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**STANDING COMMITTEE ON  
RURAL DEVELOPMENT  
(2004-2005)**

**FOURTEENTH LOK SABHA**

**MINISTRY OF PANCHAYATI RAJ**

**DEMANDS FOR GRANTS  
(2005-2006)**

**TWELFTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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STANDING COMMITTEE ON  
RURAL DEVELOPMENT  
(2004-2005)

(FOURTEENTH LOK SABHA)

MINISTRY OF PANCHAYATI RAJ

DEMANDS FOR GRANTS  
(2005-2006)

*Presented to Lok Sabha on 20.4.2005*

*Laid in Rajya Sabha on 20.4.2005*



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 2005/Chaitra, 1927 (Saka)*

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COMPOSITION OF THE STANDING COMMITTEE ON  
RURAL DEVELOPMENT (2004-2005)

Shri Kalyan Singh — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri V. Kishore Chandra S. Deo
3. Shri Sandeep Dikshit
4. Shri L. Ganesan
5. Shri Mohan Jena
6. Shri Shrichand Kriplani
7. Shri Subhash Maharia
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*Rajya Sabha*

22. Kumari Nirmala Deshpande
23. Shri Ghanshyam Chandra Kharwar
24. Prof. Alka Balram Kshatriya
25. Shri Penumalli Madhu
26. Vacant@
27. Shri Kalraj Mishra
28. Dr. Chandan Mitra
29. Vacant\*
30. Dr. Faguni Ram
31. Prof. R.B.S. Varma

SECRETARIAT

- |                           |   |                         |
|---------------------------|---|-------------------------|
| 1. Shri P.D.T. Achary     | — | <i>Secretary</i>        |
| 2. Shri V.K. Sharma       | — | <i>Joint Secretary</i>  |
| 3. Shrimati Sudesh Luthra | — | <i>Deputy Secretary</i> |
| 4. Shri A.K. Shah         | — | <i>Under Secretary</i>  |

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\* *Vice* Shri Keshubhai S. Patel ceased to be a member of the Committee *w.e.f.* 22 March, 2005 consequent upon his resignation from the membership of Standing Committee on Rural Development.

@ *Vice* Shri Stephen Marandi ceased to be a member of Rajya Sabha *w.e.f.* 16 March, 2005 consequent upon his election to the Jharkhand Legislative Assembly *vide* Rajya Sabha Secretariat notification No. RS. 10/2005-T dated 11 April, 2005.

## ABBREVIATIONS

AIR	—	All India Radio
BE	—	Budget Estimates
CII	—	Confederation of Indian Industries
CSC	—	Citizen's Service Centre
DPC	—	District Planning Committee
ETC	—	Extension Training Centre
IEC	—	Information, Education and Communication
NIRD	—	National Institute of Rural Development
NGO	—	Non-Governmental Organization
PD & T	—	Panchayat Development and Training Scheme
PESA	—	Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996
PRIs	—	Panchayati Raj Institutions
RE	—	Revised Estimates
SFC	—	State Finance Commissions
SIRD	—	State Institute of Rural Development
TFC	—	Tenth Finance Commission
UTs	—	Union territories

## INTRODUCTION

I, the Chairman of the Standing Committee on Rural Development (2004-2005) having been authorised by the Committee to submit the Report on their behalf, present the Twelfth Report on Demands for Grants (2005-2006) of the Ministry of Panchayati Raj.

2. Demands for Grants have been examined by the Committee under Rule 331E(1)(a) of the Rules of Procedure and Conduct of Business in Lok Sabha.

3. The Committee took evidence of the representatives of the Ministry of Panchayati Raj on 4 April, 2005.

4. The Report was considered and adopted by the Committee at their sitting held on 18 April, 2005.

5. The Committee wish to express their thanks to the officials of the Ministry of Panchayati Raj for placing before them the requisite material and their considered views in connection with the examination of the subject.

6. They would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI;  
18 April, 2005  
28 Chaitra, 1927 (Saka)

KALYAN SINGH,  
Chairman,  
Standing Committee on  
Rural Development.



## **REPORT**

### **CHAPTER I**

#### **INTRODUCTORY**

The Ministry of Panchayati Raj was created on 27 May, 2004. The Ministry is responsible for the work of advocacy for and monitoring of the implementation of Constitution (73rd amendment) Act, 1992 and the Provisions of the Panchayats (Extension to the scheduled Areas) Act, 1996. As per the amended allocation of Business Rules, all matters relating to Panchayati Raj and Panchayati Raj Institutions (PRIs) will be under the purview of this Ministry. Besides, administration of District Planning Committees (DPCs) has also been brought under this Ministry from the Ministry of Urban Development.

1.2 The Ministry directly administers only one scheme namely 'Panchayati Raj Development and Training' including Research, Conferences, Awards, Information Technology and IEC. It is the nodal Ministry responsible for implementation of the provisions of Part IX of the Constitution by concerned entities, capacity building, imparting training to elected representatives of PRIs as well as research and advocacy for implementation of Constitutional provisions through holding of workshops, conducting research and publication of research studies.

1.3 The overall Demands for Grants of the Ministry of Panchayati Raj for 2005-2006 are for Rs. 50.44 crore.

1.4 The Demands for Grants of the Ministry of Panchayati Raj have been presented to Parliament under Demand No. 67. The detailed Demands for Grants of the Ministry were laid in Lok Sabha on 24th March, 2005.

1.5 In the present Report, the Committee have restricted their examination only to the major issues concerning the Ministry of Panchayati Raj and implementation of Part IX of the Constitution.

## CHAPTER II

### OVERALL ANALYSIS OF THE DEMANDS FOR GRANTS (2005-2006) OF THE MINISTRY OF PANCHAYATI RAJ

As per the Census of India 2001, the percentage of India's rural population was 72.22 per cent. This makes it imperative that good and effective governance is provided at micro-level. Keeping this scenario in mind the Ministry has envisaged the role of Panchayats as true 'Institutions of Self-Government' so as to be able to enforce economic development and social justice at the local level.

2.2 Overall allocation under the scheme of Panchayat Development and Training (PD&T) during the 9th Plan and so far during 10th Plan.

	Rs. in crore
Proposed 9th Plan outlay	10
Allocation agreed to by the Planning Commission	10
Total 9th Plan BE	17
Total 9th Plan RE	21.50
Actual Release during 9th Plan	19.57
Total Allocation proposed during 10th Plan	80
Allocation provided during first three years of the 10th Plan	31
BE 2002-03	5
Actual Expenditure 2002-2003	5.35
BE 2003-04	16
RE 2003-04	16
Actual Expenditure 2003-2004	21.61

Overall allocation of the Ministry of Panchayati Raj after its bifurcation from the erstwhile Ministry of Rural Development on 27th May, 2004.

Proposed BE during 2004-2005	70.60
BE 2004-2005	30.60
RE 2004-2005	10.24
Actual expenditure 2004-2005 (up to 31 Jan., 05)	6.98
Proposed BE 2005-2006	105.40
BE 2005-2006	50.44

2.3 As per the Performance Budget of the Ministry of Panchayati Raj, the Plan outlay proposed by the Ministry for 2005-2006 is Rs. 105.40 crore. The Ministry has received a total allocation of Rs. 50.44 crore which is less than half of the amount demanded.

2.4 The Committee enquired about the huge reduction at RE stage of the budgeted provisions for 2004-2005, the Ministry in their reply has stated that out of the provisions of Rs. 10.24 crore at RE 2004-05, a sum of Rs. 6.98 crore has been provided for training including Rs. 1 crore for North-East region. Against the amount of Rs. 5.98 crore provided for States/Union territories other than North East region, the entire provision of Rs. 5.98 crore has been spent. Out of Rs. 1 crore for North East Rs. 16,78,460 only has been spent and remaining Rs. 83,21,540 has been transferred to the non-lapsable fund. Further the issue of lack of adequate staff which has been plaguing the Ministry since its inception has not been totally resolved. On enquiry regarding the total number of staff available with the Ministry, the Committee have been informed that currently there are 15 persons on the personal staff of the Minister of Panchayati Raj and another 24 persons, on staff of the Ministry. Further the Ministry has sent a proposal to the Finance Ministry for creation of an additional 49 posts. In fact the Minister of Panchayati Raj has already communicated to the Finance Ministry in this regard and it is expected that once the full complement is in position, the Ministry will be fully able to handle the work assigned to it.

2.5 The Committee note that though the Ministry of Panchayati Raj is a new Ministry (set up on 27 May, 2004), yet the various activities of the Ministry were earlier being handled by the Department of Rural Development. Therefore in the opinion of the Ministry, the administrative difficulties should have been sorted out before the actual bifurcation had taken place so that the purpose of creating a new Ministry is fulfilled. In fact the Committee had, expressed the similar reservations in the earlier report. Here the

Committee would like to recommend that the acquisition of manpower should be completed within the shortest-possible time so that the Ministry can tackle the task it has been entrusted with.

