

CHAPTER 22

LOCAL GOVERNMENTS IN KERALA

Kerala has 991 Grama Panchayats, 152 Block Panchayats and 14 District Panchayats. In the urban areas it has 53 Municipalities and Five Corporations. The distribution of Grama Panchayats and Municipalities according to population class is given in Tables 22.1 and 22.2.

Table 22.1
Grama Panchayats

Range of population	Village Panchayats (No.)
(1)	(2)
Below 10,000	15
Between 10,000 and 20,000	297
Between 20,000 and 30,000	460
Between 30,000 and 40,000	173
Between 40,000 and 50,000	40
Above 50,000	6
Total	991

Table 22.2
Municipalities

Range of Population	Municipalities (No.)
(1)	(2)
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

22.2 The population of the five Corporations is shown in Table 22.3.

Table 22.3
Population of Corporations

Corporation	Population (No)
(1)	(2)
Thiruvananthapuram	704375
Kollam	346013
Kochi	564589
Thrissur	296788
Kozhikode	419831

22.3 The distribution of Grama Panchayats, Municipalities and Corporations according to area classes is shown in Table 22.4.

Table 22.4
Distribution of Grama Panchayats, Municipalities and Corporations According to Area

Range of Area (sq.km)	Grama Panchayats (No)	Municipalities (No)	Corporations (No)
(1)	(2)	(3)	(4)
Below 5 Sq. KM	2	--	--
Between 5 - 10 Sq.KM	48	4	--
Between 10 to 15 Sq.KM	133	10	--
Between 15 - 20 Sq.KM	188	10	--
Between 20 - 30 Sq. KM	290	13	--
Between 30 - 40 Sq.KM	125	9	--
Between 40 - 50 Sq.KM	46	2	--
Between 50 - 75 Sq.KM	72	3	1
Between 75 - 100 Sq.KM	34	1	2
Between 100 - 150 Sq.KM	31	1	2
Between 150 - 200 Sq.KM	6	--	--
Above 200 Sq.KM	16	--	--
Total	991	53	5

22.4 The distribution of Grama Panchayats, Municipalities and Corporations according to density of population classes can be seen in Tables 22.5, 22.6 and 22.7.

Table 22.5
Density of Population among Grama Panchayats

Density of Population (Persons per sq. KM)	Grama Panchayats (No)
(1)	(2)
Below 100	18
Between 100 and 500	161
Between 500 and 1000	324
Between 1000 and 1500	256
Between 1500 and 2000	128
Between 2000 and 3000	89
Above 3000	15
Total	991

Table 22.6
Density of Population among Municipalities

Density of Population (Persons per sq. KM)	Municipali ties (No)
(1)	(2)
Below 1000	3
Between 1000 and 1500	14
Between 1500 and 2000	8
Between 2000 and 2500	11
Between 2500 and 3000	4
Between 3000 and 3500	7
Above 3500	6
Total	53

Table 22.7
Density of Population in Corporations

Corporation	Density of Population (Persons per sq. KM)
(1)	(2)
Thiruvananthapuram	4976
Kollam	6041
Kochi	5951
Thrissur	2927
Kozhikode	4880

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

- (1) The Grama Panchayats have a viable population and size which make them ideal units of service for various public functions. Almost all the Grama Panchayats in the State have Primary Health Centres, Veterinary Hospitals, Krishi Bhavans, Schools etc.
- (2) There are no large urban agglomerations. There are only three Municipalities which have a population of more than 100,000. None of the City Corporations touch the one million mark. (See Box 22.1)
- (3) The density of population is very high in almost all the local governments with the coastal areas which have 89 Grama Panchayats, 13 Municipalities and 4 Corporations, having the highest concentration of population. This shows a semi-urban character and has implications for service delivery for civic services and social services as well as creation of infrastructure.
- (4) It has to be noted that the population is spread out. The traditional village system with a concentration of population in a habitat surrounded by a vast un-inhabited hinterland is absent in Kerala. This scattered nature of population implies 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 also be very high.
- (5) The relatively large size of Grama Panchayats and the relatively small area of District Panchayats make it difficult to have viable Block Panchayats with a large array of functions.
- (6) The large population and size of Grama Panchayats make it difficult to have general assembly of voters in the form of Grama Sabhas. Therefore Kerala has gone in sub-grama panchayat structures at the level of the Ward/Electoral Constituency, for general body meetings.

Box -22. 1**URBANIZATION IN THE STATE**

About 16.30% of the total population lives in the Municipalities and Corporations. According to the 2001 Census, there are 98 Urban Agglomerations/Towns in Kerala accommodating 25.97 percent of the total population (see Table below). This is less than the national average of 27.78 per cent.

Population Distribution of Urban Areas in Kerala, 2001

Sl. No	Urban Area	Number of Towns	Urban Population		Percentage to Total Population
			Number	Percentage	
(1)	(2)	(3)	(4)	(5)	(6)
1	Corporations	5	2456654	29.72	7.72
2	Municipalities	53	2731093	33.03	8.58
3	Other Towns (census towns, townships etc.)	40	3079388	37.25	9.67
	Total:	98	8267135	100.00	25.97

Source: Census, 2001

Unlike other parts of the country the trend of urbanization in Kerala is not limited to the designated cities and towns. Barring a few Grama Panchayats in the hilly tracts and a few isolated areas, the entire State depicts the picture of an urban rural continuum.

The total number of Urban Areas/Towns in the State steadily increased from 21 in 1901 to 94 in 1951. The number of Urban Areas/Towns increased to 109 in 1991, recording the highest percentage of urban population (26.39%) to total population. In 2001, the number declined to 98 due to declassification and merging of towns. Trend in urbanization since 1901 is given in the following table.

Census Year	Total Number of Urban Areas/Towns	Total Population	Total Urban Population	Percentage of Urban Population	Percent
(1)	(2)	(3)	(4)	(5)	(6)
1901	21	6396262	454499	7.11	
1911	27	7147673	524661	7.34	+15.44
1921	44	7802127	680900	8.73	+29.78
1931	53	9507050	916330	9.64	+34.58
1941	62	11031541	1195550	10.84	+30.47
1951	94	13549118	1825832	13.48	+52.72
1961	92	16903715	2554141	15.11	+39.89
1971	88	21347375	3466449	16.24	+35.72
1981	85	25453680	4771275	18.74	+37.64
1991	109	29098518	7680294	26.39	+60.97
2001	98	31838619	8267135	25.97	+7.64

Source: Census, 2001

Box 22.1 Contd...

Kerala witnessed a steady increase in the share of urban population from the year 1901 to 1991. In 1901, only 7.11 percent of the total population was settled in urban areas, which increased to 13.48 percent in 1951 and to 26.39 percent in 1991 and then declined to 25.97 percent in 2001. The decennial growth of urban population was the highest (60.97%) during 1981-91 and the lowest (7.64%) during 1991-01.

The urbanization trend of Kerala has certain unique features. In other parts of the country urban population growth is a result of over concentration in the existing cities, especially in metropolitan cities. In contrast, population growth in Kerala is due to the increase in number of urban areas and urbanisation of peripheral areas.

Considering the urbanization trends in Kerala, the Government of Kerala has formulated an "Urban Policy and Action Plan" to provide basic services and promote economic growth in urban areas.

Key Elements of Urban Policy and Action Plan

- Preparation of development vision
- Promote private sector participation
- Identify growth centres for economic development
- Preparation of data base to assist urban land consolidation
- Conservation of heritage structures and open space
- Urban road planning
- Primary health care activities
- Urban drainage
- Priority to solid waste management and sewerage
- Reforms in accounting in urban local governments
- Plinth area based Property Tax
- Restructure Kerala Urban Development Finance Corporation
- Introduce IT enabled services.

The problems of urban poverty, deficiencies in urban infrastructure like water supply and sanitation, issues relating to environmental hygiene, disposal of solid waste, proper sewerage and drainage facilities, urban transport and housing, degradation in quality of life through congestion, pollution, accidents and rehabilitation of slum dwellers are the major areas of concern of urban development. Most of these concerns are being addressed by the urban local governments through decentralisation.

- (7) The rural – urban continuum implies that there can hardly be any difference in the quality and quantity of civic services provided by Municipality and by Panchayati Raj Institutions.
- (8) Since the cutting edge local governments are fairly large formal systems of governance both in terms of hardware and software, are required. Same formal arrangements and multi-village jurisdictions are not possible.

Strategy of Decentralisation in Kerala

22.6 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. If decentralisation is effected in one fell blow, the suddenness would stun potential dissenters into silent acceptance; before people realize what they have lost, decentralization would have become a fait accompli. The 'reversals' - of giving re-

sponsibility 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. If 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.

22.7 Kerala followed this latter approach and hindsight shows that strategically it was a sound decision as it would have been impossible to transfer power in small doses.

22.8 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.

22.9 Though decentralized planning was the motive force, the State succeeded in using decentralisation to improve accountability and introduce good governance features in the administrative set up. The details are summarised below:

Setting up Accountability Systems

22.10 Since substantial responsibilities have been passed on to local governments accountability systems acquire special importance. In harmony with local government functioning and participatory budgeting and in addition to traditional systems of checks and balances, new forms of downward accountability to the people have also been structured in. The key accountability systems are given below:

- (1) *Committee System of Decision Making:-* All decisions of local governments are to be taken by itself through consensus or by voting. Power is not concentrated in individuals.
- (2) *Right to Information:-* All documents of local governments except very few ones like health records

of patients, contract documents before finalisation etc., have been declared as public documents by law. Any citizen has the right to peruse them or ask for photocopies. In a literate and politically conscious society this is a powerful Provision against corruption.

(3) *Participatory Budgeting:-* The evolution of a budget particularly for development works is through the comprehensive stage by stage planning process which allows space for citizen interaction and intervention, expert involvement and final budgeting before approval by elected bodies. This provides adequate protection against arbitrary decision making.

(4) *Due Process in Selection of Beneficiaries:-* This is ensured through the following steps.

- (a) Clear enunciation of eligibility criteria and prioritisation criteria at the time of project formulation.
- (b) Assigning weightages to each prioritisation criterion.
- (c) Calling of application in writing.
- (d) Enquiry process into applications with awarding of marks to each criterion.
- (e) Reading out of marks in Grama Sabhas/Ward Sabhas.
- (f) Opportunity to each applicant to see all records including application forms of others.

(5) *Technical Sanction:-* The process of giving technical sanction has been taken out of the departmental technical hierarchy. Technical Committees have been constituted at the Block/Municipal/Corporation/District levels consisting of engineering experts drawn from governmental, academic and non-governmental sources. This gives some protection against inflation of estimates and dilution of technical standards.

