- (i) Proceeds from sale of right to collect river sand
- (ii) Proceeds from sale of right to fish
- (iii) Proceeds from sale of usufructs.

(5) Permit fees. Permit fees are of two kinds.

- (i) Fee for building permits.
- (ii) Fee for permits for the construction, establishment or installation of factories, workshops or work places where electricity is used.

(6) Registration Fees. This can be grouped as follows:

- (i) Registration of Hospitals and Para Medical Institutions.
- (ii) Registration of Tutorials
- (iii) Registration of Births and Deaths
- (iv) Registration of Contractors (only in Urban Local Governments)
- (v) Registration of Lodgings (only in Malabar area – under the Madras Public Health Act)

- (7) Service/User Charges.** These relate to charges collected for use of utilities and amenities provided by the Local Governments.
- (8) Income from Ferries.** As per the Kerala Panchayat Raj Act and the Kerala Municipality Act and as per the various Ferries Acts, function of providing ferries has been transferred to the Village Panchayats and Urban Local Governments. This income could be either by auctioning of the right to ply ferries or by charging from users.
- (9) Fines and Penalties.** These are realized by the LSGIs when there is a contravention of regulations or there are belated payments.
- (10) Sundry items.** These miscellaneous sources of revenue could be listed as follows:
- (i) Proceeds from auctioning of meat stalls (done in a few Village Panchayats only)
 - (ii) Interest on deposits.
 - (iii) Endowments.
 - (iv) Return on investments like shares
 - (v) Contributions/donations
 - (vi) Hire charges of vehicles/machinery
 - (vii) Income from cattle pounds
 - (viii) Income from Libraries
 - (ix) Sale of Forms
 - (x) Sale of unserviceable articles and fallen trees
 - (xi) Other items which cannot be classified.

The realization from all Non-Tax revenues comes to Rs. 124.60 crore in Village Panchayats and Rs. 105.45 crore in Urban Local Governments for the year 2007-08.

3.4 Devolution/Grants-in-Aid from Government

Grant-in-aid from Government could be classified as follows:

- (1) General Purpose, Maintenance and Development Fund:** As per the recommendations of State Finance Commissions un-tied funds are devolved to the local governments in three streams viz; General Purpose Fund for meeting the expenditure on traditional functions and establishment expenses, Maintenance Fund for maintaining the assets of local governments including those transferred as part of decentralization and Development Fund for development functions. Maintenance Fund is devolved in two categories; – one for the maintenance of roads and the other for maintenance of other assets;

whereas the Development Fund in three categories viz; General Sector, Special Component Plan and Tribal Sub Plan. The Distribution of General Purpose Fund, Maintenance Fund and Development Fund during the last five years is shown in Tables 3.3, 3.4 and 3.5.

Table 3.3

**Distribution of General Purpose Fund to Local Governments
(2004-05 to 2008-09)**

(Rs. Crore)

Local Government	2004-05	2005-06	2006-07	2007-08	2008-09
1. Village Panchayats	150.22	174.49	219.48	241.44	265.58
2. Block Panchayats	8.36	13.71	12.22	13.44	14.77
3. District Panchayats	5.60	19.60	8.18	9.00	9.90
4. Municipalities	16.26	18.89	23.77	26.14	28.76
5. Corporations	24.88	28.90	36.35	39.98	43.98
Total	205.32	255.59	300.00	330.00	362.99

Table 3.4

**Distribution of Maintenance Fund to Local Governments
(2004-05 to 2008-09)**

(Rs. Crore)

Local Government (1)	Non-road Assets (2)	Road Assets (3)	Total(2+3) (4)
A. 2004-05			
1. Village Panchayats	110.47	93.51	203.98
2. Block Panchayats	21.81	0.00	21.81
3. District Panchayats	31.41	10.73	42.14
4. Municipalities	18.32	14.63	32.95
5. Corporations	14.43	10.48	24.91
Total (A)	196.44	129.35	325.79
B. 2005-06			
1. Village Panchayats	124.67	111.43	236.10
2. Block Panchayats	27.30	0.00	27.30
3. District Panchayats	37.49	33.04	70.53
4. Municipalities	20.72	18.32	39.04
5. Corporations	16.53	12.14	28.67
Total (B)	226.71	174.93	401.64

(1)	(2)	(3)	(4)
C. 2006-07			
1. Village Panchayats	118.68	100.46	219.14
2. Block Panchayats	23.43	0.00	23.43
3. District Panchayats	33.74	11.53	45.27
4. Municipalities	19.68	15.71	35.39
5. Corporations	15.51	11.26	26.77
Total (C)	211.04	138.96	350.00
D. 2007-08			
1. Village Panchayats	130.54	110.5	241.04
2. Block Panchayats	25.77	0	25.77
3. District Panchayats	37.12	12.68	49.80
4. Municipalities	21.64	17.29	38.93
5. Corporations	17.06	12.39	29.45
Total (D)	232.13	152.86	384.99
E. 2008-09			
1. Village Panchayats	132.01	116.27	248.28
2. Block Panchayats	25.77	0	25.77
3. District Panchayats	37.75	13.6	51.35
4. Municipalities	22.76	18.83	41.59
5. Corporations	17.62	12.9	30.52
Total (E)	235.91	161.60	397.51

Table 3.5
Distribution of Development Fund to Local Governments
(2004-05 to 2008-09)

(Rs. Crore)

Local Government (1)	General Sector (2)	SCP (3)	TSP (4)	Total (2+3+4) (5)
I) 2004-05				
1. Village Panchayats	573.35	129.65	19.75	722.75
2. Block Panchayats	74.71	43.22	7.94	125.87
3. District Panchayats	75.11	43.22	12.03	130.36
4. Municipalities	95.55	15.91	0.41	111.87
5. Corporations	75.57	13.54	0.00	89.11
Total (I)	894.29	245.54	40.13	1179.96
II) 2005-06				
1. Village Panchayats	572.40	177.50	24.80	774.70

(1)	(2)	(3)	(4)	(5)
2. Block Panchayats	122.66	59.17	9.92	191.75
3. District Panchayats	123.16	59.17	14.89	197.22
4. Municipalities	93.25	20.80	0.57	114.62
5. Corporations	74.54	17.83		92.37
Total (II)	986.01	334.47	50.18	1370.66
III) 2006-07				
1. Village Panchayats	544.11	213.87	29.91	787.89
2. Block Panchayats	116.59	71.29	11.96	199.84
3. District Panchayats	116.59	71.29	17.94	205.82
4. Municipalities	88.71	25.06	0.69	114.46
5. Corporations	70.50	21.49	0.00	91.99
Total (III)	936.50	403.00	60.50	1400.00
IV) 2007-08				
1. Village Panchayats	598.52	235.26	32.90	866.68
2. Block Panchayats	128.25	78.42	13.16	219.83
3. District Panchayats	128.25	78.42	19.73	226.40
4. Municipalities	97.58	27.57	0.76	125.91
5. Corporations	77.55	23.63	0.00	101.18
Total (IV)	1030.15	443.30	66.55	1540.00
V) 2008-09				
1. Village Panchayats	648.46	258.79	36.19	943.44
2. Block Panchayats	139.35	86.26	14.47	240.08
3. District Panchayats	135.70	86.26	21.71	243.67
4. Municipalities	104.77	30.32	0.83	135.92
5. Corporations	81.42	26.00	0.00	107.42
Total (V)	1109.70	487.63	73.20	1670.53

(2) Grant-in-aid for Implementing Schemes

(A) **Plan Schemes:** Certain plan schemes, which include Centrally Sponsored Schemes (CSS) and State Sponsored Schemes, have been transferred to Local Governments for implementation. The scheme guidelines are formulated by the Central Government or the State Government as the case may be and the role of the Local Governments is limited to 'agency' function i.e; deciding the location or beneficiary and executing the scheme. The details of such schemes and funds provided in the Budget for the year 2008-09 are summarized in Table 3.6.

Table 3.6
Details of State and Centrally Sponsored Schemes Implemented
by Local Governments (2008-09)

(Rs. crore)

<i>Local Government</i>	<i>No. of schemes</i>	<i>State Share</i>	<i>Central Share</i>	<i>Total</i>
(i) Centrally Sponsored Schemes				
1. Village Panchayats	4	50.25	450.17	500.42
2. Block Panchayats	14	53.65	168.96	222.61
3. District Panchayats	3	2.12	6.37	8.49
4. Municipalities	2	16.00	144.00	160.00
5. Corporations	3	110.09	222.00	332.09
Total	36	232.11	991.50	1223.60
(ii) State Sponsored Schemes				
1. Village Panchayats	—	—	—	—
2. Block Panchayats	2	0.32	—	0.32
3. District Panchayats	2	0.20	—	0.20
4. Municipalities	14	0.22	—	0.22
5. Corporations	4	0.07	—	0.07
Total		0.81	—	0.81

(B) Non-Plan Scheme: In addition to the above, grant-in-aid for implementing specific programmes under non-plan, particularly welfare pensions are also given to Local Governments. Details are given in Table- 3.7.

Table 3.7
Non Plan Assistance to Local Governments Provided in the Budget for the Year
2008-09 for Specific Programmes

(Rs Crore)

<i>Sl. No</i>	<i>Head of Development</i>	<i>Village Panchayats</i>	<i>Block Panchayats</i>	<i>District Panchayats</i>	<i>Municipalities</i>	<i>Corporations</i>	<i>Total</i>
1	General Education	120.17	—	14.94	4.71	1.77	141.59
2	Medical and Public Health	3.36	8.18	0.91	6.38	0.06	18.89
3	Labour and Employment	46.26	—	—	3.56	2.30	52.12
4	Welfare of SC/ST/OBC	0.59	1.54	0.00	0.48	0.09	2.70
5	Social Security & Welfare	195.71	0.26	5.12	16.47	8.18	225.74
6	Crop Husbandry	10.20	—	0.09	0.31	0.01	10.61
7	Soil and Water Conservation	—	—	0.11	—	—	0.11
8	Agricultural Research & Education	—	—	0.01	—	—	0.01
9	Animal Husbandry	—	—	—	—	—	—
10	Village & Small Scale Industries	—	—	0.04	—	—	0.04
	Total	376.30	9.98	21.24	31.91	12.40	451.82

3.5 Loans

Local Governments can avail loans from financial institutions as per the Kerala State Local Authorities Loan Act (1963). There used to be a Rural Development Board for financing projects taken up by Village Panchayats and Kerala Urban Development Finance Corporation (KUDFC) for Urban Local Governments. The Rural Development Board has been wound up and the existing KUDFC has been restructured into the Kerala Urban and Rural Development Finance Corporation (KURDFC) to provide loans to all local governments.

