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Understanding local self governance – An applied research perspective

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The following paper is about the working of an intermediary research organization in the area of local governance in India. The Centre for Budget and Policy Studies, Bangalore, India has used budget analysis to understand the issue of local governance. Budgets are used to interpret the political will of the government in taking up schemes in the various sectors. It is an important instrument to understand the state of governance. The paper looks at the applied research perspective gained, while working in the area of local governance and how budget analysis can further help in improving database of government and hence move towards better governance.

Key words: local governance, budget analysis, data.

INTRODUCTION

India is a large country. Its principal units of local administration include 627 districts in 29 states and 6 Union Territories. In popular parlance of civil administration, a district is considered the ‘cutting edge of administration’. Governance at the village level is the responsibility of the district administration. From earliest known Indian history “panchayats” or a group of elders in the village were considered as a body that help in local governance and administration of law and order. But sadly over time, this system fell into disuse and did not commend the same level of acceptance, though some kind of traditional panchayats continued over time.

The 73rd Amendment of the Indian Constitution in the year 1993, gave sanctity to an elected body to help in the local governance at the lowest level of administration. This meant a coming of an elected local self government at the district and sub-district level. This is popularly defined in terms of “decentralization” There are three levels of administration under the local self government, also known as the Panchayat Raj Institutions – the lowest is the Grama Panchayat (GP) at the village level, a Taluk Panchayat (TP) which is at the taluk level, and the Zilla Panchayat(ZP) at the district level.


CBPS is an intermediary research organization whose primary motive is to carry out applied research in local issues of governance and disseminating the same to end-users such as activists, journalists, corporators, councilors, administrators, and other researchers to be useful in policy making. The Centre uses local budgets as its primary instrument to understand policy initiatives. The present paper only looks at the understanding gained about of local governance, while working with budgets and looks at ways this exercise can be taken forward (Dargar, 2003).

The role of budget analysis in local self-government

Before we understand the issues of how CBPS works on budget analysis, one needs to understand the local self governments. This is generally understood as decentralization. The decentralisation process basically contends with three issues, namely – functions, functionaries and finances. Functions deal with administrative decentralization brought about by transfers and deputation of officials from higher levels of government to lower levels. Functionaries primarily mean democratic decentralization
through which political power and resources are actually passed down to lower levels of government, but could also include the line and staff manning the various departments/ functions. And lastly, finances, which is understood in terms of the fiscal decentralization that proceeds by introducing dis- cretionary financial powers and conceding power to make financial decisions (Vyasulu, 2008). In the Southern State of Karnataka, where CBPS works, 29 departments covering both social and economic sectors have been transferred to the local self governments (Vyasulu, 2004). There is an elected body which is supposed to formulate, debate and decide upon its revenues at each of the three levels of governance. One of the strongest links among the three is budgeting, and hence the importance of budget analysis.

Budget analysis involves study of budgets. Budget is a political document, which clearly states the priorities set by the government. Administratively, there is a prescribed format in which a budget is presented. This is done in accordance with the measures set out by the supreme audit institution of the country, namely, the Comptroller and Auditor General of India (C&AG). There is a classification procedure for the various moneys spent. Any researcher working on this, needs to be aware of the nuances of government accounting systems.

A budget process includes four stages:

1. Formulation by the executive branch.
2. Enactment – when it is debated, modified and approved by the legislative branch.
3. Implementation – when the features of the budget are carried out by the government.
4. Auditing and assessment – when the actual expenditures are accounted for and assessed for their effectiveness.

The study of district budgets in CBPS has been both qualitative and quantitative in nature. It has examined matters such as the class of people who become elected representatives, the informal power structures that operate, the level of dissemination of information, and the ambitions of the representatives who see local activity as a stepping stone to State politics. One very important realization has been how a developed expertise in budget analysis helps in committing decentralization as a powerful means of strengthening local self-government. The way CBPS has moved towards building awareness about budgets was to put the four stages of budget process in a reverse mode:

(1) What it means is that the Centre started out first by studying budgets. CBPS has been judiciously collecting data from local sources. It has also accessed the published audit documents and other reports, which are tabled in the assembly. The reports are further analyzed to understand the emerging patterns and disseminate the same. This work can broadly be related with the fourth stage of the budget process.