(6) *Audit Systems:-* The traditional audit system through Local Fund Audit Department has been strengthened with the technical support of the Accountant General. A special Concurrent Audit System has been designed, manned by surplus staff from the Panchayat and Urban Affairs Departments headed by an Officer of the Indian Audit and Accounts Service. This system called Performance Audit acts as an online corrective mechanism helping local governments to put their systems in

proper place. Performance Audit is conducted twice a year in all the local governments. Since the minimum grant-in-aid to a Grama Panchayat is Rs.25 lakh, the Accountant General also carries out grant-in-aid audit including Grama Panchayats. A Technical Audit Team has been put in place at the State level consisting of senior engineers mostly from outside Government who are selected for their integrity. This team looks into complaints regarding execution of public works.

(7) *Social Audit*:- A semi structured social audit is conducted in Grama Sabhas and Ward Sabhas where the accounts of Grama Panchayats, Municipalities and Corporations have to be presented and queries replied to.

(8) *Awareness Building*:- IEC campaigns have been conducted through the media of Press and TV explaining the right of the citizens vis-à-vis local governments. Special meetings of NGOs are held to tell them every thing about citizen entitlements vis-à-vis local governments.

(9) *Filing of the Property Statements*:- All elected members have to file their property statements immediately on election.

New Reforms under Implementation.

(i) *Appellate Tribunals*:- Judicial Tribunals are to be set up at the regional level to hear appeals against decisions by local governments in exercise of their regulatory powers. The Acts have been amended for this purpose and negotiations were on with the High Court regarding allotment of judicial personnel.

(ii) *Social Audit*:- A draft Social Audit Policy has been approved by the Government and an initiative to take up action research programme to build up good models of social audit has been cleared and Rs. 5.70 crore has been allotted in the current year's Annual Plan for this purpose.

(iii) *Citizen's Charters*:- This has been legislated for and in order to operationalise them Rs. 3.25 crore has been provided in the current year's Plan. Once the Citizens Charters are brought out accountability for provision of services would improve.

(iv) *Monitoring by Independent Institutions*:- Monitoring of local government programmes by independent institutions has been decided upon. Rs.

One crore has been set apart in current year's Plan for this purpose. Institutions have been identified and the working out of the methodology for concurrent monitoring is on through six pilot projects.

(v) *IT applications*:- The State has decided to computerise all its local governments and network them. The Information Kerala Mission has been set up for this purpose. They have evolved 12 softwares for this purpose. In the first stage IT applications would focus on the monitoring of development programmes and development expenditure. In the second stage different aspects of administration in local governments would be computerised. And in the third stage IT enabled services to the citizen would be taken up. Already a pilot version has been rolled out in Vellanad Grama Panchayat of Thiruvananthapuram. It is expected to cover all the local governments after the bids received in response to a BOLT proposal which are finalised.

(vi) *Citizen Education*:- A massive Citizen Education Programme is planned for. This would include publication of a booklet on citizen entitlements.

Good Governance Features.

22.11 Government has to play a conscious role to improve governance in local governments. Experience shows that it is relatively easier to introduce good governance features at the level of the local government. To recapitulate, some of the good governance features in the Kerala experiment are given below:-

- Transparency and right to information
- Public IEC campaigns
- Insistence on due process
- Participation in all stages
- De-bureaucratisation, especially in technical matters
- Accreditation of NGOs to act as support agencies for local governments
- Giving opportunities to young professionals to serve as apprentices in local governments eg: civil and agricultural engineers, IT professionals etc.
- Recognition of best practices by selecting Beacon Panchayats
- Strengthening independent umpiring institutions
- Introducing code of conduct for elected representatives and officials

- Making Citizen's Charter compulsory
- Revising office management systems to make them people friendly
- Simplification and modernization using information technology.

Fiscal Decentralisation.

22.12 The architecture of Kerala's fiscal decentralisation is quite sound. Grama Panchayats, Municipalities and Corporations have been assigned own taxes namely, Property Tax, Profession Tax, Entertainment Tax, Advertisement Tax and Service Tax (a tax for providing services). They are also empowered to collect user charges.

22.13 In addition, in accordance with the recommendations of the First State Finance Commission, surcharge on Stamp Duty, the entire Basic Tax and 20% of the net collection of Motor Vehicle Tax are devolved to local governments.

22.14 A Rural Pool is constituted with 25% from the Basic Tax and with a corpus in the place of the erstwhile Specific Purpose Grants. This is given as a General Purpose Grant to Grama Panchayats.

22.15 For functions and schemes transferred after the constitutional amendments both Plan and Non-plan Grants are provided in a tied form. The unique feature of Kerala's decentralisation is the devolution of an untied plan grant equivalent to above one-third of the approved plan size of the State. This comes to Rs.1317 crore during 2003-04.

22.16 The key features of fiscal decentralisation in the State are summarised below:

- 1) The entitlements of individual local governments are decided as per the formulae. There is zero discretion in the allotment of grants.
- 2) All grants are provided in a separate document of the Budget called Appendix IV.
- 3) Though fiscal crisis has affected the total size of the untied plan grant, by and large, the grants are predictable and are fully devolved.
- 4) The formulae have a strong equalisation element with backwardness getting a weightage of nearly one third.
- 5) There is a high degree of autonomy in use of transferred resources. Within the framework prescribed

local governments can decide any scheme and prepare detailed projects according to their priority.

22.17 It is the Grama Panchayat which gets the larger share in consideration of its closeness to the people. The rural and urban shares are as per the population and within the rural share the Grama Panchayat gets 70% the remaining portion being equally shared by the Block and District Panchayats.

22.18 The details of resources transferred during the last 10 years to different tiers of local governments are given in Appendices 22.1 to 22.5.

22.19 The World Bank conducted a study on Fiscal Decentralisation to Rural Governments in India with special reference to Karnataka and Kerala. Some of the key findings of the study relating to Kerala are given below:

- (1) Kerala has devolved more discretion to local governments and through the decentralised planning process there is a built in mechanism for bottom up planning for the use of the funds. For example in 1995 only 32% of the expenditure for functions assigned to Grama Panchayats took place at the discretion of the Panchayats. Over a five year period even though this allocation has increased considerably the Grama Panchayats now have control over 68% of the expenditures.
- (2) Expenditure assignments are much clearer, functions have been divided according to various tiers and each function has been broken up into activities in most cases to avoid overlapping. This clarity of assignments has made the State Government more accountable in its implementation of decentralisation.
- (3) Though the administrative autonomy is not full there is some amount of freedom in the exercise of limited control over employees who have been transferred to the Panchayats.
- (4) The level of Grama Panchayat spending is significantly higher in Kerala. In 1999 the average Grama Panchayat spent Rs.328 per capita equivalent about 1.4% of SDP and 8% of State Government spending.
- (5) Local revenues as percentage of total revenues are small by international standards. However it is significant that in Kerala own revenues have increased even with large transfers. In 1999 own revenues accounted for about 18% of total revenues in

Grama Panchayats. The level of per capita own resource revenues increased from Rs.24 in 1994 to Rs.57 in 1999 (Rs.33 in real terms).

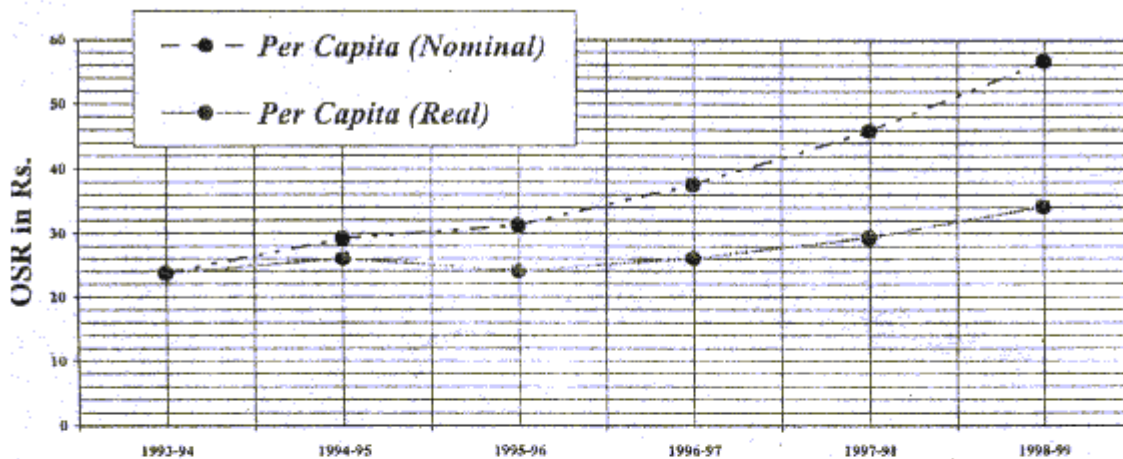
- (6) Within own source revenues non-tax revenues have been more buoyant than tax revenues where per capita amounts have increased from Rs.7 in 1994 to Rs.29 in 1999. (this is significant in a State which has one of the lowest growth rate for non-tax revenue at the State level)(See Figures 22.1&22.2).
- (7) There is evidence that panchayats are unwilling to push for higher taxes especially Property Tax. It is estimated that only about 40% of the revenue potential has been exploited.
- (8) There are wide variations in per capita own revenues, per capita taxes range from Rs.4 to Rs. 327 and per capita non-tax revenue from

Rs.9 to Rs.586. Using a multiple regression analysis the Kerala study explains about 28% of the variations – per capita own source revenues are significantly higher in Grama Panchayats, where the level of economic activity is stronger, where population is larger, and where there is smaller land area. The percentage of Scheduled Castes/Scheduled Tribes population is not a significant determinant. However after all else is accounted for, Grama Panchayats in some districts raise significantly more revenue than those in other districts. This suggests the possibility of revenue effort being related to local cultural or leadership factors.