3.6 Key Features of Fiscal Decentralization

The key features of fiscal decentralization in Kerala are outlined below:

(1) Sanctity of SFC Recommendations

Kerala is the only State in which three State Finance Commissions have submitted their reports with practically every recommendation being adopted. (A note on salient recommendations of each of the three SFCs is given as Annexe-8). Each SFC has been a path breaker. The First SFC succeeded in integrating seventeen small specific purpose grants into a broader general purpose grants and also in streamlining the determination and transfer of the share of State taxes, making it fully formula-based and totally non-discretionary. The Second SFC moved away from sharing specific State taxes and suggested global sharing of State's Own Tax Revenue, fixing 3.5% as General Purpose Grant and 5.5% as Maintenance Grant. The Third SFC has moved on to a regime of fixed grants. It fixed the base year's grant equivalent to the recommendations of the Second SFC and suggested 10% annual increases for the five year period. While this has cost the Local Governments the possible gains due to buoyancy in tax revenue, it has improved predictability as the SFC has indicated Local Government-wise share for each year over the five year period under the three streams of General Purpose Fund, Maintenance Fund and Development Fund.

(2) Own Fiscal Domain

Only the Village Panchayats have their own tax domain consisting of Property Tax, Profession Tax, Entertainment Tax and Advertisement Tax. A new tax – Service Tax has been introduced by the Second SFC as a kind of a benefit tax for providing certain specific services to the people; but it has not yet been operationalized. Further non-tax revenues of Village Panchayats consist of rents from buildings and license fees. On an average a Village Panchayat raises taxes to the tune of about Rs. 67 per capita and non-tax revenue

also to the tune of about Rs. 48 per capita. Though experts feel that this amount can be doubled by improving efficiency of assessment and collection, it is still the highest revenue raised by a Village Panchayat in India.

(3) Quantum of Transfers

The transfers match the expenditure assignments. In the three streams of Development Fund, Maintenance Fund and General Purpose Fund, Rural Local Governments get Rs. 2431.03 crore during the current year.

(4) Quality

The transfers to Local Governments constitute “pure money” in the sense that they are cent percent usable by Local Governments and are not tied to salaries or other establishment expenditures. It is practically untied with total freedom of local use in the case of General Purpose Fund and Maintenance Fund. In the case of Development Fund also there is substantial freedom as only a broad framework has been fixed stipulating that at least 40% has to be spent on productive sectors and not more than 20% can be spent on infrastructure, along with the stipulation that at least 10% should be spent for the benefit of women and 5% for children, aged and disabled, spanning across sectors.

(5) Transparency

The hallmark of Kerala’s fiscal decentralization is that every single rupee is transferred according to a transparent formula. In the case of Development Fund the formula is as shown in Table 3.8.

Table 3.8

Formula Adopted for Inter-se Distribution of Development Fund to Local Governments

Indicators	Weightage (percentage)			
	Grama Panchayats	Block Panchayats	District Panchayats	Municipalities/ Corporations
1. Population (excluding SC/ST)	60	60	50	70
2. Tribal Population	5	5	5	5
3. Geographical area excluding area under forests	5	10	15	5
4. Area under paddy	5	—	—	—
5. Own Income of Grama Panchayat	10	—	—	—
6. Composite Index of Agricultural Labourers, Persons engaged in Livestock, Fisheries etc. and Marginal Workers	15	25	20	—
7. Composite index of backwardness: houses without latrine, houses without electricity etc.	—	—	10	20
Total	100	100	100	100

For Maintenance Fund the same formula has been adopted as an interim measure. Now the Asset Registers of Local Governments are under finalization and after this, Maintenance Fund will flow according to need as reflected by the asset base of the Local Governments. For General Purpose Fund also the devolution is formula based.

Thus there is zero discretion in deciding transfers. Any Local Government whatever be its political complexion or geographic location or bargaining power will get its due share as per its entitlements. This is something which more than half a century of fiscal federalism cannot boast of at the national level.

(6) Fairness

Not only is the devolution formula-based but it is equitable as may be seen from the formula mentioned above. About 1/3rd weightage has been given to backwardness in the formula which facilitates equalization.

(7) Predictability

To ensure predictability, Government have announced Local Government-wise share under the three streams for five years starting from 2006-07.

(8) Assuredness

To lend assuredness to the devolution, a separate budget document is presented along with the State Budget indicating Local Government-wise shares under the three streams for transfers. Also a distinct head of account is assigned which prevents reappropriation and diversion.

(9) Smooth Flow

The share of each local government is automatically credited to its account in the Treasury in the beginning of every month. Development Fund and Maintenance Fund are transferred in ten equal instalments, and General Purpose Fund in twelve equal instalments.

Since the funds are parked in treasuries they help in maintaining the ways and means position of the State Government. At the same time since they are transferred out of the Consolidated Fund into the Local Government Fund, the Local Governments cannot lose the funds. General Purpose Fund is totally non-lapsable. In the case of Maintenance Fund and Development Fund, 80% expenditure is mandated and any shortfall would lead to commensurate reduction in the succeeding year's allocations.

(10) Accountability Mechanisms

In the context of massive devolution of funds it is necessary to have proper accountability systems. The following accountability systems are in position.

(11) Right to Information

There has been an absolute right to information in respect of records of Local Governments since 1999. All records are open for public scrutiny and the only records excluded are health records and records relating to contract before they are finalized.

(12) Social Audit

There is a reporting system in Grama Sabhas where the accounts are printed and distributed.

(13) Due Process

A due process which is transparent and highly participatory has been put in place in the preparation of local development projects constituting participatory budgetting.

(14) Audit

There are three types of audit prevalent in the State. Conventional audit is undertaken by the Director of Local Fund Audit. In addition, the Accountant General audits about 10% of local governments every year as part of the Technical Guidance Scheme (TGS). The third form of audit called Performance Audit has been set up utilizing the service of staff mainly from the Panchayat, Rural Development and Municipal Departments and the Secretariat rendered surplus due to decentralization. This is both concurrent and auxiliary audit with the objective of providing online support to Local Governments to keep proper accounts and maintain registers.

The Finance Inspection Wing does sample checking. Similarly there is a State level Technical Audit Team of senior engineers of repute who are sent to investigate complaints of irregularities or poor quality in the execution of public works.

(15) Independent Institutions of Ombudsman and Appellate Tribunals.

3.7 Reforms

3.7.1 Major reforms related to fiscal issues in Local Governments currently under way, include the following:

- (1) **Property Tax Reform.** This process is expected to reduce escaped tax and corruption.
- (2) **Profession Tax Reform.** Presumptive tax has been introduced in respect of certain professions to avoid escaping of tax.
- (3) **Entertainment Tax Reform.** Studies are being initiated to categorize theatres.
- (4) **Advertisement Tax Reform.** The Advertisement Tax provisions are archaic and not in tune with the current forms of advertising. They are being revamped to convert them into an important source of revenue for Local Governments.
- (5) **Service Tax.** This is a kind of benefit tax linked to Property Tax enabling local governments provide additional services to the public and collect tax to defray a portion of their investment costs as well as running costs. The details are being worked out.
- (6) **Incentives for Own Resource Mobilization.** A decision has been taken to set apart up to 10% of the Development Fund to provide incentives for improved collection of own revenues by Local Governments.
- (7) **Asset Register.** In order to get a more rational idea of the maintenance requirements of Local Governments Asset Registers have been prepared for all Local Governments. The asset mapping was done utilizing the services of volunteers of the National Service Scheme from Engineering Colleges and Polytechnics.
- (8) **Tax Mapping.** Tax mapping has been taken up on a pilot basis in two Village Panchayats. The results are to be replicated in other Village Panchayats over the next two to three years.
- (9) **Linking of Taxes/Fees to Money Value.** A decision has been taken based on the recommendations of the Second SFC to link Taxes and Fees to value of money as reflected in the Consumer Price Index.
- (10) **New Manuals.** Draft Budget, Accounts and Audit Manuals have been prepared to build the capacity of Local Government in fiscal management.
- (11) **Setting up of a Local Government Fund.** A Local Government Fund is to be set up in the place of the Kerala Urban and Rural Development Finance Corporation to mobilize resources to supplement budgetary support. The Fund would be a statutory one and professionally managed.
- (12) **Setting up of Audit Commission.** The State has now decided in principle to set up an Audit Commission to enhance the quality of Audit of Local Governments. The operational details are being worked out.

Chapter 4

ACHIEVEMENTS, CHALLENGES AND NEXT STEPS

4.1 Twelve years of decentralization in Kerala has resulted in substantial achievements even while throwing up major challenges. By all indications, decentralization is here to stay. To ensure that its full potential is realized, certain important actions have to be taken without delay on institutionalization.

4.2 Achievements

The notable achievements of Kerala's decentralization are outlined below.

- (1) A highly participatory planning methodology has been developed. It has been refined over the years and it has succeeded in bringing on outstanding models in different sectors of development, like housing, water supply, sanitation, poverty reduction, destitute rehabilitation providing care services, empowering women, improving public education, enhancing public health and so on. These models have now to be up-scaled and universalized.
- (2) Rigid adherence to rule based devolution of funds has ensured that resources have flowed smoothly to every corner of the State and more to the backward pockets. This has brought about a kind of diffused stimulus for local level development increasing public satisfaction levels.
- (3) There has been considerable increase in pro-poor expenditure. Local Governments have done fairly well in provision of minimum needs infrastructure especially housing, water supply, household sanitation, and power and road connectivity.
- (4) There has been significant improvement in public service delivery infrastructure especially in schools, hospitals and anganwadis.
- (5) Participation has improved transparency. There is a widespread awareness about the developmental activities undertaken by Local Governments.
- (6) Decentralization has improved targeting of benefits mainly due to the open and normative process in place for selection of beneficiaries.
- (7) There has been considerable contribution from the public mostly in kind, particularly as free surrender of costly land for creation of common infrastructure for irrigation, connectivity, etc.

