

Policy Brief

XIVCFC grants and Gram Panchayat Development Plans (GPDP)

XIVCFC grants to Gram Panchayats

The 14th Central Finance Commission (14 CFC) has awarded Rs. 200,092 crore to the Gram Panchayats (GP) across the country for the period 2015-20. Ninety percent of this is provided as basic grant¹ and ten percent as performance grant². Funds are devolved on the basis of population (90 percent) and area (10 percent). These funds are exclusively for Gram Panchayats and the state governments must transfer them to the GPs within 15 days of receipt from the Government of India. *The funds are earmarked for basic services like water, sanitation, electricity, roads, parks, playgrounds, crematoria, burial grounds and other basic services as specified in the State Acts.*

With almost 40 percent children, Odisha has a young population that is growing rapidly. Thus, children's well-being is central to any assessment of social development and progress. Through Panchayat Planning Process, the Government of India is now placing increased authority and accountability at the GP levels to address challenges at the local level with the recognition that the community with support of GP functionaries and local officials are the best custodians of their communities. As a result, needs for services that most impact children, including education, health and nutrition, child protection, and water, sanitation and hygiene, are now expected to be assessed and prioritized by local government leaders, providing new opportunities for rural communities to play a role in the decisions affecting them. This policy brief summarizes key findings and recommendations of a study of utilization of Fourteenth Finance Commission funds and the Gram Panchayat Development Plan in Odisha conducted by the Centre for Budget and Policy Studies, Bangalore in partnership with UNICEF Odisha Office.

The study used both analysis of secondary data such as audited accounts of GPs and data from PlanPlus software primary data analysis. Primary data was collected from 30 GPs across 6 blocks of 3 districts viz. Balasore, Keonjhar and Koraput. The primary data included the financial information, semi-structured interviews with key Panchayat officials and elected representatives at different levels (district, block and GP) and focus group discussions with the key informants at the GP level

¹ Basic grants are the funds provided without any set conditions. The purpose of the basic grant is to provide a measure of unconditional support to the gram panchayats for delivering the basic functions assigned to them.

² The 14th CFC set six conditions for Panchayats to access the performance grant. Performance grants is to address the following issues: (i) making available reliable data on local bodies' receipt and expenditure through audited accounts; and (ii) improvement in own revenues. In case States are unable to draw their performance grant, the amount not drawn is redistributed in a specified manner.

Gram Panchayat Development Plan

The formulation of plans was mandated by the Ministry of Finance as a requirement for the receipt of 14th Central Finance Commission grants by the rural and urban local bodies³. The Ministry of Finance in its circular vide No. 13(32)FFC/FCD/2015-16 dated 8 October 2015, indicated that local bodies shall prepare plan for the improvement of basic services in accordance with the relevant rules, regulations, processes and procedures applicable in the state. The circular also specified the formation of committee under Ministry of Panchayati Raj to provide guidance and support to state governments and local bodies to implement the recommendations of the 14CFC. Important among them was empowering local bodies with provisions to levy advertisement tax, betterment tax, revise rates of entertainment tax and rationalize service charges at least to cover O& M charges.

Under the 14CFC, Odisha GPs would get basic grants of Rs. 7,965.28 crore and Rs. 885.03 crore as performance grant during five-year period of 2015-2020 subject to meeting the prescribed conditions.⁴ A total of Rs. 10778.65 crore untied grant is available to GPs (Devolution by FSFC+14th CFC grants+ incentive grants) over a period of five years. This translates into 17 lakh to Rs.38 lakh per GP per year in 2015-16 to Rs.34 lakh to Rs.77 lakh per year in 2019-20. This together with own source revenues (if any) comprises the resource envelope of the GPs for preparation of GPDP.

Gram Panchayat Development Plan Processes

The *Ama Gaon Ama Yojana* (AGAY) guidelines were issued by Department of Panchayat Raj, GoO vide circular No. 9293 dated 3rd December 2015. It indicated that GP has to identify the resource envelope i.e. *resources available to them from different probable sources including Central Finance Commission, State Finance Commission, centrally sponsored schemes, state sponsored schemes and own source revenues*. The AGAY specifies that the officials directly available to GP and the officials of other department available with GP are to be actively involved in the preparation of plans. A block level official is nominated to each of the GP as nodal officer who will monitor the planning activity. At the GP level, Sarpanch conducts series of meetings with the front line functionaries (ASHA, ANM, School teacher, AWW), key people, NGOs and others to ensure their participation and involvement in development of AGAY. The planning committees (7) at the GP level are expected to play major role in the development of AGAY.