2.6 The Committee while analysing the data of outlay earmarked during 10th Plan, find that during the Tenth Plan the allocation provided under the scheme of Panchayati Raj Development and Training is less than half of the projected outlay. Another fact noticed by the Committee is that during the first year *i.e.* 2004-2005 of the newly created Ministry, the Ministry has got less than half of what was projected outlay. But even that amount could not be spent fully. Out of Rs. 31.04 crore earmarked at BE stage, the expenditure incurred is just Rs. 6.98 crore which includes the releases of Rs. 1 crore made for North Eastern Region. In fact out of Rs. 1 crore earmarked to North Eastern Region, only Rs. 16,78,460 could be spent and remaining amount was transferred to non-lapsable fund. The analysis with regard to PD&T scheme has been done in the subsequent part of the report. Here while analysing the over all position of outlay the Committee find that even though the allocation is just half of the projected outlay during 2004-2005 the expenditure reported is just one-fifth of the BE. Not only that about half of the outlay has been earmarked in the last three months of the year. The Committee express their strongest concern on the gross non-utilisation of resources and recommend that suitable corrective actions may be taken in this regard.

2.7 The Committee find from Detailed Demands for Grants of Ministry of Panchayati Raj as tabled in the House, that there are certain components of plan allocation, such as Grants-in-aid to State Governments, projects assisted by the United Nations agencies, other charges, Panchayat Development and Research, Grants to Institutions, Conferences, Seminar, Workshop for which the allocation has been separately made. However in the Performance Budget the analysis of Plan outlay and expenditure has been done under only one major scheme *i.e.* Panchayat Development and Training. The Committee would like to recommend that the analysis head-wise as indicated in the detailed Demands for Grants as explained above should be indicated in detail in the Performance Budget so as to enable the Committee to analyse the data critically and arrive at some meaningful conclusions.

### **Panchayat Development and Training**

2.8 The Scheme of Panchayat Development and Training (PD&T) is a Centrally Sponsored Scheme under which Central assistance is provided to the States, NGOs and other institutions to supplement their efforts to impart training to the elected and officials functionaries of the Panchayati Raj Institutions (PRIs). The funding pattern of the Central assistance under the scheme is as follows:

- (a) 75 per cent Central assistance for Training Plan of State Government with 20 per cent additional assistance to hilly and North Eastern States.
- (b) 100 per cent Central assistance to NGOs and other institutions.

2.9 Under the Scheme, the States are encouraged to develop holistic training plans for training of Panchayati Raj Institutions, elected representatives and rural development functionaries.

### **Training and Research Advisory Committee on Panchayati Raj**

2.10 After the setting up of the Ministry of Panchayati Raj, Training and Research Advisory Committee on Panchayati Raj has been set up. Earlier there was a Research Advisory Committee under the Panchayati Raj Division and Training Research Advisory Committee under the Training Division of Ministry of Rural Development. The functions of the Committee are as under:

- (a) Identify and select the subject/topics for conducting Research Studies/Training programmes and selection of institutions/agencies for taking up the Studies/Training.
- (b) Scrutinize Research/Training proposals received in the Ministry of Panchayati Raj for funding and approval thereof.
- (c) Consider and evaluate the Reports/Findings of such Studies/Training.
- (d) Any other matter concerned with the Research/Training.

2.11 The composition of the Training & Research Advisory Committee is as under:

- |    |   |          |
|----|---|----------|
| 1. | Secretary   | Chairman |
| 2. | Director General, National Institute of Rural Development | Member   |

3.	Director General, National Informatic Centre	Member
4.	Financial Adviser (Panchayati Raj)	Member
5.	Additional Secretary (Panchayati Raj)	Member
6.	Joint Secretary (Panchayati Raj)	Member
7.	Joint Secretary (DOPT-Trg)	Member
8.	Joint Secretary, PMO	Member
9.	Joint Secretary (Information Technology)	Member
10.	Deputy Secretary (PR)	Member Secy.

### **Status of training of elected representatives of PRIs**

2.12 As a result of the elections of the Panchayats in all the States, there are about 3 million elected representatives and the staff assigned to the elected bodies at all levels of Panchayats. Out of this, an overwhelming majority are new entrants, particularly from the weaker sections of the society, *i.e.*, Scheduled Castes, Schedules Tribes and women (33 per cent).

2.13 The success of the Panchayati Raj system hinges largely on the extent to which their capabilities are built to perform these functions and responsibilities. Thus, a time-bound and systematic training programme to provide orientation to the elected representatives on a very large scale is considered to be the most important pre-requisite for the success of the PRIs. The States/Union territories Administrations are required to work out systematic strategy for training of representatives of PRIs and to generate awareness among the masses at the grass-root level and to strengthen the Gram Sabha.

### **The major achievements of the aforesaid body**

2.14 After the constitution of the Training and Research Advisory Committee on 18th January, 2005 two meetings have been held-on 7th February, 2005 and 18th March, 2005 to consider the research proposals. The Committee has approved the following proposals since its constitution:

- (i) Proposal of Society for Participatory Research in Asia (PRIA) on the Pre-Election Voters Awareness Campaign (PEVAC). The study covers the States of Rajasthan, U.P., M.P., Chhattisgarh, Haryana and Coordination and Support from National Resource Centre;

- (ii) A proposal from Annamalai University, Annamalai Nagar for holding National Seminar—"Pappathi syndrome" Social, Political and Psychological Dimensions of the Reservation issue in Panchayati Raj System;
- (iii) A proposal from System for Research in Rural and Industrial Development, Chandigarh on "Fiscal decentralization of Social Sectors in Rural Punjab : an analysis of efficiency and equity effects".
- (iv) Drishtee Foundation, Noida, UP proposal to conduct viability study of Citizen Service Centre (CSC) in all Panchayats of Assam as per Department of Information Technology's guidelines. Based on the report, recommendation, the Government can plan its support towards implementation of ICT models based on DDIT's CSC guidelines.
- (v) The proposal of the Santeek Consultants Pvt. Ltd. in regard to the study to assess the role of Gram Panchayats in planning and implementation of schemes of social justice and economic development with particular emphasis on health and education sectors in the States of Haryana, West Bengal, Madhya Pradesh, Gujarat, Tripura and Kerala.

### **Evaluation of Panchayat Development and Training Programme**

2.15 So far action plans of 22 States with a total cost of Rs. 78.38 crore have been sanctioned. During 2003-2004, 3.30 lakh elected representatives of Panchayati Raj Institutions are reported to have been trained by 13 States.

2.16 When asked for the State-wise figures of the percentage of elected representatives who have not received training, the Department has informed that State-wise figures are not available as with the election of Panchayati Raj taking place time to time the number of elected members requiring training keeps changing.

### **Performance of the Scheme**

2.17 Panchayat Development and Training scheme includes Research, Conferences, Awards, Information Technology and IEC. Further with regard to the proposed outlay of 2005-2006, the Ministry has informed that Rs. 30 crore have been earmarked for giving training

to 24 lakh elected representatives of PRIs and remaining Rs. 20 crore is reserved for the following :—

Awards for Best Panchayat  
 Conferences  
 Research Studies  
 Information Education and Communication (IEC)  
 Information Technology

### **Training of elected representatives of PRIs**

2.18 When questioned regarding the nature of training imparted, the Ministry has replied:

“The Ministry of Panchayati Raj assists the States in meeting the challenge of imparting training to all the elected representatives and official functionaries in an effective, time-bound and economical fashion. The strategy adopted focuses attention on the need to develop skills and competencies of the people related to Rural Development and increase the reach of training to District, Block and Village level by adopting cascading model of training. It also aims at improving the quality of training at all levels by networking among institutions of training in diverse sectors and at promoting macro, meso and micro level annual action plans to facilitate need-based goal-oriented training.

Under the cascading model of training, State level trainers are first identified and trained, who in turn would provide further training to district level and sub-district level trainers, so that a large number of trainers are available at various levels. These trainers are drawn from Govt. as well as non-Government streams.”

2.19 The Ministry has also informed that with the assistance of Indian Space Research Organisation (ISRO), the Abdul Nazir Saheb SIRD, Mysore has established a satellite based interactive communication system SATCOM which is a one-way-video and two way audio system. The SATCOM is being largely used by Madhya Pradesh in imparting training to a large number of PRIs.

### **Training Agencies**

2.20 NIRD provides support for training of PRI elected representatives in terms of training of trainers, development of material and other guidance. The NIRD is also involved in task of co-ordinating



the implementation of holistic training to the elected representatives of PRIs.

2.21 SIRDs/ETCs undertake training programmes for the elected representatives at the three levels of PRIs. The States are also encouraged to involve the NGOs in implementation of action plans approved by the Ministry.

2.22 Currently 28 State Institutes of Rural Development (SIRDs) and 88 Extension Training Centres are engaged in imparting training to the elected representatives of PRIs.