- (8) Through an implicit social contract, there has been active willingness on the part of beneficiaries to manage assets like water supply schemes and irrigation systems.
- (9) A working model has been developed in which the network of neighbourhood groups of women work in partnership with Local Governments providing the synergy for participation and democratization. Whereas in most of the country SHGs work outside the Local Government system and are largely parallel power centres, in Kerala, it has been harmonized with the Local Government system without infringing the autonomy of both the institutions. This has resulted in significant empowerment of the ordinary women and capacitated them to demand for and access public services.
- (10) A major innovation with far reaching potential for exploiting local production possibilities is the introduction of lease land farming by Self Help Groups of women.
- (11) The capacity of elected members has developed to a great extent. The elected representatives, by and large, have a clear understanding of various developmental issues.
- (12) Decentralization seems to have reduced costs thereby increasing efficiency of expenditure. This is particularly true of public works and water supply and irrigation schemes in which the cost of construction through Local Governments is lower by 20–25% compared with Departments.

4.3 Challenges

Developing the third tier of governance is not without challenges, of which the important ones are listed below.

- (1) The strongest Local Government is the Village Panchayat which has the weakest capacity at the official level. Inducting professionalism at the cutting edge level is not that easy.
- (2) Persistent demands from the people and the democratic instincts of elected members have combined to give rise to a tendency to spread resources thin. While this has certain advantages, striking a balance with the need for substantial investment in certain projects is proving difficult.
- (3) Managing professionals especially those delivering services has not been very easy for Local Governments.

- (4) Though there has been good people's participation, paradoxically, better off sections of society who control the means of production have not taken keen interest in intervening the local development processes. It is necessary to transform Gram Sabhas and Ward Sabhas from beneficiary identification venues to fora for development dialogue.
- (5) Local Governments have not been very successful in promoting local economic development by way of increasing incomes and employment opportunities – except in the case of micro enterprises of the poor under Kudumbashree.
- (6) The focus hitherto has been on annual planning and planning at the local government level. It is time to move on five year planning and district planning.
- (7) The local statistical system is weak and unreliable. A methodology for developing and updating relevant local statistics has to be put in place in the context of local level planning.
- (8) Even though decentralization has brought about greater inclusive development, certain extremely marginalized sections of society like tribals and destitutes have not fully benefitted.
- (9) Several institutions have been set up like Ombudsman, Appellate Tribunal, State Development Council, etc. They need to be made pro active to fulfill their full responsibilities.
- (10) Though there has been enhanced downward accountability to people and there is active questioning of decision making, direct social audit has not been very systematic or widespread.
- (11) Due to archaic administrative operating system, the record keeping is relatively poor in Local Governments.
- (12) Monitoring systems at the State level are not very robust.
- (13) E-governance systems have been slow to strike root.
- (14) The policy decision to set up an Audit Commission is yet to be operationalized.

4.4 Next Steps

- 4.4.1 An important and interesting feature of Kerala's decentralization has been the capacity and willingness of the State Government to fully understand the shortcomings, accept deficiencies and go in for basic reforms. At this point institutionalization is the most pressing challenge.

- 4.4.2 In India systems, procedures and processes of governance have a “deep structure” designed for centralized governance with upward accountability. Also it has features meant for bureaucratic control and not for democratic control. The big challenge is to restructure governance system to make it appropriate for decentralized, participatory, democratic governance without losing features related to transparency, consistency, accessibility, accountability and so on. Right at the beginning of decentralization, Kerala took a deliberate decision that the opportunity for fundamental reform of the governance system should not be lost. Therefore, it resorted to adhoc transitory systems and embarked on designing systems with the objectives of rationalization, modernization incorporating the best and latest elements in public administration. Once administrative systems are brought in it is very difficult to change them frequently. Therefore any new system has to be designed in such a way as to withstand the demands of the future.
- 4.4.3 Decentralization in Kerala has been a home-grown process. Over the last decade and more the State has been able to develop considerable practical experience in understanding the dynamics and requirements of decentralized governance. Using several efforts have been launched and are at different stages of progress. It is significant to note that there is a vibrant platform of stakeholders representing local government, administrative, academic, civil society and political interests and surprisingly the core team has had a rare continuity. This offers a chance for high quality institutionalization with a well thought out support from outside capable of transferring international experience even while appreciating the peculiarities, sensitivities and strength of the local situation.
- 4.4.4 Against this background institutionalization involves setting up systems, firming up processes and laying down procedures following the steps outlined below.
- o Step 1: Design outlines based on felt need and local expertise.
 - o Step 2: Get inputs from national level best practices in related fields.
 - o Step 3: Get inputs on international best practices.
 - o Step 4: Through intense consultations with key stakeholders to finalize systems, processes and procedures.
 - o Step 5: Convert them into Rules and Manuals through appropriate linkages to the legal framework.
 - o Step 6: Train elected representatives and officials on the logic and details of the new operating systems.
 - o Step 7: Guide a planned, handhold transition to the new operating systems.

4.4.5 Through extensive consultations with the stakeholders and based on the best judgement of participant-observers of the decentralization experience, the following inter-related areas have been identified for institutionalization

- (1) Financial Management.
 - o Budgeting.
 - o Accounting
 - o Auditing
 - o Procurement including execution of public works.
 - o Revenue assessment.
- (2) Governance
 - o Development of office management systems.
 - o Introduction of E-governance applications.
 - o Preparation of management manuals for transferred institutions like Anganwadies, schools, hospitals, krishi bhavans, hostels, etc.
 - o Launch of good governance action pilots focusing on delivery of citizen services, strengthening participatory structures and increasing accountability through social audit, citizen charters, citizen surveys, etc.
- (3) Strengthening of institutions.
 - o State Finance Commission.
 - o DPC
 - o State Development Council
 - o Ombudsman
 - o Appellate Tribunals.
 - o Audit arrangements including setting up of Audit Commissions.
- (4) Developmental
 - o Strengthening capacity for Local Economic Development.
 - o Building data bases for development planning.

4.4.6 In spite of policy commitment the institutionalization process has been slow. It cannot afford to proceed at this pace. It needs to be strengthened and speeded up so that routinization does not set in retarding the momentum for change and reform.

4.4.7 Now concentrated efforts are on to push towards effective institutionalization in the next two years.

4.4.8 In respect of planning and local development, efforts have been initiated to move to more integrated long term panning. It is proposed to have action research projects to replicate best practices.

4.5 CONCLUSION

4.5.1 It has to be noted that the Kerala model of decentralization is a home-grown process organically emerging from the administrative, developmental and socio political context of the State and the country. After a period of intense experimentation followed by correction and stabilization, the decentralization initiatives have reached the institutionalization stage. The experience of nearly a decade and a half in trying to bring about a Local Government system in accordance with the spirit of the Constitution is an object lesson in “doing decentralization”. Across four changes of Government and in spite of terrible fiscal stress, the State showed unwavering commitment in strengthening the foundation for democratic decentralization.

4.5.2 The State can now claim that it has developed a viable and replicable model which other States in the country can adapt – in administrative decentralization, fiscal decentralization, participatory planning, setting up supporting institutions for local governance, linking Local Governments with experts, professionals, activists and community based organizations and so on. What has been achieved is far beyond a successful project or even a best practice. It has been a massive effort in bringing about a new tier of governance and making it fully functional, transforming the basic structure of Government at a huge cost in terms of resources and human effort.

4.5.3 With the policy priority given by Government of India to strengthening the local governments as evidenced in recent flagship programmes like JNNURM, NREGA and BRGF, the Kerala model has acquired special significance. It is easy for other States to learn without spending heavily in terms of cost and time. Now the crucial institutionalization stage is on and the State is facing second generation issues which the rest of the country will confront sooner or later. The State seeks to bring in all major stakeholders in decentralisation in the country to participate in this last lap.

FUNCTIONS ASSIGNED TO THE PANCHAYAT RAJ INSTITUTIONS

I. Village Panchayats

A. Mandatory functions of Village Panchayats

1. Regulation of building construction
2. Protection of public land from encroachment
3. Protection of traditional drinking water sources.
4. Presentation of ponds and other water bodies
5. Maintenance of water-ways and canals under their charge
6. Collection and disposal of solid waste and control of liquid waste disposal.
7. Storm water drainage
8. Maintenance of environmental hygiene
9. Management of markets
10. Vector control
11. Regulation of slaughtering of animals and sale of meat, fish and other perishable food items.
12. Regulation of eating establishments
13. Prevention of food adulteration.
14. Maintenance of roads and other public assets
15. Street lighting and their maintenance.
16. Immunisation
17. Carrying into effect national and State level strategies and programmes for disease prevention and control.
18. Opening and maintenance of burial and burning grounds.
19. Licensing of dangerous and offensive trades
20. Registration of births and deaths.
21. Provide bathing and washing ghats
22. Provide of ferries.
23. Provide parking space for vehicles
24. Provide waiting-sheds for travellers
25. Provide toilet facilities in public places
26. Regulate conduct of fairs and festivals.
27. Licensing of pet dogs and destroying stray dogs.

B. General functions

1. Collection and updating of essential statistics.
2. Organising voluntary labour and contribution for community works.

3. Carrying out campaigns for thrift.
4. Awareness building on control of social evils like drinking, consumption of narcotics, dowry and abuse of women and children.
5. Ensuring maximum people's participation in all stages of development.
6. Organising relief during natural calamities.
7. Inculcating environmental awareness and motivating local action for environmental upgradation.
8. Promoting co-operatives.
9. Enhancing communal harmony.
10. Mobilizing local resources in cash and in kind, including free surrender of land for development purposes.
11. Spreading legal awareness among the weaker sections.
12. Campaigning against economic crimes
13. Organising neighbourhood groups and self-help groups with focus on the poor.
14. Awareness building on civic duties

C. Sector-wise distribution of responsibilities

(i) Agriculture

1. Bring into cultivation waste lands and marginal lands
2. Bring about an optimum utilisation of land
3. Soil conservation
4. Production of organic manure.
5. Establishment of nurseries.
6. Promotion of co-operative and group farming.
7. Organising self-help groups among cultivators
8. Promotion of horticulture and vegetable cultivation.
9. Fodder development
10. Plant protection.
11. Seed production
12. Farm mechanisation.
13. Management of Krishi Bhavans.

(ii) Animal Husbandry and Dairy

1. Cattle improvement programmes.
2. Dairy farming.
3. Poultry farming, bee keeping, piggery development, goat rearing, rabbit rearing.
4. Running or veterinary dispensaries.
5. Running of ICDP sub-centres.
6. Preventive health programmes for animals
7. Prevention of cruelty to animals.
8. Fertility improvement programmes.
9. Control of diseases of animal origin.

(iii) Minor Irrigation

All minor irrigation schemes within the area of a Village Panchayat.