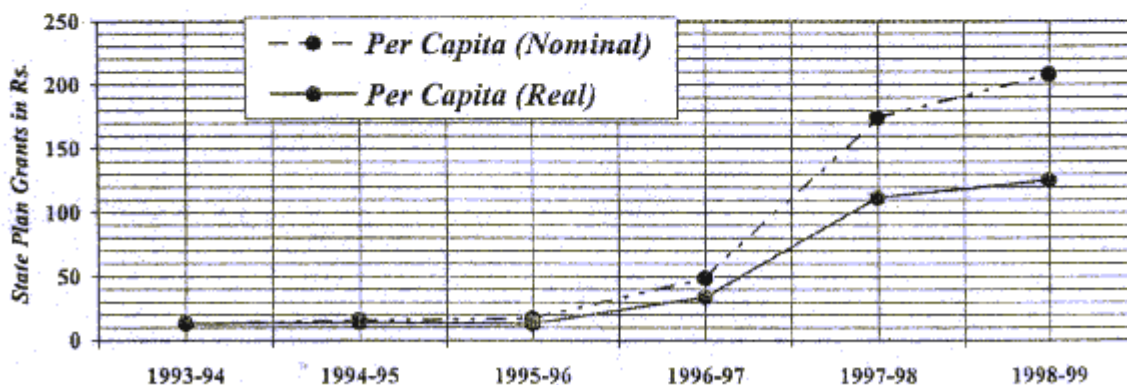
- (9) A transfer system is horizontally equalised.

Fig.22.1 & 22.2

Own Source Revenues of GPs



State Plan Grants to GPs



Source: Data collected for the study, 2003. (Details in Volume IV)

- (10) Fiscal pressures in Panchayats are growing due to the increase of expenditure responsibilities.
- (11) The local government accounting system has been overwhelmed by requirements of decentralisation. Budgeting seems to have been reduced to a compliance formality with little use for fiscal planning. There is lack of reliable information about the assets required to be maintained by the Panchayats.
- (12) Kerala does not have an adequate information system on local finances.
- (13) Kerala is the only State in the country where full recognition has been given to the principle that the primary accountability of the local government institutions is downwards to the local community. However innovative tools and methods introduced during the People's Plan Campaign have not yet been perfected.
- 22.20 The study also makes certain recommendations which are summarised below:
- (i) There are practical principles from international experience for fiscal decentralization. They are generally relevant. (See Box 22.2).
 - (ii) Clarify expenditure assignments after rethinking the roles of the three tiers of rural local governments.
 - (iii) Strengthen local government autonomy especially over staff including the power to hire, fire and determine the compensation level.
 - (iv) Increase own revenues of Grama Panchayats.
 - (v) Specifically improve the structure of the Property Tax. (See Box 22.3 on local property taxation)
 - (vi) Relate transfers to State Revenues and not to outlays. (See Box 22.4)
 - (vii) Institute an incentive for revenue mobilisation (see Box 22.5).
 - (viii) Improve account keeping by overhauling the accounting and budgeting system.
 - (ix) Create an information system on local finances.

Box -22. 2

PRACTICAL PRINCIPLES FROM INTERNATIONAL EXPERIENCE FOR FISCAL DECENTRALIZATION

- (1) All of the key components of a decentralized fiscal system need to be addressed: significant expenditure responsibility and discretion, independent revenue raising powers, elected local council, and local officers and employees who are accountable to the elected local council.
- (2) Finance follows function – first should come the assignment of expenditure responsibility to local governments and then the assignment of revenue responsibility should be determined.
- (3) There must be a strong state ability to monitor and evaluate the intergovernmental fiscal system.
- (4) One intergovernmental system does not fit the urban and the rural sector – these governments have very different capabilities to deliver and finance services, and certainly different capabilities to borrow. These differences need to be recognized, i.e. where different local governments are given different financing powers and expenditure responsibilities.
- (5) The assignment of revenue powers to local governments should link revenue and expenditure decisions at the margin.
- (6) Higher level governments must follow the rules of the intergovernmental fiscal system that they themselves create. But the higher level government does not always keep the rules that it makes. For example the imposition of unfunded expenditure mandates on local government, the under funding of transfers programs etc.
- (7) The intergovernmental fiscal system should be kept simple.
- (8) Intergovernmental transfers should be designed to match a set of clearly specified objectives.
- (9) The intergovernmental fiscal system should be built on policies that consider impacts on all levels of government – central, state and local.
- (10) A hard budget constraint should be imposed on local governments.
- (11) The intergovernmental fiscal system should be flexible to accommodate changes.

Box -22. 3**LOCAL PROPERTY TAXATION**

Most local governments in developing and developed countries are given the right to tax property, and most use this power. International “expert” opinion generally holds that this is a “good” tax for local governments. We may also note that most local governments in developing countries are fiscally strapped. They are usually assigned few tax bases, and they often are unable to effectively administer those taxes that they are given. This seems especially true for the property tax. So casual observation would suggest that the “good” local tax is not getting the job done.

There are significant advantages to the property tax. The property tax can be revenue productive, and is often the mainstay of local government fiscal systems. The property tax accounts for about 0.4 percent of GDP in developing countries, a share well below that in industrialized countries. While this may seem a small amount, it should be pointed out that it is large enough to finance about 11 per cent of sub national government spending.

Some have argued that there is fairness in the property tax in that property values, and therefore property taxes, rise with the provision of better local services to the property. There would seem to be fairness in asking the benefiting property owners to pay for these services. The property tax is most probably not regressive, and may vary from proportional to progressive. In an ability-to-pay sense, it could be viewed as equitable. A significant portion of the residential property tax, and some of the non-residential tax, is borne by landowners who usually sit atop the income distribution. Many of the poor are screened out of the tax, by explicit exemption of properties of value below a certain amount. Moreover, the property tax captures in its base those who hold wealth but may be missed by the income tax.

Perhaps the biggest disadvantage of the property tax is its unpopularity with local residents and voters. Why is the property tax so unpopular, and why does it draw out such protest? First, it is a very visible tax. Unlike the VAT, for example, where no one really knows how much they pay, the property tax is paid annually or in periodic submissions, and the taxpayer is quite clear about his/her liability. Second assessment is judgmental, unlike sales or income taxes. Taxpayers are uncomfortable with this. Third, the property tax is a levy on accrued income, not on realized income, which seems unfair to many taxpayers. Another major disadvantage is that administration costs are high if the tax is to be well administered. Valuation, done properly, is an expensive proposition, as is effective enforcement.

The major problems with the property tax becoming a significant revenue for local governments in developing countries are problems related to valuation and enforcement. With respect to the former, most countries just do not have the procedures or staff in place to carry out the job. With respect to the latter, there is some question about the willingness of local officials to enforce such an unpopular tax, especially when the burden often falls most heavily on local elites.

This set of advantages and disadvantages has led countries around the world to use the property tax as a revenue source, to widely varying degrees. Generally, industrialized countries make greater use of the property tax than do developing economies. As noted in the below, the report intensity of use of the property tax in India is quite low.

Sub National Property Tax as a Share of GDP in Selected Large Countries.

Country	Property Tax/GDP	Country	Property Tax/GDP
Canada	4.07	Indonesia	0.32
United States	2.87	Mexico	0.31
Australia	2.49	China	0.17
Russian Federation	1.24	India	0.10
Argentina	0.92		

Box -22. 4**SYSTEMS FOR VERTICAL SHARING OF INTERGOVERNMENTAL TRANSFERS**

A crucial feature of the design of intergovernmental transfers is the determination of the vertical shares, i.e., the entitlement of the rural local government sector. It is important that this be transparent, so as to encourage efficient fiscal planning by local governments and to make possible the imposition of hard budget constraint on them. In theory, in an equalizing grant system, the vertical share is the amount necessary to fund that part of minimum expenditure needs that local fiscal capacity cannot fund. In practice, such a calculation is rarely made.

Generally, countries use three methods to establish the vertical share entitlement. The first is an ad hoc arrangement. Each year, or for a period of years, the higher level government decides on the amount of the entitlement. This gives the higher level government maximum discretion in adjusting the vertical share to fit the exigencies of the current budget situation. A variant of this is to appoint a commission that makes or recommends a decision on allocation for period of years, such as is done in India and Australia.

The second approach is to fix the vertical share as a percent of revenues of the higher level government. This is perhaps the most transparent of the approaches, and (if the higher level government follows through on its commitment under this approach) gives the local governments a guarantee as to resources to be received. Indonesia allocated 25 percent of internal taxes to the revenue sharing pool for local level governments, and the Philippines allocates more than one-third of total internal central revenue collections, lagged by two years. China, Russia, Mexico, Argentina and Brazil are countries that dedicate percents of their income tax and VAT revenues to the revenue sharing pool. Many countries mandate that a percent of the funds distributed to provinces/states be passed through to municipalities (Nigeria, Mexico and Brazil, for example).

The third approach is more in the vein of cost reimbursement. The higher level government determines those functions of local governments that it will support financially, and provides conditional grants that are determined in amount by the higher level government. Grants by states to local government in much of India (“schemes”) are of this type. The most common functions that are singled out for conditional grants are basic infrastructure projects, teacher’s salaries, and welfare-health related outlays. Virtually every country in the world has some form of conditional grants in its system of intergovernmental transfers.

Which is the better way of vertical sharing? It depends on the objectives that the government most wants to achieve with its system of intergovernmental transfers. A guaranteed share of revenues will probably give the local governments the most predictable revenue stream, and the most insulation from the political impacts on budget-making by the higher-level government while this would seem the approach most consistent with fiscal decentralization, it has the drawback of limiting the fiscal flexibility of the higher level government.

Box -22. 5**PROBLEMS IN REDESIGNING THE TRANSFER SYSTEM:
THE KERALA EXAMPLE**

The design of a transfer system is difficult, especially if the subjects are rural local governments. First, the quality of the data to be used in the distribution formula may be suspect, or the information may be dated. For Kerala, several indicators of service needs and fiscal capacity are available, but for many of these indicators, the data are missing for a significant number of GPs. These indicators would have to be eliminated as possible candidates for inclusion in the formula, or, the data set will need to be improved. The situation is no better in the case of measuring taxable capacity. There are no data on personal income or economic output at the GP level. Some data on housing might be gathered regularly (e.g. number of housing units of various types) and could be suitable for measuring property tax capacity, but gathering such data could be a costly proposition.

Measuring property is problematic. Official poverty rate indicators are not available at the GP level. Ideally, the state will allocate its resources more heavily to those GPs where the concentration of poor families is greatest. The measure used in this study, the percent of population in scheduled castes and tribes is imperfect at best. Yet it is poverty as much as any indicator that the state would like to factor into its distribution formulae. A second problem (constraint) is that an equalization formulae may allocate significantly more funds to smaller, poorer Gram panchayats. Will these local governments have the capacity to effectively use the additional funds?

A third constraint to grant reform is that any new formula will result in both “winners” and “losers.” That is, some GPs will receive more than under the previous system, and some will receive less. Those who lose will object, probably strenuously, and will point out that at a minimum, there is need for an adjustment period. The result is that any new formula will need to be phased in over a period of time in order to protect the losers from a “shock effect.” There are many ways to design a hold-harmless system, but an essential ingredient must be that the phase-in period has a clearly defined end point. In order to identify the extent of this constraint, we need to know how much the present system of distribution would be “shocked” by the introduction of a new system. The greater the shock, the more complicated the design of the hold harmless system.