A stock taking exercise has to be undertaken with respect to infrastructure (roads, buildings, culverts), civic amenities (drinking water, sanitation, electricity, playground, and crematorium), human development (anganwadi, schools, libraries and primary health centres), economic development (agriculture, local manufacturing, village markets, godowns,

³ <http://planningonline.gov.in/documents/Guidelines.pdf>

⁴ Guidelines for implementation of recommendations of 14th FC

jobs, financial inclusion), social development(SC/ST, women and children, senior citizens, disabled, economically weaker sections) and natural resources (soil, water, biomass, minerals and biomass). The GP, based on the analysis by the planning committee, inputs from the departments and discussions in the palli sabha, should prepare a report on the existing situation (village development report) at the GP level, identify gaps and also prepare a perspective plan along with prioritization of the tasks for the development of GP. The projectisation of the tasks will be undertaken by the technical personnel and project proposals will be submitted to GP for inclusion into annual plans. These annual plans are prepared based on the perspective plan prepared for the period of five years.

The monitoring of the GPDP implementation is supposed to be done by monitoring committees constituted at state, district, block and GP levels. Technical sanction for the projects is given by the appropriate authority while the administrative approval is to be given by GP. Funds are released directly to GPs and the fund utilization tracking is done on FMS platform. Capacity building and IEC activities are undertaken from the funds under RGPSA. The approval of projects by palli sabha and grama sabha is mandatory for undertaking the projects at GP level.

Prioritization through circulars

Government of Odisha has issued circulars⁵ to direct the spending priorities at the GP level. These include augmentation of basic amenities, creation of income generating assets as well as assets for community use. Circulars were issued to prioritize spending on water supply (up to 30 percent). Circulars have also been issued for utilisation of SFC devolution and 14th CFC basic grants (No. 1599 vide 17 CFC-21-2013 dated 30/9/2015) for construction of crematorium (Rs 2.5 lakh), bathing ghat with a dress changing room for ladies (Rs 1 lakh) and community bhavan /kalyana mandap (Rs. 35 lakh).

Results of the study of GPDP in 30 GPs across 3 districts⁶

Perspective Plans not prepared

The availability of the annual plans was checked for three years, i.e. 2015-16, 2016-17 and 2017-18. It was found that only 16 GPs had prepared annual plans for all the three years for CFC and SFC accounting for 53 percent of the sample GPs respectively. The perspective plans were not available with the GPs though 3 GPs claimed to have done it.

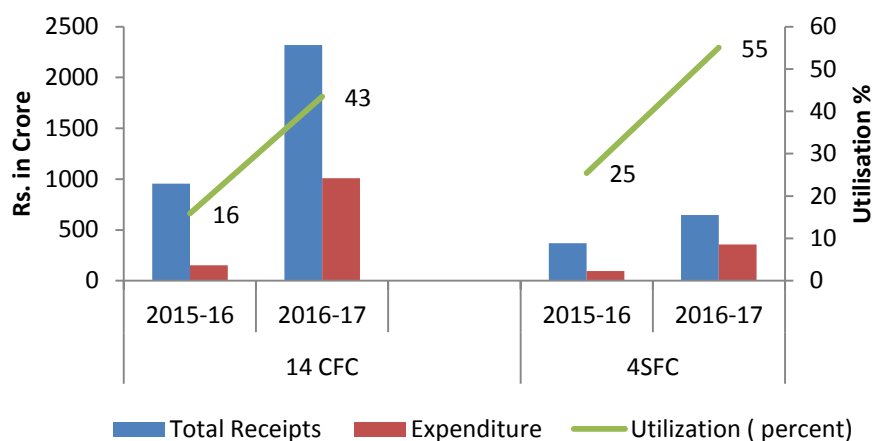
⁵ A circular No. 6643 dated 19/7/2016-stipulated that left over funds of 13th FC to be used for water supply – overhead tanks, piped water supply systems arrears to SEMs, etc. has also been issued.

⁶ Of the 30 GPs across three districts, one GP in Balasore, i.e. Daruha was newly formed GP before the elections in 2017 and thus did not have any data on receipts, expenditure and plans.

