Decentralized Planning for Rural Development - Issues and Challenges

M.N. Roy

Introduction:

1. Planning is an integral part of functioning of any government. Planning for well-being of the people requires proper understanding of the local context including economic, social and cultural issues relevant for the area. Panchayat, as the local government, has to plan for ‘economic development and social justice’ as per the Constitution and is uniquely placed to plan with participation of the people by fully appreciating the local context for effectiveness of such plan and efficiency of its implementation. However, there are several constraints, both structural and functional, in true decentralization of the planning process. The administrative structure of the Panchayats is quite weak and there has been little functional devolution for making them responsible for holistic planning as a local government. The Centrally Sponsored Schemes provide the bulk of the resources for planned development in rural areas and funds flow along with central guidelines, which more or less follow blueprint approach with some operational flexibility at the local level. Even that flexibility is not fully utilized due to poor capability and functioning of the Panchayats. With little devolution of functions in true sense, the Panchayats implement the schemes as mere agents of the Union and the State Governments. Lack of rational devolution of functions, inability of the States to put in place other necessary collateral measures coupled with inadequate capacity of the Panchayats pose a major challenge in true decentralization of the planning process. This paper analyses the issues involved and possible way out.

Background of Planning in India

2. After Independence, India established the Planning Commission through a resolution of the Government of India (GOI) in March 1950 without any legislative support. The Planning Commission was made responsible for assessment of the socio-economic situation of the country, including incidence of poverty and prepare policy for social and economic development. The country adopted the USSR system of five year planning from the year 1951, when the first plan was launched. The State Governments also established their Planning Commissions/Boards to prepare State Plans, which are to be approved by the Planning Commission for enabling flow of central resources. However, the state plans and priorities are substantially guided by the resource allocation for different sectors by the Planning Commission. Flow of funds from the Union to the State Governments through various Centrally Sponsored Schemes and Centrally Sector Schemes (CSSs) started increasing with more and
more CSSs being taken up, particularly from the 1980s. Gradually funds flowing to the State Governments as per decisions of the Planning Commission, which has element of discretion at the central level, started increasing and eventually exceeded the formula based transfer of funds as per recommendations of the Union Finance Commissions, as a part of federal fiscal arrangement. The process also led to top down approach in planning in the entire country. The States have to bear part of the fund for implementing Centrally Sponsored Schemes as State share. As a consequence, funds available for planning within the state remain committed to bear the state share of these schemes leaving little resources to fund its own plan to meet local needs not addressed by any CSS. Thus, the entire plan expenditure within a state remains broadly guided by central plan and related schemes with common guidelines for the entire country.

3. Need for decentralized planning by breaking up the planning exercise into National, State, District and Local Community level, was felt in the 1st Plan itself. However, nothing concrete was done. The District Development Council was introduced in the 2nd Plan. There was no enabling framework to prepare or integrate the plans at district level and there was no decentralized plan in practice. Panchayats were established as per recommendation of the Balwant Rai Mehta Committee but those bodies had hardly any power and resources to make plans. The first Administrative Reform Commission, constituted by the GOI, highlighted the need of district planning in its report of 1967. The Planning Commission came out with a guideline detailing the concept and methodology of drawing up such plans within the framework of annual, medium term and perspective plans. Only a few states made an attempt but those were not integrated into the annual plans of the states. The Ashok Mehta Committee on Panchayati Raj recommended in 1978 that "Panchayats ought to be strengthened into agencies capable of undertaking local planning". However, only a few states had functional Panchayats during that period.

4. A Working Group on District Planning headed by C.H. Hanumant Rao in 1984 brought out the fact that State Plans were being formulated by sectoral departments without much consultation with the District Development Council. The Working Group also recommended establishment of District Planning Committee and suggested that the same should consist of a Chairman, Member-Secretary and about 50 members and the Collector should be the chief coordinator. The District Planning Body should be assisted by a Chief Planning Officer and technical experts in various disciplines and there will be officer at Block level for planning. A few states started preparing district plan but there was hardly any participation of the people. The scenario continues even after the Constitutional mandate for preparing district plan introduced through the 74th Amendment of the Constitution. The current status has been aptly summarized by the Ramchandran Committee, constituted by the Ministry of Panchayati Raj, GOI in the year 2006, which observed that “over a period of four decades since the beginning of planned development, there were several suggestions and attempts at decentralized planning. The conditions required were also outlined and repeated. However, the increase in the number of ministries, departments and parastatals at the Centre and in the States and the vertical planning, preparation of programmes and methods of funding stood in the way of decentralized planning becoming a reality.”
The Constitutional Mandate for Decentralized Planning