A fourth constraint is that related to building an intergovernmental transfer system. The system feature implies that all the components (grants, statutory grants, etc.) fit together to achieve the same objectives. The easiest way to do this is to merge all transfers into one unified grant system. However, some will argue for more than one component and more than one objective, and this will raise the possibility of offsetting effects (e.g., component A will be equalizing while component B will be counter equalizing, etc.).

What this discussion points to is the need for the State to begin with some realistic decisions about the objectives it wants to achieve with its intergovernmental transfer system. In fact, there is no one best system, and everything depends on the goals that are laid down.

The study examined some options for the design of an optimal transfer system for Kerala (Details in Volume IV.) Below is a recommended transfer formula. From the simulations carried out there is much to recommend a per capita consolidated grant. It is simple and transparent and a straight population allocation recognizes needs and can be calculated with a minimum of arbitrariness. The data are more available than for other allocation schemes. The “shock” of transition to the consolidated per capita grant from the present system would not be so great. There would be about as many GPs that gain as would lose, and the average increase for a “winner” would be 14 percent while the average reduction for a “loser” would be 13 per cent. A kind of ‘hold harmless’ system to protect such outliers could be easily devised. There are also disadvantages to the per capita consolidated grant. The one shortcoming that most will call out is the failure of such a system to recognize the special needs of places that are poor, or that must serve large land areas. Moreover, there is no provision for rewarding those GPs that make a greater tax effort

Second State Finance Commission

22.21 The Government have approved most of the recommendations of Second State Finance Commission. The key recommendations are summarized below:

1. Five and a half percent of the annual own tax revenue of the State Government may be devolved to the Local Self Government Institutions (Local Self Government Institutions) as Grant-in-aid for maintenance of assets under the control of the Local Self Government Institutions including the transferred assets. This percentage may be determined on the figures certified by the Accountant General, which normally relates to the financial year two years before the budget year. All expenses related to running of institutions except wages, supply of medicines to health institutions, educational concessions/scholarships to students, supply of books and equipments, conducting noon-feeding in schools shall be borne by the Local Self Government Institutions. This should include payment of rent, repair of equipment including vehicles and meeting of telephone charges and vehicle operating expenses.
2. Three and a half of the own tax revenue of the State Government based on the figures certified by the Accountant General could be devolved to Local Self Government Institutions as General Purpose Grant in-lieu of assigned taxes, shared taxes and various statutory and non-statutory grant-in-aid, both specific purpose and general purpose. This grant-in-aid would subsume under it Basic Tax Grant, Surcharge on Stamp Duty, Vehicle Tax Compensation. Rural Pool Grants, the specific purpose and general purpose grants to and all other non-plan grants-in-aid devolved to Local Self Government Institutions from the Local Self Government Department.
3. The Eleventh Finance Commission Grants to Local Self Government Institutions should be passed down as such, over and above the grants suggested above.
4. For the above three streams of grants-in-aid the devolution formula and the distribution formula are

as suggested below:

(a) **Plan Grant-in-aid:** The existing devolution formula as well as the distribution formula may continue. However up to ten percent of the non-SCP/TSP funds may be distributed as an incentive for increased own revenue mobilization by the Village Panchayats and the . The actual percentage to be distributed as incentive grant-in-aid should be the same as the percentage of Village Panchayats and showing an increase in own revenue. And this amount could be shared as per the formula given below:

$$\theta_i = r_i P_i / \sum r_i P_i$$

θ_i – Share of Local Government
 r_i - Percentage increase in its revenue
 P_i – Population of the Local Self Government Institutions

22.22 The date of effect of the incentive system may be indicated to Local Self Government Institutions well in advance.

(b) **Maintenance Grant:-** The maintenance grants should be based on the current cost of replacement and the initial norms (which has to be updated periodically) may be as given in Table 22.8.

Table 22.8

(i)	Maintenance of buildings constructed before 1.4.1967	3% of capital cost
(ii)	Maintenance of buildings constructed after 1.4.1967	2% of capital cost
(iii)	Current construction cost	Rs. 400 per sq.ft.
(iv)	Frequency of resurfacing of black top/WBM roads	Once in five years
(v)	Annual repair expenditure of black-top roads	Rs. 25,000 per KM
(vi)	Annual repair expenditure of WBM roads	Rs. 23,000 per KM
(vii)	Annual repair expenditure of unsurfaced roads	Rs. 2,000 per KM
(viii)	Cost of re-surfacing black-top roads (3.8 Meter width)	Rs. 1.65 lakh per KM
(ix)	Cost of re-surfacing WBM roads (3.8 Meter width)	Rs. 1.84 lakh per KM

22.23 The distribution of the maintenance grant could be as follows:

- (i) On the basis of a price index work out at Rs. 140 crore at 2000-01 prices would amount to for the year for which the provision is being made. The deflator for the construction sector can be utilised for this purpose.
- (ii) One-seventh of this amount may be kept aside for the District and Block Panchayats and divided between them in the ratio 19:1. The share of the Block Panchayat should be divided equally among them. As regards District Panchayats, half of the share should be divided according to the ratio of dis-

tribution of the transferred village roads and other district roads and the other half based on norms for repair of non-road assets in their control (other than those created after 1995).

- (iii) Seven-eighth of the share of the Village Panchayats and Municipalities is to be distributed among the Village Panchayats, Municipalities and Corporations in the same ratio as Vehicle Tax Compensation is currently divided; one-eighth of the share of the Grama Panchayat and Municipalities should be distributed according to the maintenance needs of non-road assets, own and transferred (other than those created after 1995) – as determined by norms.
- (iv) The division formula mentioned above needs to be corrected by a series of iterations.
- (v) The remaining portion of the maintenance grants i.e.; the excess over Rs. 140 crore at 2000-01 prices may be distributed exactly in the same manner as Plan Grant-in-aid.

(a) **General Purpose Grant:-** The government may determine as a one-time exercise, the share of District Panchayat and Block Panchayats in the General Purpose Grant based on normative assessment of their establishment cost and office expense requirements. The remaining amount may be distributed as follows:-

Village Panchayats	-	78.5 percentage
Municipalities	-	8.5 percentage
Corporations	-	13.0 percentage

- (i) The *inter se* distribution among the Municipalities and Corporations should be entirely on the basis of population. As regards Village Panchayats, a corpus of Rs. 10 crore may be set apart and be used as per a gap filling formula – to fill the gap between obligatory expenditure (reckoned as establishment expenses, street-light and water supply charges) and the revenue usable for these purpose (calculated as the sum of own collected revenue and the share of the Village Panchayat from the General Purpose Grant). The entire gap could be filled in the case of second and third grade Village Panchayats, 50% of the gap in the case of first grade Village Panchayats and 25% of the gap in the case of Special Grade Panchayats. The remaining portion may be distributed according to the population criterion.
- (ii) In order to avoid hardships during transition period, it is recommended that no Village Panchayat or Urban Local Body should experience a real shortfall in its receipt on account of these transfers compared to the previous year.

(b) **Eleventh Finance Commission Grant:-** Eleventh Finance Commission Grant may be devolved on the basis of the population criterion in one instalment.

5. Own Resource Mobilisation by Local Self Government Institutions

- (1) For Property Tax the recommendations of the First SFC may be operationalised and the following scheme is suggested for classifying buildings and fixing the tax.
 - (i) Location Zone - Four Zones
 - (ii) Type of building -
 - (a) Ordinary building
 - (b) Medium type building
 - (c) Luxury building
 - (iii) Type of use-
 - (a) Commercial use
 - (b) Non-commercial use
 - (iv) The relative weights for the zone could be - 1 : 1.5 : 2 : 2.5
 - (v) The relative weights for the type of building could be - 1 : 1.5 : 2
 - (vi) The relative weights between non-commercial and commercial use could be - 1 : 3
 - (vii) Deduction for age and owner occupation may be as provided for in the Kerala Municipalities Act
- (2) On no account should there be a cap on increase or a limit to decrease when the new system is introduced.
- (3) A dual system of numbering is suggested so that incomplete buildings can get a provisional number and their completion tracked properly.
- (4) Presumptive Profession Tax may be introduced to bring certain self employed occupational groups into the tax net.
- (5) Entertainment Tax may be introduced for Cable and Internet.
- (6) In the case of Advertisement Tax the Government may fix the minimum rates for taxation for different kinds of advertisement for different types of locations by issuing Advertisement Tax Rules, which could set out the guidelines for Local Self Government Institutions to assess the tax.
- (7) There should be a system of authenticating advertisements to avoid unauthorized advertisements. Penal provisions for unauthorized advertisement should be at least five times the normal tax.
- (8) Conversion Tax may be realized at the rate of five per cent of the capital value in the case of conversion of paddy lands. Half this rate may be made applicable for other kinds of conversions. In the case of conversions without prior permission a severe penalty of ten times the Conversion Tax should

be realised in the case of conversion of paddy land and an amount equivalent to the Conversion Tax could be realized in other cases.

- (9) The Service Tax should be made compulsory and be linked to the cost of performing obligatory functions and calculated as a percentage of Property Tax.
- (10) The ceiling of Surcharges may be removed.
- (11) In the case of Non-Tax Revenue the Government should fix the minimum fees for various kinds of licences in the case of Municipalities and Corporations through notification. In the case of Village Panchayats only the minimum amount may be fixed in the rules.
- (12) In the case of licences and permits, which are renewed periodically, 25% of the licence, fees may be collected as fine for delay beyond a grace period of ten days, this penalty may be increased by 25% for every additional fortnight of delay.
- (13) There must be compulsory display by Local Self Government Institutions at the point of realization of revenue like markets, sand mining area etc., and in the case of auctions a district level public notice should be given in December about to all the forthcoming auctions.
- (14) For trade licences the present practice in Village Panchayats of calculation based on turnover may be done away with and for both Village Panchayats and , Government could notify the minimum rates for each trade with separate rates in each category for small, medium and large establishments.
- (15) A separate numbering system should be adopted for trade establishments.
- (16) The following fees may be enhanced:
 - (i) Building fee for Theaters
 - (ii) Licence fee under the Kerala Places of Public Resort Act.
 - (iii) Licence fee for Private Markets
 - (iv) Licence fee for Private Slaughter Houses
 - (v) Licence fee for Brokers, Commission Agents, Weigh men and Measures.
 - (vi) Licence fee for Butchers, Fishmongers, Poulterers.
 - (vii) Licence fee for premises where animals are kept for commercial purposes.
 - (viii) Market fee
 - (ix) Gate fee for public halting and parking places.
 - (x) Gate fee for slaughter houses
 - (xi) User charges for burial grounds, burning ghats and electric crematoria.
- (17) The meat stalls and right to fish in water bodies may be auctioned every year by the concerned

Local Self Government Institutions after giving due publicity.