Low absorption of funds

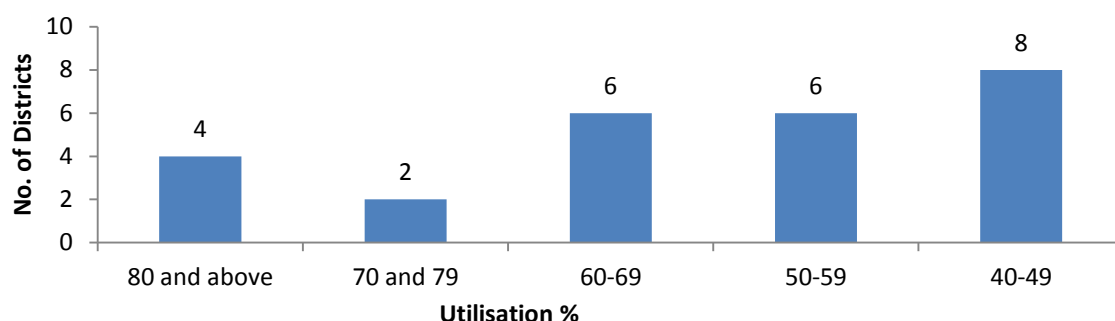
Analysis of utilisation of these grants by GPs across the state indicates very low absorption of expenditure. The utilisation of 14 CFC funds across districts for a three-year period up to February 2018 was examined. Fourteen districts had spent less than 60 percent of funds available to them. The three study districts viz. Keonjhar, Balasore and Koraput utilized 80 percent, 43 percent and 33 percent respectively of available CFC funds till February 2018 (Figures 1 and 2).

Figure 1: Utilization under SFC devolution and CFC devolution (Rs. in crore)



Source: PR and DW department website

Figure 2: Utilization of 14 CFC grants by districts (up to Feb 2018)



Source: PR and DW website.

Of the Sample GPs (20), utilisation of funds was highest in Keonjhar followed by Balasore and Koraput

Infrastructure works top priority

The PlanPlus data for three years (2015-16, 2016-17 and 2017-18) was analysed to understand the priorities of the GP. Utility and income generation were ranked higher than water supply in Keonjhar while roads figured at the top in Koraput. Sanitation works formed the top priority followed by water supply, administration related works (GP office, compound wall, etc.) followed by utilities like crematorium, community bhavan and shelters. Expenditure on SSE was found to be 8 percent.

Table 1: Priorities of GPDP as revealed in the PlanPlus data and Utilisation certificates

Data source	Rank	Balasore	Keonjhar	Koraput
PLANPLUS	1	Water supply	Utility	Road
	2	Sanitation	Income Generation	Water supply
	3	Utility	Water supply	Sanitation
	4	Admin expenses	Education	Utility
	5	Income Generation	Sanitation	Income Generation
	Total Plan (Rs. in lakhs)	778	888	636
	% share of Top 5	79	74	82
	Rank	Balasore	Keonjhar	Koraput
Primary Data (UCs of 20 GPs)	1	Sanitation	Sanitation	Sanitation
	2	Water supply	Admin	Road
	3	Road	Water supply	Water supply
	4	Admin	Income Generation	Admin
	5	Education	Utility	Health, nutrition and sanitation
	Total Plan (Rs. in lakhs)	147	89	71
	% share of Top 5	92	94	92

Variance between aspiration and action

The priorities of the GP as expressed by Sarpanch, PEO and Panchayat members appear to be inclined towards progressive human development indicating higher priority towards health education and women development. The issues discussed during the palli sabha and grama sabha which included the quality of services provided in anganwadi, health centre and schools, arranging for special visits by doctor, especially for high risk pregnancy, providing additional classes to children on selected subjects, improving the anganwadi services, etc. However, this does not figure in the GPDP action plans (PlanPlus) as well as the actual expenditure which focus on infrastructure and not on services. This also raises an issue that how much of social sector outcomes would be addressed by GPDP which focuses largely on civil works.

Table2: Priorities of the GPs demanding focus in GPDP

Priorities	Koraput (10)	Keonjhar (10)	Balasore (10)	Total (30)	Percent (%)	Rank
Drinking Water	10	8	7	25	83	1
Health	4	5	9	18	60	2
Education	5	7	6	18	60	2
Rural Connectivity	8	9	1	18	60	2
Water & Sanitation	7	6	3	16	53	5
Health and nutrition Services	6	5	5	16	53	5
Infrastructure (Roads, Buildings and Street Light))	1	2	9	12	40	7
Street Light	4	2	1	7	23	8

Income generation (Market Complex)	0	2	3	5	17	9
Agriculture productivity	2	1	2	5	17	9