2.23 The Committee find that there is only one Centrally Sponsored Scheme *i.e.* The scheme of Panchayat Development and Training (PD&T) under the jurisdiction of the Ministry of Panchayati Raj. The major allocation for the Ministry has been made for training. The details of financial achievement have been analysed in the preceding part of the report. As regards the physical achievement, the Committee note that out of 30 lakh representatives of Panchayati Raj Institutions only 6 lakh could be provided training so far by the efforts of Government under the aforesaid scheme.

2.24 Further as stated by the Ministry out of the total elected representatives of PRIs a majority of them are new entrants. The Committee find that the Constitution has placed vast responsibility on the Gram Panchayats to formulate and execute various programmes for economic development and social justice. To enable PRIs to handle such onerous responsibility, training is the basic input. The Committee feel that the Ministry has to put more stress on this aspect. There is an urgent need to have a time bound programme for imparting training to all representatives of Panchayati Raj Institutions and the staff. The Committee would like the Department to chalk out an action plan in consultation with the State Governments and apprise them accordingly.

2.25 The Committee further find that after the setting up of the Ministry of Panchayati Raj, a Training and Research Advisory Committee has been set up. Two sittings of the said Committee have been held so far and the Advisory Committee has approved five research/training proposals in this regard. The Committee also note that the Ministry has furnished the reasons for under spending as the late constitution of this body. Whereas the Ministry was constituted on 27 May, 2004 the Committee could only be constituted on 18th January, 2005. It has also been stated that the Head of

Account of the Ministry was partially separated on November, 2005 and after that the said Advisory Committee could be constituted. The Committee while understanding the initial teething problems of the Ministry hope that this year more attention would be paid on the training of PRIs.

2.26 The Committee further find from the reply of the Ministry that earlier there was Research and Training Committee under the Panchayati Raj Training Division of the Ministry of Rural Development. The Committee would like to be apprised of the difference between the erstwhile Committees that was functioning under the Ministry of Rural Development and the existing Research and Training Committee of the Ministry of Panchayati Raj.

2.27 The Committee also note that the Department of Rural Development (Ministry of Rural Development) also have allocation for NIRD, SIRD, ETCs which cater to the training needs of PRIs. In this situation the Committee would like to be apprised of the status of training Committees under the Ministry of Rural Development. The Committee would also like to be apprised how the coordination between the training aspect being handled by the Ministry of Rural Development and this Ministry would be ensured. Besides the Committee will also like to apprised of the involvement of NIRD, SIRD, ETCs under the Ministry of Rural Development for the purpose of training.

#### **Allocations made by the 10th, 11th and 12th Finance Commission**

2.28 Regarding the allocation releases and utilisation of the provisions of the 10th & 11th Finance Commission the Ministry has submitted the following data.

(Rs. in crore)				
Finance Commission	Allocation	Utilisation	Balance	Utilisation percentage
10th	4380.92	3576.35	804.57	84 per cent
11th	8000	6274.95	1725.04	69 per cent

2.29 A statement showing the State-wise release of grants as well as utilisation as per the Tenth Finance Commission, is enclosed as *Appendix – I*.

2.30 A statement showing the State-wise allocation and utilisation of funds by PRIs as per the Eleventh Finance Commission is enclosed as *Appendix – II*.

2.31 The Committee wanted to know the reasons of poor utilisation of funds during both the 10th and 11th Finance Commission. The Ministry in the reply has stated that there were certain conditions laid down by the aforesaid Finance Commissions which stipulated that funds would be released to States only on the fulfilment of the said conditions. Due to non-compliance by several States, funds remain unutilised.

2.32 Further when the question of tracking and monitoring of funds of the 10th and 11th Finance Commission was put before the Ministry, the following information has been furnished by the Ministry:

“Interaction with the Ministry of Finance on tracking and monitoring funds going through the Consolidated Funds of the States and meant for the Panchayats to ensure that these actually reach the intended targets has been identified as a thrust area in the Ministry road map. The Ministry of Finance has been approached in the matter and the reply to this question will be submitted upon receipt of their response.”

2.33 As regards Twelfth Finance Commission allocations, it is stated that the Twelfth Finance Commission has made a major provision for Panchayats. A sum of Rs. 20,000 crores for Panchayats have been provided as grants-in-aid to augment the Consolidated Funds of the States for the period 2005-2010. In this context, the Committee enquired whether the Ministry had any Action Plan for the utilisation of the allocation of the Twelfth Finance Commission. The Ministry in the written reply has stated as under:

“Information on the allocation for 2005-06 is being collected from Ministry of Finance. Since the funds are also released by the Ministry of Finance on the basis of conditionalities recommended by the XII Finance Commission, this information is also being collected from that Ministry, the same will be submitted to the Committee.”

2.34 When asked to what extent these grant could help in the capacity building of PRIs, Ministry has stated that separate Grants-in-aids for the normal and excluded areas are not proposed by the Twelfth Finance Commission. It is for the States concerned to distribute the

grants recommended for the State among the local bodies including those in the excluded areas in a clear and just manner. In addition to this, Ministry of Panchayati Raj will also continue to make available funds for capacity building of PRIs.

2.35 The Committee find from the position of allocation and utilisation of outlay provided by the 10th Finance Commission that the utilisation is 84 per cent whereas the percentage utilisation of funds allocated by the 11th Finance Commission is stated to be 69 per cent only. The Committee find from the information furnished by the Ministry that the funds in this regard have not been released to State Governments. The Committee also note that the Ministry of Panchayati Raj has identified the tracking and monitoring of funds as a thrust area in the Ministry of Panchayati Raj. While appreciating the said initiative of the Ministry the Committee further stress that there is an urgent need to put in a mechanism for monitoring of the outlay being earmarked directly to Panchayats. More emphasis on monitoring is required particularly when the Ministry of Panchayati Raj is making efforts to ensure devolution of funds for the 29 subjects indicated in the Eleventh Schedule of the Constitution besides ensuring direct release of funds under different Centrally Sponsored Schemes directly to Panchayats.

2.36 They note that certain conditions laid down by the Finance Commissions stipulate that the funds would be released only on the fulfilment of certain conditions. The Committee would like to be apprised about the conditions laid down by the Finance Commission in this regard. They also note that several States have not complied the conditions laid down by the Finance Commission. The Committee would like to be apprised about the names of the said States. The Committee hope that with the creation of an exclusive Ministry to deal with the Panchayati Raj, the things will improve and it will be ensured that there is effective utilisation of funds allocated by the Finance Commissions.

2.37 The Committee further find that a sum of Rs.20,000 crore have been allocated as grants- in-aid to augment the Consolidated Fund of States for the period 2005-2010. They also note that the information on the action plan for the utilisation of the said allocation is being procured by the Ministry, from the Ministry of Finance. The Committee would like to be apprised of the details in this regard.

2.38 The Committee would also like to be apprised about the State wise position of the matching contribution provided by the respective State Governments with regard to the 10th Finance Commission outlay.

2.39 The Committee further find that the grants-in-aid being extended by the Finance Commission are for the normal and the excluded areas as proposed by the Finance Commission. It is for the States concerned to distribute the grants recommended by the Finance Commission among the local bodies including those in the excluded area in a clear and just manner. The Committee would like to be clarified about the details of the normal and excluded areas as stated above. While noting that it is the discretion of the State Governments to allocate the funds to the PRI's, the Committee would like to be apprised of as to whether any data with regard to funds allocated by the State Governments out of the 9th and 10th Finance Commissions to PRIs has been maintained by the Ministry. If so, the Committee would like to be apprised of the details in this regard. Further, the Committee note that the Ministry of Panchayati Raj has stated that they would continue to make available funds for the capacity building of Panchayati Raj Institutions. The Committee would like to be apprised about the details of the funds being provided/proposed to be provided for the said purpose by the Ministry.

#### **Devolution of funds, functions and functionaries**

2.40 The Ministry of Panchayati Raj is responsible for the implementation of the Constitution (73rd Amendment) Act, 1992. On the *modus operandi* to be adopted by this Ministry towards this end the Ministry has replied that it seeks to "secure implementation of the Constitution (73rd Amendment) Act, 1992 by States/UTs, by encouraging them to adopt carefully drawn-up plans of action to, *inter alia*, devolve functions, functionaries and finances to Panchayati Raj Institutions and suitably empower Gram Sabhas and District Planning Committees to make Panchayati Raj Institutions true institutions of self-government for the planning and implementation of programmes of economic development and social justice as envisioned in the Constitution."