5. Establishment of OPC received Constitutional mandate after the 73rd and the 74th Amendments of the Constitution. The Article 243 ZO was introduced through the 74th Amendment which provides for constitution of a OPC to consolidate plans of the Panchayats and Municipalities and to prepare a draft development plan for the whole district. This implies that the Panchayats and Municipalities must plan and then only those can be consolidated by the DPC. In fact, the Panchayat, as the third stratum of government, has been envisaged to plan and implement scheme for ‘economic development and social justice’ and the Article 243 G of the Constitution provides that Legislature of a State may, by law, endow the Panchayats with such powers and authorities as may be necessary. So, it is the State Government who ultimately decides on the powers and functions of the Panchayats to enable them to plan in respect of those functions. However, in spite of legal provision and a strong rationale to decentralize planning there has been little progress in that respect.

Rationale for Decentralized Planning

6. There are several important reasons for more decentralization in planning. The country is vast with different developmental needs and one blue print for the country as a whole, as is being practiced now, does not fit all. At the higher level plans are worked out sector wise with little convergence and often oblivious of widely varying ground realities. Planning at the local level can take care of the problem since the problem and developmental needs are known more precisely at that level. It is also possible to ensure better convergence of various activities at that level to make the plan more holistic. The other important reason is that participation of the people in the planning process has intrinsic value in making governance inclusive and the development sustainable. This also helps to tap the social capital and enhance the same. The people add to the available resources through their contributions in cash and kind and also come out with innovative ideas. The democratically elected local government provide the right forum for mobilizing the people and participate in the planning process which makes subsequent implementation easier. The accountability mechanism is easier to operate at local level and the local government can be held responsible for any failure. However, when such plans are prepared with participation and ownership of the people, they also remain accountable along with the Panchayats. The community feels motivated to participate in planning for their own development and watching for any failure for taking corrective actions under leadership of the Panchayats. This can make the most optimum utilization of public resources and is not biased by any departmental narrow outlook but driven by a holistic view taken by the people themselves whose well being is the primary objective.

7. There is, however, need to guide the local plans so that the national and state priorities are duly considered along with the local needs in allocation of resources in putting up a united effort from centre to the village level in attaining various goals of development. The Planning Commission and the state level Boards/Commissions are to take up these responsibilities. They have, however, generally not been so concerned in the past for strengthening the decentralized planning processes and in some states it is the Panchayat Departments who have tried to promote decentralized planning as a part of decentralization process and often with little support from the line departments. So, there has been little will for the
State Government as a whole to decentralized planning and the institutional framework for planning remained weak. The line departments continue to prepare scheme specific district plans. In some cases such plans are endorsed by the Panchayat functionaries like the Sabhadhipati of the Zilla Parishad as Chairperson of the DPC or Chairpersons of respective Standing Committees as a token involvement of the Panchayats without any institutional linkage.

**Institutional Framework and Processes for Decentralized Planning**

8. The legal framework does not guarantee planning in decentralized mode in absence of appropriate institutional framework. Although DPCs have been constituted in all states but these are mostly non-functional. In many places the DPC meets only to approve plans of certain CSSs, prepared bureaucratically, where such approval is essential to release funds to the district. Non-functioning of the DPC is partly due to its structural weakness. The DPC has been visualized as a mere committee without any administrative structure or permanent secretariat. There is neither any professional with expertise in planning nor any fund with the DPC to support, guide and coordinate planning of large number of local governments within a district. Actual planning has to be done by the Panchayats and Municipalities and until such plans are prepared and DPC has a role in guiding preparation of such plans there is hardly any function of the DPC. How the DPCs will function and what procedures will be followed to prepare plans at Panchayat levels have not been well prescribed by the GOI presuming that the activity falls within the domain of the State Government. The Planning Commission has come out with a District Planning Manual and all the states were advised to develop their own manual in local languages, which has not been followed”.

Most states have issued guidelines for decentralized planning but those hardly help the Panchayats to plan because of several factors including poor devolution of functions.

**Lack of Adequate Devolution**

9. Planning by any government essentially entails allocation of resources for development in respect of those services for which the government has responsibility. So, clear devolution of functions for which the Panchayats are responsible and, therefore, accountable to the people is a prior condition to plan for discharging those responsibilities. Availability of funds and freedom to use the same are the next requirements to effectively plan at the local level. It obviously also requires enough expertise at the local level to assess the need of the local area for which the Panchayats are responsible, work out various alternative options and to prepare projects/schemes to address the local needs through executable actions. All these require adequate devolution of functions, funds and functionaries under control of the Panchayats which has not happened in most states, except implementation of the schemes belonging to the Panchayat and Rural Development Department(s). Proper devolution of functions which makes Panchayat of any tier clearly responsible and fully accountable for delivering certain services is an essential precondition for proper decentralization of planning.