- (18) Village Panchayats may auction the right to set up temporary shops in public land just as are doing so under Section 376 of the Kerala Municipalities Act.

6. Follow up the First SFC Recommendations

- (1) Rules for levy of Advertisement Tax in Village Panchayats and Urban Local Bodies may be issued immediately.
- (2) Steps to finalize minimum land value for use in registering sales may be completed at the earliest.
- (3) Tax mapping may be done immediately and unique premises numbering system introduced.
- (4) A single financing agency for Local Self Government Institutions may be set up by merging Kerala Urban Development Finance Corporation and the Rural Development Board.
- (5) 50% of building exemption fees and regularization fees may be given to the concerned Village Panchayats and Urban Local Bodies.
- (6) The question of Village Panchayats and Urban Local Bodies levying daily fee for use of poramboke may be examined and decided by Government without further delay.
- (7) Rationalisation of revenue village and Village Panchayats/ Urban Local Body boundaries may be done in such a way that no revenue village would lie within more than one Village Panchayat or Urban Local Body.
- (8) Shortfall in devolution of assigned and shared taxes viz-a-viz the accepted level may be made good by Government.

7. Procedural Safeguards

- (1) Necessary amendments to the Kerala Panchayat Raj Act and the Kerala Municipality Act may be made to specify the minimum shares of Local Self Government Institutions, of the Plan Grant, Maintenance Grant and General Purpose Grant.
- (2) Local Self Government Institutions should get automatic allocations at the beginning of every month.
- (3) A survey of assets transferred to Local Self Government Institutions as well as assets owned by them may be carried out to calculate the standard spending assessment for maintenance purpose and the result of the study should be utilized for devolution of maintenance funds.
- (4) A separate Budget document indicating Local Self Government Institution-wise distribution of the three streams of grants-in-aid, grants-in-aid for pensions and for noon-feeding may be prepared. For other grants-in-aid, district-wise figures may

- be indicated along with formula for devolving them to individual Local Self Government Institutions.
- (5) A legislative provision may be introduced for indexing non-tax revenue items and taxes like Property Tax, Advertisement Tax and Service Tax. Two-yearly revisions are recommended for non-tax licence items and Advertisement Tax based on Consumer Price Index for non-manual workers for Thiruvananthapuram in the case of and Consumer Price Index for agricultural labourers for the state in the case of Village Panchayats; four-yearly revision may be done for Profession Tax and Service Tax.
 - (6) All proposals for staff creation should be cleared by the Ombudsman.
 - (7) A Local Government Staff Commission may be set up to suggest redistribution of staff among Local Self Government Institutions as well as from Government to Local Self Government Institutions.
 - (8) All Local Self Government Institutions should prepare annual maintenance plans.
 - (9) Unpermitted diversion of funds should be penalized by charging penalty of two percent per month from the persons responsible.
 - (10) Village Panchayats, Municipalities and Corporations should have a single account for crediting all their own collected revenues.
 - (11) In the case of Plan Grant-in-aid and Maintenance Grant-in-aid, bill system of drawing from treasuries should be introduced in the place of PD Accounts.

- (12) An Empowered Committee under the Chief Secretary may be set up to follow-up the accepted recommendations and implement them fully.
8. A Cell under the joint control of Finance and Local Self Government Departments may be created for concurrent monitoring of all financial matters of Local Self Government Institutions.

Financial Performance of Local Governments in Ninth Five Year Plan

22.24 The pre-final figures of expenditure by local governments during the Ninth Five Year Plan are now available. Though the allocation for the local governments during the Ninth Five Year Plan was Rs. 4614 crore only Rs. 4130.25 crore could be released. The total expenditure during the five years is reported to be Rs. 3455 crore constituting 83.65% of the release. The expenditure under different sectors are shown in Table 22.9 below:

22.25 The overall expenditure is creditable taking into account the fact that the expenditure responsibility was very high and the capacity of the local government was rather limited. But it has to be noted that the expenditure under SCP is significantly lower than the expenditure under general sector. Since social justice is constitutionally mandated as the objective of local level planning, this causes some concern.

22.26 The expenditure under Centrally Sponsored Schemes and State Sponsored Schemes are as given in Table 22.10

22.27 The consolidated data of expenditure of the gross plan i.e., plan including all source of financing in the Ninth Five Year Plan is given in Table 22.11.

Table 22.9
Details of Plan Grant Release and Expenditure in the Ninth Five Year Plan (1997-02) (Rs. in crore)

Sector	Release	Expenditure
1	2	3
General Sector	3101.75	2637.54
Special Component Plan	888.25	688.05
Tribal Sub Plan	140.25	129.33
Total	4130.25	3454.92

Table 22.10
Receipts and Expenditure under State and Centrally Sponsored Schemes in the Ninth Five Year Plan

Local Governments	State Sponsored Schemes			Centrally Sponsored Schemes		
	Receipts	Expdr.	% of Expdr.	Receipts	Expdr.	% of Expdr.
1	2	3	4	5	6	7
Grama Panchayat	489.37	327.64	67	235.87	156.36	66.29
Block Panchayat	131.73	86.90	66	528.50	420.82	79.63
District Panchayat	230.98	193.22	83.7	46.31	32.27	69.70
Municipality	63.63	35.36	55.6	44.20	34.42	77.90
Corporation	26.82	15.69	58.5	21.70	16.31	75.20
Total	942.53	658.81	69.9	876.58	660.18	75.3

Table 22.11
Consolidated Statement of Expenditure in Ninth Five Year Plan (1997-02)

(Rs. Crore)

<i>Sl. No</i>	<i>Items</i>	<i>Grama Panchayats</i>	<i>Block Panchayats</i>	<i>District Panchayats</i>	<i>Municipalities</i>	<i>Corporations</i>	<i>Total</i>
1	2	3	4	5	6	7	8
1	Grant-in-aid	1939.66	498.29	505.65	303.09	208.23	3454.92
2	Own Fund	457.21	1.47	0.10	59.78	79.27	597.83
3	State Sponsored	327.64	86.90	193.22	35.36	15.69	658.81
4	Centrally Sponsored	156.36	420.82	32.27	34.42	16.31	660.18
5	Co-operative Finance	5.89	16.93	90.91	2.20	0.00	115.93
6	Institutional Finance	29.60	145.35	1.21	7.81	14.74	198.71
7	Voluntary Contribution	67.70	5.43	3.42	6.22	1.33	84.10
8	Beneficiary Contribution	283.11	11.12	4.95	15.62	18.11	332.91
9	Others	73.57	9.59	31.65	3.74	5.41	123.96
	Total	3340.74	1195.90	863.38	468.24	359.09	6227.35

22.28 It is interesting to note that own funds to the tune of 17.3% of the grant-in-aid and beneficiary contribution and voluntary contribution to the extent of 12.1% has been raised by the local governments. This appears quite good. It is also interesting to note that the Grama Panchayats have mobilized the maximum beneficiary and voluntary contribution, that is, 84.1% of the total mobilization through these sources.

22.29 Details of receipts and expenditure of plan grant, State Sponsored and Centrally Sponsored Schemes, gross plan expenditure, percentage of gross plan expenditure etc. are given in Appendices 22.6 to 22.11.

Performance in the Annual Plan 2002-03

22.30 The sector wise distribution of plan grant in the Annual Plan 2002-03 is given in Table 22.12

Table 22.12
Sector-wise Allocation of Plan Grant in the Annual Plan 2002-03

(Rs. Crore)

<i>Local Government</i>	<i>No. of Projects</i>	<i>Sector-wise Allocation of Plan Grant</i>			
		<i>Productive Sector</i>	<i>Service Sector</i>	<i>Infrastructure Sector</i>	<i>Total</i>
1	2	3	4	5	6
1. Grama Panchayat	142109	270.67	444.24	239.64	954.55
2. Block Panchayat	19728	55.99	109.21	51.00	216.20
3. District Panchayat	4684	64.37	89.10	55.06	208.53
4. Municipalities	10306	19.62	64.76	55.07	139.45
5. Corporations	4037	15.67	50.50	38.26	104.43
Total	180864	426.32	757.81	439.03	1623.16
<i>% of Allocation</i>		26.26	46.69	27.05	100.00

22.31 The data show that 26.26% of the total allocation is in the productive sector and 46.7% is in the service sector. The sub sector-wise allocation (Table 22.13) shows that the following are the main priorities:

Table 22.13
Percentage of Sub Sector-wise Allocation (2002-03)

<i>Sl.No</i>	<i>Items</i>	<i>Percentage</i>
1	2	3
1	Paddy and other Crops	8.56
2	Animal Husbandry	3.15
3	Minor Irrigation and Soil Conservation	7.76
4	Small Scale Industries & Traditional Industries	4.60
5	Drinking Water	6.60
6	Health	2.65
7	Education	4.02
8	Sanitation	2.34
9	Housing	15.79
10	Nutrition	3.81
11	Roads	21.02
12	Public Buildings	3.48

22.32 The gross plan outlay of the Annual Plan 2002-03 is estimated as Rs. 2967.31 lakh from all sources. Approximately 9 percent of gross plan outlay is beneficiary contribution. The share of own fund works out to 7.53%. Details are given in Table 22. 14.

Table 22. 14
Resource Estimates in the Annual Plan (2002-03)
(Rs. Crore)

<i>Sl.No</i>	<i>Source</i>	<i>Estimates</i>	<i>Percentage to Total</i>
1	2	3	4
1	Grant-in-aid	1623.17	54.70
2	Own Fund	223.34	7.53
3	State Sponsored	112.22	3.78
4	Centrally Sponsored	354.44	11.94
5	Loan from Co-operative Institutions	25.07	0.84
6	Loan from Financial Institutions	111.09	3.74
7	Voluntary Contribution	30.95	1.04
8	Beneficiary Contribution	70.07	2.36
9	Beneficiary Contribution (Directly Spent)	195.81	6.60
10	Others	221.15	7.45
	Total	2967.31	100.00

22.33 The details of sector-wise distribution of projects, plan grant and gross plan outlay for major sub sectors are given in Table 22. 15.

22.34 Further details on distribution of plan grant and total plan outlay, gross plan outlay by sources, category-wise distribution of funds, sub sector-wise distribution etc. are given in Appendices 22.12 to 22.15.