1. All micro irrigation schemes.
2. Water conservation.

(iv) Fisheries

1. Development of fisheries in ponds and fresh water and brackish water fish culture, mari culture.
2. Fish seed production and distribution.
3. Distribution of fishing implements.
4. Fish marketing assistance.
5. Provision of basic minimum services for the families of fishermen.
6. Welfare schemes for fishermen.

(v) Social Forestry

1. Raising of fodder, fuel and fruit trees
2. Organising campaigns for tree planting and environmental awareness.
3. Afforestation of waste lands.

(vi) Small Scale Industries

1. Promotion of cottage and village industries
2. Promotion of handicrafts
3. Promotion of traditional and mini industries

(vii) Housing

1. Identification of homeless people and poramboke dwellers and provide house sites and houses.
2. Implementation of rural housing programmes.
3. Implementation of shelter upgradation programmes.

(viii) Water Supply

1. Running of water supply schemes covering one village panchayat.
2. Setting up of water supply schemes covering one village panchayat.

(ix) Electricity and Energy

1. Street lighting
2. Promotion of Bio-gas

(x) Education

1. Management of Government pre-primary schools and Government primary schools.
2. Literacy programmes.

(xi) Public Works

1. Construction and maintenance of village roads within the village panchayat.
2. Construction of buildings for institutions transferred.

(xii) Public Health and Sanitation

1. Management of dispensaries and primary health centres and sub-centres (in all systems of medicine).
2. Management of child welfare centres and maternity homes.
3. Immunization and other preventive measures.
4. Family Welfare
5. Sanitation.

(xiii) Social Welfare

1. Running of anganwadies.
2. Sanctioning and distribution of pensions to destitute, widows, handicapped and agricultural labourers.
3. Sanctioning and distribution of unemployment assistance.
4. Sanctioning of assistance for marriage of the daughters of widows.
5. Management of group insurance scheme for the poor.

(xiv) Poverty Alleviation

1. Identification of the poor.
2. Self employment and group employment schemes for the poor especially women.
3. Providing community assets of continuing benefit to the poor.

(xv) Scheduled Castes and Scheduled Tribes Development

1. Beneficiary oriented schemes under SCP and TSP.
2. Management of nursery school for Scheduled Castes and Scheduled Tribes.
3. Provision of basic amenities in Scheduled Castes and Scheduled Tribes habitats.
4. Assistant to Scheduled Castes and Scheduled Tribes students.
5. Discretionary assistance to Scheduled Castes and Scheduled Tribes in need.

(xvi) Sports and Cultural Affairs

1. Construction of play grounds.

(xvii) Public Distribution System

1. Examination of complaints against the public distribution system and taking of remedial measures.
2. Organisation of campaigns against weights and measures offences.
3. General supervision and guidance of ration shops and maveli stores and other public distribution centres and if necessary starting new public distribution centres.

(xviii) Natural Calamities Relief

1. Management of relief centres
2. Organisation of relief works
(Repair works to assets will be divided and carried out by the Panchayat in charge of the assets)

(xix) Co-Operatives

1. Organisation of co-operatives within the jurisdiction of the Panchayat.
2. Payment of Government grants and subsidies within the jurisdiction.”

II. Block Panchayats

A. General functions

1. Pool technical expertise both Government and non-government at the Block level.
2. Provide technical services to Village Panchayats.
3. Prepare plans after taking into account the plans of Village Panchayat to avoid duplication and provide the backward and forward linkages.

B. Sector-wise distribution of responsibilities

(i) Agriculture

1. Farmers' training for the programmes implemented at the village level.
2. Arrangements of agricultural inputs required for schemes at the village level.
3. Conduct of agricultural exhibitions.
4. Integrated watershed management in watersheds falling within Block Panchayat area.
5. Mobilize agricultural credit.
6. Sericulture.

(ii) Animal Husbandry and Dairy

1. Running of Veterinary Polyclinics and Regional Artificial Insemination Centres.
2. Provide speciality services in Animal Husbandry.
3. Conduct cattle and poultry shows.

(iii) Minor Irrigation

All lift irrigation schemes and minor irrigation schemes covering more than one village Panchayat.

(iv) Fisheries

Development of traditional landing centres.

(v) Small Scale Industries

1. Setting up of mini industrial estates.
2. Promotion of industries with investment limit of one-third of SSI.
3. Self employment schemes in industrial sector.

(vi) Housing

1. Popularisation of low cost housing.
2. Promotion of housing co-operative societies.

(vii) Electricity and Energy

Promotion of non-conventional energy sources.

(viii) Education

Management of Industrial Training Institutes.

(ix) Public Works

1. Construction and maintenance of all village roads connecting more than one Village Panchayat and other District Roads within the block Panchayat.
2. Construction of buildings for institutions transferred.

(x) Public Health and Sanitation

Management of community health centres and taluk hospitals within the Block Panchayat area in all systems of medicine.

(xi) Social Welfare

Management of ICDS.

(xii) Poverty Alleviation

1. Planning and implementation of Employment Assurance Schemes in co-ordination with the Village Panchayats.
2. Skill upgradation of the poor for self employment and wage employment for people below poverty line.

(xiii) Scheduled Castes And Scheduled Tribes Development

1. Management of pre-matric hostels
2. Promoting Scheduled Castes and Scheduled Tribes Co-operatives.

(xiv) Co-Operatives

1. Organisation of co-operatives within the jurisdiction of Block Panchayat.
2. Payment of Government grants and subsidies within the jurisdiction

III. District Panchayats

A. General functions

1. Mobilize the technical expertise available from Government and non-government institutions.
2. Provide technical service to the Block Panchayats and Village Panchayats and the Municipalities.
3. Prepare plans after taking into account the plans of the Village Panchayats and Block Panchayats to avoid duplication and to provide backward and forward linkage.

B. Sector-wise distribution of responsibilities

(i) Agriculture

1. Running of agricultural farms other than regional farms and research centres and establishment of new farms.
2. Integrated watershed management in watersheds covering more than one Block Panchayat area.
3. Provision of agricultural inputs.
4. Soil testing.
5. Pest control.
6. Marketing of agricultural produce.
7. Cultivation of ornamental plants.
8. Promotion of agricultural co-operatives.
9. Promotion of commercial crops.
10. Biotechnology applications.
11. Field trials and pilot projects to popularise innovation.
12. Locally appropriate research and development.

(ii) Animal Husbandry and Dairy

1. Management of district level veterinary hospitals and laboratories.
2. Management of dairy extension service units.
3. Promotion of milk co-operatives.
4. Management of farms other than regional farms, breeding farms and research centres.
5. District level training.
6. Implementation of disease prevention programmes.
7. Field trials and pilot projects on innovative practices.
8. Locally relevant research and development.

(iii) Minor Irrigation

1. Development of ground water resources.
2. Construction and maintenance of minor irrigation schemes covering more than one Block Panchayat.
3. Command area development.

(iv) Fisheries

1. Arrangements for marketing of fish.
2. Management of Fish Farm Development Agency.
3. Management of district level hatcheries, net making units, fish markets, feed mills, ice plants and cold storages.
4. Management of fisheries schools.
5. Introduction of new technologies.

6. Provide inputs required for fishermen.
7. Promotion of fishermen's co-operatives.

(v) Small Scale Industries

1. Management of District Industries Centre.
2. Promotion of small scale industries.
3. Setting up of industrial estates.
4. Arranging exhibitions for sale of products.
5. Entrepreneur development programmes.
6. Marketing of products.
7. Training.
8. Input service and common facility centres.
9. Industrial development credit planning.

(vi) Housing

1. Housing complex and infrastructure development.
2. Mobilizing housing finance.

(vii) Water Supply

1. Running of water supply schemes covering more than one Village Panchayat.
2. Taking up of water supply schemes covering more than one Village Panchayat.

(viii) Electricity and Energy

1. Taking up of micro-hydel projects.
2. Determining priority areas for extension of electricity.

(ix) Education

1. Management of Government high schools (including LP section and UP section attached to high schools)
2. Management of Government higher secondary schools.
3. Management of Government technical schools.
4. Management of vocational training centres and polytechnics.
5. Management of vocational Higher Secondary schools.
6. Management of District Institute for Education and Training.
7. Co-ordinate centrally and State sponsored programmes related to education.

(x) Public Works

1. Construction and maintenance of all district roads other than State Highways, National Highways and Major District Roads.
2. Construction of buildings for institutions transferred.

(xi) Public Health and Sanitation

1. Management of district hospital in all systems of medicine.

2. Setting up of centres for care of special categories of disabled and mentally ill people.
3. Co-ordination of centrally and State Sponsored programme at the district level.

(xii) Social Welfare

1. Payment of grants to orphanages.
2. Starting of welfare institutions for the disabled, destitutes etc.

(xiii) Poverty Alleviation

Providing infrastructure for self-employment programmes.

(xiv) SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT

1. Management of post matric hostels.
2. Management of vocational training centres for Scheduled Castes and Scheduled Tribes.

(xv) Sports and Cultural Affairs

Construction of stadiums

(xvi) Co-Operatives

1. Organisation of co-operatives within the jurisdiction of District Panchayats.
- Payment of Government grants and subsidies to co-operatives within the jurisdiction.

Annexe 2

FUNCTIONS OF URBAL LOCAL GOVERNMENTS

A. Mandatory Functions

1. Regulating building construction.
2. Protection of public land from encroachment.
3. Conservation of traditional drinking water sources.
4. Preservation of ponds and other water tanks.
5. Maintenance of waterways and canals under the control of the Municipality.
6. Collection and disposal of solid waste and regulation of disposal of liquid waste.
7. Storm water drainage.
8. Maintenance of environmental hygiene.
9. Management of public markets.
10. Vector control.
11. Regulation of slaughtering of animals and sale of meat, fish and other easily perishable food stuffs etc.
12. Control of eating houses.
13. Prevention of food adulteration.
14. Maintenance of roads and other public properties.
15. Street lighting and its maintenance.
16. Adopt immunisation measures.
17. Effective implementation of National and State Level strategies and programmes for prevention and control of diseases.
18. Establishment and maintenance of burial and burning grounds.
19. Issue of licences to dangerous and offensive trades and industries.
20. Registration of births and deaths.
21. Providing bathing and washing ghats.
22. Arranging ferries.
23. Providing parking spaces for vehicles.
24. Construction of waiting sheds for travellers.
25. Providing toilet facilities and bathing ghats at public places.
26. Regulating the conduct of fairs and festivals.
27. Issue licence to domestic dogs and destroy stray dogs.
28. Providing basic facilities in slum areas.
29. Amenities including foot path and road crossing facilities for pedestrains.