Review of GPDP concept and implementation

The guidelines for preparation of GPDP⁷ provided by the Ministry of Panchayat Raj⁸ had envisioned a clear role for the state. It was aimed at operationalizing the GP level planning activity into one which is comprehensive and focused on human development as well. It intended to converge planning for different activities like that of MGNREGA, SBM and other schemes. It conferred greater role for the state level empowered committee by way of deciding the resource envelope for the GPs; and issuing instructions on convergence of schemes and resources at all levels. The district level and block level coordination committees were expected to ensure convergence, availability of GP-wise secondary data as well as timely coordination of technical appraisal and approval of projects. This was to strengthen the comprehensive local planning at the GP level by institutionalizing bottom up process.

The guidelines issued by the Odisha state panchayat and drinking water department puts the onus on GP to prepare the resource envelope. Given the devolution of functions, funds and functionaries, with no additional information on the expenditures from different schemes (MGNREGA labour budget, GGY, SBM, etc.) in the GP area, the GPDP was confined to the CFC and SFC grants. The circulars directing the GPs to undertake certain works reduced the scope for planning. The absence of secondary data on basic services infrastructure further crippled the process. While the GPDP processes like the palli sabha and grama sabha were held in good faith and with good attendance, the absence of feedback (completing the loop) to citizens has also affected the very institution of grama sabha. The performance review committee meeting⁹ of the *Ministry of Panchayat Raj, Government of India* observed GPDPs were being prepared like a wish list and have no concern for financial envelope or actual deficiencies. The GPDP which was meant to be a game changer by providing platform for decentralized planning at the lowest unit of governance had met with same fate as that of the other centrally sponsored or state schemes¹⁰.

Conclusion and Policy Implications

Gram Panchayat Development Plan – Processes and Constraints

1. Though GPDP (AGAY) guidelines provide scope for GPs to prepare comprehensive plan, it does not specify as to how the convergence and resource envelope estimation can be

⁸ www.panchayat.gov.in/documents/10198/1389387/GPDP%20Odisha.pdf

⁹ <http://rural.nic.in/sites/default/files/MoPR.pdf>

¹⁰ <https://thewire.in/government/local-governance-gram-panchayat>

carried out by GPs including the roles played by other levels of PRIs and departments in sharing the information. In the absence of information on what funds come to GP such as National Rural Drinking Water Programme (NRDWP), Pradhan Mantri Gram Sadak Yojana (PMGSY), MGNREGA etc. it becomes very difficult for a GP to plan for entire works at the GP level. Thus the plans of sample GPs related only to the extent of FSFC and CFC grants available to them.

Availability of information regarding different schemes implemented in GP area and funds under different schemes (resource envelope) is critical for preparing GPDP. There must be institutionalized systems for integrating the availability of such information in the GPDP process.

2. The analysis of the GPDP revealed that the perspective plans are either not prepared or GPs do not attach any importance to them wherever they are prepared. Though 7 sample GPs indicated preparing the perspective plans, there was no clear thought as to how it would translate into annual plans and prioritization.

GPs across blocks and districts had clear grama sabha resolutions indicating the active participation of the people in grama sabha and palli sabha. The process of preparation of GP plan was explained by most of the sample GPs. Both GP Sarpanch and PEO articulated the priorities of the GP and indicated water supply, sanitation, health, education, women and child development as their priority. While the needs are articulated, most of them are based on the visible gaps as acknowledged by the citizenry. Thus many of these may focus on the temporary solutions to the problems without focusing on the long term solutions. In the absence of GP level database (length of kutcha roads, pucca roads, number of street lights, households with water connections, hand pumps, bore wells and mini water supply, solid waste collection bins, etc.), the planning becomes ad hoc. As the performance review committee meeting of the Ministry of Panchayat Raj, Government of India observed GPDPs are being prepared like a wish list and have no concern for financial envelope or actual deficiencies. It also pointed out that the GPDP has little or no relation with the works that are being undertaken and sectors like WCD, Health, education and nutrition have very miniscule presence.

There appears to be both a lack of capacity as also systematic collection of data relevant to preparation of GPDP. Availability of relevant data (as mentioned earlier) is a prerequisite for proper planning. Creation of a database requires setting up suitable systems as also capacity building of the GP elected representatives and staff.

3. While the palli sabha and grama sabha articulates the issues of the services along with the infrastructure needs, many of them also relate to quality of the services provided be it the timeliness or some irregularities. However, with GPDP focusing only on infrastructure, the issues relating to services are ignored.