2.41 Devolution in this context means the transfer of the 3Fs (Funds, Functions and Functionaries) by the respective State Governments to Panchayat bodies, regarding all the 29 subjects

mentioned in Eleventh Schedule. The statement indicating the funds, functions and functionaries devolved by the State/Union territories has been indicated under:

Sl.No.	States/Union territories	No. of Departments/Subjects Transferred to Panchayats			Remarks
		Funds	Functions	Functionaries	
1	2	3	4	5	6
1.	Andhra Pradesh	05	17	02	
2.	Arunachal Pradesh	-	-	-	Elections held recently. Yet to devolve 3Fs.
3.	Assam	-	29	-	
4.	Bihar	8	25	Only functional control	
5.	Jharkhand	-	-	-	Elections have not yet been held.
6.	Goa	6	6	-	
7.	Gujarat	15	15	15	
8.	Haryana	-	16	-	
9.	Himachal Pradesh	02	26	11	
10.	Karnataka	29	29	29	
11.	Kerala	26	26	26	
12.	Madhya Pradesh	10	23	09	
13.	Chhattisgarh	10	29	09	
14.	Maharashtra	18	18	18	
15.	Manipur	-	22	04	
16.	Orissa	09	25	21	
17.	Punjab	-	07	-	

1	2	3	4	5	6
18.	Rajasthan	18	29	18	
19.	Sikkim	24	24	24	
20.	Tamil Nadu	-	29	-	
21.	Tripura	-	12	-	
22.	Uttar Pradesh	04	12	06	
23.	Uttanchal	-	11	11	
24.	West Bengal	12	29	12	
25.	A&N Islands	06	06	06	
26.	Chandigarh	-	-	-	
27.	D&N Haveli	-	03	03	
28.	Daman & Diu	05	09	03	
29.	NCT of Delhi	Panchayati Raj System is yet to be revived			
30.	Pondicherry	-	-	-	Elections have not yet been held.
31.	Lakshadweep	-	06	-	

In this connection, it is noted that the devolution of the 3Fs have been skewed as far as the State Governments are concerned. With the exception of Karnataka and to a certain extent Kerala and Sikkim, no other State has shown any satisfactory progress in this regard. In fact in some States all 29 subjects have been transferred without transferring the requisite staff or funds essential to carry out the responsibilities.

2.42 When this situation was brought to the notice of the Ministry, it replied that it had dedicated the Kolkata Round Table Conference held on 24-25 July, 2004 entirely to the discussions of this aspect.

2.43 When the issue of bringing Constitutional amendment with regard to article 243G of the Constitution was brought to the knowledge of the Ministry, the representatives of the Ministry during the course of oral evidence stated as under:

“In the decisions that we have taken in the Seven Round Table Conferences, there is a time frame given for everything. For

example by the end of this financial year, every State was supposed to be having a District Planning Committee in every State. It is not the case now. We are in a position to follow up why this was not happened. So, when the time frame is fixed, then we can say that there is a time limit and what you have done about. If they started getting out of hand and when we feel that it is not happening, then in respect of those States, we will seek your support in bringing about further Constitutional amendment. But at this stage, it may be a little premature.”

**2.44 The Committee in their earlier reports have been repeatedly recommending the need to devolve the functions along with the funds and functionaries. They note that the overall aim of Part IX of the Constitution is to endow the Panchayats with such powers and responsibilities as may be necessary to enable them to function successfully as institutions of self government as per the mandate of the Constitution. State Legislatures have been empowered to endow Panchayats by law with such powers and authority as may be necessary to enable them to pursue economic development and social justice, including those in relations to the matters contained in the Eleventh Schedule. The Committee are constrained to note that even though around thirteen years have elapsed since the 73rd Amendment Act was enacted, yet there is no considerable progress on the issue of devolution. Only one State *i.e.* Karnataka has transferred the funds, functions and functionaries for all the 29 subjects indicated in the Eleventh Schedule. Other States where considerable progress in this regard has been done are Kerala, Maharashtra, Rajasthan and Sikkim. It is really a matter of concern that several States like Haryana and Punjab have not transferred the funds *vis-a-vis* functions and functionaries, not even for a single subject to Panchayats. The Committee also find that with the constitution of the new Ministry the efforts are being made to motivate State Governments in this regard through various round table Conferences. They are also happy to note that a deadline in this regard has also been made. The Committee would like to be apprised of the aforesaid deadline with regard to devolution. The Committee would also like that the matter should further be pursued with the State Governments and they be apprised of the progress in this regard.**

#### **Constitution of District Planning Committees**

**2.45 The State Governments are required to constitute District Planning Committees (DPCs) as envisaged under Article 243(ZD) of**



the Constitution 74th Amendment Act to facilitate the process of decentralised planning for each district as a whole. States, namely, Bihar (37 districts out of 38 districts constituted on *ad-hoc* basis), Chhattisgarh, Haryana (only in 18 districts), Himachal Pradesh (6 Districts), Karnataka, Kerala, Madhya Pradesh, Manipur (2 Districts out of 4 Districts), Orissa (in 26 Districts), Rajasthan, Sikkim, Tamil Nadu, Uttaranchal, West Bengal and Union territories, namely A&N Islands, Dadra & Nagar Haveli, Daman & Diu and Lakshadweep have constituted DPCs. In some States, Ministers-in-charge of the Districts have been made the Chairpersons of DPCs, this arrangement is not in true spirit of the 73rd and 74th Constitutional Amendment Acts. A statement indicating the status of District Planning Committees in various States is given in *Appendix III*.

2.46 It has been mentioned in the Performance Budget (2005-2006) of the Ministry of Panchayati Raj that the Second Round Table Conference of Ministers in charge of Panchayati Raj on Planning and Implementation was held at Mysore on August 28-29, 2004 which made considerable recommendations on the constitution of DPCs. The recommendations of the conference have been indicated at *Appendix-IV*.

2.47 The Committee have been apprised during the course of oral evidence that a dead line has been fixed by which DPCs should be constituted in all States and Union territories by the end of the current financial year. Every State and Union territory has been directed to constitute DPCs in the current year.

**2.48 The Committee find that District Planning Committees are to be constituted in every district to consolidate the plans prepared by the Panchayats. They are constrained to note that there are a number of States in which District Planning Committees have not been constituted so far in accordance with the provisions of article 243ZD. The Committee also note that with the pursuance of the newly constituted Ministry, a deadline has been fixed whereby all the States/Union territories are required to set up DPCs by the end of the current financial year. The Committee feel that State Governments need to be persuaded further to comply with the said dead line and they be apprised accordingly.**

2.49 The Committee further find that as stated by the Ministry the meetings of the DPCs are not being chaired as per the provisions of the Constitution. In some States, Minister-in-charge of the districts have been made as the Chairpersons of the DPCs. The Committee

hope that with the transfer of DPCs to the Ministry of Panchayati Raj which is exclusively dealing with all the matters related to implementation of Part IX of the Constitution, the State Governments would be persuaded to discourage the practices which are not in true spirit of the Constitution. The Committee would like to be apprised of the efforts being made by the Ministry in this regard.

#### **Implementation of Centrally Sponsored Schemes**

2.50 The Ministry of Panchayati Raj directly administers only one scheme *viz.* 'Panchayat Development and Training'. The Committee have been informed that in their efforts to persuade the Central and State Governments to implement the schemes through Panchayati Raj Institutions, the Ministry of Panchayati Raj has gone through the list of approximately 300 schemes listed in Volume-II of the Expenditure Budget 2004-2005 which, in the explanatory notes, itemizes, *inter alia*, the various Centrally Sponsored Schemes. The overwhelming majority of these schemes is related to the 29 subjects listed in the XI Schedule. There is a need to bring Centrally Sponsored Schemes in line with the letter and spirit of Part IX and IX-A of the Constitution and the transfer functional mandates to Panchayat therein. It is not until the provisions of Article 243G pervade the conceptualization of Centrally Sponsored Schemes that Panchayats will actually be empowered to function as 'institutions of self-government' in respect of such schemes.

2.51 In fact the Prime Minister has approved a suggestion from the Ministry of Panchayati Raj that all Ministries which are operating Centrally Sponsored Schemes should review their schemes in light of Article 243 G read with XI schedule with a view to incorporating into the schemes, the Constitutional provisions in letter and spirit. Further it was decided that if decentralisation had a bearing on any of the Centrally Sponsored Schemes, then the Ministry of Panchayati Raj was to be consulted and their views incorporated in the notes prepared for consideration of Cabinet.

2.52 In light of the above, the Secretary during oral evidence, informed that the letter of the Prime Minister was followed by a circular from the Cabinet Secretary to Ministries implementing Centrally Sponsored Schemes to reshape their schemes in consultation with the Ministry of Panchayati Raj. The response has been poor and only the Department of Internal Water Transport has restructured an existing scheme to include a greater role of the Panchayats in the scheme. However, any new Centrally Sponsored Schemes have to be approved by Ministry of Panchayati Raj before it is put before the Cabinet.

Further on the question of direct funding to Panchayats in consultation with the State Governments the Ministry during course of oral evidence informed that though they support direct funding to Panchayats, the State Governments are not in favour of it. The Secretary also informed the Committee that with regard to release of funds meant for Centrally Sponsored Schemes of the Union Government directly to Panchayats, a Committee has been constituted which will submit the report shortly.