10. The Eleventh’ Schedule of the Constitution has recommended 29 subjects for devolution to Panchayats. However, subjects as a whole cannot be devolved and only certain activities which can be best performed at the local level needs to be delineated through the process of ‘Activity Mapping’ and devolved specifically so that whatever is devolved is specific and with
clear accountability. Many of the orders of devolution are very general and are mostly related to either selection of beneficiaries or assisting the state implementation agencies in implementation of programmes through awareness generation and mobilization of the people. Assignment of exclusive responsibilities on the Panchayats is missing in most states. Thus, there is little accountability framework which helps the people to question the Panchayats why they have not discharged their responsibilities related to the activity which has been assigned to them. Procedures for involvement of Panchayats in schemes managed by the State Governments are also not clear for the Panchayats to play their roles. There is little communication between the line departments and the Panchayats to clarify the issues of the problems faced by the Panchayats and the Standing Committee system is not that strong to meet the requirement. Many line department functionaries are rather apprehensive of the Panchayats and treat them as sub-offices of the PROD and not as the third stratum of government, which creates a distance between the two. Order of devolution issued by some of the line departments are not actively pursued by their field officials in absence of monitoring by the departments and lack of dialogue maintains the distance between them and the Panchayats. So, the Panchayats remain generally confined to activities including planning, which are looked after by the Panchayat and Rural Development Departments).

11. Devolution of funds is equally important for the Panchayats to exercise their discretion in resource allocation for planning. That requires allocation of funds through clearly earmarked head of account within the departmental budget. This has been the recommendation of the Thirteenth Finance Commission, and many states have started following this though amount of such budget provision is very little. In states like Kerala and Karnataka there is separate budget volume which shows funds to be devolved to local governments under different heads of accounts and that gives some assurance in release of funds to the Panchayats. Release of funds to the Panchayats by other Departments, whose budget do not have exclusive provisions for Panchayats, is at the discretion of the Department concerned and is uncertain. The Planning Department also do not always clearly communicate the resource envelop to respective Panchayats before they start of the planning process. This leads to the general practice of planning for the sector as and when information on fund is available and the time varies from sector to sector or even scheme to scheme, which makes holistic planning almost impossible. Integrated district plan, where prepared, is generally completed well after the beginning of the financial year and as a mere bureaucratic exercise with little element of participation of the people. The plans are also hardly followed in actual execution of various schemes.

Constraints in Decentralized Planning

12. The most important constraint, apart from not having clear devolution with accountability, is that the resources that flow to the Panchayats are mostly through the CSSs, which are to be spent as per central guidelines. In addition to that most of the CSSs are implemented by line departments, in many cases through district level societies with little accountability to the Panchayats. The main target being absorption of the available funds there is little concern for outcome and the need to involve the people to make the outcome effective. The plans are prepared departmentally in isolation with no holistic approach to ensure convergence with activities of the other departments. The situation is almost the same for the CSSs
implemented by the Panchayats such as MGNREGS, BRGF etc. Each CSS demands their own district plans to be submitted to different central authorities at different times. However, Panchayats can attempt bottom up planning and some convergence provided they have the capacity and have other collateral arrangements in place. Generally both are missing.

13. The planning process has to start at village level through identification of the problems and opportunities and working out what are possible to be implemented at that level with their effort as well as using their own revenue, such as funds received as per recommendation of the Central and the State Finance Commissions and their own source revenue and funds available under various programmes. The problems are that availability of funds under the CSSs or even the awards of the Finance Commissions are not clearly known to the Panchayats except having some broad idea based on historic trend. The SFC grants are uncertain, both in terms of amount and time by when any Panchayat will receive that and often are not really untied. Own source revenue, which the Panchayats mobilize locally is too little and is often even less than 5% of total plan size of any Panchayat. Thus, they are left with only making operational plan of utilizing CSS funds within the boundaries of the respective guidelines. In fact, that amount is also not always known and even where the Panchayats can have an idea of the amount the same is uncertain in terms of time of availability. Any Panchayat can receive funds only when the entire district becomes eligible which delays availability of funds on time to well performing Panchayats (in terms of utilization of funds) when funds are lying unutilized in other Panchayats. Ultimately, what boils down is that the Panchayats start planning for the activities only when funds are received and to receive funds plans are submitted by the Department with little consultation with the Panchayats.