Though the GP plans several works, it does not know the extent of convergence, or the work being taken up under some other projects (water supply for group of villages or road network) and thus are not clear as to what works from the plan get selected for implementation. This was evident from the differences from the action plans of the GP with that of those uploaded on to the PlanPlus.

GPDP focuses on augmenting infrastructure with very little or no focus on improving services. While many infrastructure projects are planned, the chances of them being taken up for implementation is not clear at the GP level.

Capacity and structural issues

4. The institutional capacity is critical for GPDP. The decentralised planning through GPDP meant a paradigm shift in planning process starting with ascertaining requirements at GP level and matching with the availability of funds from different sources. This would mean that entire planning activity would start from GPDP and people should be oriented towards that. The entire planning machinery should concentrate and evolve the plans. The district or block level plans would be aggregate of the GPDP. But this has not happened.

The experience with GPDP underlines the need for structural change in GP in terms, firstly, of size. If aggregation of GPs into somewhat larger size is not possible, the state should adopt a cluster approach for planning i.e. club a few GPs together for purpose of planning. As many infrastructural works (e.g. piped water scheme, roads, Primary Health Centre, Middle / High School, etc.) span over and cater to more than one GP, cluster level perspective plan would be more meaningful. The cluster level plan would not only help a GP to undertake the works from its SFC and CFC funds, but also be aware of other projects and convergence in the jurisdiction of GP. This would also be helpful in ensuring that GP is able to monitor more effectively the rural development programmes like housing, MGNREGS, GGY and others being implemented in the GP as it would be aware of these programme targets for the GP.

5. In the current GPDP process, people come together to assess requirements/plan, but they do not know how much of it gets into action and again they are called back next year to indicate requirements/plan for the area. This is leading to a lot of distrust among the citizenry about the effectiveness of these forums. Once citizenry spell out their requirements, they should be able to know how much of it is acted upon and why? This would enable them to monitor better and will also strengthen Gramasabha as an institution.

The planning process starting from Pallasabha and Gramasabha should be followed by a feedback to complete the participatory planning loop.

Strengthening Governance structure

6. Although functions, functionaries and funds are transferred to PRIs, they do not actually vest in them. Among all Panchayat level workers, only PEO and the Self-Employed Mechanic (SEM) in-charge of repairs of water supply systems report to Sarpanch of GP. Within a Gram Panchayat, village level committees viz. Gaon Kalyan Samiti (VHSNC), School Management Committee, Anganwadi Committee (Jaanch committee) are constituted by Health, Education and Women and Child Development Departments respectively. These committees have a member of Gram Panchayat to ensure co-ordination with the Gram Panchayat, but operate outside the remit of Gram Panchayat. The functions are also largely supervisory in nature with the Block Development Office exercising the actual powers. Funds come largely tied to schemes and specific expenditure items.

The State may devolve more functions, functionaries and funds in true spirit of decentralized governance or at least make some move towards that.

7. One of the major limitation for the present study has been non-availability of receipt and expenditure data at GPs and where available, many instances of discrepancies in the data. The processes like budget; accounting and audit; working of standing committees; creating and maintaining GP level data of social and economic infrastructure; and so on become very critical.

The state has lost considerable amount of 13 CFC funds because GPs failed to furnish Utilization Certificates and adhere to other prescribed conditions within set time limits. This reflects lack of monitoring as also capacity to comply with the grant conditions. Parking of CFC funds outside government account (repeatedly highlighted by the CAG) also shows poor accountability in the system.

Focusing on governance of GP is critical to success of GPDP. The State should pay adequate attention to improving the GP level governance, which implies a) creating necessary systems; and b) building capacity of elected representatives and officials in managing the systems.

Capacity Building

8. It is very difficult to assess the issues with the GPDP at a GP level or address the capacities requirement through training. It would be ideal to select few GPs to engage them in a continuous manner so that the issues are recorded systematically and problems are sought for the same. Continuous engagement would also help GPs to assert their powers and discharge their responsibilities more effectively. The National Institute of Rural Development and Panchayati Raj (NIRDPR) has mooted this idea of continuous engagement with GPs (5 GPs in a block) by an expert agency/NGO to help them walk through the GPDP phase successfully. This would reflect on the issues related to execution of GPDP in clearer manner so that actions can be taken accordingly.

The state should continuously engage with GPs as an approach to building their capacities and to help improve the quality of GDP.