**2.53 The Committee find that it is matter of concern that even for the Centrally sponsored Schemes, related to 29 subjects as enlisted in the Eleventh Schedule of the Constitution, the Union Government cannot ensure the implementation of schemes through Panchayats. The Committee appreciate that with the constitution of the Ministry of Panchayati Raj, the matter is being looked into seriously. Not only that, Prime Minister has intervened and the matter is being seriously pursued by the Cabinet Secretary. The Committee further find that with regard to release of funds directly to Panchayati Raj Institutions under the Centrally Sponsored Schemes of the Union Ministries, a Committee has been constituted which will submit the report shortly. The Committee would like to be apprised of the deliberations and decisions taken by the said Committee. The Committee would like to urge the Ministry to step up their efforts in this regard and hope that considerable progress will be made on the aforesaid subject. The Committee also feel that ensuring the implementation of Centrally Sponsored Schemes through Panchayati Raj Institutions will further motivate the State Governments to devolve 29 subjects enlisted in Eleventh Schedule of the Constitution.**

#### **Associating Panchayats with Industry for establishment of Rural Hubs**

2.54 The Ministry of Panchayati Raj in its endeavour to bring industry and private/corporate enterprise closer to Panchayats has envisioned the concept of establishing 'Rural Business Hubs'. Identifying the economic potential of Panchayats the Ministry has set out to secure a constructive partnership between Panchayats and industry. It maintains that agro-industry and rural industry have enormous potential for transforming the rural economy. In fact they can act as engines of growth and bring about an economic transformation in rural India.

2.55 To this end the Ministry has held a National Presentation on Rural Business Hubs titled "Economic Empowerment through Panchayats" in collaboration with the Confederation of Indian Industries

(CII) in December at Vigyan Bhavan, New Delhi. It was attended by Ministers of Panchayati Raj, elected Representatives of PRIs as well as members of CII. Presentations on subjects namely, Agriculture/ Horticulture, Poultry, Bamboo products and process, Khadi and Village Industries, Handicrafts, Rural fashion – Handlooms and Garments, Bio-diesel through Jatropha, Power through bio-mass, exploiting isolated gas wells for Panchayats, Power Generation for Panchayats, Micro Finance, District Plan for Rural Business Hubs, Role of E-Governance in rural service delivery, Leveraging IT enabled rural business hubs (e-Choupal) were made. Further the Ministry plans to have such forum at the regional level as well.

2.56 The Ministry has further informed that it is already in communication with the Panchayats whose representatives had attended the presentation to identify the areas of interest in setting up Rural Business Hubs. Once this information is received the Ministry will consult experts and members of industry to this end.

**2.57 The Committee appreciate the efforts of the Ministry to secure a constructive partnership between Panchayats and industries as envisaged in the concept of establishing 'Rural Business Hubs'. The Committee feel that the said vision when translated into reality has the great potential to bring about an economic transformation in rural India. The Committee hope that progress in this regard is made and they would like to be apprised of it.**

#### **Awards to Best Panchayats**

2.58 Rs.9.2 crore have been provided in the year 2004-2005 and 2005-2006 at Budget Estimates stage for the purpose of awards to best Panchayats.

2.59 On the issue of the monetary benefit provided by the said award, the Committee have been informed that considerable monetary advantage, to the tune of Rs. 30 lakhs for District Panchayats, Rs.20 lakh for Intermediate and Rs.10 lakh for Gram Panchayat accrue to them. In fact the selection is of the highest order, and the panel includes the Additional Secretary, and Joint Secretary Panchayati Raj as also the Advisor Planning Commission. The criteria for selection of the Best Panchayat are—

- (a) Performance and implementation of programmes like Hariyali, Swajaldhara and Sanitation, and SGRY.

- (b) Performance in revenue mobilisation/tax collection and in areas of Health & Family Welfare and Education.

**2.60 The Committee appreciate the fact that the Government has initiated the process of awarding Panchayats for excellence in various fields. Here the Committee would like to suggest that greater publicity should be given to such events that would increase awareness about them at all levels and inspire more Panchayats to strive for such awards.**

NEW DELHI;  
18 April, 2005  

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28 Chaitra, 1927 (Saka)

KALYAN SINGH,  
Chairman,  
Standing Committee on  
Rural Development.

## APPENDIX I

### STATEMENT SHOWING STATE-WISE RELEASE OF GRANTS AS PER TFC AND EFC RECOMMENDATIONS AND ITS UTILISATION BY PANCHAYATI RAJ INSTITUTIONS

(As on 16.2.2005)

(Rs. in lakh)

Sl.No.	State	Tenth Finance Commission					
		Allocation (1996-2000)	Grants released to SG	Short fall (Col. 2 minus 3)	Desired utilisation (grant released alongwith desired matching contribution by State Govt.)	Utilisation reported by State Govt.	Col. 6 as % of Col. 5
1	2	3	4	5	6	7	8
1.	Andhra Pradesh	35100	33594.21	1505.79	44791.16	93572.00	208.91
2.	Arunachal Pradesh	451	141.25	309.75	188.33	IA	—
3.	Assam	13336	4167.50	9168.5	5556.53	4167.5	75.00
4.	Bihar*	50719	12680.00	38039	16906.24	7223.38	42.73
5.	Chhattisgarh	—	—	—	—	—	—
6.	Goa	591	258.50	332.5	344.66	IA	—
7.	Gujarat	19201	19201.00	0	25600.69	19200.00	75.00
8.	Haryana	8264	8264.00	0	11018.39	9090.04	82.50
9.	Himachal Pradesh	3218	2816.00	402	3754.57	3867.38	103.00
10.	J&K	3759	3759.00	0	5011.87	IA	—
11.	Jharkhand	—	—	0.00	0.00	IA	—

\*Includes Rs. 3207 lakh transferred to Jharkhand.

1	2	3	4	5	6	7	8
12.	Karnataka	22177	22177.00	0	29568.59	22177.00	75.00
13.	Kerala	17881	17881.00	0	23840.74	89786.00	376.61
14.	Madhya Pradesh	34869	34285.57	583.43	45712.95	34868.00	76.28
15.	Maharashtra	34701	21688.00	13013	28916.61	34827.00	120.44
16.	Manipur	931	407.25	523.75	542.99	407.25	75.00
17.	Meghalaya**	865	378.00	487	503.99	IA	
18.	Mizoram	294	294.00	0	391.99	588.00	150.00
19.	Nagaland***	465	203.50	261.5	271.33	IA	
20.	Orissa	20099	20099.00	0	26798.00	36849.00	137.51
21.	Punjab	10335	4521.50	5813.5	6028.52	4224.85	70.08
22.	Rajasthan	21222	21222.00	0	28295.29	45822.84	161.95
23.	Sikkim	190	190.00	0	253.33	738.00	291.32
24.	Tamil Nadu	287.34	28734.00	0	38311.04	57468.00	150.00
25.	Tripura	1394	870.50	523.5	1160.64	1744.00	150.26
26.	Uttar Pradesh	75952	66458.00	9494	88608.45	67181.43	75.82
27.	Uttaranchal	—	—				
28.	West Bengal	33345	33345.00	0	44458.09	32298.54	72.65
Total		438093.00	357635.78	80857.22	476835.79	566100.21	84.23

\*\* Meghalaya had transferred the entire TFC to ULBs as there are no PRIs and utilised.

\*\*\* Government of Nagaland has transferred the entire funds.

IA Information awaited.