(2) Moving from the understanding and analysis of the data, CBPS started working with NGOs / civil society as a means of dissemination of data. Most action reports are written in a simple manner using a journalistic model to address issues of local concern. The reports were also written in the local language for a larger audience. This stage can loosely be related to the third stage of implementation in the budget process. This interaction with the civil society has helped in making a case for social audit to judge how the works have been implemented. Also this has helped in the NGOs to work and share information with the local elected representatives for a better informed participation in the budget process.

(3) CBPS through its various projects has also conducted workshops and training sessions at the district and sub-district levels. These workshops have been a means for better dialogue to empower the elected representatives about their rights, duties and responsibilities. This has been crucial when working with the women representatives. This could broadly be said to be covering the process of enactment, but CBPS has been working towards a more meaningful involvement, which strengthen the enactment process, where the right questions are raised and debated in public forums among the elected representatives. One realizes that training is a continuous affair.

(4) The last stage in this entire process is formulation, where CBPS has been working together with government officials at various levels. At this stage, the data is being shared about working at the ground level. CBPS is also involved in the working of various committees studying various programs and schemes of the government to better the process. This work also needs to be strengthened further.

How it works on the ground – CBPS findings

The first thing that stands out even after so many years of local self governments, is that, the local level is still seen as synonymous with the administration of the state government, mainly comprising of government officials (Vyasulu, 2010). Many times, the functionaries, namely the line and staff members act loyal only to their respective departments of the State government. There is great reluctance to see the elected local government as the ‘State’ and in fact in many instances is even placed within the voluntary sector – as among the non-government organizations (NGOs), co-operatives and self-help groups (SHGs). At the policy level, the Centre’s understanding, which has been sought to be shared with the various stakeholders being officials in the various departments, the elected representatives or non-government organizations, has been that a local self-
government should act such that it is taken seriously at the local level. It is a duly elected government and has a constitutional mandate. When the role of the elected representative is considered, it is seen that at the village level – gram panchayat (GP) level, though elections are to be fought apolitically, that is, on an independent basis, without being part of any political party, most elected representatives owe their allegiance to a political party. This factor brings in its own dynamics. Also there is uncertainty with respect to the various responsibilities and duties of the local GP elected representative and the role of the Member of the State Legislative Assembly (MLA) representing one of the constituencies of the district at the state. In most cases, the GP representative gets relegated as the junior partner in the working hierarchy and the role of a representative of the GP / Taluk Panchayat (TP) / Zilla Panchayat (ZP) at the State level in negotiating on behalf of the local government with the State Government is much diluted (Vyasulu, 2002).

With respect to the finances, expenditures are usually those approved at the administrative level of the state government. The funding of the panchayats is done through the State Government budget after taking into account the demands of the different departments for various schemes. The GP at the village level has some leeway to raise taxes locally through taxes, but the ZP at the district level has no power to raise any funds on its own, but is entirely dependent on state government allocations, which are mainly tied to specific schemes. At the gram panchayat level, funding is largely through tied funds. This means that there is no flexibility to use the funds for purposes other than those for which they are meant. As the schemes are devised and approved at a higher level, many times the schemes are not tailor-made to suit local needs. Hence the budget exercise remains a non-starter.

Apart from the ground issues as discussed, there are also definitional issues which continue to plague the analysts. In the budget study methodology, ‘Zilla panchayat’ and ‘District administration’ are nominally synonymous. Actually, ‘Zilla panchayat’ caters for only the rural areas, while ‘District administration’ includes the urban areas as well. Both the geographical spaces of rural and urbanized areas are sought to be brought together under the District Planning committees (DPCs). But this again, as studied by CBPS has shown that though DPCs have been set up, they do not meet regularly. Several times, historically municipalities are older and are for towns/cities, while ZPs are for rural areas, and hence working together has been difficult with a clash of styles of functioning. Municipalities have fund raising powers, but ZPs do not. Whereas, in case of ZPs, 29 departments have been transferred to them along with personnel and their roles defined, the municipalities are autonomous and hence can accept or reject the civic roles that they would like to be responsible for. A typical example is the District comprising the state capital, Bangalore. It is seen that the central business district within the capital is host to the office of the ZP of Bangalore rural district. The central district is well developed and progressive, while the areas surrounding it remain in shadows, with many areas even drought stricken – not even having enough drinking water (Indira, 2001).

