

**DECENTRALIZED PLANNING AND RESOURCE TRANSFERS IN KARNATAKA**  
**A CASE STUDY OF DHARWAD ZILLA PARISHAD**

Dissertation submitted in partial fulfilment of the  
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I hereby affirm that the research for this dissertation titled "Decentralized Planning and Resource Transfers in Karnataka : A Case Study of Dharwad Zilla Parishad" being submitted to the Jawaharlal Nehru University for the award of the Degree of Master of Philosophy was carried out entirely by me at the Centre for Development Studies, Trivandrum.

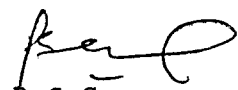
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## Chapter 1

### INTRODUCTION

The developing countries face a dilemma with regard to the process of economic planning. On the one hand, economic backwardness and inadequacy of non-governmental sectors compel these countries to seek economic development through a process of centralized planning. On the other, there are factors which operate against the efficacy of centralized planning. First, there is extreme diversity of local conditions not only among regions but also within the regions. The second is the well-known phenomenon of "the soft State", i.e., a political system which lacks the capability to formulate and execute public policies, especially in the domain of economic development. Therefore, the crucial problem for these developing nations is not simply that of centralized versus decentralized planning. Centralized planning implies that, decisions regarding the planned production and consumption in terms of fixing priorities and strategies are located at the level of national or central government. Decentralized planning refers to the fact that these plan decisions are made at sub-national levels, such as State, district, taluk or village. In fact, decentralized planning is a matter of relative emphasis, adjustment and co-ordination between different levels of governments. Interestingly, when we refer to decentralized planning, particularly in countries like India, we point to the possible and necessary degree of decentralized planning within an overall national planning process.

Given this, the planning process cannot be indicated in terms of such strategies as bottom-up or top-down in any simple manner. Certain things have to be done bottom-up and certain others done top-down. Also, the strategy is linked with the three sequential phases of the planning process, viz, formulation of the plan, execution or implementation of the plan and the evaluation of the planning process. The overall priorities that concern the overall national economic development, of course, will have to be formulated at the national level. Thus, the room for decentralization at the formulation stage is rather limited. However, there may be some problems and issues which are specific to particular territorial levels, i.e., State, District, Block, Taluk and Village. Such items, after careful technical studies should be entrusted to the concerned levels.

In the execution phase, it is obvious that there should be maximum decentralization. This is so, as implementation demands a more concrete comprehension of the local situation. The third phase, plan evaluation, should be more centralized, not only because it provides an objective outside assessment of plan performance, but also because evaluation will have to be in terms of a larger national perspective.

However, though the principle of decentralization may be extended to cover the Centre-State relations, they are, in fact, generally subsumed under the federal principle. Even more importantly, the status of the Centre State relations, and the relations between the State and the levels below it, are quite different. The first kind of relations enjoy constitutional

basis, while the second kind are based on contingent State legislation. There has been in the last few decades, a demand that the second kind of relations should also be constitutionally guaranteed. But the Centre may become involved in the problem of this thesis, insofar as it may transfer resources to the levels below the State directly as it were, or substantially directly by making the State level a simple mechanical conduit for such a transfer.

The planning process in India may be conceptualized in terms of spatial hierarchy consisting of the National Planning Commission, State-level Planning Boards and District-level planning bodies. The decentralization principle would involve the assignment of planning activities to these levels in terms of relevance and efficiency. But it may also be noted that, aside from questions of relevance and efficiency, in a democratic system, decentralization of planning is a value in itself. In the case of India, this democratic ideology is further strengthened by the historical influence of Gandhian ideals and the ancient tradition of the so called Panchayat institutions. The existing decentralized planning process in India is a multiple and vertical decentralization from the national level to the State level and then to the levels below.

#### Focus of the Study

Planning pre-supposes a whole range of resources-- physical, human, financial, technical, administrative and political. The central concern of this study is the financial resources aspect of decentralized planning in India.



Decentralized planning involves the twin problems of resource transfer: resource allocative and income distributive, between different levels of planning. The crucial problem is to relate resource transfer to planning functions at each level. The present study focuses on the economics of inter-governmental resource allocation within the framework of decentralized planning in India. The study is undertaken with special reference to a South Indian State -Karnataka- one of the pioneering States carrying out the experiment of decentralized planning. The State has twenty districts. We have selected for intensive study, one district i.e Dharwad, which is neither completely rural nor urban, but where the decentralized planning at the district level and between the levels below the district (Mandal Panchayats), is actively working.

#### Review Of Literature

The relevant literature can be grouped under four heads:

- (1) general theoretical writings on the fiscal federal issues and inter-governmental financial flows, (in the Indian context, the Centre-State relations, as well as the studies on State vis-a-vis Panchayats);
- (2) decentralized planning and development;
- (3) writings on problems of decentralized planning and development at the national level, and also in other States, and
- (4) writings that focus on resource allocation and specifically, with regard to the resource transfer process from State to the districts, and from the

districts to the Mandals in Karnataka within the framework of decentralized planning.

Fiscal federalism is a vast area within the broader ambit of public finance, and it is possible here, only to concentrate on a limited portion of the enormous literature. Tresch (1981) has argued against the dominant model of federal inter-governmental relations in which the welfare function is the exclusive function of the federal level, and suggested that welfare functions should be transferred to the local level government. This follows from the logic of the federal system. The federal system is premised on the logic of territorial functionality by which functions need to be related to the relevant functional jurisdictional levels. He also points out that the study of grants-in-aid and its effects has not produced significant theoretical and practical understanding because the process of decision-making at State and local levels is inadequately dealt with.

In an interesting working paper for the World Bank Richard Bird (1978), focuses on the provision of urban services. Some of the findings of his study can be extrapolated to the problems of inter-governmental financial relations in general. Bird draws attention to two general features of inter-governmental relations in developing countries. According to him, "...First, in virtually all countries there is almost no room for independent local fiscal action. Second, it is extremely difficult in most countries to determine with much precision the nature of central government policy towards local government

finance, and it is even more difficult to determine exactly how that policy is carried out..."(pp 88). He also emphasizes the political process of conflict involved in policy-making as well as policy-implementation. Specifically, he draws attention to conflicts between multiple goals and plurality of interests. Also, he points to "the fuzziness in most developing countries", and argues that situational ambiguity which is opaque to optimal analysis suits politicians and bureaucrats as it helps them to indulge in devious political games.

In sum, the literature on fiscal federalism and inter-governmental relations underlines the following aspects:

(1) allocative efficiency versus autonomy, (2) local dependence on grants versus autonomy, and (3) the structural conflict between political interests and optimal welfare at the community level.

Let us now turn to the literature on the issue of decentralization and development. For instance, Rondinelli, Nellis and Cheema (1983), advise caution on the question of decentralization. The authors point out that decentralization may be invoked to promote a multiplicity of objectives, often in conflict with each other - to promote central efficiency by reducing the overload, to promote local efficiency by providing for local initiative and local participation to maximize grassroots democracy. Their conclusion, which is in favour of innovative systems of grassroots democracy, is based on the ideals of decentralization and participation. "...In sum, a decentralization programme is more likely to succeed if it is

small in scope, has a long period of time in which to prove itself, centres around specific financial functions, transfers responsibilities and authority incremental, is sparing of donor involvement and includes a training component. The more these features are built-in, the better the chances that the staff activity and productivity will increase, that citizen participation in government activities will expand and be meaningful, that the planned goals of projects will be more rapidly and economically achieved, and that meaningful development will occur. There can be no guarantee that these laudable ends will be reached; the most that can be said from a reading of experience is that these are the principles that appear to have worked" (p 81).

The question of decentralization has been widely discussed in the context of Indian planning too. As early as in 1966, delivering the Kale Memorial Lecture on District Development Planning, Gadgil (1966) was critical of the over-centralized nature of Indian planning and opined that the absence of proper planning at the State level has reflected in the relatively slow and patchy progress in agriculture, rural industry and related fields and hence, on the rural economy. Though the problems of planning in agriculture have been discussed by a number of official committees and there has been general emphasis on the need for relating targets to local circumstances, the possible solution lies only in following appropriate organization of State and District development planning. Raj's (1971) pioneering paper called attention to the need for what he described as "planning from below ". Arguing for

effective decentralized development at the district level, if not further below, he emphasized the need for data collection, formulation of developmental needs and appropriate resource computations at that level.

In a recent volume edited by Sinha (1989) various authors discuss the need for greater functional and financial decentralization. In his critique of Indian experience of decentralized plan, Sinha (1989) notes three types of

"limits to decentralization", they are political, administrative and technological. Misra (1989) argues that participation in planning is not an instrumental value but an end in itself. Hence, it is an imperative in the process of planned development. Ajit Kumar Singh (1989) in his discussion of financial aspects of decentralized planning argues for greater transfer of "power and resources in an increasing measure from State level to the district level as the planning capacities at the district level are built up...". He suggests that the allocation mechanism must (i) maintain a proper balance between the share of the State and district in plan funds; (ii) give adequate weight to backwardness; (iii) include an element of incentive; and (iv) provide for earmarking certain amount as untied or free funds to be used for schemes of local development. Tiwari (1989) raises, among others, the issue of financing in decentralized planning. He welcomes the provision for a Finance Commission for Zilla Parishads and Mandal Panchayats in Karnataka scheme for looking into the financial problem. In a recent paper, Rao (1990) concludes with an agenda for discussion. He lists five issues-(1) The Indian approach to rural development has relied so far on short-term perspectives

and low cost strategies; (2) as a result methodologies for formulation of decentralized plans "have remained inadequate in all the three areas of growth, needs and participation. Intra-area variations in the gains from development programmes and their long-term cumulative effects on the rural economy are yet to be adequately monitored (3) the approach for removing poverty assumes that, such programmes can be made viable by creating new opportunities without major reforms to provide the poor access to resources those are outside their reach. The inadequacy of "low return local resource-based activities and low-quality infrastructures" in enabling them to do this "in the context of a mainstream economy of relying on high-cost technologies and modernized modes of living...", (4) the strategy takes inadequate account of local diversities, and may remains problematic, and (5) after the initial phase, the sustainability of the process of decentralized planning depends on two types of political resources-mobilization of rural elite and middle strata to get more resources for development to rural areas, and mobilization of the rural poor to put pressure on both the rural elite and the Government to gain a greater share in developmental benefits. Thus, the conflictual political development has to be taken into account as a part of the process of decentralized planning.

As concern with the issue of decentralized planning has been there right from the start of India's planning process, even the Indian Constitution has inserted it in the Directive Principles of State Policy (Article 40). The First Five Year Plan document referred to the need for decentralized planning. During the second Five Year Plan period, the Balwant Rai Mehta Committee

was set up in 1957 to go into the issue of "democratic decentralization" as the key to mobilizing people's participation in planned development. It recommended a three-tier local system with powers and functions in the place of existing advisory bodies. Recognizing a clear distinction between "delegation of power" and genuine decentralization, it called for the establishment of Panchayats at the village level and municipalities in the towns, a primary unit to undertake responsibility for development work at the local levels. The National Development Council accepted the Balwant Rai Mehta Committee Report in 1958. During the Third Plan period, the idea of district level planning was mooted by the Planning Commission itself in 1969.

The Ashok Mehta Committee (1977) reviewed the existing situation with particular reference to the role of Panchayati Raj institutions in the rural economy. It emphasized the Panchayati system as an imperative need, in view of the dynamism displayed by Indian agriculture, and recommended a two-tier system consisting of the Mandal Panchayat and the Zilla Parishad. The Dantwala Committee (1977) was asked to look into the issue of achieving full employment through Block Level planning. It also suggested linking planning to generation of income and employment, uplift of weaker sections, building up of social overheads etc. It cited the case of Command Area Programme of West Bengal as justifying the choice of "block" as a proper unit for planning.

The Hanumantha Rao Committee Report (1981) emphasized the need for strengthening the district level planning process. The Working Group (1984) which surveyed the earlier ad hoc efforts at district level planning, concluded that the States which had done this were not enthusiastic about it and also were ill equipped to undertake the same. The G.V.K.Rao Committee also recommended that the Zilla Parishads and the idea of district level planning should be strengthened, and argued for an integration of block and lower level planning with the lower level of Panchayati Raj institutions.

The literature on the problem relating to the all India level revolves round the following major themes.

- i) the issue of adequacy of finance to generate a genuine decentralized planning process.
- ii) the infrastructural problem of providing adequate organizational, informational and technological inputs.
- iii) the political dimension of the conflicts inherent in the mobilization of the social structure for developmental activities -involving struggle over access to resources and to developmental benefits in rural India.

However, it is clear that the issue of finances and resources needed for effective planned development on a decentralized basis occupies a crucial place in the literature.

Thus, the overall literature points to the difficulties of organizing and operating decentralized development within the



plan context. In evaluating the new Karnataka system, one needs to bear in mind such realistic implications, but it also needs to be emphasized that any new and innovative program cannot even be launched without a certain amount of what one may call, functional optimism, that is, optimism functional to all efforts at institutional transformation.

While reviewing the literature on Karnataka, we shall concentrate on (1) the Report of the Finance Commission for Zilla Parishads and Mandal Panchayats, set up by Government of Karnataka, 1989, (headed by Dr. Honnaver); (2) the Report of the Evaluation Committee for Studying Zilla Parishad System in Karnataka (Chairman-Sri.Krishnaswamy); (3) George Mathew (1986); and (4) Hanumappa(1981). We shall deal with them chronologically. The first to appear was Hanumappa's book which is a report on the Tumkur project published in 1981. This work is a technical piece dealing with the socio-economic inventory of a block, for the purposes of planning at micro level. It is not directly related to the specifics of Panchayati Raj system, but deals broadly with local level planning. The George Mathew volume addresses the Karnataka Zilla Parishad, Taluk Panchayat Samithies, Mandal Panchayat and Nyaya Panchayats, Act 1985 and hence is of direct concern for this research design. It has three groups of papers- (1) all India background, (2) the Karnataka Model, and (3) broader lessons and comparisons. From the perspective of this investigation, the most relevant paper in this volume is Abhijit Datta's "Fiscal Dimensions". He argues that the Mandal Panchayat, the only institution under the Act to be given powers of local taxation, needs a stronger tax base. Similarly, the tax base of

Zilla Parishads should be enhanced by giving it the right to a maximum of 50 per cent surcharge on land revenue, and a share in the State's retail value added tax or the State-wide entry tax, as has been suggested for the municipalities. Otherwise, the Zilla Parishads "are not likely to be fiscally responsible"(p 94). He also suggests that the State's share in the finances of the Panchayati Raj systems should not exceed 50 per cent and the rest must be raised internally. Otherwise, their fiscal autonomy and the consequent operational autonomy will be threatened. He also advocates Central fiscal transfers to local government, by earmarking a portion of the Central excise revenue for supplementing local finances.

The Finance Commission set up in 1986 under the chairmanship of Dr Honnavar, reported in 1989. The recommendations include giving the Zilla Parishads and Mandal Panchayats adequate fiscal autonomy; the share in the sales tax and State excise duties should be continued; corresponding increase in the non-plan allocation to the non-plan expenditure to be made. The per capita grants to the Zilla Parishads and the allocation for District Sub-plan as discretionary outlay Zilla Parishad plan should be raised. However, no recommendation was made to give them powers to levy fresh taxation. Coming to the Mandal Panchayats, they were encouraged to put more effort into collecting levies they are empowered to collect, especially, tax on buildings. A matching grant of 1 to 1 was to be given to all the mandals which revise the rate to the ceiling provided in the Act. The Mandal Panchayats were to collect at least 80 per cent of the total assessment. The formula in existence for

distributing plan resources to Mandals was to continue but that for the Zilla Parishads was to be modified to accommodate the concept of "distance" from the best performer in selected areas such as primary education, water supply, public health and animal husbandry. Repairs and maintenance of existing assets especially primary schools, health centres, roads and culverts, was to be given high priority. A review of the existing delegation of administrative, technical and financial powers to Zilla Parishads and Mandal Panchayats in order to make them more effective agents in performing the functions under the Act was also suggested. As the Mandal Panchayats have difficulty in operating their financial transactions through the Treasury, they were to be allowed the option of opening account with a nearby commercial bank with the permission of the government. Since Zilla Parishads have no specific powers of taxation for raising additional resources, they were to be allowed to create income-earning assets and establish enterprises through bank loans guaranteed by the government as provided for in the Act. Ad hoc capital grants by State Government were to be made to create new capital assets in Zilla Parishads and Mandal Panchayats such as buildings, tools and equipment etc., for essential services.

Thus, the literature on the themes of fiscal federalism, inter-governmental relations, with reference to both the all-India situation and the Karnataka experiment, points among other things, to the crucial role of finances in decentralized planning.

## The Problem

As the review of literature above clearly shows, a critical issue in the domain of fiscal federalism, inter-governmental relations and decentralized planning, and grassroots democracy, is the issue of financial resources in relation to two aspects - (1) match between resources and functions or the aspect of functionality, and (2) fiscal autonomy involving the ability of the local level institutions to formulate plans, implement plans and evaluate plans on their own, without undue interference from external structures on whose funds the institutions may depend for financial resources.

The literature also shows that local level structures by their very nature cannot generate internal financial resources to perform their functions and tasks or fulfil their objectives, and will have to depend on the transfer of resources and financial flow from governmental levels above and below. Thus the question of adequate finances to enable functionality and autonomy must be set within the framework of resource transfer. The Karnataka legislation on Panchayati Raj provides for resource transfer from the State to the Zilla Parishad and from the Zilla Parishad to the Mandal Panchayat, in order to enable local level institutions to function with considerable autonomy.