22.35 The total plan grant available for the local governments during 2002-03 is estimated as Rs.1285.95 crore including the carry over amount Rs. 399.94 crore and release of Rs. 886.00 crore. The expenditure was Rs. 567.99 crore which constitutes 64% of the amount released. The category-wise details of receipts and expenditure of plan grant are given in Table 22.16.

22.36 The details of receipts and expenditure are given in Appendices 22.16 and 22.17 respectively.

22.37 The key indicators of physical achievement during 2002-03 are given in Table 22.17.

22.38 More details of physical achievement are given in Appendix 22.18

Key Initiatives during 2003-04

22.39 The key initiatives of the current year (2003-04) are summarised below:

1. Reforms in Fund Flow

The fund flow system has been restructured to make it monthly and automatic instead of quarterly and request based as was the practice till recently. However, funds remaining unspent as at the end of the financial year would automatically lapse (Earlier local Governments were allowed to carryover upto 25% of their closing balance.)

2. Restructuring of Non-Plan Devolution

The non-plan devolution is now as shares of certain not so buoyant or relatively small taxes like Basic Tax, Stamp Duty and Motor Vehicle Tax. Also department specific non-plan grants have been devolved for running of institutions and maintenance of assets. Now these have been rationalized and restructured as shares of

Table 22. 15
Major Sub Sector-wise Distribution of Projects and
Percentage of Plan Grant and Gross Plan Outlay in the
Annual Plan 2002-03

<i>Sector</i>	<i>No. of Projects</i>	<i>Percentage</i>	
		<i>Plan Grant</i>	<i>Gross Plan</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1. Agriculture And Allied Sector	20786	12.7	15.39
2. Irrigation and Flood Control	13772	8.04	6.52
3. Industries	5774	5.29	5.2
4. Micro Sectors	460	0.23	0.18
Productive Sector - Total	40792	26.26	27.29
5. Environmental Protection	105	0.06	0.12
6. Education, Art, Culture and Sports	12509	5.21	4.82
7. Health	25055	11.15	12.09
8. Social Welfare	15510	19.98	18.01
9. Mother and Baby Care	12338	8.46	7.65
10. General Economic Services	3064	1.21	0.97
11. Micro Sectors	1129	0.62	0.46
Service Sector - Total	69710	46.69	44.12
12. Energy	5115	2.12	1.58
13. Transport	60321	21.45	22.62
14. Public Buildings	4926	3.48	4.39
Infrastructure Sector - Total	70362	27.05	28.59
Grand Total	180864	100.00	100.00

Table 22.16
Annual Plan 2002-03
Release and Expenditure of Plan Grant (Provisional)
(Rs. Crore)

<i>Category</i>	<i>Amount Released</i>	<i>Expenditure</i>	<i>Percentage of Expenditure to Release</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1. General Sector			
(i) Normal	651.98	446.16	68.43
(ii) EFC	55.95	18.25	32.60
2. SCP	178.07	100.83	56.63
3. TSP	--	2.75*	--
Total	886.00	567.99	64.10

* Expenditure from carry over fund

Table 22.17
Annual Plan 2002-03
Physical Achievements (Provisional)

<i>Sl.No</i>	<i>Items</i>	<i>Unit</i>	<i>Achievement</i>
1	2	3	4
1	Area brought under cultivation	Acre	40839.434
2	Beneficiaries of vegetable cultivation	No	132921
3	Distribution of tractors under agricultural development projects	„	36
4	Distribution of tillers under agricultural development projects	„	957
5	Poultry - egg rearing units	„	6566
6	Poultry – broiler units	„	414
7	Construction of cattle sheds	No	10392
8	Watershed development projects	No	1361
9	Land brought under cultivation through watershed development Projects	Ha.	6969.73
10	Micro enterprises started	No.	3331
12	Self employed persons	No.	24611
13	Self employment units started by poor people	„	3208
14	Self employment units for destitutes	„	440
15	Employment training programme for destitutes	„	499
16	Destitutes trained (Persons)	„	2220
17	Distribution of land to landless (Beneficiaries)	„	3224
18	Area of land distributed to landless	Ha.	3958.63
19	Houses constructed	No.	35012
20	Construction of sanitation units	„	76439
21	Drinking water projects	„	9798
22	Beneficiaries of drinking water projects	„	181826
23	Drinking water projects implemented with beneficiary contribution	„	4816
24	New wells	„	9894
25	Renovation of drinking water projects	„	402
26	Solid waste disposal projects	„	147
27	Solid waste disposed (Quantity)	Ton	1221.25
28	Distribution of equipment to physically and mentally challenged persons	"	1085

the total taxes of the State Government. It has been decided that from 2004-05, 3.5 percent of the States Own Tax revenue would be devolved as General Purpose Grants and 5.5 percent as Maintenance Grants. These are over and above the plan grants which would continue to be given as per the existing pattern.

3. *One-time Updation of Accounts*

Government have approved a massive initiative to update the accounts of all local governments to be done using in-house and outside expertise at a cost of Rs.39 crore. This would take care of the major shortcoming of Kerala's decentralization experience.

4. *Property Tax Reform*

Though Kerala Panchayat Raj Act and Kerala Municipality Act were amended in 1999 to provide for plinth area based Property taxation due to various reasons rules and operational instructions were not finalised. This has been now done and is expected to be brought into force shortly.

5. *Empowerment of Tribals within the Local Government System*

The Tribal Sub Plan which was taken away from the local governments in 2001-02 has been restored during 2003-04. In order to empower the tribals the hamlets have been taken as the unit and the general body of the hamlet called 'Oorukoottam' has been significantly empowered to prioritise these development needs as well as to implement their development programmes. A fairly detailed process of participatory planning, taking care of all the special requirements of the tribal people has been put in place. This process is to be refined further to enable the tribal groups to access their entitlements fully and exercise their powers to their advantage.

6. *Refining of the Anti Poverty Sub Plan*

As part of the Tenth Five Year Plan the concept of Anti Poverty Sub Plan was introduced at the level of local government for the first time in the country. Due to lack of expertise the preparation of the Anti Poverty Sub Plan was rather weak. Yet it is significant that substantial resources were earmarked to the poor even though integration and convergence both horizontally and vertically could not be fully achieved. The salient features of the Anti Poverty Sub Plan revealed from the data furnished by the local governments are outlined in the Chapter on Poverty and Special Programmes for Weaker Sections.

22.40 In order to fine tune the process the State Pov-

erty Eradication Mission has initiated a bottom up process of plan preparation as part of Kudumbashree using the Community Development Society (CDS) system. This is underway in five Grama Panchayats and is expected to throw up a viable methodology for preparation and implementation of Anti Poverty Sub Plans by local governments through community based organisations of the poor themselves.

22.41 A sub component of the Anti Poverty Sub Plan meant for the absolute poor called 'Ashraya' has been successfully prepared in 101 grama panchayats. This is to be extended to all the grama panchayats and urban local governments in the next one year. More details are given in Chapter on Poverty and Special Programmes for Weaker Sections.

Institutionalisation.

22.42 Four major initiatives have been launched for institutionalisation of decentralisation. They are:

(1) **Local Self Government Action Plan** - Though this was approved during the previous year much headway was made during the current year in implementing the different points of the Action Plan. They include:-

- (i) Reactivation of State Development Council
- (ii) Restructuring of Kerala Urban Development Finance Corporation to enable it to channel funds to all local governments.
- (iii) Identification of parallel structures at the district level with the objective of integrating them with the local government set up.
- (iv) Bringing into existence the Appellate Tribunal system.
- (v) Concurrent monitoring of local plans through independent agencies.
- (vi) Preparation of minimum standards for infrastructure and services in respect of schools and hospitals.
- (vii) Outsourcing of technical services to engineering colleges and academic institutions.
- (viii) Redeployment of technical personnel.
- (ix) Transfer of Single Village Panchayat Water Supply Schemes to Grama Panchayat.
- (x) Creation of the post of Finance Officer for District Panchayats.
- (xi) Allowing local governments to use income from assets transferred to them.

(2) **Modernising Government Programme** - The most important component of MGP is the package of initiatives related to strengthening local governments so that

the gains of decentralisation could be sustained and deficiencies got over. 33 out of the 100 initiatives of the Modernising Government Programme (MGP) relate to local governments. The important among them are listed below:

- (i) Put in place a new office management system for local governments.
- (ii) Preparation of management manuals in respect of institutions transferred to local governments.
- (iii) Developing a procurement manual appropriate for local governments.
- (iv) Preparing a public works manual for local governments providing for use of appropriate technology as well as community participation in the execution of public works.
- (v) Introduction of new budgeting system in local governments.
- (vi) Introduction of new accounting system in local governments.
- (vii) Operationalisation of social audit.
- (viii) Identification of opportunities for Local Economic Development through action research and development of capacity for planning and implementation of Local Economic Development schemes.
- (ix) Design of a service and performance standard system.
- (x) Developing a new social security system to be implemented through local governments.
- (xi) Preparation of asset management plans
- (xii) Preparation of plans for the physically and mentally challenged.
- (xiii) Developing a spatial plan with focus on connectivity.
- (xiv) Establishing a new monitoring system.
- (xv) Action research project through Beacon Panchayats giving them freedom from existing procedures and instructions so that new models could be developed.

22.43 Each of these initiatives has been developed into a Detailed Implementation Plan with milestones and resource requirements. The resources required are being provided under Plan.

(3) **Decentralisation Support Programme** - This is complementary to the Modernising Government Programme and is to be implemented with assistance from the Dutch Government. The important initiatives are:-

- (i) Develop long range plans for Scheduled Castes and Scheduled Tribes.
- (ii) Strengthen the Women Component Plan to move on to gender budgeting in local governments, to be implemented by gender auditing.
- (iii) Conduct of environmental auditing at the local level.
- (iv) Improve local data base to facilitate planning.
- (v) Strengthen District Planning Committees.
- (vi) Provide a system for NGO-Local Government partnership.
- (vii) Improve the functioning of Ombudsman.
- (viii) Revisit the formula of devolution of funds.

22.44 These initiatives are to be implemented on a mission mode through the Local Self Government Department.

(4) **Capacity Development for Decentralisation in Kerala** - This project supported by the Swiss Agency for Development and Co-operation (SDC) has two main components. The first component provides a platform for decentralization. This is basically to create a strategic forum for discussion and development networks to strengthen decentralisation. The second component is to develop high quality trainers and training modules and take up training programmes in three districts one in each of the regions of the State. This methodology is accepted by the State Government to be replicated in other districts. A grant of Rs.5.37 crore would be made available by SDC for three years starting from April 2003.