30. Preparation of detailed town planning and Action plan for implementation in a phased manner.

B. General Functions

1. Collection and updating of essential statistics.
2. Organising voluntary workers and make them participate in collective activities.
3. Organise campaign for thrift.
4. Awareness building against social evils like drinking, consumption of narcotics, dowry and abuse of women and children.
5. Ensuring maximum people's participation in all stages of development.
6. Organise relief activities during natural calamities.
7. Inculcating environmental awareness and motivating local action for its upgradation.
8. Development of Co-operative Sector.
9. Promoting communal harmony
10. Mobilizing local resources in cash or in kind including free surrender of Land for developmental purpose.
11. Propagating legal awareness among the weaker sections.
12. Campaign against economic offenses
13. Organizing neighbourhood groups and self help groups with focus on the poor.
14. Awareness building on civil duties.

C. Sector-wise Distribution of Functions

(i) Agriculture

1. Bring into cultivation barren land and surrounding land.
2. Ensure optimum utilization of land.
3. Soil Conservation.
4. Production of organic manure.
5. Establishment of nurseries.
6. Promotion of Co-operative group farming.
7. Organizing self-help groups among farmers.
8. Promotion of horticulture and vegetable cultivation
9. Implementation of fodder crop development.
10. Encourage plant protection activities
11. Development of seed production
12. Implementation of farm mechanisation.
13. Running of Krishi Bhavans

14. Organize Agricultural exhibitions.

(ii) Animal Husbandry and Dairy Farming

1. Implementation of cattle improvement programmes.
2. Increase the production of milk.
3. Poultry farming, bee keeping, piggery development, goat rearing and rabbit rearing.
4. Running of veterinary hospitals.
5. Running of I.C.D.P. sub-centres.
6. Formulation and implementation of preventive-health programme for animals.
7. Prevention of cruelty to animals.
8. Implementation of fertility improvement programmes.
9. Control of animal origin disease.
10. Running of veterinary poly-clinics and Regional Artificial Insemination Centres.
11. Providing of speciality services in animal husbandry
12. Conduct cattle poultry shows.

(iii) Minor Irrigation

1. Implementation and maintenance of all minor and lift irrigation projects within the Municipal areas.
2. Implementation and maintenance of all micro-irrigation projects.
3. Carry out conservation of water.
4. Implementation of ground water resources development.

(iv) Fisheries

1. Implementation of pisci-culture in ponds, fresh water and brackish in water and development of marine products.
2. Promotion of fish seed production and distribution.
3. Distribution of fishing implements.
4. Providing assistance for fish marketing.
5. Providing of minimum basic services for fishermen families.
6. Implementation of fishermen welfare scheme
7. Development of traditional landing centres
8. Administrative control of fisheries schools.

(v) Social Forestry

1. Growing of trees for fodder or fuel and growing of fruit trees.
2. Organize campaign for planting of trees and environmental awareness.
3. Afforestation of waste land.

(vi) Small Scale Industries.

1. Promotion of cottage–village industries.
2. Promotion of handicrafts.
3. Promotion of traditional and mini industries.
4. Establishment of Mini Industrial Estates.
5. Encourage the industries with investment of one–third of SSI limit.
6. Formulate and implement self employment schemes in Industrial Sector
7. Promotion of small scale industries.
8. Implementation of the entrepreneur development programmes.

(vii) Housing

1. Identify the homeless and purampoke dwellers and to provide house sites and houses.
2. Implementing housing programmes.
3. Implementing the shelter rejuvenation programmes
4. Popularizing the low–cost housing.
5. Encourage housing co–operative societies.
6. Implement the development of housing complex and infrastructure.
7. Mobilize fund necessary for housing.

(viii) Water Supply

1. Maintain water supply schemes within the respective Municipal area.
2. Arrange water supply schemes within the respective Municipalities.

(ix) Electricity and Energy

1. Install street lights.
2. Encourage the consumption of bio–gass.
3. Promote non–conventional energy sources.

(x) Education

1. Run the Government pre–primary schools, primary schools and high schools.
2. Implement literary programmes.
3. Run the Government Industrial Training Centres in the Municipal area.
4. Run the Government Higher Secondary Schools in the Municipal area.
5. Run the Government Technical Schools in the Municipal area.
6. Run the Government Vocational Training Centres and Polytechnics in the Municipal area.
7. Run the Government Vocational Higher Secondary Schools in the Municipal area.

(xi) Public works

1. Construct and maintain the roads except National Highways, State Highways and Major District roads within the Municipality.
2. Construction of building for institutions including those were transferred from Government.

(xii) Public Health and Sanitation

1. Run Dispensaries, Primary Health Centres and Sub Centres under all systems of medicines.
2. Conduct child welfare centers and mother care home.
3. Organize remedial and other preventive measures against disease.
4. Implement family welfare programmes.
5. Implement sanitation programmes.
6. Run Public Health Centres and Taluk hospitals under all system of medicine, in Municipal area.

(xiii) Social Welfare

1. Run anganwadis
2. Sanction and distribute pension of destitutes, widows, handicapped and agricultural labourers.
3. Sanction and distribute unemployment wages
4. Sanction financial assistance for the marriage of the daughters of widows
5. Implement Group Insurance Scheme to the poor sectors.
6. Provide grant to orphanages.
7. Start institutions for the welfare of handicapped, destitutes etc.

(xiv) Eradication of Poverty

1. Identify the poor
2. Implement self employment and group employment schemes for the poor, especially for women.
3. Create community assets to get continuing benefit to the poor.
4. Develop the skills of those below poverty line to do self-employment and for remunerative employment.
5. Provide basic facilities for self employment schemes.

(xv) Development of the Scheduled Caste/Scheduled Tribe

1. Implementation of beneficiary oriented schemes under Special Component Plan (SCP) and Tribal Sub Plan (TSP)
2. Run Nursery Schools for the Scheduled Caste/Scheduled Tribe

3. Provide basic facilities in the residential centers for the Scheduled Caste/Scheduled Tribe
4. Provide financial assistance for the Scheduled Caste/Scheduled Tribe students
5. Provide assistance discretionally to the Scheduled Caste and the Scheduled Tribes who deserve
6. Run Pre-matric hostels in Municipal area.
7. Develop Scheduled Caste/Scheduled Tribe Cooperative Societies
8. Run post-matric hostels in Municipal Area
9. Run Vocational Training Centres for the Scheduled Caste/Scheduled Tribe in Municipal area

(xvi) Sports and Culture Affairs

1. Construct play grounds and stadium.

(xvii) Public Distribution System

1. Examine complaints against public distribution system and to find out and implement remedial measures.
2. Organize campaigns against offences relating to weights and measures.
3. General Supervision of Ration shops, Maveli stores, Neethi stores and other public distribution systems and to provide guidance and start new public distribution centres if necessary.

(xviii) Natural Calamity Relief

1. Maintain relief centres
2. Organize relief activities.
3. Formation of Chairman/Mayor's Distress Relief fund

(xix) Co-operation

1. Organize Co-operative Societies within the Municipal area
2. Distribute Government grants and subsidies.

Annexe 3

LIST OF ACTS FOR WHICH THE AMENDMENTS HAVE BEEN CLEARED

1. The Kerala Local Authorities Entertainment Tax Act, 1961
2. The Kerala Additional Tax on Entertainments and Surcharge on Show Tax Act, 1963
3. The Travancore–Cochin Public Health Act 1955
4. The Madras Public Health Act 1939
5. The Cattle Trespass Act, 1961
6. The Kerala Cinemas (Regulation) Act, 1958
7. The Kerala Places of Public Resort Act, 1963
8. The Kerala Parks, Play–fields and Open Spaces (Preservation and Regulation) Act, 1968
9. The Kerala Housing Board Act, 1971
10. The Kerala Land Development Act, 1964
11. The Kerala Plant Diseases and Pests Act, 1972
12. The Kerala Prevention and Control of Animal Diseases Act, 1967
13. The Travancore–Cochin Fisheries Act, 1950
14. The Indian Fisheries Act, 1897
15. The Kerala Marine Fishing Regulation Act, 1980
16. The Kerala Lime Shells (Control) Act, 1957
17. The Kerala Khadi and Village Industries Board Act, 1957
18. The Kerala Education Act, 1958
19. The Kerala Public Libraries (Kerala Granthasala Sanghom) Act, 1989
20. The Kerala Water Supply and Sewerage Act, 1986
21. The Madras Irrigation Works (Repairs, Improvement and Construction) Act, 1943
22. The Madras Irrigation Tanks Act, 1949
23. The Madras Irrigation (Levy of Betterment Contribution) Act, 1955
24. The Malabar Irrigation Works (Construction and Levy of Cess) Act, 1947
25. The Travancore–Cochin Irrigation Tanks (Preservation and Improvement) Act, 1952.
26. The Travancore–Cochin Irrigation Act, 1956.
27. The Kerala Irrigation Works (Execution by Joint Labour) Act, 1967
28. The Kerala Command Areas Development Act, 1986
29. The Travancore Public Canals and Public Ferries Act, 1906
30. The Madras Canals and Ferries Act, 1890
31. The Cochin Ferries and Tolls Act, 1902
32. The Indian Electricity Act, 1910.
33. The Land Acquisition Act, 1894
34. The Kerala Land Assignment Act 1960
35. The Kerala Land Conservancy Act, 1957
36. The Kerala Land Relinquishment Act, 1958
37. The Kerala Survey and Boundaries Act, 1961
38. The Kerala Land Reforms Act, 1963

39. The Kerala Local Authorities Loans Act, 1963
40. The Kerala Motor Vehicles Taxation Act, 1976
41. The Kerala Tolls Act, 1976.
42. The Kerala Public Buildings (Eviction of Unauthorised Occupants) Act, 1968

The following Acts are to be repealed

1. The Kerala State Rural Development Board Act, 1971
2. The Kerala Hackney Carriages Act, 1963.

Annexe 4

GROSS DETAILS OF OWN STAFF IN VILLAGE PANCHAYATS AND URBAN LOCAL GOVERNMENTS

A) Village Panchayats

SL No	Name of Post	Sanctioned Strength
1	Additional Panchayat Director	1
2	Joint Director	5
3	Deputy Director	16
4	Deputy Chief Registrar	1
5	Administrative Assistant	1
6	Panchayat Assistant Director	14
7	Accounts Officer	1
8	Senior Superintendent	71
9	Special Grade Secretary	447
10	Publicity Officer	1
11	Junior Superintendent	632
12	P.F. Examiner	1
13	Fair Copy Superintendent	2
14	Village Panchayat Secretary	552
15	Junior Statistical Inspector	1
16	Head Clerk	615
17	Selection Grade Typist	94
18	Senior Grade Typist	
19	U.D. Typist	
20	L.D. Typist	
21	Confidential Assistant Senior Grade, Grade 1 and Grade 2	3
22	U.D. Clerk	3389
23	L.D. Clerk	3389
24	Junior Bill Collector	30
25	Driver Grade 1 and 2	113
26	Sanitary Inspector	15
27	Librarian	84
28	Peon Grade 1 and Grade	1502
	Total	10980