The present study focuses on the following questions: (1) What is the nature of the resource transfer scheme under the new system? (2) How has it been implemented in practice

with regard to flow of funds from the State to the Zilla Parishad and from the Zilla Parishad to the Mandal Panchayat? (3) How adequate has been the resource transferred to promote functionality and fiscal autonomy of the Zilla Parishads and Mandal Panchayats? (4) What are the bottlenecks and lacunae in the scheme of resource transfer?

Based on a systematic study of these questions, we have tried to analyse the required measures of reform and improvement in the existing pattern of resource transfer that can be made to promote a more effective and efficient local development on the basis of a decentralized planning process. In short, this thesis is designed to examine the existing pattern of resource transfer in the new Panchayat Raj system in Karnataka in actual practice, its adequacy or otherwise in terms of the overall objectives of the system, namely, functionality and fiscal autonomy, and the possible changes required, which may be identified by examining current ground realities.

#### Methods and Concepts

This is basically an empirical investigation, but the problem chosen for study relates to certain theoretical domains in the study of public finance and planned development. The findings attempt to throw light on the empirical case of the Karnataka experiment in decentralized planning. It is also aimed at providing data that has relevance to the theories of fiscal federalism and inter-governmental financial relations, on the one hand and decentralized planning, on the other.

The three most important broad concepts utilized in the study are Planning, Decentralization and Resource transfer. The logic of decentralized planning is that it acts as an instrument of State intervention for rural development, operating within the larger framework of multi level development planning. Historically, the emphasis had been on sectoral planning rather than on spatial planning.

This study employs largely documentary data. The primary data consists of official papers, reports and other types of publications, as well as unpublished and unclassified data. The secondary data includes research studies, research monographs, scholarly articles, newspaper reports and books.

The documentary data has been supplemented to the extent feasible with data collected through open-ended interviews with key personnel involved in the system - (1) State level officials, (2) the Zilla Parishad officials and non-official office-bearers, (3) officials and office-bearers of one Mandal Panchayat, who roughly represent the overall situation. The particular Mandal Panchayat has been basically chosen for logistical reasons.

A limited data derived from participation in the meetings of Zilla Parishads and Mandal Panchayats and the Standing Committee on Finance, has also been used. This investigation has selected one Zilla Parishad for its case study, namely that of Dharwad. The choice has been dictated by considerations of field work logistics and reports as well as

accessibility to personnel and documents. The period of study is for four years i.e from 1987 to 1990.

#### Limitations of the Study:

The data used here is essentially from official documents and therefore reflects the inherent bias in such data. The fieldwork data has been based upon interviews which were largely unstructured and random and few in number. Therefore, their methodological and theoretical role must be taken to be limited.

#### Organization of the Study

The present study consists of six chapters. Chapter 2 is a historical review of planning in general and decentralized planning in particular in Karnataka State. Chapter 3 deals with the principles of resource transfers. Chapter 4 outlines the general setting of Dharwad Zilla Parishad and studies the actual resource transfers at this level. Chapter 5, examines the process of decentralized planning. And lastly, Chapter 6 attempts to trace the interaction between decentralized planning and resource transfer in Dharwad Zilla Parishad in particular. This Chapter ends with a brief overview of the major findings from the study.

## CHAPTER 2

### PLANNING IN KARNATAKA

#### Historical Background and Setting

Planned development in Karnataka began in 1910 with the Mysore Economic Conference organized by Sir M. Visveswaraiiah. This economic conference endorsed ideas relating to increasing employment opportunities by diversifying industrial production. Schemes were formulated to improve the socio-economic conditions of the people. An important feature of the conference was its integration with the local-self bodies. The "Mysore model of development"<sup>1</sup> emerged under M. Visveswaraiiah and Ismail Mirza, Dewans to the Princely State of Mysore, which emphasised economic nationalism and ambitious industrialization programme.

Later, within the framework of a national plan, economic development was initiated in Karnataka in 1951. The First Five Year Plan (1951-56) in Karnataka gave emphasis on intensifying the already existing development programmes. During the Second Five Year Plan (1956-61), top priority was given to irrigation and there was a shift of emphasis to social and community services. The Third Five Year Plan (1961-66) was more comprehensive. Priority was given to power, social services, agriculture and irrigation. The failure of rains

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<sup>1</sup>. During the period, when Sir M. Visveswaraiiah and Ismail Mirza were Dewans, the thrust was towards the development of indigenous capital, technology and industry. While Sir M. Visveswaraiiah emphasised on higher intervention by the State in the developmental process, Mirza's policies had a lesser role for the State.



severe drought during the last year of the third plan in the State. The situation worsened with the country entering into war with China and Pakistan, preventing the State from finalising the next Five Year Plan. Three annual plans were implemented from 1966-69. The priority sectors were again, power, agriculture, irrigation, social services, transport, cooperation and industry.

The emphasis on power and irrigation development continued. Together, they accounted for nearly 47 per cent of the total outlay during the Fourth Five Year Plan (1969-74). There was a drastic change during the Fifth Five Year Plan (1974-78). The focus was drawn to institutional changes, employment generation, rural development, minimum needs programme, increasing irrigation facilities, improving supply of power, reducing regional imbalances and building up of a mechanism of decentralized planning. Owing to the change in the political regime at the Centre (Janata Party coming into power in 1977), a mid-term plan was implemented during 1978-83. Removal of poverty and creation of additional employment opportunities gained more importance during this period. That apart, priority was given to irrigation and power development during the two years of the mid-term plan. In the Sixth Five Year Plan (1980-85), the rural development programme constituted a crucial component of the State Plan. Rural poverty alleviation, unemployment, irrigation and improving the productivity of rural activities were brought into effect through various programmes like Integrated Rural Development Programme, Antyodaya, National Rural Employment Programme, Rural Landless Employment Guarantee Programme, Rural

Employment Generation Scheme, Training for Rural Youth Self Employment, etc. Many welfare measures were also implemented. However, due to failure in monsoons, the output in the agrarian and industrial sectors was adversely affected. During the Seventh Five Year Plan (1985-90) the high economic growth of the State's economy was highlighted by the elimination of acute supply demand imbalances and by generating productive economic activity. Moreover, there was significant shift towards the decentralization of political and administrative power during this plan period.

The Planning department in the State is a fairly old organization. It worked like any other government department. Each department prepared specific schemes pertaining to their subjects and the departments with effective heads were able to get their schemes cleared from the Planning Commission. The State Planning Board was setup in 1968. Since then, the planning department has become the secretariat to the State Planning Board.

Along with the changes in the planning strategies at the national level, many changes were taking place at the State level also. An attempt was made in 1982 to understand the content, methodology and strategy of district planning. The State planning department developed the talukwise data base during the late seventies and early eighties. A perspective plan for a period of 10 years was prepared and a technically qualified team of experts were involved in the process of planning. It was during this period that the State sector and the District sector

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were demarcated. The allocation of financial resources in this system was made on a criterion, based on the Gadgil formula.

### Decentralized Planning in Karnataka - A Historical Perspective

Karnataka's experiment in democratic decentralization and decentralized planning as enshrined in the Karnataka Zilla Parishads, Taluk Panchayat Samithis, Mandal Panchayats and Nyaya Panchayats Act, 1983 (Karnataka Act 20 of 1985), went into operation only from 1 April 1987 though it had come into formal effect from 14 August 1985. This (1983 Act) should be seen as a historical evolution, drawing on four related but different sources - the tradition of village Panchayats, the Gandhian ideal of self-governing rural community, the idea of decentralized planning and Community Development concept.

There is some history of what was then used to be called local self-government in the old Princely State of Mysore. However, the beginnings of Panchayati Raj in the unified Karnataka State (which came into existence on 1 November 1956) may be dated back to the Mysore Village Panchayats and Local Boards Act, 1959 (Mysore Act No. 10 of 1959). This was a three-tier system which consisted of the District Development Council, the Taluka Development Boards (TDB) and the Village Panchayats. The Village Panchayats performed two types of functions which were statutorily defined: (1) obligatory functions which included construction, repair and maintenance of village roads, drains, ponds and bridges; supply of water; village lighting; sanitation and conservancy; regulation of buildings; grazing lands and

forest lands; and (2) Discretionary functions which included the domain of co-operation, establishment and maintenance of dispensaries, maternity homes and child welfare centres, promotion and encouragement of cottage industries, etc. The State Government was empowered under the Act to entrust them with functions such as the distribution of irrigation water, management of forests adjacent to the village, management of waste lands and vacant lands owned by the government, collection of land revenue etc. The Taluka Development Boards (TDB here after) were to look after construction, repair and maintenance of public roads and government primary school buildings, minor irrigation works, providing irrigation for an area of less than 10 acres, hospitals, dispensaries, veterinary units, public health and sanitation, vaccination, organization of conferences and training centres, agricultural and industrial exhibitions, etc. The District Development Councils were responsible for the scrutiny and approval of the work of TDB's and guiding and assisting them where ever necessary.

The finances of the Village Panchayat were made up of (1) the obligatory levy of a tax on buildings, professions, trades, callings and employments, and on places of trading or business, (2) the discretionary taxes or fees on fairs, festivals, entertainments, cart stands, bus stands, non-motor vehicles, markets and supply of water from water works resting in the Panchayats, and (3) receipts of 30 per cent of the land revenue collected within the Panchayat area plus another 10 per cent from the land revenue disbursed among the Panchayats. The TDB's were assigned 50 per cent of the land revenue collected in

the Taluka area. An additional 10 per cent of the land revenue was made available for poorer TDB's for specific grants. They also got the total local cess on land revenue and water rate levied and collected in the area, levy on duty on transfer of immovable property in the form of additional stamp duty, tax on animals brought into the taluka for sale in the markets, income from licenses and permissions. The finances of the District Development Council was from specific financial sources.

The next landmark in the development of decentralized planning in Karnataka was the appointment of the Committee on Panchayati Raj, popularly known as the Kondaji Basappa Committee in 1962. The Committee was asked to look into measures to make the Panchayat Raj institutions more efficient and also self-sufficient so as to enable them to take up the development programmes to be delegated to them with speed and competence. Thus, the theme of decentralized planned development was explicitly introduced. The Committee made three important recommendations involving the following institutional innovations:

- (1) establishment of an executive body at the district level to be known as the Zilla Parishad with a non-official chairman,
- (2) more powers and schemes to be transferred to the Taluk Development Boards, and
- (3) alteration of the existing relationship between the Panchayat and the Taluk Development Board to promote effective decentralization.

The Committee reported in 1963 and a bill for introducing a three-tier system was introduced in 1964. But very little progress was achieved in realizing this system.

The next development towards greater decentralized planning in Karnataka came from the national level, with the introduction of the Integrated Rural Development Programme (IRDP) in 1978-79. The programme was to raise the income level of poor families in the rural areas above the poverty line by arming them with income-generating assets. The unit of the IRDP was the administrative Block.

A significant step towards a democratic and participatory model of planned development, in the context of Karnataka was taken with the introduction of the Act of 1983. However, the scheme was actually operationalised on 1 April 1987, covering 19 Zilla Parishads and 2,525 Mandal Panchayats, involving a total population of 264 lakhs or around 71 per cent of the population of the State. Further, necessary rules and orders under the relevant provisions of the Act were issued by the government from 1985 onwards so as to enable the implementation of the Act. The Karnataka model has proposed the transfer of all district sector and local sector schemes to the Zilla Parishads and Mandal Panchayats together with the resources and the administrative machinery. The role of the district administration was changed, making way for the democratically elected representatives taking full responsibility for plan formulation and implementation. The delegation of schemes and powers to the newly established Zilla Parishads and Mandal

Panchayats was done with the sincere objective of giving the power to the people.

The 1983 Act proposed a three-tier planning structure, consisting of the Zilla Parishad, the Taluk Panchayat Samithi and the Mandal Panchayat. The Act also provided for the Gram Sabha at the level of the revenue village and the Nyaya Panchayat at the Mandal level. But the provisions relating to the Nyaya Panchayat was to be implemented only five years after the rest of the Act had been in operation. Clause 3 of the Act provided for a Gram Sabha. Its membership was to include all those in the sectoral rolls of the Zilla Parishad belonging to the revenue village. It was to meet twice annually to discuss (1) the implementation of the development programmes within the village, (2) proposals for new developmental programmes and the sectional and communal harmony of the village, (3) creation of a Land Army of all physically fit persons in the village, (4) programmes of education within the village, (5) such other matters as might be assigned to it. It was also expected to consider a report to be presented to the Mandal Panchayat detailing the development programmes undertaken in the village in the preceding year and those to be taken up in the current year. Additionally, it had to prepare and promote development schemes for the village, look after sanitation and drainage, mobilize voluntary labour and cash contributions for community welfare programmes and generally provide kneecap to Mandal Panchayat's developmental work.

A Mandal comprises a revenue village or a group of revenue villages, accounting for a population of not less than

10,000 and not more than 15,000. Since population density and scatter are not uniform across the State, the lower population requirement of 5,000 is prescribed for constituting Mandals in the malnad districts of Chickamagalur, Coorg, Dakshina Kannada, Uttara Kannada, and Shimoga. Each Mandal is to have representatives ranging between 20 and 22 in non-malnad districts and 10 in Malnad districts. Members are elected with 25 per cent reservation for women and reservation for Scheduled Castes and Scheduled Tribes proportionate to their population. If none from backward classes is elected there will be government nomination of two to represent them. The Mandal Panchayat (MP) will function as a corporate body in the legal sense. The Mandal Panchayat has three different kinds of functions (1) obligatory functions relating to sanitation and health, construction and maintenance of wells, tanks, supply of water plus regulatory functions regarding buildings and shops, curing and tanning and dyeing of skins and hides; construction, repair and maintenance of roads, drains, bunds, regulation of grazing land, formulation of agricultural production plans, establishment of nurseries and stores of improved seeds and pesticides, propagation of improved agricultural technology, promotion of educational, economic, social and cultural development of SCs tribes and backward classes, (2) discretionary functions comprise more generally and flexibly formulated ones involving promotion of the health, safety, education and the general welfare of the people and (3) transferred functions, assigned by the government such as forest management, and cultivation of waste land as common lands. The Mandal Panchayat's finances depend on a Mandal Panchayat Fund whose components comprise allotment funds by the government or



the Zilla Parishad (ZP), grants and loans by them, proceeds from tax on buildings, entertainment, markets etc., and levy of water rate etc. It is clear that in relation to its functions, the Mandal Panchayat's finances in terms of internal generation are very limited, involving a heavy dependence on the government. The government grant will be at the rate of Rs 10 for every person in the Mandal area, computed according to the most recent Census. Of this grant, 25 per cent will be paid to the Zilla Parishad. For instance, for a Mandal with a population of say, 15,000 the grant directly pumped into Mandal Panchayat Fund will be 75 per cent of  $Rs\ 10 \times 15,000 = RS\ 1,12,500$ . The average proceeds from taxes is estimated at Rs 20,000. Thus, the, Mandal Panchayat fund will mainly consist on an average of 1,32,500.

The Taluk Panchayat Samithi (TPS) which has no direct responsibilities, will be largely concerned with functions of supervision, review and coordination - supervising the personnel of the Zilla Parishad in the Taluk, reviewing the work of the Mandal Panchayats within the Taluk and coordinating work of an inter-Mandal nature. It is not a directly elected body, and has no specific fund of its own.

The Zilla Parishad consists of elected members, associate members and nominated members, whereas the Mandal Panchayat have no nominated members. In this, the Karnataka system departs from the recommendations of the Ashok Mehta Committee. The Mandal Panchayat has one member for every population of 35,000 or part thereof, except in Coorg (Kodagu) where there is one member for every population of 15,000. The

Chairman/President of the District Central Co-operative Bank is an associate member. He can participate in the proceedings but has no voting right. Nominated members may be Members of Parliament, Members of Legislative Assembly and Members of Legislative Council who represent a part or whole of constituencies within the jurisdiction of the Zilla Parishad. But those Members of Legislative Council, not elected from the area but are ordinarily resident within the Zilla Parishad territory, can participate but have no voting right. Twentifive per cent of the seats are reserved for women, and SCs and STs have reservations proportional to their population but with a minimum of one each. As with the Mandal Panchayat, the tenure of a member of the Zilla Parishad is for five years. The Deputy Commissioner has no powers to remove the President or vice-President of the Zilla Parishad. However, they can be removed through a no-confidence move by a majority of not less than 213 or by the government for "misconduct" in the discharge of duties or for being continuously remiss in their duties. The Zilla Parishad's functions include integration of development schemes, and preparation of the district plan, agricultural production, seed farms, agricultural schools, animal husbandry, welfare of Scheduled Castes, Scheduled Tribes and backward classes, medical and health services, irrigation and horticulture, rural industries, and education. The crucial function of the Zilla Parishad will be the formulation and execution of the district plans. It may be presumed that the existing district planning units will now be functioning as technical cells under the Zilla Parishad. Thus, the Zilla Parishad is assigned developmental functions, and no regulatory functions of law and order. The

Zilla Parishad is assisted by the following nine standing committees: (1) the General Standing Committee, (2) Finance and Audit Standing Committee, (3) Planning and Development Standing Committee, (4) Public Works and Amenities Standing Committee, (5) Social Justice Standing Committee, (6) Education Committee, (7) Agricultural and Amenities Standing Committee and Animal Husbandry Committee, (8) Health Committee, and (9) Industries Committee. The Zilla Parishad Fund will consist of (a) amounts transferred to the Zilla Parishad fund by appropriation out of the Consolidated Fund of the State, (b) all grants, assignments, loans and contributions made by the government (c) all levies and penalties paid to or levied by or on behalf of the Zilla Parishad as provided in the Act and all fines imposed under the Act, (d) all rents from lands or other properties of the Zilla Parishad, (e) all interests, profits and other moneys accruing by fiats, grants, assignments or transfers from private individuals or institutions, (f) all proceeds of land securities and other properties sold by the Zilla Parishad, and (g) all sums received by or on behalf of the Zilla Parishad by virtue of this or any other Act.