Development Index of Grama Panchayat

22.45 The development index of grama panchayat based on a research paper are given in Box 22.6

Box -22. 6

According to an interesting study* an Index of Development of 740 Grama Panchayats has been developed using the indicators of development given below:

Indicators of Development and their Weights

Indicator	Weights
<i>Primary Sector</i>	
Per capita Production of Paddy	0.0001
Per capita Production of Coconut	0.0056
Per capita Production of Rubber	0.0003
Per capita Production of Pepper	0.0012
Per capita Production of Cardamom	0.0001
Per capita Production of Arecanut	0.0969
Per capita Production of Coffee	0.0009
Per capita Production of Cashew	0.0795
Per capita Production of Banana	0.0806
Per capita Production of Plantain	0.0767
Per capita Production of Tapioca	0.0084
Per capita Production of Tea	0.0012
<i>Secondary Sector</i>	
Proportion of Population in Organized Sector	0.0034
<i>Urbanization</i>	
Distance from the nearest Town	0.2823
<i>Infrastructure</i>	
Non-earthen roads per Sq.Km	0.0015
Concrete houses per thousand population	0.2265
<i>Education</i>	
Number of educational institutions per sq.km.	0.1732
Adult literacy rate	0.0013
<i>Health</i>	
Number of hospitals per square km.	0.0008
<i>Culture</i>	
Number of seats in cinema houses per thousand population	0.0059
<i>Backwardness</i>	
Scheduled Caste and Scheduled Tribe population	0.0033
Households Below Poverty Line per thousand population	0.0002
Total	1.0000

The classification of 740 Grama Panchayats on the basis of the development index is given below

Description	Interval values	Panchayats (No)	% to Total
Least developed panchayats	0 < pd < 0.0527	146	6.21
Less developed panchayats	0.0527 < pd < 0.1461	546	73.61
Moderately developed panchayats	0.1461 < yd < 0.2226	44	5.94
Relatively developed panchayats	0.2226 < yd < 0.2825	4	0.54
Developed panchayats	0.2825 < yd < 1	1	0.13

Whatever be the elements of the index it shows that there are a lot of less developed Panchayats.

* *Development Indices for Panchayats in Kerala: Report of a Preliminary Analysis by Ms. Shaheena, P, Kerala Agricultural University (2004) (Unpublished)*

Best Practices

22.46 Several Local Governments have come out with viable models in different development sectors and governance areas. Some of them have been documented by the State Planning Board and they are summarised in Boxes as follows:-

- | | | | |
|-----|------------------------------|---|---|
| (1) | Vengannur Grama Panchayat | : | Participatory Planning for Poverty Reduction (Box 22.7) |
| (2) | Mangattidam Grama Panchayat | : | Successful Micro Enterprises for Poverty Reduction (Box 22.8) |
| (3) | Nedumbassery Grama Panchayat | : | Innovative Social Security Projects for Destitutes (Box 22.9) |
| (4) | Perambra Grama Panchayat | : | Preparation of Watershed Development Plan by the people with the support of a technical institute (Box 22.10) |
| (5) | Kanjikuzhy Grama Panchayat | : | Sustainable Vegetable Cultivation Programme (Box 22.11) |
| (6) | Adat Grama Panchayat | : | A Large Water Supply project with capital contribution from the public (Box 22.12) |
| (7) | Karakulam Grama Panchayat | : | Community Based Environmental Hygiene to Prevent Epidemics (Box 22.13) |
| (8) | Cheriyana Grama Panchayat | : | Success of a local government in an area outside its functional domain – Settling Litigation (Box 22.14) |
| (9) | Idukki District Panchayat | : | Pioneering Role in Localised Energy Production through a Micro Hydel Plant (Box 22.15) |

Box -22. 7**PARTICIPATORY PLANNING FOR POVERTY REDUCTION IN VENGANNUR GRAMA PANCHAYAT**

Venganoor Grama Panchayat in Thiruvananthapuram District has an unusually high percentage of people below poverty line with 4478 families out of a total of 8130 families in the Panchayat. In accordance with the guidelines for the Tenth Five Year Plan, the Panchayat decided to mobilize the NHG network fully and convert itself into a self sufficient, self reliant and sustainable Panchayat (S3 Panchayat). The following methodology was adopted.

- Sensitization workshop for elected representatives and other stakeholders.
- Awareness building campaign at grassroots level
- A detailed benchmark survey of all BPL families through the Neighbourhood Groups.
- Sector wise training programme for NHG leaders
- Preparation of a household based micro plan for poverty reduction at the NHG level focusing on infrastructure and income generation.
- Integration of micro level plans into mini plans at the Panchayat Ward level by the Area Development Societies with focus on special problems of disadvantaged groups.
- Consolidation of the mini plans into anti poverty sub plan of the Grama Panchayat by the Community Development Society focusing on the following themes:
 - Health – Education – Child Development – Assistance to the Challenged – Geriatric Care – Infrastructure Development – Economic Development – Development of Agriculture – Development of Traditional Industry.

This sub plan has been adopted by the Panchayat and since the resources of the Panchayat would not be sufficient to meet the requirements, a convergence plan is being developed so that the anti poverty sub plan has a public fund component, institutional fund component and a people's fund component

The outstanding features of the anti poverty sub plan are:

- (1) It comes from within the poor;
- (2) It is prioritized on the community is understanding of deservingness;
- (3) It is cross sectoral and well integrated;
- (4) It is developed from an unchallengeable data base.

Box -22. 8**SUCCESSFUL INCUBATION OF MICRO ENTERPRISES –
THE EXPERIENCE OF MANGATTIDAM GRAMA PANCHAYAT**

Mangattidam Grama Panchayat in Kannur District has 2135 BPL families out of a total population 6500 households. 308 families do not have livable houses; 813 do not have drinking water facilities and 933 households do not have sanitary latrines. Mangattidam Village Panchayat decided to play a role of facilitator to solve the problem of poverty through micro enterprises. They organized 107 Neighbourhood Groups covering all BPL families under 15 Area Development Societies.

An intense search for micro enterprise opportunities was done through consultations with the NHGs using the expertise available within the Panchayat. They decided that the first investment should come from the thrift generated by the members of NHGs and the Panchayat assistance should be limited. According to the latest figures the thrift collection comes to nearly Rs. 29 lakh. This has been circulated as loan several times so that the total loan comes to Rs.1.1 crore. 73 NHGs have achieved maturity for linkage with banks and Rs.14.6 lakh has been obtained as Bank Loans. The Panchayat has given Rs.7.3 lakh as its support to the NHGs equivalent to half the bank loans.

73 micro enterprises have been started employing 631 people. The important activities include:

- 1) Plantain Fibre Unit
- 2) Ethnic Food Units
- 3) Making of Curry Powder, Pappads
- 4) Catering
- 5) Garment Making
- 6) Umbrella Making
- 7) Lease Land Farming
- 8) Soap Making.

An intense effort is being taken by the Panchayat to market these products in the nearby Koothuparamba Municipality as well as in Kannur and Tellicherry areas

Box -22.9**PLANNING FOR DESTITUTES – THE EXPERIENCE OF
NEDUMBASSERRY GRAMA PANCHAYAT**

This Panchayat in Ernakulam District followed a highly participatory methodology as follows:

- (1) Two-day preliminary survey
- (2) Collation of data on the third day (225 destitute families identified)
- (3) Training on identification of destitutes held at Thiruvananthapuram.
- (4) Detailed two-day survey based on common methodology through the NHG network.
- (5) Collation of data collected (194 families)
- (6) Interactions with identified families and preparation of ward level micro plans
- (7) Discussion with voluntary and mass organizations (two rounds)
- (8) Re-verification of destitutes (156 families finalised)
- (9) Documentation of identified families through photographs, household discussions
- (10) Updation of projects prepared
- (11) Finalised integrated projects for Rs.60 lakh with public contribution of Rs.20 lakh

In addition to this elaborate methodology, two innovative features merit attention.

- (i) Bringing into use a detailed family-wise card containing every detail about the socio-economic profile of individual families. This data base is further strengthened with an integrated CD on all the families.
- (ii) Mobilising resources through local public and private agencies, donation from employees within the Panchayat and appeal to 450 individuals having jobs in the Gulf.

The Panchayat has also persuaded the Cochin Airport to part with 75 cents of land for an institution for the destitutes.

Box -22.10**PREPARATION OF A WATERSHED BASED MASTER PLAN-
EXPERIMENT OF PERAMBRA BLOCK**

Perambra Block of Kozhikode District which is on the foothills of the Western Ghats and took upon itself the task of operationalizing the government guideline regarding preparation of an integrated watershed management plan. The Block Panchayat got in touch with Integrated Rural Technology Centre, Mundoor – a technology centre run by the well known People Science Organisation, KSSP. The following steps were followed:

- (1) Training of 101 master trainers from different walks of life like farmers, activists, politicians, students, professionals, officials and elected representatives for 4 days at IRTC.
- (2) Preparation of the map delineating 46 micro watersheds by the master trainers.
- (3) Training of selected persons from each watershed at the local level.
- (4) Formation of two survey teams of seven persons each for each micro watershed.
- (5) Formation of Watershed Committee at the level of the Village Panchayat.
- (6) Environment creation for watershed planning. This included a special Grama Sabhas, discussion in school assemblies, banners and posters, conduct of Jala Jatha etc.
- (7) Special survey of gullies and streams.
- (8) Conduct of transect walks.
- (9) Intensive meetings of Neighbourhood Groups of farmers.
- (10) Watershed Mahasabha in each micro watershed.
- (11) Preparation of an action plan for watershed based interventions.
- (12) Expert interventions in respect of agriculture, fisheries, soil conservation and special problems.
- (13) Finalisation of the watershed master plan. This was released by the Chief Minister.

The whole exercise took 16 1/2 months. In order to plan and implement the programmes, farmers' group called *Karshaka Koottaima* has been formed. To give a fillip to the activities on June 5th a call was given to dig one lakh contour pits as part of the World Environment Day - 82000 pits of dimension 90cm x 60 cm x 50 cm were dug as voluntary activity. Thereafter an innovative action to trace the Kuttiadi river was taken up in partnership with KFRI to "Know Your River". This exercise concluded with the planting of bamboo on the sides of the river.

This offers an excellent example of participatory watershed management plan preparation. The plans are to be implemented converging funds from the local governments, State Government and Central Government.

Recognising the path breaking feat of the Panchayat, KILA conducted a 'P to P' Training Programme in which nearly 120 Block Panchayat Presidents came to Perambra, studied the experience and resolved to replicate it in their area.

