

# Reconciling 'Accelerated Growth' With 'Inclusive Growth through Panchayati Raj

By

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*(The views expressed in the write up are personal and do not reflect the official policy or position of the organization.)*

India stands at a crucial juncture in its quest for inclusive growth. India represents a paradox where on the one hand the GDP growth rate have been rising to 7-8 per cent in the last four years, rural-urban divide, regional divide and rich-poor divide has become glaring. While the world and its financial hubs applaud the countries impressive annual GDP growth, other indicators such as poverty reduction, employment growth, health and education are less encouraging. The latest UNDP Human Development Report 2009 highlights the very large gaps in well-being and life chances that continue to divide our increasingly interconnected world and the HDI for India is 0.612, which gives the country a rank of 134<sup>th</sup> out of 182 countries. According to the Report of the National Commission for Enterprises in the Unorganized sectors, August 2007 on "Conditions of work and promotion of livelihood in the unorganized sector," the stark fact is that 836 million people in India live on less than Rs. 20 a day; yet we have the second richest billionaires in the world in dollars and we have the fourth largest number of billionaires on the planet<sup>1</sup>. The state of food insecurity in the world report of the FAO of the United Nations shows us that in less than five years leading to the turn of the century, India added more newly hungry millions than the rest of the world taken together. Hunger grew at a time when it declined in Ethiopia.<sup>2</sup>

Long before planning commission endorsed the HCR approach, Amartya Sen, after examining the theoretical and practical problems of conceptualization and measuring poverty, held that the head count measure is "quite unacceptable as an indicator of poverty". Family getting less than two meals a day is probably the most important criterion of poverty. We in India have more than 300 million people still living in deep poverty at less than a dollar a day, while another 350 million live on less than two dollars a day. Nearly two-third of the population is still dependant on agriculture activities and, about 67 percent of the total crop land is rain fed, hence subject of the vagaries of climate.

In Bihar, Orissa, M.P where poverty is acute, growth is not located neither in sectors like Agriculture, where labour is concentrated. Despite impressive advances in human and economic development, regional and inter-state

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<sup>1</sup> [http://www.forbes.com/fdc/welcome\\_mjx.shtm](http://www.forbes.com/fdc/welcome_mjx.shtm)

<sup>2</sup> World Food Programme 2008 [www.wfp.org](http://www.wfp.org)

disparities are increasing and natural calamities such as floods, earthquakes, and droughts reverse the development process to a great extent and worsen the situation of the disadvantaged and vulnerable groups.

Among the states, the North-Eastern and the Central regions, which have large tribal populations, are lagging behind. Among sectors, agriculture has fallen behind industry and the service sector. Although some of the poorest states are rich in natural and forest resources, the predominantly tribal population is unable to take advantage of this. Religious minorities, large sections of Scheduled Castes (SC) and Scheduled Tribal (ST) groups, and women still do not have access to many job opportunities and human development. The informal sector has emerged as the largest job creator, characterized by low wages and income insecurity while wage growth is concentrated only at the top end. India's educational inequality is one of the worst in the world.

India stands at a crucial juncture in its quest for inclusive growth that will bring prosperity across the spectrum. Large amounts of public funds are spent to address these issues but their implementation and the quality of services delivered leave much to be desired. It is well recognized that the programmes to solve these problems are not performing well. They are too centralized, fragmented in concept as in implementation, insufficiently responsive to varying local needs or accountable to ensure efficient service delivery. The existing mechanism for the delivery of services is not effective, efficient or economical

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<sup>3</sup>: *The Farm Crisis: why have over one lakh farmers killed themselves in the past decades by P. Sainath, Rural Affairs Editor, the Hindu)*

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Local self-government, as elaborated in our Constitution, provides the essential means of reconciling 'accelerated growth' with 'inclusive growth' Article 243-G endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government for preparation of plans and the implementation of schemes for economic development and social justice. It is the effective empowerment of the disadvantaged through the effective devolution of Functions, Finances and Functionaries to representative institutions of local self-government such as Panchayats (where part IX of the Constitution applies) and Village Councils, Village Development Boards and similar such institutions elsewhere, on the principle of subsidiarity, which states that anything which can be done at a lower level should be done at that level and no higher level, that will pave the way to the effective implementation of other measures of inclusive growth .