The mechanism of resources transfer through the appropriation out of the Consolidated Fund of the State to the Zilla Parishad is welcome as it means that once the budgetary provision has been made, the money stands automatically transferred. An important innovation in the Act is the provision for the setting up of a Finance Commission for the Zilla Parishads by the State government for the allocation of transferable resources among districts. At the moment, the State

government allocates, on an average, of Rs 2 cores for each district to implement schemes prepared and approved by the District Development Council. One problem that will have to be faced is the additional burden of non-plan financial requirements of the Zilla Parishads consequent upon their new financial functions.

After the actual operationalization of the Act in 1987, for the first year of the new system, 1987-88, the Zilla Parishads and the Mandal Panchayats inherited the plan of that year, earlier approved by the respective departments, according to the pre-Panchayati Raj practice. Thus, it was only from 1988-89, that the Zilla Parishads and the Mandal Panchayats attempted their own planning and priority-setting. Higher priority seems to have been now accorded to items like primary education, roads and bridges, public health, rural water supply, animal husbandry etc. The old practice of token provisions for projects and schemes, no longer exists.

#### Summary

A brief historical review of planning and decentralized planning in particular, in Karnataka gives an account of the State Government's efforts towards greater decentralization, making the planning process more effective. The interest taken from the time of Princely State of Mysore in economic planning was also another reason why decentralization of plan formulation, implementation and execution was made more practicable. However, most of these efforts did not get reflected

in the development process. The verbal emphasis on decentralized planning has not really been translated into practice and it was only a kind of administrative decentralization not accompanied by an adequate delegation of powers and functions. Meanwhile, an increasing demand for better planned development gave way to institutionalization of planning process. As a result, the 1983 Act came into effect.

## Chapter 3

### THE RESOURCE TRANSFERS

#### Principles

The problem of resource transfer in the context of decentralized planning bears some broad similarities to that of inter-governmental grants in a federal setup. Hence, we shall first discuss the similarities between the two levels of the inter-governmental transfers, namely - (a) at the Centre-State level, and (b) at the State-Sub-state level. We shall follow it up by describing briefly the basic differences in the situation between the two levels.

Resource transfer from a higher level is found to be necessary to enable the lower level to exercise its functions, in terms of policy-making and policy implementation. The conditions under which such transfers are made determine the degree of autonomy possible for the level to which it is made. Resource transfer takes different forms and hence, has different impacts on the autonomy of the receiving level.

In the regional economic development of any State, financial resources play an important role. In India, the fiscal transfers from Central<sup>1</sup> to the State governments take place under three broad-based categories viz., shared taxes, grants and loans. They are determined by two entitlements (structures) that is, the Planning Commission and the Finance Commission. While the

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<sup>1</sup>. The terms Federal, Union, and Central are all used interchangeably throughout the rest of the Thesis.

shared taxes (federal income tax and excise duties) are in the exclusive domain of the Finance Commission and loans in the domain of the Planning Commission, grants are given by both the Planning Commission (i.e. plan grants) and the Finance Commission (non-plan grants). Plan assistance through the Planning Commission follows the Gadgil formula of 1969 which has been modified subsequently.

While the revenue sharing arrangement between the Centre and the State governments is welcomed by the States, they are not happy with the nature of grant-in-aid. This is for the obvious reason that in the latter scheme, the donor tends to tie-up the activities to be carried out by the donee. In other words, greater financial independence is possible through revenue-sharing rather than through grants-in-aid.

Most of the theoretical literature on the problems of inter-governmental transfers and inter-governmental financial relations are based on the empirical study and analysis of the experience of developed Western economies. This is especially true of the theoretical literature coming from the United States of America (Gramlich 1977). This theoretical literature is mostly focused on questions of economic efficiency and inter-governmental fiscal equalization. In contrast to this, the literature on Indian federalism is mostly organized around the question of autonomy. Even more important is the fact that Western literature does not directly concern itself with the problem of democratic decentralization at the level below the federal units. In spite of these limitations, the theoretical

framework and the concepts in the American literature on fiscal federation can be used in this study after suitable modifications and adjustments, to accommodate the Indian situation.

In general, the theoretical justification for the rationale of inter-governmental resource transfers in the form of grants fall into two categories: (a) economic justifications such as the attainment of efficiency (maximization of economic growth), compensation for the negative externalities, etc and (2) political and institutional justifications.

Under the economic justification category the grants mainly take the form of (a) Open-ended or conditional grants, according to which, the Central government will match all State or local governments expenditure on the projects. (b) The unconditional grants or closed and lump-sum grants to lower levels of governments. These are grants given to the recipient government with no conditions attached.

The conditional grants may be further sub-divided into matching and non-matching grants depending on whether the State is required to match some portion of the federal government's grant in order to receive it. Matching grants are close-ended if there is an upper limit to the amount of State spending that the federal government will match.

It may be noted that the theoretical issues that arise at the Centre-State level are essentially similar in nature



to those at the State-sub-State level. Yet there is some need to discuss the general principles that govern the financial relations between the State and sub-State level.

The resource transfer at the State - Sub-State level takes the form of grants. Along with the State government, the Central government also transfers resources to the Zilla Parishad and Mandal Panchayat in the form of grants. But most of these grants from the Central government are transferred through the State government to Zilla Parishad or Mandal Panchayat and these grants are tied to some schemes. Here there are two kinds of schemes. (1) The Central sector schemes under which the Central government transfers the full amount of grant. (2) The Centrally sponsored schemes, where the State and the Central government share the cost of the grant. In this case, the State government will specify some amount, to which the central government provides the matching (rest) amount of grant.

In the whole process of resource transfer, there are two distinct patterns - (1) the resources transferred from the State government to Zilla Parishad and (2) the resources transferred from the Zilla Parishad to Mandal Panchayat. In practice, there exists a formula akin to Gadgil formula for the allocation of these funds from the State government. This allocation is in the form of Mandal Panchayat category I, Mandal Panchayat category II and Zilla Parishad category. Though most of the grants are tied or conditional, in case of transfers from the Zilla Parishad to Mandal Panchayat, the per capita grant is

untied. And also, 10 per cent of the total grants, excluding Per Capita grant is also left untied.

While the Centre-State relations and State-sub-State relations have many similarities such as hierarchical levels and functional differentiation etc., they have one fundamental structural difference. While the resource transfer at the Centre-State level is both constitutional and legislative, the transfers from the State to Sub-State levels has only a legislative status<sup>2</sup>.

#### Principles of Resource Allocation Criteria

Grants play a significant role in decentralized planning. The literature on inter-governmental grants has been mostly concerned with the system of federal States where the grants are given from the higher level of government (Federal) to lower levels (Providence or munciple). In such a case, the economic rationale for grants include-- inter-jurisdictional benefit or cost-spillovers where the theory of externalities is applied, and fiscal-gap which means that the grants are provided to avoid either a too low level of expenditure or a too high level of

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<sup>2</sup>.The centrally sponsored scheme and the central sector schemes are provided in the form of grants to all the States in India. Centrally sponsored schemes are projected in sectors constitutionally assigned to the States (such as agriculture, irrigation, power) but, which the Centre feels are sufficiently important to warrant its financing them in whole or in part, that is subsidizing the States to do so. In general they are projects of inter-State importance, or which have research or demonstration property, although recently they have grown to include a broader range of schemes (Family planning is an important example in which the center gives 30% grant & 70% loan basis)

taxation from a rational efficiency point of view. Lastly, the fiscal-equity argument is advanced, which in turn is an extension of horizontal equity according to which people in similar circumstances should be treated equally. Grants in decentralized planning are a crucial instrument of resource transfer (1) from the central government directly to the Zilla Parishads and Mandal Panchayats, if any, (2) from the State government to Zilla Parishad and Mandal Panchayat, and (3) from the Zilla Parishad to Mandal Panchayats. Thus, the criteria adopted for the distribution of grants gain considerable importance.

In India, such criteria have been evolved to make an equitable distribution of federal resources among the States. It is important to discuss the original Gadgil formula at first and later, its modifications. The original Gadgil formula (1969), when it was put into effect for the resource allocation by the Centre among different States, gave 10 per cent weightage to the States having a per capita income below the national average. However, this was increased to 20 per cent in the revised version and this indicator reflected a commitment in respect of continuing major irrigation and power schemes. Hence, it does follow that the States who could grab more with the earlier formula may now be deprived of the same. The indicator of per capita income promotes the notion of efficiency, but the economically backward States may be adversely affected by it. Coming down to the sub State levels, this might also be true for economically backward districts. But, to some extent this has been taken care of in the formula based on Gadgil's original

formula for the allocation of the State's resources among the Zilla Parishads.

The allocation in original Gadgil formula

1. Total Population	60%
2. Per Capita Income (if below national average)	10%
3. Per capita tax effort	10%
4. Commitments in respect of continuing major irrigation and power schemes	10%
5. Special problems peculiar to individual States	10%
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Total	100%

The allocation in the revised Gadgil formula

1. Population	60%
2. Per Capita Income (if below national average)	20%
3. Tax mobilization efforts	10%
4. Special problems peculiar to individual States	10%
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Total	100%

Efforts have been made to work out alternatives to the revised Gadgil formula. For instance, R.R Singh(1990) suggests that the social parameters should be given some place in the criteria such as -

Socio-cultural	25%
Demographic	25%
Economic	30%
Political	5%
Ecological	5%
Special problems	10%

The socio-cultural parameter includes social and welfare services, infant mortality rate, population control, school enrolment as well as dropout rate, level of literacy,

public participation, social harmony etc (i.e.the activities related to human resource development). Secondly, demographic factors refer to the proportion of the population of weaker sections to the total. Further, factors like economic incidence of poverty, industrial/agricultural productivity, tax effort, recovery of loans, fiscal discipline, growth of revenue, growth of informal sector, etc, could be clubbed under the economic category. The political parameter includes implementation of land reforms, growth of voluntary sector, participation of political parties and organized unions in development programmes, elections to local bodies and political stability. In fact, Singh argues that ecological development should not trail behind. However, weightages for these indicators may be enhanced or reduced depending upon the needs of a State. However, he has not stated a suitable methodology for this modification.

In yet another exercise, Professor Raj Krishna(1984), proposed a more equitable distribution of resources in his dissent note to the Seventh Finance Commission. Raj Krishna's formula is known as Income-adjusted Poverty population Criterion; This criterion gives weightage to both per capita income (efficiency) and Poverty population (distribution of income) of a State in getting the justifiable share in federal transfer.

Since the present concern is more with the principle adopted for the reallocation of resources under decentralized planning in Karnataka, we shall examine here the formula existing at Zilla Parishad and Mandal Panchayat levels. A version of the Gadgil formula is used for the distribution of the plan funds.

The thrust of the formula is the attainment of a regional balance (inter-district as well as inter-taluk) within the State.

In Karnataka, a basis for resource allocation to the district agency from the State exchequer was evolved in 1978. (50 per cent on the basis of population and 50 per cent on the basis of the backwardness of the districts in terms of agriculture, irrigation, industrial output, communication, financial infrastructure, medical and health facilities, power supply, incidence of unemployment, and so on). Initially, from 1978-79, the State planning department used to fix the district annual plan outlay based on the resource allocation formula as mentioned above. This amount was distributed to different sectors according to the priority. And then, the felt schemes were formulated by respective sectoral departments. However, this allocation pattern was changed during 1983 and instead of lump-sum allocation to all the sectors, minor headwise outlays were brought into practice. Hence, the district development councils were given a free hand in the formulation and selection of schemes.

With the introduction of the Zilla Parishads and Mandal Pachayats, different formulae were formulated for the allocation of resources at Zilla Parishad and Mandal Panchayat levels.

There are two formulae are used for the distribution of plan funds (see table 3.1 and 3.2). As is obvious, this formula implies a specific pattern of resource transfer from the different levels.

Table 3.1

The Indicators and Weightages for the Distribution of Plan  
Outlay to Zilla Parishad

Indicators	( %) Weightage
1. Total Population	50.00
2. Backwardness - agricultural output per hectare	05.00
3. -do- - of irrigation	07.00
4. -do- - Industrial output	05.00
5. -do- - communication	05.00
6. -do- - financial infrastructure	02.00
7. -do- - Medical and health	05.00
8. -do- - Power supply	05.00
9. Problems of weaker sections;	
a) As measured by the proportion of SC/ST in the population	02.00
b) As measured in the population of agricultural labour	02.00
10. Special problems of Malnad and drought prone areas	
a) As measured by area under forest	02.00
b) As measured by rural population drought prone area	02.00
11. Literacy Percentage	05.00
12. Performance of family planning programme	03.00
<b>Total</b>	<b>100.00</b>

Source: Madaiah M. and Ramapriya.R, 1989, p(182)

Table 3.2

The Criterion for Determining the Mandal's Share of Plan  
Outlay Out of the District Plan Outlay

Indicators	Weightage
Total Population	50.00
Area of Mandal	15.00
Dry land area	15.00
Agricultural labour population	10.00
PerCapita Resource raised	10.00
<b>Total</b>	<b>100.00</b>

Source: As in table 3.1

From the above two formulae, it is clear that population has been given the same weightage in both Mandal Panchayat and Zilla Parishad allocations. While in the case of Zilla Parishad, backwardness has almost 35 per cent weightage, it is not so in case of Mandal Panchayat. Another striking feature is that, per capita resource raised is given 10 per cent weightage in the Mandal Panchayat allocation whereas there is no such indicator for the allocation of resources in the Zilla Parishad formula. This implies that the Zilla Parishads have no power for raising the resources locally.

#### Alternative Resource Allocation Criteria

An attempt is made below to formulate three simple inter-district resource allocation criteria and to compute the amount of flow under each criteria for the 19 districts in Karnataka. For the purpose of this calculation, the State plan outlay under the district sector for 1986-87 is taken, and is assumed to remain fixed throughout. The purpose of these alternative formulations is to provide a justifiable economic rationale for the pattern of inter-district resource allocation which is crucially missing in the existing official allocation.

In the first criterion, we assume that each district's share in the State outlay on district sector is in proportion of its share in the State's total population. In fact, total population as a single criterion of resource allocation is a justifiable proxy for the general needs (irrespective of its level of development, and hence in part crudely captures the distribution aspects) of a district.



In the second criterion, we assume that each district's share in the State outlay on district sector is in proportion to its share in the State's total income. In a way, income as a sole criterion of resource transfer underlines the importance of economic growth already achieved in a district as a basis for resource transfer and hence, in part, captures the efficiency aspect of the inter-government transfer in the context of decentralized planning.

Table 3.3

Pattern of intra-district resource allocation -Existing and alternative criteria.

Districts	Existing Allocation (1987-88)	Rank	Allocation Under Alternative Criterion					
			Criterion I&II % change Rank			Criterion III % change Rank		
Bangalore	2612	4	4856	86	1	2914	12	3
Belgaum	2695	2	2925	9	2	3092	15	1
Bellary	1525	15	1461	-4	13	2211	45	8
Bidar	1172	18	978	-17	16	1815	55	12
Bijapur	2531	5	2357	-7	5	2439	-4	4
Chickmagalur	1255	17	895	-29	17	537	-57	18
Chitradurga	1866	10	1744	-7	11	2335	25	6
Dhakshin Kannad	2046	9	2333	14	6	1400	-32	15
Dharwad	2832	1	2890	2	3	3019	7	2
Gulbarga	2319	6	2042	-12	7	2394	3	5
Hassan	1550	13	1345	-13	14	2131	37	10
Kodagu	744	19	453	-39	18	272	-63	19
Kolar	2152	7	1870	-13	9	2097	-3	11
Mandya	1528	14	410	-73	19	1596	4	13
Mysore	2619	3	2548	-3	4	1529	-42	14
Raichur	1851	11	1751	-5	10	2173	17	9
Shimoga	1638	12	1656	1	12	993	-39	16
Tumkur	2075	8	1941	-6	8	2307	11	7
Uttara Kannada	1375	16	1052	-23	15	631	-54	17
State	36448		36448	0		36448	0	

Source: Calculated by using the data from Economic survey 1987-89, Government of Karnataka.

In the third criterion, a weightage of 60 per cent is given to total district population and 40 per cent to the district income. Under this criterion, each district would get a total share which is a combination of its share in the total State's population and income (see table 3.3).

The Dharwad Zilla Parishad ranks 15<sup>th</sup> in the existing allocation. And this ranking changes in the second criteria, where Dharwad falls under the "below State average income" category. Hence, it claims more share, and its rank has shifted from 15<sup>th</sup> to 8<sup>th</sup>. In a way, a kind of equity has been achieved. Further, in the income method, Dharwad is ranked 13<sup>th</sup>. This is obvious because the income of Dharwad district is lower than the State average. This method is attempted to show that efficiency is a crucial factor in the allocation of the resources.