## APPENDIX II

### STATEMENT SHOWING STATE-WISE RELEASE OF GRANTS AS PER TFC AND EFC RECOMMENDATIONS AND ITS UTILISATION BY PANCHAYATI RAJ INSTITUTIONS

As on 16.2.2005

(Rs. in lakh)

Sl.No.	State	Eleventh Finance Commission							
		Allocation (2000-05)	Grants released to SG (2000-05) as on 16.2.2005	Shortfall (Col. 8 minutes Col. 9)	Desired utilisation (grant released alongwith desired matching contribution by State Govt.)	Matching Contribution by State/ PRI as reported by SG	Released to PRIs by SG	Utilisation reported by State Govt.	Col. 11 as % of Col. 14
1	2	8	9	10	11	12	13	14	15
1.	Andhra Pradesh	76024.15	60819.32	15204.83	76024.15	15029.00	46690.00	53293.27	70.10
2.	Arunachal Pradesh	2784.25	1948.97	835.28	2436.21	IA	IA	IA	—
3.	Assam	23344.75	11672.37	11672.38	14590.46	IA	2334.00	IA	—
4.	Bihar*	54.375	38062.5	16312.5	47578.13	5437.50	42855.00	20288.12	42.64
5.	Chhattisgarh	21001.95	21001.95	0	26252.44	5600.00	22400.20	22321.4	85.03
6.	Goa	927.25	463.63	463.62	579.54	IA	IA	IA	—
7.	Gujarat	34804.35	32607.39	2196.96	40759.24	9833.53	34196.57	33823.61	82.98
8.	Haryana	14708.75	14708.75	0	18385.94	2941.75	14708.75	14708.75	80.00
9.	Himachal Pradesh	6566.9	5910.21	656.69	7387.76	1200.00	5918.92	5918.92	80.12
10.	J&K	7440.7	1488.14	5952.56	1860.18	IA	IA	IA	—
11.	Jharkhand	24128.8	0	24128.8	0.00	IA	IA	IA	—
12.	Karnataka	39411.75	31529.4	7882.35	39411.75	4492.00	19705.00	26841	68.10
13.	Kerala	32962.9	32962.9	0	41203.63	8177.07	34547.82	43444.51	105.44
14.	Madhya Pradesh	50545	45490.5	5054.5	56863.13	12477.20	57967.70	57967.7	101.94
15.	Maharashtra	65672.9	59105.61	6567.29	73882.01	13134.98	78553.11	51667.58	69.93
16.	Manipur	1877.15	938.57	938.58	1173.21	42.08	546.00	546	
17.	Meghalaya**	2560.8	2048.64	512.16	2560.80	IA	628.00	189.73	7.41



1	2	8	9	10	11	12	13	14	15
18.	Mizoram	785.55	706.99	78.56	883.74	157.12	785.55	785.55	88.89
19.	Nagaland***	1286.65	643.33	643.32	804.16	IA	IA	IA	
20.	Orissa	34558.8	27647.04	6911.76	34558.80	8639.70	42574.90	23950.7	69.30
21.	Punjab	15463.55	9278.13	6185.42	11597.66	49100.00	2037.35	1472.77	12.70
22.	Rajasthan	49094.8	44185.32	4909.48	55231.65	6136.85	30684.25	30419.07	55.08
23.	Sikkim	529.25	423.4	105.85	529.25	85.98	307.62	326.78	61.74
24.	Tamil Nadu	46611.8	41950.62	4661.18	52438.28	9580.71	44793.42	44793.67	85.42
25.	Tripura	2845.95	1707.57	1138.38	2134.46	357.60	1422.97	1698.57	79.58
26.	Uttar Pradesh	116713.35	93370.67	23342.68	116713.34	13222.85	78581.85	71292.62	61.08
27.	Uttaranchal	15200	12160	3040	15200.00	2129.93	10851.77	10633.39	69.96
28.	West Bengal	57772.95	34663.77	23109.18	43329.71	5450.31	35272.97	29400.94	67.85
	Total	800000.00	627495.69	172504.31	783469.61	173226.16	608363.72	545784.65	89.58

Note:

\*Includes Rs. 3207 IEFC

\*\*Meghalaya had transferred the entire TFC funds to ULBs as there are no PRIs and utilised.

\*\*\*Govt. of Nagaland has transferred the entire funds.

IA Information awaited.

### APPENDIX III

#### STATEMENT INDICATING THE STATUS OF DISTRICT PLANNING COMMITTEES IN VARIOUS STATES

Sl.No.	States/UTs	Status of constitution of DPCs
1	2	3
1.	Andhra Pradesh	Not constituted
2.	Arunachal Pradesh	Not constituted
3.	Assam	Not constituted
4.	Bihar	37 districts out of 38 districts constituted on adhoc basis. Chairman ZP is the Chairman of DPCs.
5.	Chhattisgarh	Constituted. Minister is Chairperson of DPC
6.	Goa	Not constituted
7.	Gujarat	Not constituted
8.	Haryana	18 Districts out of 19 districts. Rest under consideration
9.	Himachal Pradesh	Only in 6 Districts out of 12. Minister is Chairperson of DPOC
10.	Karnataka	Yes, in all Districts. President, ZP is Chairman of DPC
11.	Jammu & Kashmir	Yet to adopt the provisions of 73rd Amendment Act
12.	Jharkhand	Panchayat Elections yet to be held
13.	Kerala	Yes, Chairman of District Panchayat (DP) is Chairman of DPC
14.	Madhya Pradesh	Yes. District incharge Ministers are Chairpersons
15.	Maharashtra	Not constituted

1	2	3
16.	Manipur	Yes in 2 districts out of 4. Adhyaksha, DP is Chairperson
17.	Meghalaya	Not Applicable
18.	Mizoram	Not Applicable
19.	Nagaland	Not Applicable
20.	Orissa	26 Districts. Minister is Chairperson of DPC
21.	Punjab	Not constituted
22.	Rajasthan	Yes. Chairman of DP is Chairman of DPC
23.	Sikkim	Yes
24.	Tamil Nadu	Yes. Chairperson, DP is Chairperson
25.	Tripura	Not constituted
26.	Uttar Pradesh	DPCs are not functional
27.	Uttaranchal	Yes. Minister is Chairman of DPC
28.	West Bengal	Yes. Chairperson, DP is Chairperson of DPC
29.	A&N Islands	Yes. Chairman of DP is Chairman of DPC
30.	Chandigarh	Not constituted
31.	D&N Haveli	Yes. Chairman, DP is Chairman of DPC
32.	Daman & Diu	Yes. Chairman, DP is Chairman of DPC
33.	Lakshadweep	Yes. Collector cum Dev. Commissioner is Chairperson
34.	NCT of Delhi	Panchayati Raj system is yet to be revived
35.	Pondicherry	Panchayat Elections yet to be held

## ANNEXURE IV

### RECOMMENDATIONS OF THE SECOND ROUND TABLE CONFERENCE HELD AT MYSORE ON 28-29 AUGUST, 2004

#### I. Planning

1. There shall be constituted in every State, at the district level, a District Planning Committee (DPC) by the end of the current financial year wherever such DPCs do not already exist.
2. All DPCs should be constituted according to the procedure laid down in the Constitution in Article 243ZD (2).
3. All States must make provision, by law, for the functions relating to District Planning Committees.
4. District planning must take into account:
  - (i) resource endowment of the area;
  - (ii) felt needs of the people; and
  - (iii) relative absorptive capacity.
5. As provided for in the Constitution, each tier of the Panchayati Raj System—Village, Intermediate and District—must prepare the perspective Five Year Plan and Annual Plans for their respective jurisdiction. The same exercise should be undertaken in the Municipalities of each district. The DPC should “consolidate” the plans prepared by the Panchayats and Municipalities, as provided for in the Constitution, rather than prepare the District Plan of its own accord or of its own volition.
6. To fine-tune the plans prepared at different levels, as also to undertake the consolidation of plans in the DPC in a technically acceptable sense, State Governments, in accordance with the provisions of Article 243ZD (3) (b), may specify institutions, organizations and individuals, who may assist the Panchayats, Municipalities and DPCs in preparing plans of a technically acceptable nature.
7. To facilitate such planning, the State Government, in accordance with the provisions of Article 243ZD, may indicate to each level of the Panchayats and Municipalities,

“the extent and type of available resources, whether financial or otherwise”.

8. To the extent possible, resources should be made available to the Panchayats and the Municipalities on an untied, general purpose basis. Where grants are tied to schemes, guidelines should be broad and simple so that they are readily understood by elected representatives at the Panchayat and Municipality level.
9. Recognizing the financial constraints under which most State Governments at present operate, the primary responsibility for providing untied grants and simplified schemes rests with the Union Government and the Planning Commission. The Central Government may, therefore, consider establishing a mechanism at the Centre which will pool together all the Central Government and Finance Commission's resources with a view to channelising as large proportion of these as possible to the PRIs through the District Rural Development Agencies (DRDAs) which might be renamed as the District Panchayat Development Agencies (DPDAs) since they will be receiving all the resources of the Central Government rather than just those of the Ministry of Rural Development alone. In any case, wherever State Governments have abolished DRDAs, and merged them with Zilla Panchayats, this channel may be used. The proposed DPDA may be so merged with the District Panchayat that its resources, both financial and in terms of technical manpower, are made available to all tiers of the Panchayati Raj system in accordance with the activity maps prepared by the State Governments for each tier of the Panchayati Raj system.
10. Thus, even as in the case of the devolution of functions, functionaries and finances, planning at each level of the PRIs may be undertaken in accordance with activity mapping.
11. The States, depending upon their resource availability, might appropriately strengthen the sound finances of the PRIs so that planning at the District and Sub-District level is based on an indication of the resources available and those that would be made available, for the activities devolved on them.