The data are difficult to collate in any study because of the complicated categorization. For a comprehensive study, data needs to be pooled from four different documents: (a) Link documents (linking planning stage allocations to ZP budgets; (b) Annual reports of ZPs; (c) Comptroller and Auditor General (C&AG) Reports tabulated in the legislature; and (d) Actual MMR (monthly monitoring reports) of ZP. Except for the C&AG report, which is a public document, all the others are internal documents of the departments. The easiest way to source the material is through the elected representatives. But over the years, it is seen that because of the Right to Information Act, and also computerization of data at the local levels, data are available by paying a nominal fee.

**Understanding the larger framework**

It has been the endeavour of CBPS to bring in a holistic understanding the local self government as it becomes clear that only a fully empowered local self government can realize and help local people to determine their own development, keeping the best of local conditions. One of such major work undertaken by CBPS which could be classified as conceptual work, which has been developing a system for estimating district income. Though Constitutional amendments have brought into focus the local self-government development, through decentralization it is rendered ineffectual unless a financial database pertaining to all local regions in India are not made available (Indira et al., 2000). One measure, which could go a long way, is the creation of a district level database and arriving at a method for calculating the district product, income and poverty levels.

This will help in arriving at the respective human development index of the districts individually. Towards this, CBPS has developed a tool called the Indical software intended for the computation of district domestic product and income. What Indical does is simplify the computation by processing the data obtained from various sources because the final figures are simply an algebraic function of raw data. The Primary sector is composed of agriculture, fisheries, forestry and mining/quarrying, while the secondary sector is constituted by manufacturing, construction, power, water and gas (Virgin, 2005). The tertiary sector is the services sector (that is, hotels, trade, transport, banking, public administration, defense etc.). Wherever, a component does not appear to have any bearing on the district (as
for instance in defense), it can be computed because financial particulars relating to national activity can still be allocated, district-wise. Indica is a user friendly software with easy information as to where the primary data are available and also gives detailed guidelines to the interpretation of the computed data.

Another very interesting conclusion that comes of CBPS work is that there is paucity of available data at the district level as very scant attention is given to it. Here lies the dilemma that if decisions are taken at a higher level independent of local needs, is there a need for the maintenance of proper records as data? CBPS has to work with this - to use district level data, which can be inaccurate for lack of proper processes and work to clean the data for correct analysis. It is seen that most times, higher levels of administration also use this inaccurate data as evidence that lower levels of government are ill-equipped to exercise the enhanced powers that true devolution would bring. Or else, the bad data is used in good faith with the logic that the macro data can help mask any inaccuracies of micro details and would not necessarily hamper any statistical work.

CBPS is making an attempt to produce a comparative analysis of the various districts in which it is working. This at first sight seems be a simple task, but a herculean one. It is seen that most districts keep accounts that are similar on a broad template, but not comparable across the various heads of expenditure. The formats follow the most rudimentary requirements to a highly classified design.

The Eleventh Finance Commission (EFC), set up by the Government of India had recommended that the C&AG shall be responsible for exercising control and supervision over the proper maintenance of accounts of Local Bodies. Accordingly, C&AG had prescribed the formats for the maintenance of accounts by PRIs in 2002. This was followed by simplified formats in 2007. All of the C&AG reports on local self governments are prepared for submission to Governor under Article 151(2) of the constitution. These formats have been further simplified in 2007 for easy adoption at grass root level. The reports of the C&AG on such audit are placed before a committee of the State Legislature constituted on the same lines as the Public Accounts Committee. The C&AG has himself observed for one of the states that a complete database on the finances of the PRIs was not available at any level of the PRIs and a comprehensive picture of the finances of PRIs was not available. The absence of consolidated information on finances of PRIs and the non-existence of a centralized agency for this purpose is a critical shortcoming in the context of increasing transfer of funds and responsibilities to them. While CBPS recognizes that it cannot take over such a massive responsibility, it can work to help in compiling data and make available for analysis and help the various stakeholders.

Roadmap for the future

CBPS has completed ten years of work and would like to consolidate and deepen the work done. One way is to work towards designing training modules to reach a wider network of stakeholders. Another is to standardize the data analysis. An immediate need is to synergise the energies among the various researchers working in the same area. CBPS is already an active member of the International Budget Project, which it intends to take forward. To celebrate the ten years of work CBPS has made an endowment to the Indian Institute of World Culture, Bangalore to hold an annual debate on the state budget after its presentation in May each year.

REFERENCES