### Summary

The original levels in the process of resource transfer are - the Union government, the State government and the Zilla Parishad. In the process of decentralized planning, the financial resources, mainly grants, are transferred from one of these levels to the other. It is important to notice that in the process, there are some mediating machineries- like the State government, in the case of transfer from Central government, and the Zilla Parishad, when the transfer of resources to Mandal Panchayat is involved.

And in most of the cases, the receiving levels are Zilla Parishad and Mandal Panchayat. Ultimate users of these resources are the Mandal Panchayats, who in turn are responsible for the local development process.

The total resource transferred is comprised of an almost equal share of the Central and the State governments' funds. Further, these resources are channelled through specific schemes. The schemes are of two kinds: Centrally sponsored-where the criteria followed is matching grants, and the other kind is Central sector scheme, where the Central government fixes the norms and transfers the full amount. Hence, but for per capita grant, all are conditional grants.

## Chapter 4

### RESOURCE TRANSFER: The Case of Dharwad

#### The Setting

The study area is located in the South Indian State of Karnataka [14 17'-15'N and 74 48'-76E] as shown in Map 1. The district has a total area of 5,284.5 square miles and a population of 2.95 million persons (1981). The district is bounded on the North by the districts of Belgaum and Bijapur; on the East by Raichur and Bellary districts.

The Dharwad Zilla Parishad is one of the 20 (including Bangalore rural District) Zilla Parishads in Karnataka. Dharwad Zilla Parishad itself consists of 166 Mandal Panchayats with 3 interim Mandal Panchayats. The district has the highest number of taluks, i.e. 17. Dharwad district (Zilla Parishad) is one of the agriculturally most mechanized districts and in the last few years, a whole range of industrial units has developed within the territory of the district.

About 70 per cent of the total area consists of black soil which is used for the cultivation of cotton and 19 per cent of the area is brown soil in which chilies and groundnut are cultivated. In the sandy soils located in the eastern and North-eastern corners, groundnut thrives well. The main food crops are jowar, rice, wheat among cereals, kulthi (horse gram) and tur among pulses and fruits and vegetables are grown. Cotton, chilies, groundnut and sunflower are among the non-food crops. About 21 per cent of the net area sown is under jowar and 8.5 per

cent under rice. Wheat is extensively cultivated in Naragund and Navalgund taluks with 10.22 per cent of the net area sown. Gram and tur are among important pulses cultivated in the district, the area under these crops being 1.34 per cent and 1.58 per cent respectively. The chief non-food crops are cotton and groundnut (18.73 per cent and 14.18 per cent of the net area sown respectively). The Malaprabha project has had a great impact on cotton production, which in turn, influences the growth of ginning and processing industry. Cotton and handloom industry in the district cover the greater share of the industrial sector. The production of groundnut supports the setting up of additional oil mills, particularly in the rural areas. Sericulture has a good potential for development in Hirekerur, Ranebennur, Shiggaon and Hangal taluks of the district.

The district is drained by two major river systems, the Malaprabha, with its chief tributary Bennihalla, and the Tungabhadra river system consisting of the rivers Varada and Kumadvati. Gadag, Hubli, Naragund, Navalgund and Ron taluks benefit from the Malaprabha and Ghataprabha projects, while the rest of the taluks are covered by Majjar Upper Tungabhadra, Upper Bhadra canal and Upper Dharma canal and such other major and medium irrigation projects. Tanks are the major source of irrigation in other taluks.

A great potential for the development of inland fisheries is offered by the district. There are 254 major tanks and about 2070 minor tanks with the total water spread area of about 1,25,000 hectares in the district. The total length of the

Malaprabha, Varada and Kumadvati rivers flowing through the districts is about 270 Km. These rivers and large perennial tanks yield fish throughout the year.

Dharwad district is endowed with considerable livestock, of which, cattle and buffaloes of imported breeds constitute a major portion. The total livestock population of the district is 23,66,058 according to the 1983 livestock census. The cattle population accounts for 14,81,311 of the total and the rest consists of sheep and goats. Poultry stock is estimated to be about 3.7 lakhs. There is ample scope for dairy development with various schemes already under way. Woollen handloom weaving is a traditional industry which has to be further developed in the district.

There is good scope for setting up industries like leather tanning, wool processing and spinning and bone meal crushing. The present vegetal cover of district is an ecological response to climatic conditions, edifice influences and human interferences. The forests, in the district may be classified into monsoonal forest of the western belt, the forests of the black soil plain and the scrub forests of the poorer soil types. Their economically important yield comprises of Teak, Sandal Wood, Mathi, Honne and Accasia. There is extensive bamboo formation along the banks of the rivers. The area under forests in 1976 was 1,113.18 square.kilo metres, which is about 8.10 per cent of the total geographical area of the district.

### The Socio-Cultural Setting:

In Karnataka, politics is caste based and in general, the State has been dominated by two communities - the Lingayats and the Vokkaligas. These two castes have considerable socio-economic strength in the State. The Lingayats and the Vokkaligas together constitute 27 per cent of the State's population (Manor 1977) of which, the Lingayats account for 14.7 per cent. The Brahmins are small in number accounting for only 4 per cent of the total population. Through their substantial number in membership of Zilla Parishads, the political dominance of Vokkaligas and Lingayats has been perpetuated.

In Dharwad, the most dominant groups in terms of economic strength, political power and cultural resource is the Lingayat community which, however, accounts for only about 20 per cent of the total population. The next important though numerically very small group, are the Brahmins. Numerically, the second major group are the Vokkaligas, a peasant caste. While the Lingayats are concentrated in the Northern region of Karnataka, the Vokkaligas are concentrated in the South. There are a number of intermediary castes. The scheduled castes account for around 19 per cent. The Muslims contribute a sizable group and the Christians and Jains account for 2 to 3 per cent respectively. There is only a marginal tribal presence in the district.

The language spoken by the majority is Kannada and a substantial number of people speak Marathi and Urdu. Dharwad is

one of the major cultural centres of Karnataka, especially reflecting the Northern cultural strand in the Southern State.

The food habits are more akin to those of the Maharashtra region, as jowar and wheat dominate as against in the rice-eating Southern areas of the State. Dharwad was one of the two historical centres from where the formation of a unified Karnataka State was generated, the other being Bangalore. It was also an important political centre during the national freedom struggle. It has made significant contribution to the development of Kannada language and culture. It is also an educationally advanced district, where a university centre and several colleges and schools are located.

#### The Economy Indicators

In terms of the economic indicators, Dharwad district is not exceptional in relation to the State as a whole. However, it may be noted that it has a larger urban population than the State average (35.25% as against 28.91 per cent for the State. It also has a lesser percentage of Scheduled caste population (14.9 per cent) than the State average (19.9 per cent).



Table 4.1

The Economic Indicators of Dharwad District

Indicators	Dharwad
1. Population (1981 census)	29,45,487
2. Density of Population.	214
3. % of urban population	35.25%
4. % of agricultural workforce to the total workforce.	34.93%
5. % of SC, St population	14.90%
6. Literacy %	44.36%
7. Number of employments	122878.
8. Weaker section	
a. Marginal farmer-1985-86	52673
b. Small farmers.	112173
c. Artisans.	51339
d. Agricultural labourers. (1981 census)	479309
9. Income (in lakhs) 1986-87	70008
10. Per capita income (in Rs) 1986-87	2377

- Source : 1. 1981 Census Karnataka State.  
2. Economic survey 1986-87  
3. Dharwad Zilla Parishad planning unit 1986-87 talukwise statistics.  
4. Dharwad Darshini, Dharwad Zilla Parishad 1989-90

The pattern of resource transfer in Dharwad Zilla Parishad can be examined in terms of 1) the Budgeting process  
2) the Income Expenditure pattern.

The Budgeting Process

The budget of Dharwad Zilla Parishad follows the procedure embodied in the relevant provisions of the Zilla Parishad Act, 1983. The Finance and Audit Committee of Zilla Parishad is responsible for the preparation of the budget as well

as for its presentation before the Zilla Parishad at the meeting specifically convened for this purpose. The Finance and Audit Committee, like the other Standing Committees of the Zilla Parishad is made up of six members of the Zilla Parishad elected by the Zilla Parishad itself in accordance with the system of proportional representation by means of single-transferable vote.

After the presentation of the budget, the Zilla Parishad decides upon the appropriations and the ways and means contained in the budget. The budget passed by the Zilla Parishad is sent to the State government before a last date fixed by the State government. The budget of the Zilla Parishad takes care to see that it enables the Zilla Parishad to perform the duties and functions required by the Zilla Parishad Act as well as other relevant laws of the State. If the Zilla Parishad does not approve the budget presented within the time specified by the Act, the Secretary of the Zilla Parishad is required to transmit the budget estimate to the government. Thereupon, the government may approve it with or without modifications. The budget so approved and certified may then be technically deemed to have been approved by the Zilla Parishad. Under the Act, the Zilla Parishad can revise and modify the budget, subject to the constraint that government approval is necessary for reducing the grants for development beyond 10%.

The Zilla Parishad budget is formulated by the Finance and Audit Committee of the Zilla Parishad. The Committee, along with the State level Finance Officers, prepares the estimates of the Zilla Parishad budget. The requirements of various district

departments and sectors are presented before the Committee and ultimately they are decided by the Chairman.

In the case of Mandal Panchayat, the Mandal Panchayat is asked to indicate its requirements under the Mandal Panchayat II category. Then, the Finance Committee prepares the budget for Mandal Panchayat and presents it to the Zilla Parishad for approval. The budget so approved by Zilla Parishad is sent to the State government for approval. However, the Zilla Parishad has a limited power at the ceiling of 10 per cent for the revision of the Mandal Panchayat budget. Obviously, this is a provision to promote the smooth working of Mandal Panchayat.

The State government grants to the Dharwad Zilla Parishad include the grants for plan as well as non-Plan schemes. That apart, according to section 114 of the Karnataka Zilla Parishad Act, the Dharwad Zilla Parishad is entitled to a per capita grant of Rs.10/- out of which Rs.2.50 is earmarked for the Zilla Parishad itself and the balance of Rs.7.50 is earmarked for the Mandal Panchayat funneled through the Zilla Parishad.

Section 191 of the 1983 Act specifically provides for the creation of a Zilla Parishad fund, which constitutes -

- (1) The amounts transferred to the Zilla Parishad Fund by appropriation from the consolidated fund of the States,
- (2) All grants, assignments, loans and contributions made by the government;
- (3) All fees and penalties paid to or levied by on behalf of the Zilla Parishad as provided in the Act and all fines imposed under the act;

- (4) All rents from lands or other properties of the Zilla Parishad.
- (5) All interests, profits and other money accruing from gifts, grants, assignments or transfers from private individuals or institutions.
- (6) All proceeds of lands, securities and other properties sold by the Zilla Parishad; and
- (7) All sums received at or on behalf of the Zilla Parishad by virtue, of this or any other Act.

It stipulates that the amount received by way of endowments for any specific purposes shall not form part of or be paid into the Zilla Parishad Fund. Thus, the provision of the Act shows that the resources of a Zilla Parishad are made up of (a) resource transfer, and (b) resource mobilization. In the case mentioned above, items 1 and 2 belong to the category of resource transfer, while items 3 to 7 can be described as locally mobilized resources.

#### Division of Development Schemes at the District Level

All the present schemes, which together comprise the content of planning, have been categorised by the State government into three groups:

1. The Zilla Parishad Schemes
2. The Mandal Panchayat Category I
3. The Mandal Panchayat Category II

#### The Zilla Parishad:

The Zilla Parishad schemes are those, which are transferred to the Zilla Parishad, for which the Zilla Parishad

is solely responsible with regard to formulation and implementation of plans. Under this category, nearly 22 sectoral schemes fall, which the State government and Central government jointly finance.

#### The Mandal Panchayat -I

Schemes under this category are planned as well as implemented by the Mandal Panchayats. The expenditure on these schemes is shown in the budgets of the Mandal Panchayats themselves. The schemes coming under this category are housing for the landless, rural water supply and rural sanitation (financed directly by the State government and the centre), Jawahar Rozgar Yojana (Centrally financed) and Rural Development Programme (State financed). The last is an untied grant, made up of the per capita grant of Rs.7.50, given by the State government through Zilla Parishads.

#### The Mandal Panchayat-II

Schemes under this category are both formulated and executed by the Zilla Parishads. But this is done after prior consultation with concerned Mandal Panchayats, regarding the target beneficiaries and target areas. The transfer of funds allocated to one Mandal Panchayat to another Mandal Panchayat is prohibited. Therefore, these schemes are Mandal Panchayat specific schemes relating to adult education, family welfare, rural water supply, housing, nutritious food, soil conservation, extending of cultivable area, forestry, women and child welfare,

fisheries, integrated rural development, employment, roads and bridges, horticulture and sericulture.

#### The Income and Expenditure Pattern

Against this background, the revenue and expenditure pattern of Dharwad Zilla Parishad may be analysed to indicate the proportion of Plan and non-Plan grants transfers from the State government to the Zilla Parishad and spent on various sectors. The revenue pattern indicates that the resource mobilization at the Zilla Parishad level is almost nil.

The income of the Zilla Parishad is constituted by the interest accrued from Integrated Rural Development Programme, Per Capita Grants to Zilla Parishad and Mandal Panchayat, and grants to these institutions under plan and non-plan schemes. Table 4.2 gives the details of the income of Dharwad Zilla Parishad.

Another striking trend is the increase in the non-plan grants as against plan grants which also constitute a limiting factor in the process of rural development. One can also notice that the per capita grant which is an unconditional grant, is on the decline (Table 4.2).

Table 4.2

The Income Pattern of Dharwad Zilla Parishad  
(As in lakhs)

Particulars	1987-88	1988-89	1989-90
Interest accrued from Integrated Rural Development Programme	0.77 (0.00)	1.00 (0.01)	1.00 (0.01)
Percapita grant to ZP as per section 114 of 1983 Act	51.30 (0.66)	48.53 (0.54)	48.53 (0.51)
Percapita grant to MP as per section 114 of 1983 Act	145.60 (1.90)	145.60 (1.63)	145.59 (1.53)
Grant to Non-plan schemes	4264.72 (56.70)	5858.56 (65.50)	6438.15 (65.55)
Grant to Plan schemes	3198.26 (41.70)	2886.63 (32.28)	2894.77 (33.36)
Miscellaneous	3.32 (0.04)	3.50 (0.04)	3.50 (0.04)
<b>Total Income</b>	<b>7663.98</b> (100)	<b>8943.82</b> (100)	<b>9531.55</b> (100)

Source: Dharwad ZP annual reports 1987, 1988, 1989.

The expenditure pattern of Zilla Parishad consists of two components:

- (1) the decentralized expenditure component, in which the Zilla Parishad enjoys the maximum autonomy of spending in the domain of local needs and demands.
- (2) The component in which autonomy is restricted by explicit terms and conditions attached to the use of funds which are normally channelled from the Centre or the State government.

The expenditure pattern of Dharwad Zilla Parishad has been analysed here under plan and non-plan expenditure. It is

clear that the non-plan expenditure for every year on the average accounts for nearly 60 per cent of the total expenditure, while the Plan expenditure is around 35-40 per cent. The same pattern can be observed on the revenue side.

The plan and non-plan allocations are made headwise, as a result of which the Zilla Parishads and Mandal Panchayats are merely implementing agencies without the liberty to take up the schemes required for the local needs.

The non-plan grants are recurring or continuous, basically spent on general education (two third), and the remaining one third on public health, SC/ST and public work.

The plan expenditure is not recurring, and there is no continuity from one plan to the next. They are spent on a variety of heads, nearly one fourth to one third on rural employment programme. That apart, there are some sectoral heads which have indirect impact on rural employment generation - for example, road construction.



Table -4.3

## Percentage distribution of Expenditure pattern of Dharwad Zilla Parishad

Particulars	1987-88		1988-89		1989-90	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
Rural employment Programme	22.41	0.00	9.82	0.00	11.43	0.00
Special programme for Rural Development	16.01	0.00	15.09	0.00	16.00	0.00
Public Health & Family Welfare	9.53	7.26	9.81	6.43	10.25	6.55
Other Rural Development Programme	9.82	3.63	9.51	1.42	7.80	1.24
Women & Child welfare	5.83	2.10	5.33	2.46	5.25	2.43
Soil conservation & Water Protection	5.41	0.80	4.09	0.46	3.63	0.51
House Construction	4.67	0.00	3.18	0.02	2.67	0.02
Forest & wildlife Protection	4.81	0.00	3.80	0.00	3.77	0.00
Agriculture	3.73	3.12	5.06	2.50	4.41	2.30
Water Supply & Sanitation	3.59	0.19	15.12	0.15	13.88	0.17
Special Component For SC, ST	3.41	0.00	4.94	0.00	5.51	0.00
General Education	2.69	65.14	3.99	67.76	5.41	67.83
Employment & Training	1.71	0.00	1.40	0.00	1.40	0.00
Sericulture	1.17	0.10	1.34	0.10	1.24	0.10
SC, ST Social Welfare	0.97	3.09	1.26	3.30	1.22	2.93
Welfare of Backward class & Minorities	0.75	2.51	0.70	3.84	0.88	3.78
Animal Husbandry	0.72	2.60	1.22	2.27	1.28	2.21
Western Chat Development	0.63	0.00	0.54	0.00	0.59	0.00
Roads & Bridges	0.50	2.40	0.88	3.80	0.89	4.23
Rural Industry	0.47	0.05	0.59	0.12	0.63	0.06
Fisheries	0.27	0.27	0.36	0.24	0.40	0.21
Horticulture	0.26	0.59	0.45	0.74	0.46	0.83
Food & Storage	0.19	0.19	0.42	0.08	0.30	0.09
Minor Irrigation	0.16	0.68	0.35	1.00	0.26	1.03
Energy	0.14	0.00	0.49	0.00	0.11	0.00
Secretariat & Economic Service	0.12	0.03	0.11	0.06	0.13	0.09
Youth & Sport	0.02	0.13	0.02	0.13	0.08	0.14
Co-operation	0.02	0.70	0.09	0.11	0.07	0.07
Land reforms	0.01	0.00	0.05	0.00	0.05	0.00
Public Works	0.00	4.31	0.00	2.86	0.00	3.02
Industries	0.00	0.13	0.00	0.14	0.00	0.15
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00
Rs in lakhs	2473.57	4503.06	3086.75	5858.58	3088.90	6438.20
% to the total	(35.46)	(64.54)	(34.51)	(65.49)	(32.42)	(67.48)

Source: Annual Accounts, Dharwad Zilla Parishad.