B) Urban Local Governments

(i) Health Wing

Sl. No.	Name of Post	Sanctioned Strength
1	Health Officer Grade I	5
2	Health Officer Grade II	10
3	Health Officer Grade III	5
4	Veterinary Surgeon	6
5	Medical Officer (Allopathy)	6
6	Medical Officer (Ayurveda)	2
7	Medical Officer (Homeo)	2
8	T.B. Specialist	1
9	Lady Medical Officer	2
10	Pharmacist (Allopathy)	12
11	Pharmacist (Homeo)	1
12	Pharmacist (Ayurveda)	6
13	Health Supervisor	38
14	Health Inspector Grade I	71
15	Health Inspector Grade II	152
16	Junior Health Inspector Grade I	166
17	Junior Health Inspector Grade II	364
18	Junior Public Health Nurse	166
19	Nursery School Teacher	34
20	Food Inspector	18
21	Female Attender	112
22	Ayah	9
23	Lady Assistant	19
24	Nursing Assistant	16
25	Male Assistant	3
26	Radiographer	1
27	Lab Technician	1
28	Female Warden	1
	Total	1229

(ii) Engineering Wing

SL No	Name of Post	Sanctioned Strength
1	Superintending Engineer	5
2	Executive Engineer	15
3	Assistant Executive Engineer	41
4	AE/HD/TPO	101
5	P.W.O Grade I	180
6	P.W.O Grade II	118
7	P.W.O Grade III	194
8	Electrician	2
9	Driver	248
10	Chainman	18
11	Telephone Attender	5

(iii) Electricity wing (Thrissur Corporation)

SL No	Name of Post	Sanctioned Strength
1	Electrical Engineer	1
2	Senior Superintendent	1
3	Junior Superintendent	8
4	Assistant Engineer	9
5	Sub Engineer	17
6	Senior Assistant	23
7	Typist	2
8	Junior Assistant	23
9	Oversear	27
10	Driver	5
11	Lineman Grade - 1	36
12	Lineman Grade - 2	15
13	Watchman	4
14	Office Assistant	6
15	Electricity Worker	50
	Total	227

(iv) Others

SL No	Name of Post	Sanctioned Strength
1	Deputy Secretary	5
2	Personal Assistant/ Revenue Officer/ Council Secretary/ Accounts Officer	32
3	Revenue Officer 2	24
4	Superintendent	211
5	Head Clerk/Revenue Inspector	155
6	UD Clerk	1020
7	LD Clerk	1059
8	Fair Copy Superintendent	6
9	Confidential Assistant	15
10	Typist	128
11	Librarian	43
12	Peons	588
	Total	3286
	Grand Total (i+ii+iii+iv)	5669

Annexe 5

DETAILS OF FUNCTIONARIES TRANSFERRED

Department (1)	Village Panchayat (2)	Block Panchayat (3)	District Panchayat (4)	Municipalities/ Corporations (5)
1. Agriculture	Agricultural officer and auxiliary posts (Officers and staff of Krishi Bhavan)	One post of Assistant Director and auxiliary posts	<ul style="list-style-type: none"> ● Principal Agricultural Officer and auxiliary posts ● Two posts of deputy Director and auxiliary posts ● District soil conservation officer and auxiliary posts ● One Assistant executive Engineer and connected posts ● Officers and staff of Mobile soil testing laboratory, District sales counter, District agriculture farm, coconut nursery 	<ul style="list-style-type: none"> ● Deputy Director of Agriculture (this post should be under the Corporation/ Municipality of District headquarters but his services should be extended to all Municipalities of the District) ● All staff in the Krishi Bhavan
2. Animal Husbandry	Officers and staff of Veterinary Sub Centre, Veterinary Dispensary/ Hospital and ICDP sub centers	Officers and staff of Veterinary Poly Clinic, Mobile farm unit, Mobile veterinary dispensary	<ul style="list-style-type: none"> ● District Animal Husbandry officer and auxiliary posts ● Officers and staff of ICDP area office, Mobile Veterinary Dispensary, Mobile farm unit, clinical laboratories not attached to District Veterinary centres 	<ul style="list-style-type: none"> ● Employees of Veterinary Polyclinic/ Sub Centre/ Hospital / Dispensary
3. Dairy Development		Block Level Dairy Extension Officer and auxiliary posts	<ul style="list-style-type: none"> ● Deputy Director and auxiliary posts 	

(1)	(2)	(3)	(4)	(5)
4. Fisheries	One Fisheries sub Inspector (in the Grama Panchayat wherever necessary)		<ul style="list-style-type: none"> ● District level officer (Deputy Director) and auxiliary posts ● Teachers and other staff fisheries schools 	<ul style="list-style-type: none"> ● One Fisheries Sub Inspector (to the Municipalities wherever necessary) ● Staff in the Matsyabhavan ● Project Officers in Matsyafed can be made as Implementing Officers
5. Industries		Industries Extension Officer	General Manager and auxiliary posts of District Industries centres	<ul style="list-style-type: none"> ● One Industrial Extension Officer ● General Manager in the District Industries Centre
6. Rural Development	Two Village Extension Officers (including lady VEO)	The post of Block Development Officer and auxiliary posts	<ul style="list-style-type: none"> ● One post of Assistant Development Commissioner and the District Women's welfare officer and auxiliary staff ● All functionaries of DRDA 	
7. Social Welfare	Officers and staff of Day care centres and Anganwadies (ICDS Supervisor, Anganwadi worker/ helper etc.)	Officers and staff of Child Development Project Office, Old age homes Care Homes and similar other institutions	District Social welfare Officer, District Programme Officer and auxiliary posts	Asst. CDPO and all the staff of Day Care Centre, Anganwadi and other Institutions

(1)	(2)	(3)	(4)	(5)
8. Cooperation			One Assistant Registrar and One clerk	
9. SC Development	Officers and staff of Balawadies, Balawadi cum feeding centres, seasonal day care Centre and dormitories of the respective places.	Block Level SC Development officer and staff and Staff of pre-matric hostels	District SC Development officer and auxiliary posts	
10. ST Development	<ul style="list-style-type: none"> Officers and staff of Balawadies, Medical Unit, Nursery schools, midwifery centres & Ayurvedic dispensaries of the respective places. Tribal Extension Officers in 43 Grama Panchayats 	Tribal Extension Officer	ITD Project Officer and auxiliary posts	
11. Health Services (Allopathy)	Medical Officers and other staff of PHCs/ Govt. Dispensary and sub centres	Medical Officers and staff of Block Level PHC/ CHC/ Taluk Hospital/ Govt. Hospital	<ul style="list-style-type: none"> District Medical Officer and auxiliary posts Medical Officers, Supt. and all other staff of District Hospitals 	Medical Officers and staff of CHC/Taluk Hospital/ Govt. Hospital
12. Health Services (Homoeo)	Medical Officer and staff of Government Homoeo dispensaries and hospitals of the respective places	Medical officers and auxiliary posts of Taluk Hospital	<ul style="list-style-type: none"> District Medical Officer and auxiliary posts Medical Officers, Supt. and all other staff of District Hospitals 	Medical Officers and staff of CHC/Taluk Hospital/ Govt. Hospital

(1)	(2)	(3)	(4)	(5)
13. Health services (ISM)	Medical officer and staff of Ayurveda dispensary and hospitals of the respective places.	Medical officers and auxiliary posts of Taluk Hospital	<ul style="list-style-type: none"> ● District Medical Officer and auxiliary posts ● Medical Officers, Supt. and all other staff of District Hospitals 	Medical Officers and staff of CHC/Taluk Hospital/ Govt. Hospital
14. General Education	Headmasters, teachers and other staff of Primary Schools		<ul style="list-style-type: none"> ● District level Officer and auxiliary posts ● District and Assistant Educational Officers and auxiliary posts ● Teaches and connected posts High Schools, Special Schools and Teachers Training Institutes 	Headmasters, Teachers and other staff of Primary and High Schools
15. Higher Secondary Education			Teachers and connected posts of Higher Secondary/ Vocational Higher Secondary Schools	Teachers and connected posts of Higher Secondary/ Vocational Higher Secondary Schools
16. Technical Education			All staff of Tailoring and Garment making centres and Tailoring trade Centres	
17. Public Works Department/ Irrigation Department	Assistant Engineer and auxiliary posts (One AE for two Grama Panchayats)	Assistant executive Engineer and auxiliary posts	One Executive Engineer and auxiliary posts	

Annexe 6

DETAILS OF ENGINEERING STAFF TRANSFERRED TO THE LOCAL GOVERNMENTS

Sl. No. (1)	Category (2)	To be transferred (3)	Actually transferred (4)	Balance (2-3) (5)
1	Superintending Engineer	4	3	1
2	Executive Engineer	19	11	8
3	Assistant Executive Engineer	90	70	20
4	Assistant Engineer	430	342	88
5	First Grade Overseer	400	346	54
6	Second Grade Overseer	400	296	104
7	Third Grade Overseer	985	797	188
	Total	2328	1865	463

STEPS IN PREPARATION OF PLAN

1. Step 1: Situation Analysis by Local Governments

1.1 The Working Groups of Local Governments may be reconstituted. Working Groups are mandatory for the following sectors for the Eleventh Five Year Plan.

- (1) Watershed Management including Environment, Agriculture, Irrigation, Animal Husbandry, Dairying, Fisheries and related sectors.
- (2) Local Economic Development other than agriculture including local industries, promotion of private and community investment and mobilization of credit.
- (3) Poverty Reduction including housing
- (4) Development of Scheduled Castes
- (5) Development of Women and Children
- (6) Health
- (7) Water Supply and Sanitation including Solid Waste Management
- (8) Education, Culture, Sports and Youth
- (9) Infrastructure
- (10) Social Security including care of the aged and disabled
- (11) Energy
- (12) Governance Plan

In addition for all Local Governments having allocation under Tribal Sub Plan a separate Working Group for Development of Scheduled Tribes should be set up. In Urban Local Governments the Working Group on Poverty Reduction would look after Slum Development.