However, the constitutional provisions have not been an effective trigger for the Panchayats to function as institutions of local self-government. It is important that Panchayat Raj be brought centre-stage as the principal governance reform to reinforce economic reform in such a manner as to secure inclusive growth.

That this should be so is an anomaly caused by:

- (i) Inadequate effective devolution of functions, finances and functions by State legislatures/ governments to the Panchayati Raj Institutions; and
- (ii) Inadequate provisions for planning and implementation by PRIs in the guidelines issued by Central Ministries for Centrally Sponsored and Central Sector schemes that directly impinge on inclusive growth.

New schemes launched by the UPA government, such as the Backward Regions Grant Fund and the Planning Commission's guidelines for the Eleventh Five-Year Plan make Panchayati Raj the sine qua non of planning and implementation of economic development and social justice at the grassroots. The National Rural Employment Guarantee Act not only designates the Panchayats as the "principal authority" for the planning and implementation of the National Rural Employment Gurantee Programme (NREGP), the Act itself spells out the specific

duties of the Panchayats at each level with respect to the Programme, thus rendering the provisions of the Act itself the Activity Map for the Programme.

Equally, the Rural Electrification Policy, the Rajiv Gandhi Vidyutikaran Yojana, the National Rural Health Mission and the Jan Kerosene Yojana have a significant and central Panchayati Raj component. There are also some pre-UPA programmes which have now introduced the most telling amendments to bring Panchayati Raj centre-stage, such as the Sarva Shiksha Abhiyan, the Mid-Day Meal Scheme, the National Literacy Mission, the Rajiv Gandhi Drinking Water Mission and the Total Sanitation Campaign.

The question of Panchayats and agriculture, particularly agricultural extension services which, by and large, have fallen into disarray and without which a Second Green Revolution will be difficult to attain, especially bearing in mind the great significance of extension to the success of the first Green Revolution. There also remains considerable scope for increasing the involvement of Panchayats in Bharat Nirman programmes Disaster Management is yet another area where Panchayats could be more fully utilized and trained to meet emergencies.

Slowly but surely, Panchayats appear to be accepted in the implementation of schemes of line ministries .New programmes such as the Rashtriya Madhyamik Shiksha Abhiyan, a programme which aims to do for secondary education what SSA has done for primary education and a basket of three programmes aimed at comprehensive agricultural development, namely, the National Food Security Mission, the Rashtriya Krishi Vikas Yojana and the Planning Commission driven Comprehensive Agricultural Development Programme are all based on the concept of grassroots level planning through Panchayats, culminating in the dovetailing of the agricultural plan into the district plan developed by the District Planning Committee

Undoubtedly, these Sector-specific approaches are demonstrating considerable success, at least as evidenced in the accelerated progress in bridging the rural infrastructure gap. However, there is another important dimension to rapid local development that must be kept in mind. Unless we strengthen local governance by addressing the need for cross-cutting systems of participatory planning and decision-making, local taxation, audit, financial management and procurement, these impressive gains will begin to rapidly fall away. We will build expensive roads, water supply schemes and irrigation systems, but in the absence of strong Panchayats that can maintain and protect them, they will inevitably deteriorate and a few years later, we will be rebuilding them at considerable expense.

Similar would be the case with programmes that focus on soft inputs rather than on infrastructure, such as the ICDS, the Sarva Shiksha Abhiyan

Since implementation of Panchayati Raj is dependent on policies that cut across several sectors of economic development and social justice, the Government of India will now need to look at how its fiscal relationships with States through CSSs and regulatory interventions pertaining to these sectors can be used to encourage a progress on strengthening Panchayats, across the range of differing state contexts.

The most important issue and the area of concern is how to ensure the CSSs and ACA relating to functions in the realm of PRIs are actually implemented by them. In order to ensure that the vast resources that GOI is making available to the CSSs would be correctly used, the responsibility of recognizing the beneficiaries must be allocated to PRIs. The broad activities that pertain to the involvement of PRIs could be as follows: Identification of beneficiaries; Enumeration of the target group using household registers of Village Panchayats; Verification of data collected from other sources against data available with PRIs; PRIs/Gram Sabhas as nodal agencies for building data bases and constant revision for maintaining updated database; Determination of optimal sites for construction through PRIs; Distribution of publicity material to PRIs and use of PRIs functionaries for awareness campaigns; Selection of projects by PRIs where micro level solutions are required; Operations, future maintenance and management (post project) by PRIs; Monitoring and vigilance should be the responsibility of PRIs; Periodical reporting of implementation officer to PRIs; Recommendation of PRIs to be considered for training purposes; Devolution of funds through PRIs.