## The Grants For Mandal Panchayat And Zilla Parishad

The Mandal Panchayats get grants towards primary and secondary education, agriculture and allied activities, health, family welfare, welfare of weaker sections, water supply, low cost housing, roads and other development works. The State Government, and to some extent the Central Government, assist the Mandal Panchayats in the process of rural development, by providing grants under Mandal Panchayat category I and II.

The government grants given to Mandal Panchayat can be offered as conditional and unconditional grants. These are credited to Account NO.1 of the Mandal Panchayats. Unconditional grants include 3 per cent of the stamp duty collected from the Mandal area and the percapita grant of Rs7.50. Mandal Panchayats use this amount mainly for rural development activities. Other grants are given for specific purposes like housing, water supply, adult education, etc. If the amount is not spent on specified items, the government may ask the Mandal Panchayats to remit back the money to the government. The per capita grants are given on the basis of 1971 census.

In our discussion on resource transfer, we shall concentrate on (a) the origin of resource, the mediating machinery and the receiving level, (b) the quality and the magnitude of resource so transferred, (c) the principles according to which this resource is transferred and (d) finally the conditionality if any, attached to such resource transfer.

Since our study is concerned with the resource transfer from the State and below, there can be four kinds of transfers-

- (1) from the State government to Mandal Panchayat directly,
- (2) from the State government to Zilla Parishad directly
- (3) from the Zilla Parishad to Mandal Panchayat directly
- (4) from the State grant to Mandal Panchayat through the Zilla Parishad.

As against the centre to state transfers, the transfers from the State to the levels below such as the Zilla Parishads, do not enjoy a constitutional status. In the latter situation, because of this fact, the granter-grantee relation has been viewed critically by these local bodies. Hence, the issue of effectiveness of decentralized planning involves the issue of adequacy of financial resources to carry out the objectives of the decentralized planning.

Almost all the grants from the central government are transferred through the State government to the Zilla Parishad or Mandal Panchayat.

All the grants are tied to specific schemes. There are two kinds of schemes-

- 1) The central sector schemes, under which the central government transfers the full amount.

- 2) Centrally sponsored schemes, in which the State and central government share the cost. In this case, the State government will specify some amount to which the central government provides a matching (rest) amount.

In the whole process of resource transfer, two important patterns emerge: a) from the State to the Zilla Parishad and b) from the Zilla Parishad to the Mandal Panchayat. In practice, there exists a formula akin to the Gadgil formula for the allocation of funds to be transferred to the Zilla Parishad and the Mandal Panchayat.

Out of its plan outlay allocated to it by the Planning Commission, the State government will allocate and transfer resources to Zilla Parishad as and when the release is made by the central government. And then the Zilla Parishad will allocate the resources according to a formula, which is a modified form of the Gadgil formula.

The resources transferred to Dharwad Zilla Parishad are mainly in the form of grants. The grants transferred are in the form of plan and non-plan. While the non-plan grants constitute nearly 60 per cent of the total grants, the plan grants account for the remaining 40 per cent. A similar pattern can be observed in the expenditure pattern of Dharwad Zilla Parishad. A clearer picture can be obtained from Table 4.4 below.

Table 4.4  
Total Plan and Non-plan grants of Dharwad Zilla Parishad  
 (Rs.in Lakhs)

Year	1988	1989	1990
Plan	3015.24 (37.54)	3340.93 (37.71)	3883.12 (39.78)
Non-plan	5016.18 62.46	5518.61 (62.29)	5878.79 (60.22)
Total	8031.42	8859.54	9761.91

Source: Annual Grants to Dharwad Zilla Parishad.  
 1987-88, 1989 and 1990.

The plan grants are further channelled into three categories viz-

- 1) The Zilla Parishad Category
- 2) The Mandal Panchayat category I
- 3) The Mandal Panchayat Category II.

While these institutions at the Sub -State level have relatively more autonomy in the first two categories of grants, the higher levels of governments have more control over the third category i.e. the Mandal Panchayat Category II. The following table gives a more detailed picture.

Table 4.5  
Plan grants of Dharwad Zilla Parishad under ZP, MPI, MP II  
Category  
 (Rs in Lakhs)

Year	1988	1989	1990
Zilla Parishad	984.18 (32.64)	1167.31 (34.94)	1274.95 (32.83)
Mandal Panchayat I	255.16 (8.46)	190.93 (5.71)	864.80 (22.27)
Mandal Panchayat II	1775.90 (58.90)	1982.69 (59.35)	1743.37 (44.90)
Total	3061.75	3385.04	3964.88

Source: Annual Grants to Dharwad Zilla Parishad. 1987-88, 1989 and 1990.

The Mandal Panchayat category II constitutes the major portion- i.e 45 per cent in the year 1990-of the plan grants. The Mandal Panchayat category I and Zilla Parishad category includes the per capita income which is an untied account for only 9 per cent and 33 per cent respectively for the year 1988. However, there has been a dramatic increase in the plan grants allotted to Mandal Panchayat Category I,i.e from 5.71 per cent in 1988 to 23 per cent in 1990.

These grants come from the State as well as Central governments. The grants from the State government has declined from 57.56 per cent in 1989 to 52.13 per cent in 1990. But this has been compensated by increased grants from the Central government.

Table 4.6

Sources of Plan grants to Dharwad Zilla Parishad  
(Rs in lakhs)

year Govt	1988	1989	1990
State	1743.47 (57.82)	1902.42 (57.56)	2024.41 (52.13)
Centre	1271.77 (42.18)	1402.53 (42.44)	1858.71 (47.87)
Total	3015.24	3304.95	3883.12

Source: Annual Grants to Dharwad Zilla Parishad.1987-88,1989 and 1990.

The plan grants to the Dharwad Zilla Parishad under the Mandal Panchayat Category II have been diverted to 21 sectors. The State government plan grants to rural development sector in the years 1988,1989 and 1990 account for 23.20 per cent,22.09

per cent and 25 per cent respectively, while the Central Plan grants account for 23.07 per cent, 25.73 per cent, 28.26 per cent for the same years. The next priority has been assigned to water supply and sanitation, special unit for SC, ST and rural employment, where more or less a similar pattern can be observed with regard to sharing of grants to be transferred to Zilla Parishad under this category. In sum, the burden of the grants to be channelled to Mandal Panchayat category II are equally borne by the State as well as Central governments.

Table 4.7  
Plan grants allocated to Dharwad Zilla Parishad under The Mandal Panchayat Category II

Sectors	1988				1989				1990			
	State		Centre		State		Centre		State		Centre	
	%	Share	%	Share	%	Share	%	Share	%	Share	%	Share
Housing	5.29	100.00	0.00	0.00	6.57	100.00	0.00	0.00	2.22	100.00	0.00	0.00
Roads & Bridges	5.29	100.00	0.00	0.00	4.27	100.00	0.00	0.00	5.77	100.00	0.00	0.00
Sericulture	1.50	100.00	0.00	0.00	1.17	100.00	0.00	0.00	2.17	100.00	0.00	0.00
Agriculture	0.48	100.00	0.00	0.00	3.97	100.00	0.00	0.00	4.80	100.00	0.00	0.00
Women & Children	0.10	100.00	0.00	0.00	0.19	100.00	0.00	0.00	0.22	100.00	0.00	0.00
Land Reforms	0.08	100.00	0.08	0.00	0.05	100.00	0.05	0.00	0.05	100.00	0.06	0.00
Fishery	0.10	100.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	100.00	0.00	0.00
Welfare of Backward Class	0.45	100.00	0.00	0.00	0.54	100.00	0.00	0.00	0.70	100.00	0.00	0.00
Special Unit for SC,ST	13.58	80.20	3.45	19.80	11.59	77.90	3.81	22.10	13.79	68.97	6.98	31.03
Nutrition	3.28	77.98	0.95	22.02	2.91	78.78	0.91	21.22	4.12	100.00	0.00	0.00
Forestry	6.49	76.26	2.08	23.74	8.74	84.51	1.86	15.49	11.53	77.44	3.78	22.56
Other Rural Development	2.40	57.45	1.83	42.55	3.67	70.97	1.74	29.03	4.66	68.25	2.44	31.75
Soil Conservation & Water protection	4.96	50.00	5.11	50.00	4.57	50.52	5.19	49.48	4.91	50.56	5.40	49.44
Special Rural Development programme	23.20	50.85	23.07	49.15	22.90	50.81	25.73	49.19	25.80	50.66	28.26	49.34
Horticulture	0.00	50.71	0.00	49.29	0.06	53.72	0.00	46.28	0.00	52.94	0.00	47.06
Adult Education	1.01	47.01	1.17	52.99	0.62	27.57	1.90	72.43	0.71	29.58	1.91	70.42
Water Supply & Sanitation	21.01	46.37	24.99	53.63	16.15	44.86	23.04	55.14	12.68	44.88	17.51	55.12
Rural Employment	10.12	30.05	24.23	69.95	11.41	34.19	25.50	65.81	4.68	20.00	21.05	80.00
Hilly Area development	0.48	47.01	0.00	52.99	3.97	27.57	0.00	72.43	4.80	29.58	0.00	70.42
Social Welfare of ST,SC	0.19	22.60	0.65	77.40	0.14	11.04	1.34	88.96	0.19	11.06	1.68	88.94
Family Welfare	0.56	5.35	10.11	94.65	0.48	7.32	7.04	92.68	1.01	11.23	8.95	88.77
<b>TOTAL (Rs lakhs)</b>	<b>900.50</b>		<b>875.40</b>		<b>1065.12</b>		<b>917.57</b>		<b>922.86</b>		<b>820.51</b>	

Source: Annual Grants to Dharwad Zilla Parishad. 1987-88, 1989 and 1990.

The trends in the Mandal Panchayat category II show that there is a decline in the overall grants from 0.10 per cent to 0.14 per cent which is due to a decrease in the State government grants for the year 1990. The gainers in the later period are family welfare, welfare of Scheduled Caste Scheduled Tribe, sericulture and roads and bridges' sectors.



Table 4.8

Trends in the grants under Mandal Panchayat II category

Sectors	Annual % Total of MP II	
	1988-89	1989-90
Adult Education	0.19	-0.08
Family Welfare	-0.34	0.16
Water Supply & Sanitation & Cyanidin	-0.06	-0.47
Housing	0.32	-2.41
Social Welfare of SC,ST	0.46	0.11
Welfare of Backwardclass	0.28	0.12
Women & Child	0.56	0.01
Nutrition	0.04	-0.04
Agriculture	0.90	0.05
Horticulture	1.00	
SoilConservatin&WaterProtectn	0.07	-0.07
Forestry	0.30	0.20
Fishery		
Special Rural Devt Programme	0.15	-0.02
Rural Employment	-0.19	-0.18
Land Reforms	-0.40	0.00
Other Rural Development Prog	0.32	0.13
Hilly Area Development	-0.01	0.00
Sericulture	-0.08	0.38
Roads & Bridges	-0.05	0.15
Special Unit For SC ST	0.04	0.14
<b>TOTAL</b>	<b>0.10</b>	<b>-0.14</b>

Source: Annual Grants to Dharwad Zilla Parishad.  
1987-88, 1989 and 1990.

The grants under Mandal Panchayat Category I are provided to only 6 sectors. Out of these, the major share (60 per cent in 1988) is absorbed by the sectoral head 'other rural development' which apparently include the per capita grant to the Mandal Panchayat in the form of an untied grant. The State government transfers this amount. That apart, the sectors like agriculture which constituted nearly 16 per cent in the year 1988, housing (14.93 per cent in 1988), rural water supply and sanitation (12 per cent in 1988), have a major share in the total

grant under this category. However, the sector, rural employment, seems to have gained greater attention in the later years. Another striking feature of the grants under this category is that nearly 90 per cent of the grants are channelled by the State government.

Table 4.9

Mandal Panchayat category-I

Sectors	1987-88				1988-89				1989-90			
	State		Centre		State		Centre		State		Centre	
	%	Share	%	Share	%	Share	%	Share	%	Share	%	Share
Housing	14.93	100.00	0.00	0.00	5.63	100.00	0.00	0.00	3.16	100.00	0.00	0.00
Welfare of SC,ST	0.04	100.00	0.00	0.00	0.06	100.00	0.00	0.00	0.16	100.00	0.00	0.00
Other Rural Development	57.97	100.00	0.00	0.00	83.37	100.00	0.00	0.00	46.86	100.00	0.00	0.00
Agriculture	15.65	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Supply&Sanitation	11.40	87.75	100.00	12.25	10.95	59.48	100.00	40.52	8.41	51.54	4.56	48.46
Rural Employment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.41	20.00	95.44	80.00
<b>TOTAL</b>	100.00		100.00		100.00		100.00		100.00		100.00	
(Total Rs in Lakhs)	251.16		4.00		539.86		13.25		342.73		573.66	

Source: Annual Grants to Dharwad Zilla Parishad. 1987-88, 1989 and

The overall trends under this category show that there has been a substantial increase in the grants from -0.25 in 1988-89 to 3.53 per cent in 1989-90. The sector, welfare of SC,ST, has been a net gainer in the second period. However, the grants to the rural development, which include the untied per capita grant, has been on the decline.

Table 4.10

Trends in the grants under Mandal Panchayat category I

Sectors	Annual%	
	1988-89	1989-90
Water Supply & Sanitation	0.00	0.58
Housing	-0.73	0.00
Welfare of ST, SC	-0.09	4.00
Other rural Development	0.02	0.00
Rural Employment	0.00	0.00
Agriculture	-1.00	0.00
Total	-0.25	3.53

Source: Annual Grants to Dharwad Zilla Parishad for 1987, 1988, 1989.

The Plan Grants to Zilla Parishad Category

The grants to Zilla Parishads are provided for about 25 various sectors. The main sectors in the year 1988 were primary and secondary education, 16 per cent, medicine and health, 13 per cent, other rural development programmes, 8.20 per cent, rural special programmes, 6.46 per cent, and the productive sectors like sericulture, agriculture, etc from 4 per cent to 5 per cent. The other rural development programme come under the per capita grant to the Zilla Parishad which is an untied aid. Nearly 19 sectors under this particular category are getting 100 per cent grant from the State government. In other words, they are fully dependent on the State government for their funds<sup>1</sup>. Though the percapita grant has been shared by both the governments in the first year i.e 1988, in the next two years the State government has been the sole source.

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<sup>1</sup>. Even the sectors like nutrition, welfare of women and children are funded by the State government which normally fall under the purview of the Center.

Table 4.11

## The Grants to Zilla Parishad Under Zilla Parishad Category

Sectors	1988-89				1989-90				1990-91			
	State		Centre		State		Centre		State		Centre	
	%	Share	%	Share	%	Share	%	Share	%	Share	%	Share
Primary&Secondary Education	17.32	100.00	0.00	0.00	28.86	100.03	0.00	0.00	29.36	100.00	0.00	0.00
Medicine & Health	16.34	100.00	0.00	0.00	13.10	100.00	0.00	0.00	10.94	100.73	0.00	0.00
Other Rural Devt Prog	8.20	100.00	0.00	0.00	7.11	100.00	0.00	0.00	6.30	100.00	0.00	0.00
Labour & employment	6.46	100.00	0.00	0.00	6.23	100.00	0.00	0.00	5.77	100.00	0.00	0.00
Animal Husbandry	6.35	100.00	0.00	0.00	5.97	100.00	0.00	0.00	8.49	100.00	0.00	0.00
Roads & Bridges	5.65	100.00	0.00	0.00	5.08	100.00	0.00	0.00	5.45	100.00	0.00	0.00
Village & Small Industries	5.85	100.00	0.00	0.00	5.36	100.00	0.00	0.00	2.99	100.00	0.00	0.00
Sericulture	4.21	100.00	0.00	0.00	3.58	100.00	0.00	0.00	4.52	100.00	0.00	0.00
Soil Conservation & Water Protection	3.46	100.00	0.00	0.00	5.18	100.00	0.00	0.00	4.20	100.00	0.00	0.00
Welfare of BackwardClass	3.34	100.00	0.00	0.00	3.00	100.00	0.00	0.00	3.88	100.00	0.00	0.00
Welfare of SC,ST	3.64	100.00	0.00	0.00	3.40	100.00	0.00	0.00	3.52	100.00	0.00	0.00
Minor Irrigation	3.18	100.00	0.00	0.00	3.69	100.00	0.00	0.00	5.13	100.00	0.00	0.00
Bufferstock & Storing	2.60	100.00	0.00	0.00	2.01	100.00	0.00	0.00	0.00	100.00	0.00	0.00
Fisheries	1.98	100.00	0.00	0.00	1.78	100.00	0.00	0.00	1.14	100.00	0.00	0.00
Horticulture	1.62	100.00	0.00	0.00	1.98	100.00	0.00	0.00	3.00	100.00	0.00	0.00
Nutrition	1.56	100.00	0.00	0.00	1.33	100.00	0.00	0.00	0.00	100.00	0.00	0.00
Housing	0.67	100.00	0.00	0.00	0.58	100.00	0.00	0.00	0.61	100.00	0.00	0.00
Energy	0.54	100.00	0.00	0.00	0.50	100.00	0.00	0.00	0.51	100.00	0.00	0.00
Secretariat	0.46	100.00	0.25	37.04	0.46	100.00	0.23	34.38	0.00	0.00	0.33	37.39
Sports & Youth	0.08	100.00	0.00	0.00	0.34	100.00	0.00	0.00	0.31	100.00	0.00	0.00
Rural Devt Special Prog	3.75	50.00	5.65	50.00	3.82	50.00	5.64	50.00	2.69	50.00	4.31	50.00
Co-operation	3.53	38.69	8.45	61.31	3.18	38.97	7.38	61.21	1.72	41.95	3.81	58.05
Agriculture	5.54	35.18	15.40	64.82	4.82	35.69	12.82	64.31	4.06	35.10	12.05	64.90
Forestry	0.17	7.69	3.06	92.31	0.16	7.69	2.80	92.31	0.00	0.00	2.66	100.00
Women & Child Welfare	1.15	6.42	25.29	93.58	1.21	7.76	21.30	92.24	1.33	7.77	25.33	92.23
Family Welfare	0.20	1.00	30.31	99.00	0.17	0.81	31.08	99.19	0.23	1.08	33.57	98.92
Total	100		100		100		100		100		100	
	591.8		392.37		695.6		471.71		785.4		489.54	

Source: Plan grants to Dharwad Zilla Parishad for the years 1987, 1988 and 1989.