Box -22.11**SUSTAINABLE VEGETABLE CULTIVATION IN
KANJIKUZHI GRAMA PANCHAYAT IN CHERTHALA TALUK**

Kanjikuzhi Panchayat in Cherthala Taluk initiated vegetable cultivation way back in 1997 utilising Rs.60,000 from untied funds for supply of seeds, fertilizers and pesticides. Nearly 6000 households participated in the cultivation of bitter gourd, cowpea, brinjal, chilly, ladies finger and snake gourd. In order to create the motivation, planting was done on a single day called "*Pachakkari Krishi Dinam*". In the next year 5000 people took part in the programme and only seed packets were distributed. Over all beneficiaries contributed Rs.2.5 lakh out of Rs.3.5 lakh spent and 50 hectares were covered resulting the production of 100 tonnes of vegetables. However the scheme tapered off in the next two years and in the year 2000-01 it was not implemented at all.

But again riding on the success of the Kudumbashree network tuber planting was initiated in 2001-02. In 2002-03, 101 self-help groups and 123 Kudumbashree units took up cultivation of vegetables in 50 hectares and produced 120 tonnes.

Simultaneously the departmental scheme of organizing farmers into Haritha Sanghom was launched. Five Haritha Sanghoms are now functioning well, each cultivating five hectares. In 2002-03 around 175 tonnes of vegetables have been produced by these Haritha Sanghoms.

In spite of slippages in between, marketing problems and frequent change of key officials, Kanjikuzhi Panchayat has succeeded in sustaining a novel project over a period of seven years. Unlike many Panchayats it has integrated the scheme with the departmental scheme with the Panchayat spending Rs.5.9 lakh and the Agriculture Department Rs.5.2 lakh in six years from 1997. About 120 hectares have been brought under vegetable cultivation resulting in the production of 295 tonnes of vegetables.

Box -22.12**PARTICIPATORY WATER SUPPLY PROJECT IN
ADAT GRAMA PANCHAYAT, THRISSUR**

About 20 years ago the Kerala Water Authority set up a drinking water supply scheme with a sump of 36000 liter capacity at Puzhakkal and ground level service reservoir of 1.5 lakh litre capacity at Chettikunnu with distribution through 75 taps covering just three wards of the Panchayat.

Since the scheme covered only a small portion, the Village Panchayat decided to go through a self-help method. A new scheme for Rs.221 lakh was formulated with two phases. The first phase consists of putting up a water tank of 3.5 lakh litre capacity and a new sump of 42000 litre capacity. The outlay is Rs.139 lakh of which the beneficiary contribution is expected to be Rs.90.25 lakh. This is to be followed up with a distribution system providing 2500 house connections and 260 street taps at a cost of Rs.82.5 lakh to be fully borne by the beneficiaries. Thus out of a total project cost of Rs.221.50 lakh the beneficiary contribution alone comes to Rs.172.75 lakh.

The Planning Process

The Planning process is summarized below:

- Household survey to identify the prospective contributors and assessment of requirement.
- Special Grama Sabhas to create awareness among the people on the requirement of generating beneficiary contribution and determination of spots for street taps.
- Beneficiary groups' meetings to interact with beneficiaries on problems at various stages of implementation and suggest remedies.
- Multi-level monitoring system.
 - a) At Panchayat level

For the purpose of effective implementation of the project, a Monitoring Committee headed by the President, the elected members, Executive Engineer (KWA), Executive Engineer (PWD), Head of the Department of Civil Engineering, Government Engineering College, Thrissur and representatives of beneficiary groups as members, was set up.

- b) Ward level monitoring Committee

For the purpose of monitoring the implementation of distribution system, a committee headed by the Ward Member with representatives of Residents' Associations and beneficiary groups, Officers of Kerala Water Authority etc. as members for each ward has been set up.

Implementation.

The Village Panchayat got technical support both from KWA and the Government Engineering College Thrissur. The first phase of the project has been completed at Rs.132 lakh at a saving of Rs.7 lakh. Rs.30 lakh contribution has already been paid by the beneficiaries and the remaining Rs.60.25 lakh is under collection.

As part of the second phase beneficiary contribution is being paid at the rate of Rs.5025 per connection. Once the beneficiaries pay the amount, implementation would start.

Operation and Maintenance

The operation and maintenance costs are to be met by user charges and the KWA has undertaken to do the maintenance.

Box -22.13

HEALTH AND SANITATION INITIATIVES OF KARAKULAM GRAMA PANCHAYAT IN THIRUVANANTHAPURAM

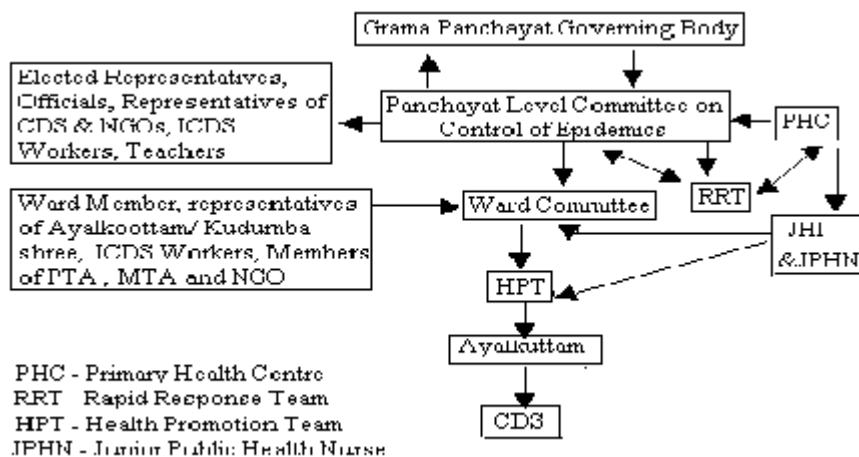
When the Dengue fever epidemic broke out in Trivandrum, Karakulam Gram Panchayat immediately mobilized the public, officials, social organizations and carried out a focused campaign with the objective of preventive action to control the breeding of mosquitoes and to put in a system for vigilant monitoring.

The major initiatives undertaken includes:

- Awareness campaign on communicable diseases and formation of awareness centres.
- Wide publicity on control measures by exhibiting notice boards and distribution of news letters.
- House to house visit by 400 volunteers of Kudumbashree in association with 800 college/higher secondary school students.
- Distribution of Guppy fish which eat away the mosquito larva
- Cleaning of public places and canals with public participation
- Special drive on disposal of waste management
- Special Grama Sabha on control of communicable diseases
- Preventive measures against dengue fever, leptospirosis etc.
- Vaccination for prevention of diseases
- Family planning measures
- Continuous house visits by the health workers
- Improvement of the facilities in PHC and its sub centres
- Medical camp
- Formation of schools health clubs under the supervision of trained teachers.
- Sanitation programmes with participation of merchants, traders etc.
- Workshop on sanitation for agricultural labourers, farmers, cattle breeders, rubber producers, tapping employees etc.

The organisational structure of the programme is shown below:-

Epidemic Control Programme – Organisational Structure



Through the launching of this intensive drive the Panchayat was able to ensure that not a single infection occurred within its jurisdiction.

The Panchayat followed this up with a system of solid waste management at important junctions where the full cost is met by the commercial establishments. This again is worthy of developing into a pocket model for replication in other local governments.

Box -22.14**LITIGATION FREE PANCHAYAT -
PIONEERING EFFORTS OF CHERIYANAD GRAMA PANCHAYAT**

Cheriyamad Village Panchayat in Alappuzha District has provided the example of a Village Panchayat going beyond its statutory responsibilities and through its sheer power of leadership and persuasion being able to achieve significant results in an area which is considered beyond the limits of Panchayats in Kerala. Due to the strong political party affiliations of Panchayats the idea of '*Nyaya Panchayat*' has not caught on in Kerala. But Cheriyamad Panchayat identified litigation as a major problem affecting people, resulting in conflicts, waste of resources and drain of energies. So it decided to focus on this problem even though it invited opposition from those who had vested interests in prolonging the disputes.

A Harmony Committee was constituted under the Panchayat President with three Standing Committee Chairpersons, a retired Superintendent of Police, a retired BDO, a College Professor and a Social Worker as members. The Panchayat members of each ward function in the Committee whenever cases related to their ward came up. The Committee conducted a household survey with the support of the State Legal Services Authority to ascertain the status of litigation in the Panchayat. This was followed up by visits to the households of the litigants and conduct of an impartial enquiry by the Committee. Thereafter the parties were invited for Lok Adalats in which the Harmony Committee allowed the parties to express their views and present facts in full. These were deliberated by the members of the Committee and a decision pronounced immediately. Then the parties moved the Courts concerned and presented the solution and got their case struck off on mutual consent. The Panchayat Court has been able to settle 163 cases during 2 ½ years. Then a special drive was launched and 147 cases settled in October and November 2003 alone. Now only 193 cases remain. The Panchayat intends to push ahead and make itself fully litigation free.

The key reasons for the successes of this venture are:

1. Public-spirited leadership;
2. Credibility of the Harmony Committee;
3. Detailed procedures and evidence taking and
4. Appeal to reason and economic sense of the litigants

Cheriyamad experience proves that a Panchayat can transform itself into a local government given the will to do so even without legal entitlements.

Box -22.15**MICRO HYDEL ELECTRIC PROJECT AT UPPUTHARA
IN IDUKKI DISTRICT**

Long before the new Electricity Act, Idukki District Panchayat took up the setting up of a micro hydel project in the remote Upputhara area using appropriate technology obtained from Centre for Appropriate Rural Technology, Mysore. Though the project idea was conceptualised in 1998, the Panchayat has to wait for two years to go through the formalities pointing out the need to standardise such processes and procedures.

Using the technology of reverse functioning of a water pump and utilising a 7.5 HP kirlosker motor as generator the project was commissioned with in 10 months implemented by District Nirmithi Kendra, Idukki.

Right from the beginning the stakeholders were consulted and their full ownership of the project ensured. A nine member managing committee has been set up. This committee has appointed an operator on payment of Rs. 1000 per month as remuneration. Each of the 45 households contribute Rs. 30 per month for which each houses allowed to use 4-6 lamps. But there is a collective social decision to use only CFL for energy saving. The monthly savings from the collection is pooled for maintenance.

The people have accepted the project in full. They conduct a social audit of accounts every year. Now they get power only for 10 months in a year. If an additional check dam is constructed this difference can also be got over.

This experience shows that a local government can meet a local need through the use of appropriate technology and with community consent move on a community management system ensuring the sustainability of the project.