If each CSS clarifies what lies within the domain of local government, and if this is supported with appropriate devolution of the 3 Fs, there will be significantly less infirmity in the outcomes and impacts of the CSS. It is important to leverage the Centrally Sponsored Schemes to demarcate the tasks, responsibilities and activities that lie within the domain of local governments (rural and urban). This will encourage and motivate state governments to systematically engage in appropriate devolution of functions, finances and functionaries. More significantly, CSSs will then serve to further strengthen (for their own implementation and oversight) the third tier of elected local bodies with reference to the 73<sup>rd</sup> & 74<sup>th</sup> Constitutional amendment.

A key instrument available to Gol is thus to provide fiscal incentives to state governments that can encourage them to strengthen local governance, in pursuance of the national strategy. The Panchayat Empowerment and Accountability Incentive Scheme have been proposed as such an instrument. The outputs of the proposed Panchayat Empowerment and Accountability Incentive Scheme are to provide a well-designed system of incentives, which is hoped,

would provide an effective mechanism for the Government of India to undertake the following measures:

- Incentivise and support States to effectively devolve more functions, functionaries and finances to the Panchayats, apart from constituting effectively empowered District Planning Committees to fulfil their Constitutional functions.
- Encourage and facilitate States to restructure the system of self-government at the Panchayat level to achieve the Constitutional objective of making them 'institutions of self-government'.
- Incentivise Panchayats to be transparent in their transactions and accountable to their respective Gram Sabhas and then to motivate and assist Panchayats to use their newly enlarged responsibilities in an efficient, honest, focused and productive manner so that a much larger share than at present of the vast resources being made available for rural development and welfare reaches the targeted beneficiaries and attains the targeted objectives, including, particularly the Bharat Nirman targets and the National Millennium Development Goals.
- Ensure that Panchayats achieve standards that meet norms set out for public accountability including public financial accountability, both upward as well as downward to the people. This would particularly cover responsibilities and obligations under various legislations such as those relating to Right to Information, Social Audit, and Fiscal Responsibility.
- The Outcomes of the Scheme would be the greater effective devolution of, functionaries and finances by the States to the Panchayati Raj Institutions and making the DPCs and PRIs the fulcrum for the planning and implementation of economic development and social justice. Moreover, the Scheme aims at empowering Gram Sabhas to effectively monitor and exercise vigilance over the work of their elected representatives to secure both effectively gains in service delivery by the Panchayats and promote transparent, responsive and accountable grassroots development through grassroots democracy.
- There can be an overall incentive based grant to states linked to their movement along a panchayat empowerment index. Operating and monitoring, a competitive CSS approach could be a main activity of the central ministry of PR.

The present pattern of growth has the potential of widening the inequality. Such unequal opportunity structure weakens the positive role of growth in reducing poverty and making growth inclusive. If this inequality increases further, social displacement will result and it will be a major obstruction to higher growth. Active participation of people in grassroots planning and implementation is

bringing about the desired transformation of the region by establishing peace and setting in motion the wheels of progress towards prosperity. So to achieve inclusive growth, it is crucial that the poor are integrated with the dynamic sectors of growth. These are not easy tasks but by no means impossible. The solutions are also well-known; however, problems lie in their implementation. So, moving from a model of central provision to that of decentralization to local governments will introduce a new relationship between national and local policy makers, while altering several existing relationships; such as that between the citizens, elected politicians and the local bureaucracy.

Such inclusive governance, besides ensuring political empowerment, through enabling people to control their own destiny, would also yield significant inclusive growths. When grass-roots planning processes strikes deep roots, economic empowerment is both strong and sustainable. Social empowerment through inclusive governance would help safeguard social, ethnic and cultural values of people, which in turn would lead to building trust of their governments in tribal communities. Active participation of people in the political processes and in grassroots planning will bring about the desired transformation of the region by establishing peace and setting in motion the wheels of progress towards prosperity.

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