The trends in the Zilla Parishad category clearly indicate an overall decline in the grants. The sectors like education, agriculture, horticulture, forestry, and special rural developments have been adversely affected in the period 1989-90. However, the grants channelled to the sectors, women and child

development, fishery, village and small scale industries have been given greater attention than in the previous period. And the grants to the other sectors have remained same as in the first period.

Table 4.12

Trends in the Plan grants under Zilla Parishad Category

Sectors	State		Centre		Annual % Total	
	1987-88	1988-89	1987-88	1988-89	1988-89	1989-90
	Annual %	Annual %	Annual %	Annual %		
Primary&Secondary Edu	0.58	0.25	5.85	-0.16	0.96	0.15
Sports & Youth	3.72	0.02	0.00	0.00	3.72	0.02
Medicine & Health	0.00	0.00	0.00	0.00	-0.06	0.20
SC ST Welfare	0.13	0.19	-0.11	0.02	0.10	0.17
SC,ST BC Welfare	0.06	0.46	0.00	0.00	0.06	0.46
Women &Child Welfare	0.24	0.24	0.01	0.23	0.03	0.23
Family Welfare	0.00	0.50	0.23	0.12	0.23	0.12
Housing	0.02	0.19	0.00	0.00	0.02	0.19
Bufferstock&Storing	-0.09	-1.00	0.00	0.00	-0.09	-1.00
Nutrition	0.00	-1.00	0.00	0.00	0.00	-1.00
Agriculture	0.02	-0.05	0.00	-0.02	0.01	-0.03
Horticulture	0.45	0.74	0.14	-1.00	0.44	0.71
Soil conservation & Water Protection	0.76	-0.08	0.00	0.00	0.76	-0.08
Animal husbandry	0.10	0.67	0.10	0.11	0.10	0.61
Fisheries	0.25	-0.18	-0.49	1.35	0.06	0.01
Forestry	0.10	-1.00	0.10	-0.02	0.10	-0.09
Co-operation	0.06	-0.39	0.05	-0.46	0.05	-0.43
Labour & employment	0.13	0.05	0.00	0.00	0.13	0.05
Ruraldevt special prog	0.20	-0.21	0.20	-0.21	0.20	-0.21
Other rural devt prog	0.02	0.00	0.00	0.00	0.02	0.00
Energy	0.10	0.15	0.00	0.00	0.10	0.15
Minor irrigation	0.36	0.57	0.00	0.00	0.36	0.57
Village&Small industry	0.12	-0.19	-0.05	0.14	0.08	-0.11
Sericulture	0.00	0.43	0.00	0.00	0.00	0.43
Roads &bridges	0.06	0.21	0.00	0.00	0.06	0.21
Secretariat	0.24	0.30	0.10	0.48	0.19	0.36
<b>GRAND TOTAL</b>	<b>0.18</b>	<b>0.13</b>	<b>0.20</b>	<b>0.04</b>	<b>0.19</b>	<b>0.09</b>

Source: Estimated Plan grants to Dharwad Zilla Parishad for the years 1987,1988 and 1989.

### Some Observations

In this chapter, an attempt has been made to look into the operational aspect of resource transfer at Zilla Parishad level. The grants to Dharwad Zilla Parishad are funnelled from the State government and the Centre. However, these grants are tied to one or the other sectoral scheme. Our analysis shows that the State government grants dominate the Zilla Parishad finances. These plan grants are channeled through three main categories (Zilla Parishad, Mandal Panchayat category I and Mandal Panchayat category II). Under the Mandal Panchayat category I, the Zilla Parishad enjoys more autonomy, but the magnitude is less than that of the other two categories.

There are around 32 sectoral schemes in all the three categories together, to which these grants are attached. Most of them are developmental in nature. However, these schemes are oriented towards rural development in general and rural employment generation in particular. The primary productive sectors like agriculture, forestry and fishery are also included.

This case study highlights the following points-

a) resource transfers to Dharwad Zilla Parishad are in the form of grants, b) these grants are tied to particular sectoral schemes and c) these schemes have remained more or less unchanged throughout the past three years.

Hence, it is clear that the Zilla Parishad institutions have limited powers, when it comes to the financial

aspect. In fact, they act merely as implementing agencies of the higher levels of government.

After having analysed the resource transfer mechanism in the Dharwad Zilla Parishad, we will move on to examine the next important phenomenon, the decentralized planning process with particular reference to Dharwad Zilla Parishad in the next chapter.

## Chapter 5

### DECENTRALIZED PLANNING

#### Principles and Operations

Decentralized Planning has been defined as grass-root level planning i.e, planning from below. The essence of the whole system lies in decentralizing the planning process through a democratic set up. This implies (a) that responsibility for the formulation and execution of planned development will be increasingly shifted to lower levels of the system, and (b) that it also automatically involves the process of planning within the democratic principle of meaningful participation of the people who are the object of planning. Hence people at lower levels, eg at village level, actively participate in the planning process.

In principle, decentralized planning implies :

(1) Function-sharing, which involves assignment of activities to territorial levels where they can be more effectively performed. This leads to optimal functional efficiency. Hence, identification of levels and demarcation of activities become important;(2) Integrated area-development, which means optimum utilization of local potentials, whether manpower skills and resources or natural resources. Moreover, it also means a more efficient system of fulfilling local needs;(3) The linkage effect of development will be strengthened through decentralized planning. The linkage between the small and large enterprises and the diffusion of technology from the central level to sub-national level will take place systematically, thereby, limiting the migration of workforce from rural areas to overcrowded urban



centres and(4) Emphasis on effective participation of people in the development process.

We shall now, examine Karnataka Zilla Parishad, Taluk Panchayat Samithi, Mandal Panchayat and Nyaya Panchayat Act 1983. The Act clearly specified the levels at which the whole system of decentralized planning should operate. For instance, the Act says,

"..whereas it is expedient to provide for the establishment in rural areas, of Zilla Parishads, Taluk Panchayat Samithis, Mandal Panchayats and Nyaya Panchayats to assign to them local government and judicial functions and to entrust the execution of certain works and development schemes of the State five year plans to Zilla Parishads, Taluk Panchayat Samithis and Mandal Panchayats and to provide for decentralization of powers and functions under certain enactments to those local bodies for the purpose of promoting the development of democratic institutions and securing a greater measure of participation by the people in the said plans and in local and governmental affairs and for purposes connected with and identical there.." (p.1)

Thus, the scheme of democratic decentralization in the planning process below the State level in Karnataka gained legislative approval in 1985. There are 15 chapters in the Act, which provide for the constitution of the local bodies, their election, administrative setup, functions, procedures for conducting meetings and such other details defining the operation of the scheme. Thus, the Act itself is a clear indication of the enthusiasm of the government for the establishment of a democratic decentralized system.

Under the Act, the decentralized planning process starts at the Gram Sabha level. The Gram Sabhas discuss and formulate their developmental needs. The Mandal Panchayats are required to place before the Gram Sabha meetings, previous year's achievements and also new schemes/programs that are proposed to

be undertaken during the current year. Under the Section 3 of the Act, the Gram Sabha which consists of the entire adult population in the area, is required to meet twice annually. The suggestions and recommendations made at the meeting of the Gram Sabha, are discussed and decisions arrived at. The Act stipulates that the Gram Sabha should attend to the basic needs of the village and act as an advisor to the Mandal Panchayat in the implementation of the planned schemes.

Chapters II, IV, V and VI of the Act deal with decentralized planning at Mandal Panchayat level. Any area comprising a revenue village or a group of villages having a population of more than 10, 000 and less than 15, 000, can be declared as a Mandal. However, in Malnad districts the population of 5000 is sufficient to constitute a Mandal. Each Mandal shall have a Mandal Panchayat.

The elected representatives in the Mandal Panchayat vary in number between 20 and 22 and in malnad districts it is 10. There are three Standing Committees through which the mandal panchayats will function, that is, 1. The Production Committee- to include the subjects of agriculture, animal husbandry, and rural industries, 2. The Social Justice Committee- to consider the interests of Scheduled Castes, Scheduled Tribes, Backward Classes and women, and 3. The Amenities Committee -to look after public health, education and public works.

## Decentralized Planning as a working process

This section attempts to reconstruct the working of the system of decentralized planning in Karnataka. This will be done by examining the working of the system as envisaged in the committee reports on the present decentralized planning system in Karnataka and on the basis of the unstructured interviews with various officials and representatives of various public groups involved in the process.

### The Krishnaswamy Committee

The Evaluation Committee headed by Krishnaswamy (1989) found that the performance of the Zilla Parishads and Mandal Panchayats was impressive. It found that many basic needs of the people at village level were fulfilled and that the awareness among the people of their powers and needs was increasing. The people in power i.e., the elected representatives, responded more successfully to popular demands, gaining increasingly the confidence of the people. However, the members of the weaker groups like Scheduled Castes and women have yet to identify themselves meaningfully with the system. The Committee also found that harmonious relations existed between officials and non-officials at all levels. According to it, public servants showed greater consciousness about their accountability and obligation to the people though some of them had yet to accept fully, the idea of authority at the grass roots.

The Committee also pointed out the continued existence of mental reservations about the scheme on the part of the legislators, ministers and government officials. The upliftment of the Scheduled Castes and Scheduled Tribes has been somewhat slow, though there was no evidence of any worsening of their living conditions. There was a gross mis-match between the functional responsibility of Mandal Panchayats and their direct command over resources.

The process of selection of beneficiaries has been streamlined under the poverty alleviation programme. The danger of partisan decision-making by the Mandal Panchayat was adequately checked by the vigilance exercised by the standing Committees of the Mandal Panchayats. Hence, the Krishnaswamy Committee emphasized the importance of holding Gram Sabha meetings at least twice a year.

However, proper operational linkages between the Zilla Parishad and Mandal Panchayat were absent according to the Committee. The Committee recommends that many of the schemes of the Zilla Parishad should be transferred to Mandal Panchayat. It also recommends that the State Government should be committed unequivocally to the progressive devolution of authority to Panchayat Raj institutions.

Further, the Committee advocates the need for restructuring the State Government budget and its department, in order to facilitate the flow of technical support to the Panchayat Raj institutions. In particular, the Department of

Panchayat Raj and Planning should be reorganized so that Panchayat Raj work is assigned to a full-fledged department.

#### The Honnaver Committee

The second important body which examined the working of the new Zilla Parishad system in Karnataka is the first Finance Commission set up under the Act itself to review the financial allocations under the Act and make recommendations. This Commission was set up under the Chairmanship of Dr.Honnaver (1989).

We shall here, focus only on those findings of the Commission which relate to the working of the decentralized planning system. The Commission finds that " there are considerable differences between what the Zilla Parishads consider to be essential and what the State authority may consider desirable. These differences are bound to be somewhat sharp initially because of the heady feeling of new found power and the class composition of the Zilla Parishad membership..." In other words, the system of decentralization has run into the contradictions and conflicts, at least in the early phase. But the commission also suggests that such friction may reduce, if not disappear, with time and experience. Since decentralization cannot be complete or absolute, the success of the new system depends on the cooperation between the State Government and the Zilla Parishad.

Secondly, the Commission underscores the fact that the financial strength of the Zilla Parishads to negotiate with the State level is almost nil because the Zilla Parishad has no resource mobilization capability, and the financial strength of the Mandal Panchayats vis-a-vis the State Government are "minuscule" (p.154). This means that the present scheme of decentralized planning is not very effective, given the inequality of bargaining strength between the levels.

Thirdly, and in the light of the foregoing finding, the commission rightly advocates greater fiscal autonomy for the Zilla Parishads and Mandal Panchayats to enable them to play an effective role in the process of decentralized planning at the sub-State levels.

The Operational Structure of the Decentralized Planning at the  
Zilla Parishad Level

Here, we shall give an account of the operation of decentralized planning process at the Zilla Parishad level based on data collected from official publications and unstructured interviews with the Zilla Parishad President, Chief Secretary, Regional Planning Officer, Chief Accounts Officer, the Zilla Parishad Development Officer and the member of the Dharwad Zilla Prishad and some random representation of the public.

The decentralized planning mechanism involves various phases and stages. At the Gram Sabha meetings, the needs of the people are identified and formulated on the majority basis. At

these meetings, the elected representatives of the people, the government officials and the planning technicians will be present.

Needs and demands so formulated, will be scrutinised at Mandal Panchayat level, which represents the group of villages. Later, the Taluk Panchayat Samithis which act as an intermediary co-ordinating setup between the Zilla Parishad and Mandal Panchayat, will finalize the demands of the various Mandal Panchayats within a particular Zilla Parishad. The demands so finalized will be distributed to be processed by the 10 standing committees of the Zilla Parishad, which will later on be transferred by them for action to 22 district departments. In the general body meeting of the Zilla Parishad, these demands are further scrutinized and will be sent to the Regional Planning Officer who will evaluate such demands, reduce them into feasible plans and then send them to Chief Accounts Officer for sanctioning the funds for them. But, these plans have to be formally approved by the Chief Secretary and Adhyaksha. Plans so approved will be channelled to 22 district departments which are responsible for implementing these plans.

#### Interview Material

We shall give below, an account of the operational process of the decentralized district planning system on the basis of interviews with (1) the President of Dharwad Zilla Parishad (2) the Chief Secretary, Dharwad Zilla Parishad (3) one member of the Zilla Parishad (4) the Project Appraisal and

Evaluation Officer, Zilla Parishad (5) the Development Officer, Zilla Parishad (6) Chief Accounts Officer, Zilla Parishad (7) Office Staff of Zilla Parishad President (8) President of Narendra Mandal Panchayat and (9) two members of Narendra Mandal Panchayat, representing the Scheduled Caste and women categories (Reserved). Both the strengths and limitations of this information should be clearly understood. Its strength is that it is more likely than formal documentary data to throw light on the concrete situation on the ground. Its weakness is that it tends to be largely subjective, both on the part of the interviewer and the interviewee, especially as it is unstructured or loosely structured. Therefore, this material should be regarded as supplementing and marginally qualifying the picture of decentralized planning development process that emerge in the preceding account. Also, we shall use the interview material only insofar as it is seen to contribute to our understanding of the system.

The Project Appraisal and Evaluation Officer claimed that the new Zilla Parishad system represented by and large, a planned development process from below. The main problem, in his view, was lack of adequate information and expertise at the decentralized levels, which made meaningful and effective planning at the grass-roots level, imperfect. For instance, he pointed out that even the members of the Zilla Parishad quite often lacked adequate or clear knowledge about the problems and needs of the region or the areas they represented. But he was happy that there was general awareness of rights and needs, and he also stated that he was often called upon to educate the



members and the public. He said that he could not perform his role effectively as a plan evaluator (of plan from the Grama Sabha on) because of the lack of sufficient time. One positive factor, according to him, was the increasing awareness among all concerned of the nature of decentralized planning system. For instance, one person from the Scheduled Tribe category had contacted him to find out what his village could get under the Ganga Jal scheme, meant for providing drinking water facilities. He said that, there were quite a few cases like this, of people contacting the Zilla Parishad office to press for action to satisfy their local needs. In his experience, most of the grass-roots developmental demands related to repairing and maintenance of local roads. He added sadly that the available resources could not meet the demands.

The Chief Secretary of the Zilla Parishad felt strongly that the most delicate and difficult problem in operating the system was that of co-ordination between the planning, development and accounts units, and administrative co-ordination between the Zilla Parishad President, Chief Secretary and Zilla Parishad members. He argued that the Act should be changed to facilitate better co-ordination. He also drew attention to the problem of planning in the context of political interference by Members of Legislative Assembly or Members of Parliament. He said that the Act also needs to be amended to eliminate confusions surrounding the delegation of decentralized powers. Another serious problem was the mismatch between the macro and micro plan levels. The national level plans were based on a long-

term perspective while the micro plans were based on a shorter time frame.