1.2 The above Working Groups are mandatory. More Working Groups as needed may be set up at Block Panchayat, District Panchayat, Municipality and Corporation levels. Local Governments including Village panchayats are free to constitute as many Working Groups as may be required depending on availability of experts.

1.3 Each Working Group should be headed by an elected member and the Working Group on Development of Scheduled Castes should be headed by an SC Member and the Working Group for Women and Children by a lady member. The Working Groups on Watershed Management and Anti Poverty Sub Plan should be headed by the Chairperson herself. A leading expert in the sector concerned should be nominated as the Vice-Chairman of the Working Group. The Convener of the Working Group should be the senior most official transferred to the local government in that sector. Other professional officials shall be its members.

1.4 Members of a Working Group should be experts capable of contributing to it, specially invited by the Local Government. If experts from outside the local government jurisdiction are willing to work voluntarily in the Working Group they may also be included. Experts

should be identified from among 'model' practitioners, professionals, those showing interest and activism in the sector and from among academically qualified people. These persons can be identified from Government/Public Sector (serving or retired), NGOs, academic institutions, private establishments and from among outstanding individuals.

- 1.5 At least one member of the Kudumbashree CDS should be included in all the Working Groups and in the case of Working Groups on Poverty Reduction, Development of Women and Children, Development of Scheduled Castes at least two members of the CDS have to be included. SC Promoters should be nominated to all Groups.
- 1.6 The Working Group would have the power to co-opt members as well as set up Task Forces to perform assigned functions.
- 1.7 The Working Group should meet as frequently as possible and keep a brief record of its deliberations. The quorum for the meetings shall be four including the mandatory presence of the Convener.
- 1.8 It should be ensured that representatives of banks participate to the extent possible in the Working Group on Watershed Management as well as on Local Economic Development. In Local Governments with Forest areas, officers of the Forest Department and the President and Secretary of Vanasamrakshana Samithies shall be inducted into the Working Group on Watershed Management.
- 1.9 The Working Groups have to prepare the following in respect of each sector:
 - (1) List of schemes taken up in the sector in Ninth and Tenth Five Year Plans by Local Governments.
 - (2) IKM will make available a report based on the data available with them for examination by the Local Governments. This shall be verified by the Local Government and finalized with necessary changes. Reconciliation with the treasury data may be done.
 - (3) Key indicators of physical and financial achievements of the above schemes.
 - (4) A comprehensive list of beneficiaries of the plan projects during the Ninth and Tenth Plans shall be prepared based on the current ward boundaries.
 - (5) A list of assets created during the Ninth and Tenth Plans shall be also prepared based on the current wards with rough sketches.
 - (6) List out major schemes implemented in the sector by Government and other agencies within the Local Government.
 - (7) The database relevant to the sector from all available secondary sources shall be prepared. If required quick surveys and studies may be taken up to fill up gaps.
 - (8) Note on issues in the planning, implementation and monitoring aspects in the last ten years.
 - (9) Preparation of problem matrix.
 - (10) Note on key issues facing the sector, existing gaps, local potential for development in the sector, strategies for addressing the issues and achieving the potential for development.

(11) Potential projects – for Plan and Maintenance Plan

For these tasks, the Working Group may do the following:

- (i) Verify records
 - (ii) Conduct field visits
 - (iii) Discuss with a sample of beneficiaries of the scheme
 - (iv) Discuss with key stakeholders
 - (v) Conduct surveys and studies
- 1.10 Working Groups should not function as watertight compartments. The Local Government should put in a system for frequent interaction among the key members of the Working Group so as to bring about cross-sectoral linkages – for example, the Working Groups on Watershed Management and Local Economic Development other than agriculture need to complement their functioning. Similarly the Working Group on Poverty Reduction has to interact with Working Groups for Development of Scheduled Castes, Development of Women and Children and Social Security. Likewise the Working Groups on Water Supply, Sanitation and Health need to supplement each other's efforts.
- 1.11 It is necessary to harness the services of all officials transferred to local governments in the functioning of respective Working Groups. Templates for Working Group reports covering different sectors would be circulated separately as part of a detailed circular on functioning of Working Groups.
- 1.12 Working Groups will continue their work after the preparation of the Annual Plan and prepare the outputs required for Five Year Plan.

2. Step 2: Pre-Grama Sabha/Ward Sabha Consultations

Holding of pre Grama Sabha/Ward Sabha consultations with key stakeholders with special reference to the following groups:

- (i) Farmers and agricultural workers
- (ii) People engaged in industrial activities and services (both traditional and modern) including workers
- (iii) All the Area Development Societies
- (iv) Headmasters and key PTA office bearers
- (v) Anganwadi workers and Mothers' Committee Chairpersons
- (vi) All Hospital Management Committee members of the Government Hospitals within the Local Government (of all three streams) and key medical professionals within the Local government from the NGO and private sector.
- (vii) Youth Clubs, youth organizations and activists and functionaries of the literacy and library movements, eminent persons in the field of arts and culture and representatives of disabled groups.
- (viii) Vanasamrakshana Samithies and environmental activists.
- (ix) Political parties and trade unions.

3. Step 3: Holding of Grama Sabhas/Ward Sabhas

- 3.1 Grama Sabhas / Ward Sabhas would be held after sufficient environment creation and information dissemination through the media as well as specifically through educational institutions, people's organizations, work places and the Kudumbashree network. Six facilitators should be trained for each Grama Sabha/ Ward Sabha with three women nominated by the Area Development Society and one woman and two men identified unanimously by the Local Government concerned. The agenda should be semi-structured through a questionnaire covering key development issues within the Local Government as a whole rather than local issues. Detailed thematic discussions are to be held in break-out groups.
- 3.2 Through the questionnaire method and with the facilitation of trained personnel, the Grama Sabhas / Ward Sabhas would be asked to list out priorities clearly ranked. In the case of infrastructure like roads, buildings, irrigation schemes, water supply schemes, electrification the Grama Sabha/Ward Sabha should list out norms for prioritization and then prioritize for the whole Village Panchayat/Municipality/ Corporation. The intervention plans in Agriculture and allied sectors, Irrigation and Environment shall be based on watershed plans. Suggestions on maintenance of assets would be sought and recorded separately.
- 3.3 The following records shall be meticulously collected and maintained by the Secretary of the local government.
 - (1) Photographs
 - (2) Attendance register showing details like House No., address, age, whether male or female, whether belonging to SC, whether belonging to ST, occupation etc.
 - (3) Record of discussions of breakout groups
 - (4) Recommendations of the Grama Sabha/Ward Sabha as a whole.
- 3.4 In the case of Block Panchayats, Grama Sabha like sessions would be held with all elected members of Village, Block and District Panchayats within their jurisdiction; in the case of District Panchayats this exercise would be limited to Standing Committee Chairpersons of Grama Panchayats and elected members of Block Panchayats and the District Panchayat.

4. Step 4: Watershed planning – Initial steps

- 4.1 All the steps envisaged in the G.O (MS) No. 295/06/LSGD, dated, 28/12/06 on Watershed Management would be implemented up to the holding of Watershed Sabha. This step can start immediately without waiting other steps to be completed.
- 4.2 The key steps are:
 - (1) Setting up of Committees as follows:
 - (i) District level Technical Support Group under DPC.
 - (ii) Watershed Management sub-group as part of the Block level Technical Advisory Group.
 - (iii) Watershed Management Working Groups in the Village Panchayat.
 - (iv) Watershed Committees and the Technical Groups at the level of the watershed.

- (2) Preparing a note on Watersheds in the area with reference to the River Basin.
- (3) Collection and collation of details on watershed plans under implementation through Centrally Sponsored, State Plan and Local Government Plan schemes.
- (4) Collection of different documents related to watersheds like Panchayat Resource maps, watershed master plans prepared earlier; watershed appraisal reports prepared earlier, maps prepared by Soil Survey Department and expert institutions etc.
- (5) Holding of watershed-focused Grama Sabhas along with the Grama Sabhas for Annual Plan 2007–08.
- (6) Holding of Watershed Sabhas.

5. Step 5: Preparation of Development Report and Vision Document

- 5.1 This two-part document should be based on the outputs of the first three steps. A note on the methodology and the tool kit for preparation of the Development Report and Vision Document would be developed by KILA, and circulated.
- 5.2 For preparation of the Development Report and Vision Document, each local government should nominate a team consisting of officials and resource persons who would be given charge of writing different chapters. Involvement of functionaries of transferred institution shall be ensured. Kila would train two persons from this group besides a district resource team which would go around and ensure the quality of Development Reports and Vision Documents. The District Panchayats would not have a separate Development Report and Vision Document. The District Planning Committee would prepare the Development Report and Vision Document for the whole district.
- 5.3 The Development Reports and Vision Documents of Urban Local Governments would be prepared as City Development Plans incorporating the points laid down by the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) as well.
- 5.4 Development Report part would primarily analyze the development situation in the Local Government in respect of different sectors and also present an overall assessment of development. It will use all data available locally and also collect additional data required specially for the purpose. Development Report part would summarise the strategies followed in the Ninth and Tenth Plans, the key project interventions and their outcomes as assessed by the Working Groups as well as the beneficiaries.
- 5.5 The Vision Document part which would be added to the Development Reports, would go beyond five years and give the vision of overall development of the Local Government as well as development in different sectors.

6. Step 6: Draft Plan preparation at the Local Government level

- 6.1 Each Local Government would decide the broad allocations for different sectors and call a meeting of Working Groups and arrive at a consensus on key strategies and priority schemes. This meeting should finalize the Discussion Paper containing the draft Plan

proposals. The draft Five Year Plan (2007–12) document should consist of the following chapters.

- (1) Development scenario of the local government
 - (2) Efforts during the past ten years
 - (3) Success and failures
 - (4) Physical and Financial achievements and outcomes in the Ninth and Tenth Plan
 - (5) Strategic vision of the local government
 - (6) Summary of possible projects sector wise within each sector giving the existing scenario, the intended scenario, size of the gap and the intended phases of filling up of the gaps with monitorable targets – separately for Plan and Maintenance plan.
 - (7) Allocation of resources sub-sector-wise
 - (a) From Development Fund
 - (b) From Maintenance Fund
 - (c) From Own Revenue and General Purpose Fund
 - (d) From credit
 - (e) From people's contribution
 - (8) Write up on Anti-poverty Sub Plan and Destitute Plan, Women Component Plan, Plan for Special Groups and Special Component Plan and Governance Plan – only very brief summaries.
 - (9) Maintenance Plan (summary only)
 - (10) Write up on credit linkages.
 - (11) Write up on integration.
 - (12) Write up on monitoring arrangements intended.
- 6.2 The Anti Poverty Sub Plan, Governance Plan, Maintenance Plan and wherever applicable, the Tribal Sub Plan should be separate documents where full details would be presented.