12. In the budgets of State Governments, besides the traditional division between the State sector and the District sector, consideration may be given to incorporating a Panchayat sector in each departmental budget. At the Centre, the Planning Commission, in consultation with the Central Ministries concerned, might work out similar appropriate arrangements.
13. In allotting financial resources to PRIs, the distinction between administrative grants and development grants may be maintained.
14. State Governments may consider incorporating in their State laws provision for the formation of Standing Committees, within each Panchayat body to undertake the responsibilities relating to planning and implementation for the subjects allotted to them. These Committees could have an earmarked budget, based on the Panchayats allocating funds to the Standing Committees, depending on their respective responsibilities.
15. In the preparation of District Plans, priority should be given, first, to plans for the provision of basic minimum needs; second, to the provision of services; third, to facilitating Rural Business Hubs; and, fourth, to general economic development.
16. The Planning Commission is requested to ensure that the 11th Plan begins with and is founded on District Plans prepared in accordance with the provisions of Part-IX and IXA of the Constitution.

## APPENDIX V

### COMMITTEE ON RURAL DEVELOPMENT (2004-05)

#### MINUTES OF THE FIFTEENTH SITTING OF THE COMMITTEE HELD ON MONDAY, THE 4TH APRIL, 2005

The Committee sat from 1500 hrs. to 1600 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

#### PRESENT

Shri Kalyan Singh — *Chairman*

#### MEMBERS

#### *Lok Sabha*

2. Shri V. Kishore Chandra S. Deo
3. Shri Sandeep Dikshit
4. Shri Mohan Jena
5. Shri Shrichand Kriplani
6. Shri Subhash Maharia
7. Shri Hannan Mollah
8. Shri Dawa Narbula
9. Shri A.F. Golam Osmani
10. Shri K.C. Palanisamy
11. Shri Anna Saheb M.K. Patil
12. Shri P. Chalapathi Rao
13. Shri S. Sudhakar Reddy
14. Shri Nikhilananda Sar
15. Shri Mohan Singh
16. Shri Mitrasen Yadav

#### *Rajya Sabha*

17. Kumari Nirmala Deshpande
18. Shri Penumalli Madhu
19. Shri Kalraj Mishra
20. Dr. Chandan Mitra
21. Dr. Faguni Ram
22. Prof. R.B.S. Varma

## SECRETARIAT

1. Shri V. K. Sharma — *Joint Secretary*
2. Shrimati Sudesh Luthra — *Deputy Secretary*
3. Shri A.K. Shah — *Under Secretary*

**Representatives of the Ministry of Panchayati Raj**

1. Shri Wajahat Habibullah, Secretary
2. Shrimati Sudha Pillai, Additional Secretary
3. Shri T.R. Raghunandan, Joint Secretary

2. At the outset, the Chairman welcomed the members to the sitting of the Committee convened to take oral evidence of the representatives of the Ministry of Panchayati Raj on Demands for Grants (2005-06).

*[The representatives of the Ministry of Panchayati Raj,  
were then called in]*

3. The Chairman welcomed the representatives of the Ministry of Panchayati Raj to the sitting. He then drew their attention to direction 55(1) of the 'Directions by the Speaker'.

4. The Committee then took oral evidence of the representatives of the Ministry of Panchayati Raj on Demands for Grants (2005-06). The Secretary, Ministry of Panchayati Raj, briefly explained to the Committee the overall position with regard to the allocation and expenditure of the Department during 9th Plan (1997-2002) period as well as the projections of the Ministry during the 10th Plan (2002-2007) period. He also dealt with various issues and enumerated the problems being faced by the Ministry on account of it being a new Ministry. The Committee then discussed in detail the various issues related to the examination of the Demands for Grants (2005-2006) of the Ministry with special emphasis on time bound training of the representatives of PRIs and effective devolution of funds, functions and functionaries. The allocations and utilisation under the 10th, 11th and 12th Finance Commissions were discussed. The representatives of the Ministry clarified the queries of the Members and were asked to send written replies thereto to the Secretariat which could not be answered during the sitting.

*The Committee then adjourned.*

A verbatim record of proceedings was kept.



## APPENDIX VI

### COMMITTEE ON RURAL DEVELOPMENT (2004-05)

EXTRACTS OF THE MINUTES OF THE SEVENTEENTH SITTING  
OF THE COMMITTEE HELD ON MONDAY, THE 18TH APRIL, 2005

The Committee sat from 1500 hrs. to 1645 hrs. in Committee Room  
'D', Ground Floor, Parliament House Annexe, New Delhi.

#### PRESENT

Shri Kalyan Singh — *Chairman*

#### MEMBERS

##### *Lok Sabha*

2. Shri V. Kishore Chandra S. Deo
3. Shri Mohan Jena
4. Shri Shrichand Kriplnai
5. Shri Dawa Narbula
6. Shri K.C. Palanisamy
7. Shri Nikhilananda Sar
8. Shri Mohan Singh
9. Shri Sita Ram Singh

##### *Rajya Sabha*

10. Kumari Nirmala Deshpande
11. Shri Penumalli Madhu
12. Shri Kalraj Mishra
13. Dr. Chandan Mitra
14. Dr. Faguni Ram
15. Prof. R.B.S. Varma

#### SECRETARIAT

1. Shri V.K. Sharma — *Joint Secretary*
2. Shrimati Sudesh Luthra — *Deputy Secretary*
3. Shri A.K. Shah — *Under Secretary*

2. At the outset, the Chairman, welcomed the members to the sitting of the Committee.

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3. The Committee, thereafter, considered and adopted the draft Report on Demands for Grants (2005-06) of the Ministry of Panchayati Raj with slight modifications.

4. The Committee then authorised the Chairman to finalise the aforesaid draft Reports on the basis of factual verification from the concerned Ministry/Department and present the same to both the Houses of Parliament.

*The Committee then adjourned.*

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\*\*\*Minutes not related to the subject have been kept separately.

## APPENDIX VII

### STATEMENT OF RECOMMENDATIONS/OBSERVATIONS

Sl. No.	Para No.	Recommendations/Observations
1	2	3
1.	2.5	The Committee note that though the Ministry of Panchayati Raj is a new Ministry (set up on 27 May 2004), yet the various activities of the Ministry were earlier being handled by the Department of Rural Development. Therefore in the opinion of the Ministry, the administrative difficulties should have been sorted out before the actual bifurcation had taken place so that the purpose of creating a new Ministry is fulfilled. In fact the Committee had, expressed the similar reservations in the earlier report. Here the Committee would like to recommend that the acquisition of manpower should be completed within the shortest-possible time so that the Ministry can tackle the task it has been entrusted with.
2.	2.6	The Committee while analysing the data of outlay earmarked during 10th Plan, find that during the Tenth plan the allocation provided under the scheme of Panchayati Raj Development and Training is less than half of the projected outlay. Another noticeable fact noticed by the Committee is that during the first year <i>i.e.</i> 2004-2005 of the newly created Ministry, the Ministry has got less than half of what was projected outlay. But even that amount could not be spent fully. Out of Rs. 31.04 crore earmarked at BE stage, the expenditure

1	2	3
		<p>incurred is just Rs. 6.98 crore which includes the releases of Rs.1 crore made for North Eastern Region. In fact out of Rs. 1 crore earmarked to North Eastern Region, only Rs. 16,78,460 could be spent and remaining amount was transferred to non-lapsable fund. The analysis with regard to PD&amp;T scheme has been done in the subsequent part of the report. Here while analysing the over all position of outlay the Committee find that even though the allocation is just half of the projected outlay during 2004-2005 the expenditure reported is just one-fifth of the BE. Not only that about half of the outlay has been earmarked in the last three months of the year. The Committee express their strongest concern on the gross non-utilisation of resources and recommend that suitable corrective actions may be taken in this regard.</p>
3.	2.7	<p>The Committee find from Detailed Demands for Grants of Ministry of Panchayati Raj as tabled in the House, that there are certain components of plan allocation, such as Grants-in-aid to State Governments, projects assisted by the United Nations agencies, other charges, Panchayat Development and Research, Grants to Institutions, Conferences, Seminar, Workshop for which the allocation has been separately made. However in the Performance Budget the analysis of Plan outlay and expenditure has been done under only one major scheme <i>i.e.</i> Panchayat Development and Training. The Committee would like to recommend that the analysis head-wise as indicated in the detailed Demands for Grants as explained above</p>

1	2	3
		should be indicated in detail in the Performance Budget so as to enable the Committee to analyse the data critically and arrive at some meaningful conclusions.
4.	2.23	The Committee find that there is only one Centrally Sponsored Scheme <i>i.e.</i> The scheme of Panchayat Development and Training (PD&T) under the jurisdiction of the Ministry of Panchayati Raj. The major allocation for the Ministry has been made for training. The details of financial achievement have been analysed in the preceding part of the report. As regards the physical achievement, the Committee note that out of 30 lakh representatives of Panchayati Raj Institutions over 6 lakh could be provided training so far by the efforts of Government under the aforesaid scheme.
5.	2.24	Further as stated by the Ministry out of the total elected representatives of PRIs a majority of them are new entrants. The Committee find that the Constitution has placed vast responsibility on the Gram Panchayats to formulate and execute various programmes for economic development and social justice. To enable PRIs to handle such onerous responsibility, training is the basic input. The Committee feel that the Ministry has to put more stress on this aspect. There is an urgent need to have a time bound programme for imparting training to all representatives of Panchayati Raj Institutions and the staff. The Committee would like the Department to chalk out an action plan in consultation with the State Governments and apprise them accordingly.