The Development Officer described his branch's functions of implementing and monitoring the decentralized plan process. In his view, the major problems facing the planning process were (1) procedural delays (2) poor involvement and participation of the people in planning and (3) insufficient powers for Development Officers which reduced their ability to deliver goods and to become effective agents, accountable to the people. He also said that, unfortunately, developmental resources were diverted away from proper objectives of the development process due to the leakages. He conceded that people have become more conscious of their powers and rights, but he maintained that this awareness was exploited by undesirable, external forces. He emphasized strongly the basic point that the system would work only if the very ideological framework became radically altered to reflect some form of Gandhism.

The President of the Zilla Parishad (the Adhyaksha) said the system was working reasonably well, though it could be improved. He did not find any problem regarding the relations between the Chief Secretary and the President or between the Zilla Parishad and the State Government. For him, the main problems were two. The first was the problem of inadequate resources, and the second was the political conflict between State Government and the Zilla Parishad when the two were controlled by different political parties. He admitted that the transfer of power to people at the sub-State level had proved

unwelcome and inconvenient to those who stood to lose their powers under the system - the Members of Legislative Assembly, Members of Parliament and the District Commissioners. He also made the important observation that conflicts between political parties affected the relations between the State Government and the Zilla Parishad, but they had no significant impact on the inter-party relations within the Zilla Parishad or the relations between the Zilla Parishad and the Mandal Panchayat. He agreed that there was some political interference in the planning process. But his greatest concern was the inadequacy of resources for the Zilla Parishad. He made positive suggestions about enhancing the resources of the Zilla Parishad. He pointed out that the Zilla Parishad could raise resources if it was allowed to levy and collect 1 per cent cess on local activities within its jurisdiction such as mining, agro-based industries, production of oil seeds and sugar, etc. Some portion of excise collection could also be made available to the Zilla Parishad.

The member of the Zilla Parishad interviewed said that people's awareness of the decentralized planning system and its benefits had increased substantially. He welcomed the fact that decentralization of the planning process was accompanied by the untied grant. But he wanted it to be increased. In his view, the grants tied to schemes which came from above posed no problem since these schemes reflected the needs of the people. He shared the President's perception that partisan political conflicts did not arise at the Zilla Parishad level. Instead, the real problem related to factional political conflicts based on caste or community. He welcomed the reservations for the Scheduled Castes

in the Zilla Parishad system, but he wanted its extension to backward classes. He said that all important decisions were taken by the Standing Committees of the Zilla Parishad. He too, wanted more fiscal autonomy to be given to the Zilla Parishad. He held that party politics was significant only at the State level, but not at the sub-State levels. In his view, the Grama Sabhas were working well because all problems were discussed fully in their meetings. Whatever be the criticisms, he asserted that, if there had been any rural development in the last four years, credit should go to the new Panchayat Raj system.

The President (Pradhan) of Narendra Mandal Panchayat explained that the Mandal Panchayat's activities centred round schemes relating to housing, road construction and maintenance, rural electrification and irrigation. He felt that resources available for these developmental schemes to the Mandal Panchayat were far from adequate. He welcomed the Jawahar Rozgar Yojana. He said that the responsibility for promulgating and convening the meetings of the Grama Sabhas (at least two under the Act) which lie with the Mandal Panchayat, should be properly used to summon them regularly. He opined that the plans formulated by the Mandal Panchayat were not changed by the Zilla Parishad. He pointed out that, prior to the new Panchayat Raj system, people had to approach the Block Development Officer to seek developmental assistance. But now, they can approach the more accessible Mandal Panchayat. According to him, the Mandal Panchayat was technically competent to spend upto Rs.5, 000 without any sanction from above. There was no majority imposition in the Mandal Panchayat and most decisions reflected a

consensus. The meetings of the Mandal Panchayat were not marked by conflicts. The work of the Mandal Panchayat in the domain of formulating and implementing the plan was carried out by the Standing Committees of the Mandal Panchayat which were five in number.

The interview with a woman member of Narendra Mandal Panchayat, who was also a Scheduled Caste, was very revealing. She is illiterate, and she and her husband are landless laborers, living on daily wages. She was not satisfied with the benefits and improvements reaching them through the process of planned development. One of the declared objectives of the new system has been to provide representation for the weaker sections. But she explained that the representation through membership did not mean any real power or strength to them. The low economic status and the low social status of the scheduled castes, she asserted, could not be overcome by mere political representation. Other scheduled castes interviewed, agreed that in terms of real power and real benefits, the Scheduled Castes found very little or no difference between the new system and its predecessors. This raises the basic question of the need for matching changes in the socio-economic structure. Yet, there is a developmental dilemma here- socio-economic changes require longer time span and more revolutionary efforts while political changes through legislation are relatively easier, but one will have to change social and economic structures to make the political representation powerful! But within the existing liberal democratic framework, it is clear that the latter poses difficulties. Therefore, one should accept the limits of mere political intervention, and also

accept even the marginal change it might produce in tilting the balance of power a little towards the weaker sections.

### The Operation of the System : An Evaluation

Using critically, three types of data - official handouts and records, official evaluation reports, and fieldwork observation and interviews, it is possible to offer an understanding and assessment of the working of the system of decentralized planning in Dharwad, and we shall leave open the issue of generalizing it to the Zilla Parishad system as a whole in Karnataka.

Though, by and large, there was a general tendency to appreciate objectives of the system, sharp differences of perception existed between the Chief Secretary, a career bureaucrat, and the Adhyaksha an elected political executive. The Chief Secretary, as an official responsible for the administrative management of the system, has to handle problems of co-ordination of two kinds (1) administrative co-ordination in the context of decentralized and delegated functions and powers, and (2) co-ordination of the content of planning as between the macro-national and State level on the one hand, and on the other, State level and the micro-Zilla Parishad level, on the other. However, there was overall agreement on (a) the need for greater fiscal autonomy for the Zilla Parishad and other Panchayati Raj institutions to enable them to exercise greater autonomy in the sphere of planning (b) on the fact that the

system has contributed to a greater awareness among the people of their rights to make demands on the government and to call the public officials to account. At the same time, there was no corresponding rise in the level of their responsibilities in terms of understanding and articulating common goals, and increasing their technical competence to achieve meaningful participation in the system.

The people interviewed were in agreement that party politics did not figure significantly in the functioning of the Zilla Parishad and other Panchayati Raj institutions, including the Mandal Panchayat. This means that divisions, conflicts and opposition did not run along party lines, though partisan considerations might play a role at the secretariat or ministry level. This, however, does not mean that the Zilla Parishad was a harmonious body, free of frictions. But these were based on caste, community lines or on personal factional lines centreing around local influential persons. Such conflicts of interest affect the process of planning at the level of both allocation of resources and implementation of projects. This is an important finding as it may be an argument against injecting party politics into the institutions of local level. But it may also be an argument for such injection, if party politics is assumed to negate such conflicts and introduce more meaningful conflicts.

During interviews, one of the important points consistently raised was the inadequacy of technical and specialist inputs into the planning process at the Zilla Parishad level and the levels below. At present, technical expertise is

made available by the regular district level administration through specialized institutions like the District Agricultural Office or the District Health Office or the District Public Works Office. But this arrangement by its very nature, cannot be satisfactory because it denies the Zilla Parishad its own technical personnel and its control over it. Both efficient planning and efficient execution of the plan require a more readily accessible technical-specialist personnel at the disposal of the decentralized planning structures. But this would raise the question of resources of these structures, including the Zilla Parishad, the question of their affordability to hire such a team. But those emphasizing the need for such facility argued that it should be possible to transfer such personnel to the Zilla Parishad just as was being done with regard to the generalist administrative personnel.

Both the Chief Secretary and the Zilla Parishad President pointed out that one of the serious problems affecting their functioning was the political interference in the formulation and execution of the decentralized plan by influential local politicians or local level legislators. They would intervene to promote projects or schemes in the areas they represented as part of their clientele-building. When asked, how this unhealthy political interference could be avoided, the only response was that everybody involved should respect the convention to allow autonomy to function. It may be ultimately a question of establishing healthy conventions and traditions of non-interference. Alternatively, of course, the Zilla Parishad should be politically strengthened to resist such interference.



Though no specific details or concrete cases were cited, everyone interviewed referred to corruption as a serious source of disrupting the process of decentralized planning. However, the most frequently offered explanation of what constituted corruption was that influential people, the elite or sub-elite with considerable economic, socio-cultural or political powers could thwart the process of decentralized planning by diverting the funds to goals not included in the plan to promote personal interests or the interest of powerful groups. One of the cases brought to our notice may be briefly mentioned. In this case, the amount originally earmarked for providing drinking water for the Scheduled Castes was diverted to finance the poultry farm run by a rich member of the upper caste in the village.

Two major criticisms can be made against the working of the system, and these two are inter-related. The first relates to the issue of an egalitarian social structure, and the second to ideology. So long as an inegalitarian social structure comprising caste and class inequalities, rooted itself in an economic structure based on wide disparities exists, there would be great difficulty for weaker groups, such as the Scheduled Castes or women, to take advantage of the benefits promised by the system. Secondly, there seems to be a basic ideological conflict between the macro-polity based on centralizing ideals of a nation-State and the Panchayati Raj, based on principles of substantive local autonomy. Hence, it may be argued that unless both the social structure and the macro-polity also undergo structural changes to

facilitate the working of the decentralized planning process, it will run into persistent operational barriers. Within these constraints, the system seems to have worked reasonably well, given the shortness of its existence, that is, 1987 to 1989.

## Chapter 6

### RESOURCE TRANSFERS AND DECENTRALIZED PLANNING

#### The Emerging Issues and Study Findings

This chapter will highlight the patterns of interaction between the resource transfer system and the process of decentralization in Dharwad Zilla Parishad, under the new Panchayati Raj scheme in Karnataka. First, we will deal with the theoretical aspects of the problem and then, shift our attention to the actual functioning of the same as could be envisaged through empirical facts.

#### Theoretical Issues

It was shown in the preceding chapter that the resource transfer system is a perplexing one, in terms of its agents, objectives and the final outcomes. Resource transfer is not necessarily related to decentralized planning. The higher levels of a system transfer resources to those below simply because they may want to control the working of those systems in order to promote self interests. Decentralized planning however, involves the principle that the lower levels should be accorded maximum possible autonomy in relation to those above them. If this is so, then the question arises as to why a higher level should part with a portion of its resources in order to promote the interests of the level below. Broadly, the answers to this question may be: (1) it is in the long run interest of the higher level itself; (2) politically, the lower levels are able to force the higher levels to do so, (3) there are historical traditions in the form of

unwritten or unspoken conventions to do so,(4) there is a statutory obligation, be it in the form of ordinary law, or a more basic constitutional provision to do so. In reality, of course, no single factor can account for the phenomenon of resource transfer. In Karnataka, as in the rest of the country, resource transfer is based on statutory obligations under a specific law passed by the State legislature, such as the Karnataka Zilla Parishad Act 1983, which came into force in 1987.

The next question to ask in this nexus is :How is resource transfer related to decentralized planning?First, as has been earlier suggested, resource transfer has, as one of its major goals, the strengthening of the lower levels so that they may be able to augment their autonomy in functioning as a administrative-political unit. Given the fact that planned development has come to dominate their functioning, such autonomy has little meaning if it does not extend to the domain of planning. In short, resource transfer has to be seen as a factor supportive of decentralized planning to some extent. Though the higher levels may be obliged to envisage political difficulties in their allowing the levels, to which the resource is transferred, to engage effectively in decentralized planning. This is because the level that transfers resources may seldom be so self-effacing as to refuse to reap the political or economic benefits they can extract. Thus, there is a structural dilemma facing the process of decentralized planning, especially in developing countries, burdened by resource constraints. Without resource transfer, the lower levels/units will not have the capacity to achieve planned development at all. Thus, they have

to depend increasingly on resource transfer. But to do so, would lead to a situation in which their autonomy, and hence the process of decentralized planning, tends to be seriously compromised and undermined. The only way out is to increase the resource mobilization competence of the lower level units. But it was precisely because they were unable to achieve adequate local resource mobilization that they had to resort to resource transfer. Thus we are caught in a vicious circle. Hence, resource transfer should be viewed as a factor, riddled with opposite possibilities it may enable greater autonomy and decentralized planning, but it may also entail increasing intervention from above. The point to emphasis is that, in realistic terms, resource transfer can turn out to be a limiting factor on decentralized planning.

But decentralized planning has to face yet another structural barrier. Planning is, at bottom, a centralizing process, and this fact itself sets limits to the process of decentralized planning. Though, this issue is not a direct concern of this thesis, it has to be kept in mind in examining the interaction between resource transfer and decentralized planning. Briefly, this situation demands that the local level units function within the overall planning process formulated at the national level. In practice, this implies the constant need for engaging in the thorny process of drawing a distinction between local planning objectives that are inconsistent with the planning objectives of levels above, and the local planning objectives which are consistent with the planning goals of above. This is a conflictual situation, which tends to be increasingly

politicised, especially in an open, democratic competitive polity such as that exists in India.

In examining the data relating to the working of Dharwad Zilla Parishad, efforts will be made to raise these issues to the extent possible in terms of the data.

### Empirical Analysis

After a theoretical discussion, we shall first recapitulate the nature of the resource transfer scheme and the system of decentralized planning as they have operated in Dharwad Zilla Parishad since its inception in 1987. Secondly, we shall examine the objectives set for them in the Zilla Parishad Act. Thirdly, we shall examine the interaction between the two in the context of the overall experiment in decentralized planning in Karnataka.

In the more specific context of decentralized planning, however, the resource transfer mechanism has an altogether different dimension. Since the essence of decentralized planning is the objective of bringing the planning process down to the grass-roots level, local forces of supply and demand in terms of popular needs and preferences come inevitably into play. Hence, the complex role of resource transfer mechanism in this process acquires great importance and it needs to be closely studied.

In our study, it can be seen that resource transfer

takes place from the State or the Central government to the levels below the State government. The case study of Dharwad Zilla Parishad shows that the State government transfer of resources is significantly greater than that of the Central government. Broadly, resource transfer takes the form of Plan and Non-Plan grants to the Zilla Parishad.

At a disaggregated level, the Plan grants are made up of (1) Mandal Panchayat Category I, 2) Mandal Panchayat Category II and (3) Zilla Parishad category. While the Zilla Parishad has greater say with regard to Mandal Panchayat I and Zilla Parishad categories, the State and Central government have relatively greater control over Mandal Panchayat II category. Our data (see Table 6.1) shows that, even the magnitude of grants under Mandal Panchayat II is higher than that of grants transferred under the categories Mandal Panchayat I and Zilla Parishad. This brings about a complicated situation in which, at one level, the grants become tools for giving greater autonomy in financial terms to the local level (Zilla Parishad), while at the same time, it aids the higher levels to exercise considerable control over the activities of the grass root level institutions.

The planning process takes place at two levels - at Zilla Parishad and Mandal Panchayat. The local demands are decided at Gram Sabha and are scrutinised at Mandal Panchayat level. Thereby, the plans are formulated and given a technical dimension at the Zilla Parishad level. Such plans, after formulation, are taken over by different sanctioning committees for implementation. It is here that both plans and resources

interact and make decentralized planning more meaningful.

The table brings out the sectoral percentage share from different categories over a period of three years. Of the total plan grant outlay, the rural development and employment sector gains nearly 34 per cent in the year 1988. A close look at the data indicates that this is due to the major contribution in this sector in the Mandal Panchayat category II. The next priority sectors are Rural employment and sanitation (14 per cent), Family welfare (7 per cent), Special unit for Scheduled caste and Scheduled tribe people (5 per cent), agriculture (4 per cent) and so on. The overall grants to the activities like rural development and employment, irrigation, sericulture and to the welfare schemes like, welfare of Backward Caste (BC), Women, Children has increased. However, there is no change in the total magnitude of the grants channelled to the Zilla Parishad, Mandal Panchayat I and Mandal Panchayat II categories.

It is not very clear as to, how far the question of autonomy to these institutions regarding the activities at the sub-state level could be fulfilled through various categories of grants. As mentioned earlier, the Zilla Parishads and Mandal Panchayats have more autonomy with regard to their functions under only those grants which are planned, formulated and executed by them. Further, another feature evident in our study is that, these grants are tied to sectoral schemes like education, road construction, housing, etc. This sharply supports the preceding arguments on autonomy.