14. Yet, there is scope of planning at the local level, such as at GP, using available untied and own funds. There are many local issues which are not looked after by any department or are very much within the domain of the Panchayats, which can be best addressed through local interventions. In fact, except regulatory activities, many of the developmental projects for rural areas can be taken up by the Panchayats without formal devolution of authority. For example, any GP can plan to improve storage of rain water or recharging ground water, to improve nutrition of their children or to promote pisciculture in local tanks using their own funds or some of the programme funds where guidelines allow taking up such activities. Some of the social sector interventions, like organizing women in Self Help Groups or promotion of hygienic behaviour require little funds. However, there is need for clear understanding of the issues and support of suitable professionals. There is dearth of expertise with the Panchayats and professionals who work for various government departments have little mandate and accountability for extending necessary help to Panchayats. There is need to develop capability of the Panchayats and clearly defined accountability of the government employees at respective level for lending professional services to the Panchayats on demand. This has not happened and Panchayats receive little professional support of experts of line department for planning and implementation of their schemes.

15. Another major problem is absence of data with the Panchayats. Management Information System of all the important CSSs like NRHM, ICDS, SSA, RKVY etc. is highly centralized to generate report for the higher tiers
of government only and it does not give any feedback to the field level. District wise data is generally available but data disaggregated up to GP level is not compiled and so there is hardly any Panchayat wise data for all the important programmes implemented by various line departments. The Panchayats, particularly the GPs remain in dark about the programme performances and related outputs and outcome in respect of their areas. Thus, they find it difficult to supplement the efforts of the State Governments through local interventions in absence of such data. Absence of data is another barrier in assessing the status of development within a Panchayat. Developing a vision on the possible road map for development and deciding on priorities for investment, which is the essence of planning, becomes difficult without clear knowledge of current status in various dimensions of developmental outcome.

16. In respect of social sector development, improving delivery of services through existing state run institutions like the schools, health centres, ICDS centres etc. is often more important than making new investment. The scope for planned interventions in these sectors has little to do with allocation of resources for taking up new activities. In such cases, it is more important to have planned interventions for proper utilization of the facilities already in existence for reaching the unreached and better outcomes. The problem is more in the social sector because the outcomes are less tangible, have less demand and even mere access to services may not lead to desired outcome, e.g. a student may take admission in school but may be irregular in attendance or may even attend school but the level of learning may remain poor. Planning in these sectors is more necessary to improve utilization of the investment already made for creating infrastructures and committed expenditure like salary of the government functionaries associated with these programmes. These may involve local interventions and innovations for improving demand of uptake of those services by removing the barriers to access, for which the Panchayats can play an important role. They can also watch performances of these facilities for better delivery and mediate planned interventions by the higher level for improving supply side of service delivery. These are not conventional planning of allocating fund for taking up schemes but planned activities, not always involving expenditure, at local level including being effectively engaged with higher tiers of government for their planned interventions. Lack of capacities of the Panchayats to be able to judge quality of service delivery and organizing local interventions for best use of existing government services for the well-being of their people is a major bottleneck in this respect.

**Centrality of People’s Ownership and Participation**

17. The most important rationale for decentralized planning is direct involvement of the people in addressing their own development. An intervention which has impact only at the local level and can be organized locally is best left to the Panchayat to organize the same. Since the people can get easily engaged with the Panchayat, particularly the GP, there should be maximum devolution to the GPs so that people are directly involved in decision making related to as much expenditure as possible in respect of investments being made within their areas. Apart from the advantage of making the plan more contexts specific to meet the local requirement, ownership and involvement of the people have its own intrinsic value. Development is not merely taking up physical construction or arranging delivery of services but also includes the process of decision making to have more sustainable development.
Many of the collective actions may not have even financial implications but helping the people to understand and analyse their problem and to try solving the same generates social capital, which helps organizing community actions for better living in many other aspects of life and make the society more inclusive. Thus, true decentralized planning should be a bottom up exercise meaning whatever can be handled at the village level should be managed at that level without even asking the Panchayats to intervene. Similarly, whatever can be planned and implemented at the GP level should be planned and implemented at that level. So, decentralized planning should ensure participation of the people to analyse their problems and take care of those which can be handled by themselves, if necessary with support from outside and prioritizing the remaining problems, which should be addressed by higher level governments with their full participation. This should include new infrastructures and activities as well as ways and means of making better use of existing programmes and public utilities which serve them. However, the top down approach to rural development has reversed the scenario and whatever can be planned from above is put for implementation by the line departments and people are asked to participate to make the implementation more effective.