7. Step 7: Development Seminar

- 7.1 Development Seminars would be held with the participation of key representatives from different walks of life and professionals including two representatives nominated by each Grama Sabha/Ward Sabha, one male and one female. The Draft Plan and Maintenance Plan would be discussed in these seminars through group discussions. The gist of the Development Report and Vision Document would be circulated. The Development Seminar would thus fine-tune the specific strategies to be followed and fix the priorities. Each Local Government should have a key development theme for the Plan as a whole or for each of the five years related to the broad themes for the district developed by the DPC.
- 7.2 The following records of the development seminar are to be maintained.
- (1) Photographs

- (2) Attendance Register showing details like house No., address, age, whether male or female, whether belonging to SC, whether belonging to ST, occupation etc.
- (3) Record of discussions of breakout groups
- (4) Recommendations of the Seminar

8. Step 8: Reorientation by Local Governments

The elected Councils of local governments would meet along with key members of Working Groups and consider the suggestions and recommendations of the development seminar and make suitable modifications of priorities, strategies and allocations.

9. Step 9: Projectisation

- 9.1 The Working Groups would then prepare detailed project reports within their allocation in the formats to be prescribed. In order to support the projectisation, IKM shall put in place a web based support system for project preparation with a shelf of development projects and establish a helpdesk. A series of project related templates shall be made available to substantially improve the quality of project preparation.
- 9.2 Working groups are responsible for the quality of projects. While preparing projects they should have a full understanding of the experience of last ten years. Working Groups would also be responsible for proper technical assessment in matters like suitable type of irrigation projects, mix of measures in watershed management, source sustainability in water supply programmes, technological and managerial soundness in sanitation projects etc. The Working Groups should give accurate assessment of cost as well as environmental implications of projects having such implications.
- 9.3 The number of projects should be reduced significantly by completely avoiding small and low-impact projects and thin spread of resources. Detailed instructions on this would be issued separately.

10. Step 10: Plan Finalization

This would be done by the Local Government. The following documents have to be given to the DPC.

- (1) The documents relating to the Grama Sabha/Ward Sabha, Working Groups and Development Seminar
- (2) Two printed copies of the Development reports and two CDs.
- (3) Prescribed expenditure statements for the Five Year Plan 2002-07.
- (4) Eleventh Five-Year (2007-12) Plan Document.
- (5) Master Plan Document on Watershed development
- (6) Anti-Poverty Sub Plan
- (7) Tribal Sub Plan (wherever applicable)
- (8) Maintenance Plan
- (9) Governance Plan

- (10) Statistical Annexes
- (11) Details of own revenue included in the Plan
- (12) Resolutions of the Local Government approving the Plan

Document Nos. 3 to 9 shall also be given in electronic form to be developed by IKM.

11. Step 11: Plan vetting by Technical Advisory Groups

11.1 Technical Advisory Groups (TAGs) are to be reconstituted at the district level for Block Panchayats and District Panchayat, at the Block level for Village Panchayats and at the Municipality/Corporation level for Municipalities /Corporation with experts from departments, professional colleges, academic institutions, public/private sector organizations, NGOs, Bankers and from among retired personnel and practitioners as members. The District Collector would be the Chairman and District Planning Officer the Convenor and Secretary of district level TAG. The Secretary concerned, would be the Convener and Secretary of other TAGs. The TAGs should have sub groups for different sectors. The Chairpersons of TAGs other than the District and the Chairpersons and Conveners of sub-groups of all TAGs would also be decided by the DPC. DPC would also fix the quorum for the sub groups and it shall not be less than three including one non-official.

11.2 The functions of the TAGs are:

- (1) Ensuring that local government plans are in accordance with the mandatory guidelines issued by Government particularly in relation to investment ceilings for the broad sectors, subsidy limits, sectoral guidelines, priorities to various groups, ineligible categories for assistance etc.
- (2) Ensuring that the plans are in accordance with prevailing technical guidelines.
- (3) Verifying whether the costing is appropriate and the phasing is reasonable.
- (4) Giving suggestions for innovative plans and integrated projects, which Local Governments may accept if they so desire.

However, it is clarified that TAGs do not have any power to change a Local Government priority or to force a local government to take up a particular scheme or work. Any dispute regarding acceptance of a scheme at the Block / Municipality / Corporation TAG may be referred to the District TAG for decision.

11.3 The TAG sub groups should go through every project in detail, visit sites if required and make suitable recommendations to the DPC. A checklist for vetting different kinds of projects would be prepared by KILA and these would be incorporated into an electronic process of appraisal. In case the TAG identifies any problem with Local Government projects it should hold discussions with the elected head and the implementing officer concerned of the Local Government and sort out matters across the table. No plan, which does not have the required allocation for the mandatory schemes, should be forwarded to DPC.

- 11.4 The appraisal of projects by Technical Advisory Group should be done scrupulously to ensure quality of the projects. The District Collectors may initiate appropriate action against those members of Technical Advisory Group who recommend projects without proper scrutiny.
- 11.5 The Local Governments would submit their plans in one lot to the Secretary of the TAG concerned and obtain receipt. The Secretary of TAG should conduct a quick preliminary scrutiny and then divide the projects among different sub groups of the TAG and pass them on to them for detailed scrutiny. The TAG shall not take more than 10 days for vetting the Plan of a local government.
- 11.6 The draft Plan of District Panchayats and Corporations should be submitted to a State Level Technical Group after vetting by TAG.
- 11.7 Technical Advisory Groups should submit a special report to the DPC on their general assessment of the quality of projects along with suggestions on improving the quality of implementation.

12. Step 12: Approval by DPC

The projects vetted by the Technical Advisory Groups should be considered in detail by the DPCs. Technical Advisory Groups may be asked to present their assessments before the DPC and a considered decision taken. DPCs should go beyond ensuring adhering guidelines to verifying whether the plans of local governments match the priorities outlined in their vision documents as well as the district vision. Also DPCs should not give adhoc clearances or conditional clearances. If DPCs feel that modification of a Local Government plan is necessary, discussions should be held with key representatives of the Local Government including the elected head. If there is a dispute that cannot be sorted out locally, the matter may be referred to the Co-ordination Committee at the State level.

13. Step 13: Post Approval Steps

A summary of the approved plan in an electronic form containing details like allocation, implementing officer, physical targets, implementation charts etc., would be given to the office of the DPC for approval. Proceedings would be issued by the DPC based on this. This would be used for fund release by treasuries and monitoring purposes by the DPC.

STATE FINANCE COMMISSIONS' IMPORTANT RECOMMENDATIONS

First State Finance Commission

- (1) Expenditure on elections to Local Governments other than District and Block Panchayats may be met by them.
- (2) Government may liquidate arrears of share of taxes / grants due to Local Governments in three instalments.
- (3) Plinth area may be adopted as the basis for Property Tax.
- (4) For arrears of taxes due to Local Governments from different payees penal interest at 2% per month may be charged.
- (5) Government may specify only the minimum rate for fees.
- (6) Land Tax may be doubled.
- (7) Formula based devolution of funds may be followed.
- (8) Maintenance Grant should be based on current cost of construction.
- (9) Vehicle Tax compensation may be 25% of net collection of Motor Vehicles Tax.
- (10) Tax mapping may be followed.
- (11) A Fund for local government development may be built up for leveraging funds and for subsidizing the interest rate of non-remunerative but essential schemes.
- (12) A statutory authority should give annual reports to the Governor showing the quantum of statutory and non-statutory grants due to local governments and the amount actually paid.
- (13) A special Cell may be constituted to watch the implementation of recommendations of the SFC.

Second State Finance Commission

- (1) $5\frac{1}{2}\%$ of the Own Tax revenue of the State may be devolved as Maintenance Grant and $3\frac{1}{2}\%$ as General Purpose Grant.
- (2) Plinth area based Property Tax may be operationalised without a gap on increase or limit on decrease.
- (3) Presumptive Profession Tax may be introduced to bring certain self-employed occupational groups into the tax limit.
- (4) Entertainment Tax may be introduced for Cable TV.
- (5) Conversion tax may be realized at the rate of 5% of the capital value in the case of conversion of paddy lands.
- (6) Service Tax may be made compulsory and be linked to the cost of performing obligatory functions and calculated as a percentage of Property Tax.

- (7) Ceiling on surcharges may be removed.
- (8) Only the minimum may be fixed for Non-Tax revenue sources.
- (9) Local Governments should get automatic allocations at the beginning of every month.
- (10) A legislative provision may be introduced for indexing non-tax revenue items and taxes like Property Tax, Advertisement Tax and Service Tax linked to Consumer Price Index for non-manual workers for Urban Local Governments and Consumer Price Index for agricultural labourers for Village Panchayats.
- (11) All Local Governments should prepare annual maintenance plans.
- (12) 10% of the Development Grant may be set apart for an incentive system.
- (13) For grants-in-aid a bill system may be introduced for drawing from the Treasuries instead of the cheque system.
- (14) A Cell under the general control of Finance and Local Self Government Departments may be set up for monitoring financial matters of Local Governments.

Third State Finance Commission

- (1) For the financial year 2006-07, Rs.300 crore may be transferred as General Purpose Grant, Rs.350 crore Maintenance Grant and Rs.1400 crore as Development Grant. 10% annual increase may be provided during each of the four subsequent years. The entire amount may be provided in the State Budget as "Compensation and assignments to Local Self Governments" in Non-Plan revenue account. (Till now Development Grant was treated as Plan grant-in-aid) Local Government-wise allocations for each of the three streams was provided in the report of the SFC itself year wise.
- (2) General Purpose Grant should be released in 12 equal monthly instalments and other grants in 10 equal monthly instalments from April to January. The funds should be transfer credited to Public Account (Major head of account 8448) before the 5th of every month. 10% carryover is allowed in respect of Maintenance Grant and Development Grant.
- (3) A Finance and Accounts Wing may be set up even in Village Panchayats.
- (4) The payment of salaries of employees transferred to Local Governments may continue to be paid by Government.
- (5) Before ordering exemption in taxation which would adversely affect local government, Government should obtain the recommendation of the Local Government.