Table 6.1  
Total Plan Grants to Dharwad Zilla Parishad Under All The Categories

Sectors	%ZP			MP I			MP II			Total			% TOTAL	
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	1988-90	1989-91
Primary Education	5.32	9.79	9.57	9.79	9.57	0.00	0.00	0.00	0.00	1.74	3.42	3.15	0.97	-0.08
Secondary Education	5.09	7.40	0.00	7.40	0.00	0.00	0.00	0.00	0.00	1.66	2.59	2.79	0.56	0.08
Adult Education	0.00	0.00	0.00	0.00	0.00	0.00	1.15	1.21	1.27	0.68	0.72	0.57	0.06	-0.20
Sport & Youth	0.05	0.20	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.02	0.07	0.06	3.26	-0.13
Medicine & Health	9.77	7.76	0.00	7.76	0.00	0.00	0.00	0.00	0.00	3.19	2.71	2.81	-0.15	0.04
Indian Medicine System	0.06	0.05	0.03	0.05	0.03	0.00	0.00	0.00	0.00	0.02	0.02	0.01	-0.10	-0.50
Family Welfare	12.21	12.66	13.01	12.66	13.01	0.00	5.26	3.47	4.74	7.08	6.51	6.41	-0.08	-0.02
Rural Water Supply	0.00	0.00	0.00	0.00	0.00	5.97	22.97	19.34	14.95	14.61	12.45	8.04	-0.15	-0.35
Sanitation														
Housing	0.40	0.34	0.00	0.34	0.00	1.16	2.68	3.53	1.18	2.95	2.51	0.91	-0.15	-0.64
SC-ST Welfare	2.19	2.03	2.17	2.03	2.17	0.06	0.42	0.69	0.89	0.97	1.12	1.12	0.16	-0.00
Backward Caste	2.01	1.79	2.38	1.79	2.38	0.00	0.23	0.29	0.37	0.79	0.80	0.95	0.01	0.20
Special Unit for ST	0.00	0.00	0.00	0.00	0.00	0.00	8.58	7.99	10.58	5.06	4.74	4.75	-0.06	0.00
Women Child Welfare	10.78	9.33	10.53	9.33	10.53	0.00	0.05	0.10	0.11	3.55	3.32	3.51	-0.06	0.06
Nutritious Food	2.50	1.99	0.00	1.99	0.00	0.00	2.14	1.98	2.18	2.07	1.87	0.98	-0.10	-0.48
Agriculture	9.47	8.05	7.12	8.05	7.12	0.00	0.00	2.13	2.54	4.39	4.08	3.48	-0.07	-0.15
Land Reforms	0.00	0.00	0.00	0.09	0.05	0.06	0.05	0.03	0.03	0.00	0.00	0.00	0.00	0.00
Horticulture	0.97	1.18	1.85	1.18	1.85	0.00	0.24	0.03	0.00	0.46	0.43	0.61	-0.07	0.41
Soil & Water Conservation	2.08	3.08	2.58	3.08	2.58	0.00	5.03	4.86	5.14	3.64	3.96	3.16	0.09	-0.20
Animal Husbandry	3.82	3.56	5.22	3.56	5.22	0.00	0.00	0.00	0.00	1.25	1.24	1.72	-0.00	0.38
Fishery	1.19	1.06	0.98	1.06	0.98	0.00	0.01	0.00	0.00	0.39	0.37	0.32	-0.05	-0.13
Forestry	1.32	1.23	1.02	1.23	1.02	0.00	4.32	5.56	7.88	2.98	3.73	3.87	0.25	0.04
Co-operation	5.49	4.87	2.52	4.87	2.52	0.00	0.00	0.00	0.00	1.79	1.70	0.83	-0.05	-0.51
Rural Devt & Employment	9.76	9.09	7.50	9.09	7.50	92.82	43.38	45.85	43.95	33.56	34.82	42.87	0.04	0.23
Minor Irrigation	1.91	2.20	3.16	2.20	3.16	0.00	0.00	0.00	0.00	0.62	0.77	1.04	0.23	0.35
Sericulture	2.53	2.13	2.78	2.13	2.78	0.00	0.76	0.63	1.15	1.27	1.12	1.43	-0.12	0.28
Village Industry	3.52	3.19	2.58	3.19	2.58	0.00	0.00	0.00	0.00	1.15	1.12	0.85	-0.03	-0.24
Roads & Bridges	3.30	3.02	3.35	3.02	3.35	0.00	2.68	2.29	3.05	2.66	2.42	2.47	-0.09	0.02
Unemployment Stipend	3.89	3.71	3.55	3.71	3.55	0.00	0.00	0.00	0.00	1.27	1.30	1.17	0.02	-0.10
ZP PLANS	0.27	0.27	0.34	0.27	0.34	0.00	0.00	0.00	0.00	0.09	0.10	0.11	0.07	0.17
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	0.00	0.00
	984.18	1167.31	1276.95	255.16	190.93	864.80	1775.90	1982.69	1743.37	3015.24	3340.93	3883.12		

Source: Plan Grants to Dharwad Zilla Parishad for the years 1987, 1988 and 1989.

As a consequence, the Zilla Parishads and Mandal Panchayats function more as plan implementing agencies than as plan formulating agencies. However, it is not to conclude that they have absolutely no role to play in the dynamic process of decentralized planning, but only to suggest that they have restricted autonomy.

Our study has also shown that these grants are tied to sectoral schemes like education, road construction, housing etc. This fact, further corroborates our arguments on the issue of autonomy.

It is generally agreed that the Karnataka experiment in decentralized planning has become a trend-setter for the country as a whole, calling forth significant changes in the strategy of planned development. Setting up a Finance Commission at the State level under the experiment, has been rightly hailed as a revolutionary step towards decentralization. Therefore, the mode and mechanism of resource transfer envisaged under the Karnataka experiment deserve close study.

### Summary and Conclusions

The crisis faced by most of the developing countries in terms of effective management of their economies is exemplified in the planning process, where, the inevitability of centralized planning due to the persistence of dualistic characters vis-a-vis the lack of its effectivity due to intra-regional differences has become a major poser before administrators and policy makers.

This scenario has given rise to several pertinent questions regarding the nature and scope of planning process in general and the need for decentralized planning in particular. One set of questions fall under the broad umbrella of resource transfer between different levels of planning. This study addressed itself to certain aspects of decentralized planning in India, giving particular emphasis to the question of resource transfer. Karnataka, being one of the pioneering States in the country to implement decentralized planning successfully, was chosen for closer scrutiny. Among the twenty districts in the State, Dharwad appeared to be the most suitable area for study since it is neither completely rural nor urban and different local bodies such as Mandal Panchayats and Zilla Parishads, are quite active here compared to other districts.

In this study, the review of literature related to various aspects of decentralized planning clearly shows that a critical issue in the domain of fiscal federalism, inter-governmental relations and institutional setup for effective democratic practices at the grass roots, is that of financial resources, in terms of its functionality and fiscal autonomy. The literature has also showed that local level bodies, because of their innate structural deficiencies, cannot generate internal financial resources to perform their functions or achieve their targets, making them dependent on the transfer of resources and financial flows from upper bodies. The Karnataka legislation on Panchayat Raj has provided for resource transfer from the State to zilla parishad and from Zilla Parishad to Mandal Panchayat.

Our attempt to provide a detailed historical sketch of the evolution of decentralized planning process in Karnataka in chapter two, revealed the State Government's earnest efforts at attaining the goal of greater decentralization. The keen interest and initiatives in this direction on the part of the Government harks back to the colonial period in the Princely State of Mysore. This protracted history of economic planning formed the basis for making the formulation, implementation and execution of decentralization more effective and practicable. At the same time, we also found that, enough efforts weren't made to translate the concerns regarding decentralized planning expressed by various administrators into a material reality influencing the development process. This is reflected in the fact that administrative decentralization was not in most cases followed by an adequate delegation of powers and functions. Meanwhile, the increasing clamour for better planned development necessitated further institutionalisation of the planning process. It is in this background that the 1983 Act came into effect.

In Chapter three, an attempt has been made to understand the principles of resource transfer based on the real experiences of the Dharwad Zilla Parishad. The original levels in the process of resources transfer were identified as (i) the Union Government (ii) the State Government and (iii) the Zilla Parishad. Apparently, there are some mediating mechanisms in the process of resource transfer like the State Government, in the case of transfer from Central Government, and Zilla Parishad in the case of transfer to Mandal Panchayat. The ultimate user of these resources appears to be the Mandal Panchayats, who, in

their turn, stand responsible for local development. These resources are channelized through various schemes.

Looking at the operational aspects of this process (in chapter four), our case study highlighted the following points: (i) resource transfers to Dharwad Zilla Parishad are mostly in the form of grants; (ii) these grants are tied to particular sectoral schemes; and (iii) these schemes have remained more or less unchanged throughout the past three years. The implications of these observations are very clear. The Zilla Parishad institutions have limited or little say in financial aspects and they simply operate in a space carved out for them by higher bodies of administration.

To understand the real problems of the effective functioning of the local government, an attempt was made to record the view points of certain key agents involved in the process viz., the Zilla Parishad President, Chief Secretary, Regional Planning Officer, Chief Accounts Officer, the Zilla Parishad Development Officer, a member of the Dharwad Zilla Parishad and some random representatives from the public. In spite of the glaring differences in the perspectives of these people in terms of their subjective evaluation of the nature and functions of the Zilla Parishad, there were some significant areas where their view points tended to converge. Apart from a general appreciation of the system, they were also in agreement regarding the details of the structural bottlenecks that the system is facing, making it ineffective in upholding the principles of decentralization. Although division along party

lines appeared to be relatively absent, they all pointed out that schisms and divisions along caste, community and personal lines still pervade the process, affecting planning at the level of both allocation of resources and implementation of schemes. Another major point that emerged from the interviews is the inadequacy of technical and specialist inputs into the planning process at the Zilla Parishad level and the levels below. It is also interesting to note that corruption was identified by everyone as a major impediment, disrupting the smooth functioning of the system.

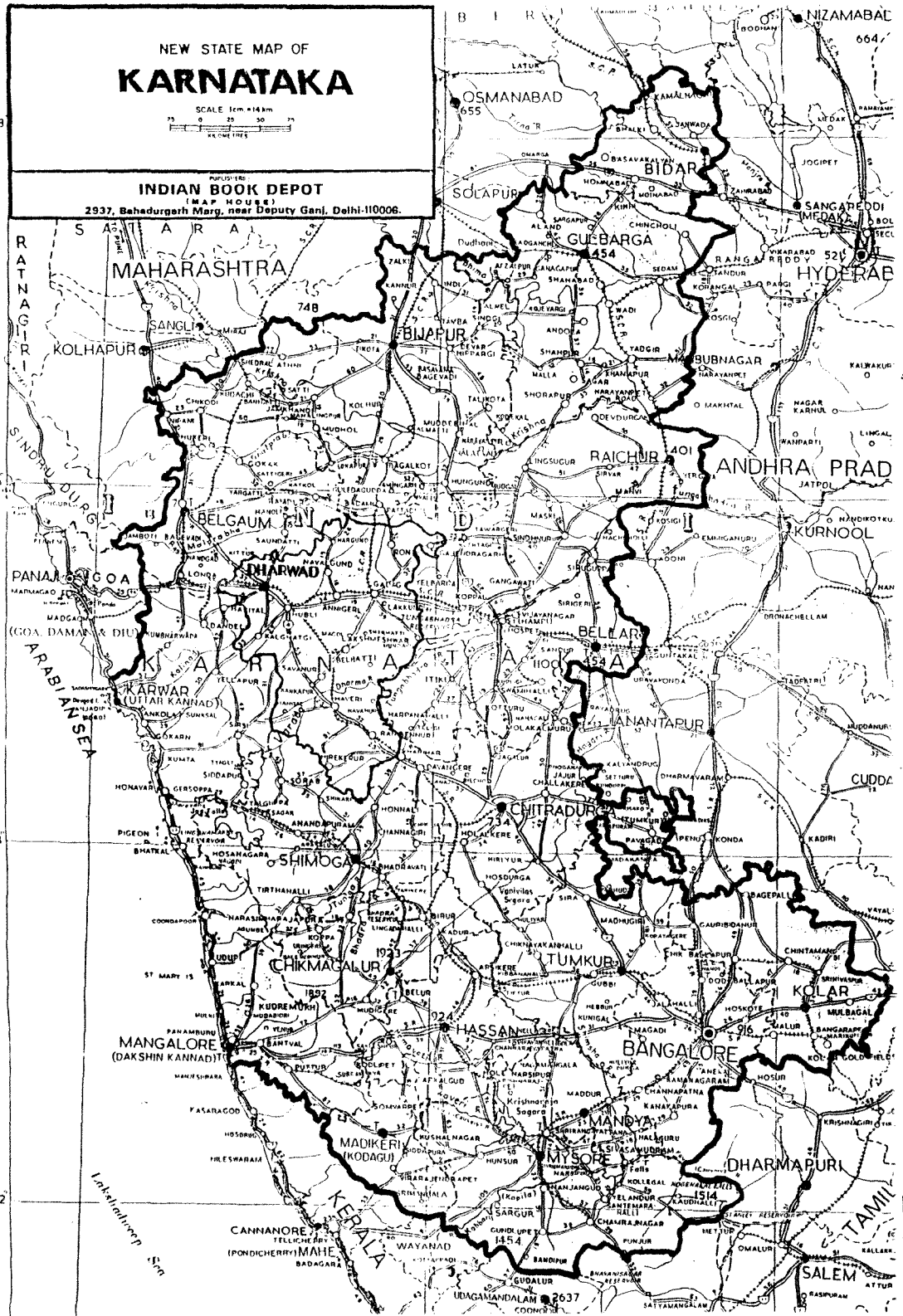
On the basis of this study, two interrelated critical observations regarding the working of the system appear to be in order. The first relates to the issue of social equity and the second, to ideology. Our analysis revealed that adequate emphasis is yet to be placed on the trickling down of the benefits of development to weaker sections and women. Secondly, we feel that the basic conflict between the macro polity based on centralized ideals of a Nation-State, and Panchayat Raj based on the principles of local autonomy still remains unresolved at the ideological level. This, actually, is not to undermine the fact that the system seems to have performed reasonably well, considering the fact that the system is still in its infancy.

The mechanism of resource transfer, as clearly shown in the case of Dharwad, created structural barriers, making the local bodies virtually incapable of taking independent decisions. The actual process by which the interaction between the two phenomena worked against the smooth functioning of the system was

also delineated.

Thus, it can be deciphered that, unless a rigorous restructuring is effected at all levels of the planning process, on the basis of a comprehensive package programme, with adequate emphasis on people's participation, the purpose of decentralized planning cannot be genuinely achieved.

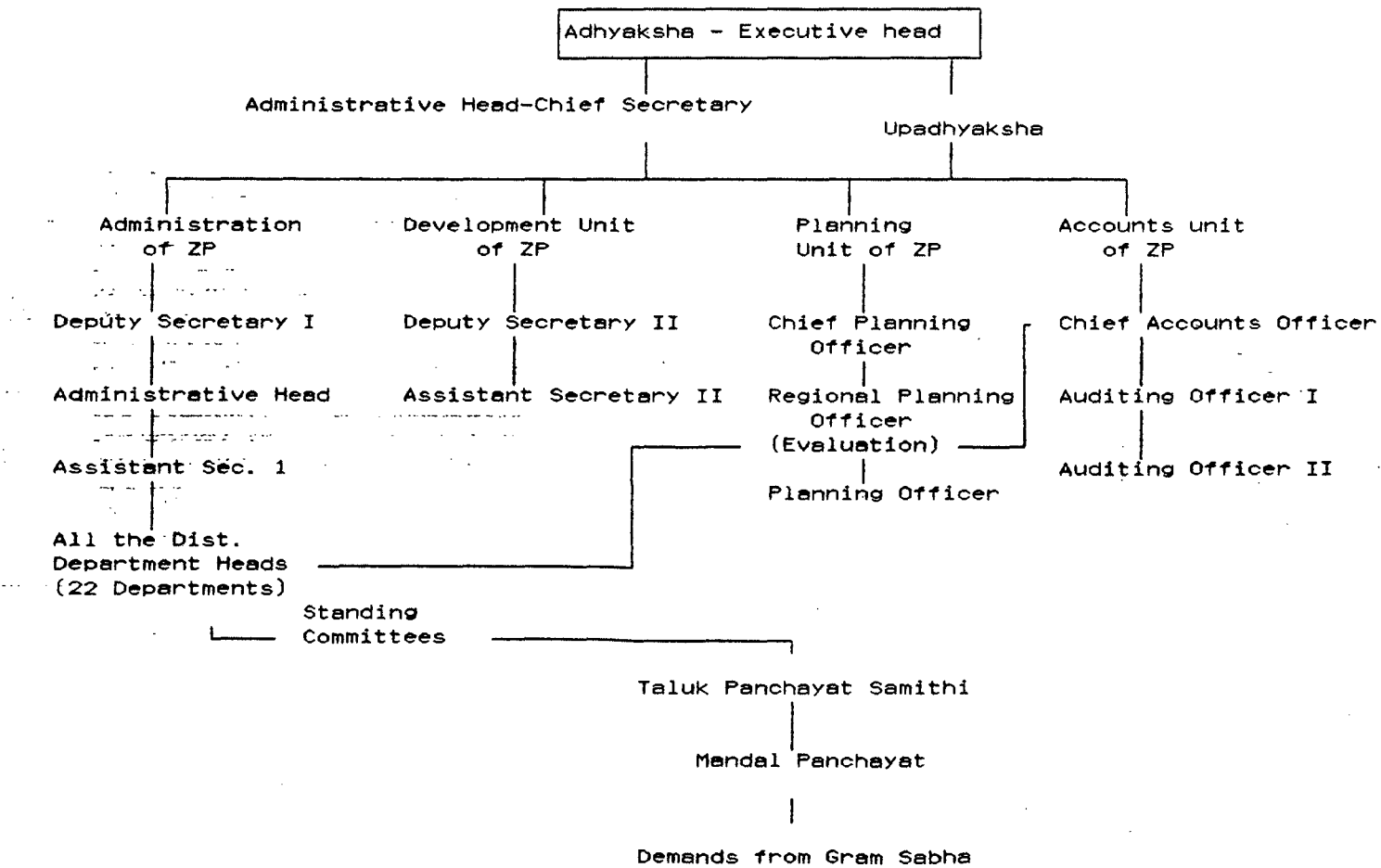
MAP I





APPENDIX I : CHART I

THE OPERATIONAL STRUCTURE OF THE PLANNING



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