18. Planning at the local level should also lead to better accountability towards the people in utilizing public resources. People should appreciate the value of public money by judging the appropriateness of expenditure decisions. This is possible only when there is more local contribution through tax and non-tax revenue, so that people can question how their money is going to be or has been utilized. At present Panchayats receive funds mostly linked to schemes and although such funds are generated through contribution by every citizen the complex way in which revenue is collected by the Union and State Governments and part of that is released for implementation of schemes is not usually understood by the people. As a result, they do not feel as bothered for best utilization of the scheme funds as they would have for their own contribution. The Panchayat functionaries and programme administrators are also not sensitized enough in appreciating the value of public money in absence of any hard budget constraint and they are more concerned with utilization of the available funds measured by expenditure and not outcome judged by the people. Even the funds received as entitlement as per awards of the Finance Commissions are spent like an agent and not considering the holistic development of the Panchayat as a mandate. In order that there is more accountability towards the people, which is the only way to ensure expenditure decisions to maximize people’s well-being, there has to be more local revenue generation and low share of own revenue continues to be a constraint in promoting good local planning.

19. Given the current low per capita revenue collection at the local level, decentralized planning can focus only on low cost and no cost activities which can be organized at local level. The Panchayat functionaries and the people are to be oriented on their entitlement based on Finance Commission awards and how those should be treated like their own source revenue for making best use through people-centric planning. This, however, requires the State Government not to prescribe use of such funds except mentioning some of the unproductive purposes for which the funds cannot be utilized. Since most of the services delivered in rural areas are owned and managed by the State Government one important interventions through local planning will be improving access through better demand generation and removing the barriers and watching
on the public utilities for improving quality of service delivery. All the social sector developments in the field of education, health, nutrition etc, where the country is lagging can be facilitated with strong local mobilization under the leadership of the Panchayat. However, that also require proper partnership by the State Government departments to work together by clearly delineating their mutual roles and often that is vitiated by the narrow view of the higher government functionaries by looking at the Panchayats as their agent and treating those institutions as their sub-offices.

20. There is need for political will to let the Panchayats become a true partner of development and devolve them with adequate powers along with treating them with dignity so that all development issues are addressed in an integrated manner through local actions at the Panchayat levels and policy decisions at the state and national level. That is still missing both at the centre and the state level leading to stereotypes in development initiatives and centralized planning for the same. The Departments are apprehensive of devolving power to the Panchayats with the argument that the Panchayats have little capacity. The fact is that capacity cannot grow in vacuum and it can be developed only through exercising authority for which devolution is a prior need. There is stalemate on this issue whether devolution will precede capacity building or the other way round over the last twenty years or so after the 73rd and 74th amendment of the Constitution. So, the crucial question is how the capacity of the Panchayats can be augmented at the present low level of devolution so that they can be entrusted with more powers and authorities in future.

Capacity Building of the Panchayats

21. While adequate devolution from higher government to Panchayats has not taken place the only other alternative is to develop capacity of the Panchayats for properly exercising whatever authority they have. Instead of waiting for formal power and more funds the Panchayats can be oriented to use their social capital to organize local actions with whatever funds they have. In fact, as mentioned before, many of the activities which can be taken up locally are not fund intensive and what is needed is mobilizing the people to take up activities which can be conceived, designed and acted upon locally and acceptance of the interventions by the entire population cutting across political line. This is a very laborious process and requires sustained support of experts to change the mindset of the Panchayat functionaries from absolute dependence on the higher government to value their own initiative to extend even marginal benefits to the people with their own initiatives. Such activities could be both in doing something of their own using resources available within the Panchayat as well as improving benefits flowing from existing government programmes. These lead to incremental capacity gain and also open up a positive spiral of mobilizing more local funds, both in terms of better revenue mobilization by the Panchayat, particularly the GP and voluntary contribution by the people to implement the local plans.

The Way Forward

22. There is no short cut solution for proper adoption of decentralized planning. The process has to start with preparation of village based GP plan for which there should be enough political will in strengthening the GPs and devolving more functions for the Panchayats to have specific responsibilities, which they can discharge with
freedom with due devolution of funds and functionaries. There is no champion at the national level at present in strongly advocating for decentralized planning, which will require lot of structural changes. The Planning Commission started this exercise to some extent during the Eleventh Plan but went back on decentralization during the Twelfth Plan. It is to be seen whether the newly conceived NITI Aayog adopts decentralization as a strategy for promoting growth of the country, which is the main focus of the Union Government at present. However, there is no such indication so far. In this situation developments may happen sporadically in a few states based on commitment of the State Governments. The process of Panchayats acquiring more capability in exercising their available resources and initiating a demand for more devolution to Panchayats with support of the people should be pursued simultaneously.

References:


M.N. Roy, Former Principal Secretary to Panchayat & RD Department, Govt. of West Bengal.