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6.	2.25	<p>The Committee further find that after the setting up of the Ministry of Panchayati Raj, a Training and Research Advisory Committee has been set up. Two sittings of the said Committee have been held so far and the Advisory Committee has approved five research/training proposals in this regard. The Committee also note that the Ministry has furnished the reasons for under spending as the late constitution of this body. Whereas the Ministry was constituted on 27 May, 2004 the Committee could only be constituted on 18th January, 2005. It has also been stated that the Head of Account of the Ministry was partially separated on November, 2005 and after that the said Advisory Committee could be constituted. The Committee while understanding the initial teething problems of the Ministry hope that this year more attention would be paid on the training of PRIs.</p>
7.	2.26	<p>The Committee further find from the reply of the Ministry that earlier there was Research and Training Committee under the Panchayati Raj Training Division of the Ministry of Rural Development. The Committee would like to be apprised of the difference between the erstwhile Committees that was functioning under the Ministry of Rural Development and the existing Research and Training Committee of the Ministry of Panchayati Raj.</p>
8.	2.27	<p>The Committee also note that the Department of Rural Development (Ministry of Rural Development) also have allocation for NIRD, SIRD, ETCs which cater to the training needs of PRIs. In this</p>

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		<p>situation the Committee would like to be apprised of the status of training Committees under the Ministry of Rural Development. The Committee would also like to be apprised how the coordination between the training aspect being handled by the Ministry of Rural Development and this Ministry would be ensured. Besides the Committee will also like to apprised of the involvement of NIRD, SIRD, ETCs under the Ministry of Rural Development for the purpose of training.</p>
9.	2.35	<p>The Committee find from the position of allocation and utilisation of outlay provided by the 10th Finance Commission that the utilisation is 84 per cent whereas the percentage utilisation of funds allocated by the 11th Finance Commission is stated to be 69 per cent only. The Committee find from the information furnished by the Ministry that the funds in this regard have not been released to State Governments. The Committee also note that the Ministry of Panchayati Raj has identified the tracking and monitoring of funds as a thrust area in the Ministry of Panchayati Raj. While appreciating the said initiative of the Ministry the Committee further stress that there is an urgent need to put in a mechanism for monitoring of the outlay being earmarked directly to Panchayats. More emphasis on monitoring is required particularly when the Ministry of Panchayati Raj is making efforts to ensure devolution of funds for the 29 subjects indicated in the Eleventh Schedule of the Constitution besides ensuring direct release of funds under different Centrally Sponsored Schemes directly to Panchayats.</p>

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10.	2.36	<p>They note that certain conditions laid down by the Finance Commissions stipulate that the funds would be released only on the fulfillment of certain conditions. The Committee would like to be apprised about the conditions laid down by the Finance Commission in this regard. They also note that several States have not complied the conditions laid down by the Finance Commission. The Committee would like to be apprised about the names of the said States. The Committee hope that with the creation of an exclusive Ministry to deal with the Panchayati Raj, the things will improve and it will be ensured that there is effective utilisation of funds allocated by the Finance Commissions.</p>
11.	2.37	<p>The Committee further find that a sum of Rs.20,000 crore have been allocated as grants-in-aid to augment the Consolidated Fund of States for the period 2005-2010. They also note that the information on the action plan for the utilisation of the said allocation is being procured by the Ministry, from the Ministry of Finance. The Committee would like to be apprised of the details in this regard.</p>
12.	2.38	<p>The Committee would also like to be apprised about the State-wise position of the matching contribution provided by the respective State Governments with regard to the 10th Finance Commission outlay.</p>
13.	2.39	<p>The Committee further find that the grants-in-aid being extended by the Finance Commission are for the normal and the excluded areas as proposed by the Finance Commission. It is for the States concerned to distribute the grants recommended by</p>



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		<p>the Finance Commission among the local bodies including those in the excluded area in a clear and just manner. The Committee would like to be clarified about the details of the normal and excluded areas as stated above. While noting that it is the discretion of the State Governments to allocate the funds to the PRI's, the Committee would like to be apprised of as to whether any data with regard to funds allocated by the State Governments out of the 9th and 10th Finance Commissions to PRIs has been maintained by the Ministry. If so, the Committee would like to be apprised of the details in this regard. Further, the Committee note that the Ministry of Panchayati Raj has stated that they would continue to make available funds for the capacity building of Panchayati Raj Institutions. The Committee would like to be apprised about the details of the funds being provided/proposed to be provided for the said purpose by the Ministry.</p>
14.	2.44	<p>The Committee in their earlier reports have been repeatedly recommending the need to devolve the functions along with the funds and functionaries. They note that the overall aim of Part IX of the Constitution is to endow the Panchayats with such powers and responsibilities as may be necessary to enable them to function successfully as institutions of self government as per the mandate of the Constitution. State Legislatures have been empowered to endow Panchayats by law with such powers and authority as may be necessary to enable them to pursue economic development and social justice, including those in relations to the matters contained</p>

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		<p>in the Eleventh Schedule. The Committee are constrained to note that even though around thirteen years have elapsed since the 73rd Amendment Act was enacted, yet there is no considerable progress on the issue of devolution. Only one State <i>i.e.</i> Karnataka has transferred the funds functions and functionaries for all the 29 subjects indicated in the Eleventh Schedule. Other States where considerable progress in this regard has been done are Kerala, Maharashtra, Rajasthan and Sikkim. It is really a matter of concern that several States like Haryana and Punjab have not transferred the funds <i>vis-a-vis</i> functions and functionaries, not even for a single subject to Panchayats. The Committee also find that with the constitution of the new Ministry the efforts are being made to motivate State Governments in this regard through various round table Conferences. They are also happy to note that a deadline in this regard has also been made. The Committee would like to be apprised of the aforesaid deadline with regard to devolution. The Committee would also like that the matter should further be pursued with the State Governments and they be apprised of the progress in this regard.</p>
15.	2.48	<p>The Committee find that District Planning Committees are to be constituted in every district to consolidate the plans prepared by the Panchayats. They are constraint to note that there are a number of States in which District Planning Committees have not been constituted so far in accordance with the provisions of article 243ZD. The Committee also note that with the pursuance of the newly constituted</p>

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		Ministry, a deadline has been fixed whereby all the States/Union territories are required to set up DPCs by the end of the current financial year. The Committee feel that State Governments need to be persuaded further to comply with the said deadline and they be apprised accordingly.
16.	2.49	The Committee further find that as stated by the Ministry the meetings of the DPCs are not being chaired as per the provisions of the Constitution. In some States, Minister-in-charge of the districts have been made as the Chairpersons of the DPCs. The Committee hope that with the transfer of DPCs to the Ministry of Panchayati Raj which is exclusively dealing with all the matters related to implementation of Part IX of the Constitution, the State Governments would be persuaded to discourage the practices which are not in true spirit of the Constitution. The Committee would like to be apprised of the efforts being made the Ministry in this regard.
17.	2.53	The Committee find that it is matter of concern that even for the Centrally sponsored Schemes, related to 29 subjects as enlisted in the Eleventh Schedule of the Constitution, the Union Government cannot ensure the implementation of schemes through Panchayats. The Committee appreciate that with the constitution of the Ministry of Panchayati Raj, the matter is being looked into seriously. Not only that, Prime Minister has intervened and the matter is being seriously pursued by the Cabinet Secretary. The Committee further find that with regard to release of funds

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		<p>directly to Panchayati Raj Institutions under the Centrally Sponsored Schemes of the Union Ministries, a Committee has been constituted which will submit the report shortly. The Committee would like to be apprised of the deliberations and decisions taken by the said Committee. The Committee would like to urge the Ministry to step up their efforts in this regard and hope that considerable progress will be made on the aforesaid subject. The Committee also feel that ensuring the implementation of Centrally Sponsored Schemes through Panchayati Raj Institutions will further motivate the State Governments to devolve 29 subjects enlisted in Eleventh Schedule of the Constitution.</p>
18.	2.57	<p>The Committee appreciate the efforts of the Ministry to secure a constructive partnership between Panchayats and industries as envisaged in the concept of establishing 'Rural Business Hubs'. The Committee feel that the said vision when translated into reality has the great potential to bring about an economic transformation in rural India. The Committee hope that progress in this regard is made and they would like to be apprised of it.</p>
19.	2.60	<p>The Committee appreciate the fact that the Government has initiated the process of awarding Panchayats for excellence in various fields. Here the Committee would like to suggest that greater publicity should be given to such events that would increase awareness about them at all levels and inspire more Panchayats to strive for such awards.</p>