
Fiscal Decentralization to Rural Governments in India

Edited by: **Geeta Sethi**



THE WORLD BANK

Contents

Chapter I:

Summary	1
Decentralization : An Introduction	2
The Indian Context: The Struggle to Decentralize to Panchayats	3
The Intergovernmental Fiscal System: The Cases of Karnataka and Kerala	12
The Decentralization Agenda: Principles, Policy	33

Chapter II:

Fiscal Decentralization in Karnataka	43
Introduction: The Study Framework	44
Policies and Institutions in Karnataka: A Historical Background	46
Analyzing Panchayat Expenditures and Revenues	51
Enhancing Fiscal Decentralization: Conclusions and Recommendations	79
Appendices	84

Chapter III:

Fiscal Decentralization in Kerala	107
Introduction: The Study Framework	108
Fiscal Decentralization in Kerala: An Overview	109
Analyzing Panchayat Expenditure and Revenue	117
The Accountability Mechanism	144
Appendices	162

Bibliography	209
---------------------	-----

List of Abbreviations and Acronyms

AE	Actual Expenditure	NGO	Non-government Organization
AFS	Annual Financial Statement	NLGORR	Non-loan Gross Own Revenue Receipts
ARWS	Augmented Rural Water Supply Scheme	NHG	Neighborhood Group
		NTR	Non-tax Revenue
BCR	Balance from Current Revenue	OB	Opening Balance
BPL	Below Poverty Line	OBB	Operation Black Board
BP/BS	Block Panchayat/Samiti	OBC	Other Backward Caste
CB	Closing Balance	OFE	Own Fund Expenditure
CEO	Chief Executive Officer	OSR	Own Source Revenue
CFC	Central Finance Commission		
CG	Central Grant	PAA	Performance Audit Authority
CSS	Centrally Sponsored Scheme	PESA	Provisions for Extension to Scheduled Areas
DDP	District Domestic Product	PHC	Public Health Center
DP	District Panchayat	PPC	People's Plan Campaign
DPAP	Drought Prone Area Program	PRI	Panchayat Raj Institution
DPC	District Planning Committee	PS	Panchayat Samiti
DRDA	District Rural Development Agency		
EAS	Employment Assurance Scheme	RBI	Reserve Bank of India
ECB	Effective Closing Balance	RDPR	Rural Development Panchayat Raj
EFC	Eleventh Finance Commission	RIDF	Rural Infrastructure Development Fund
EO	Executive Officer		
GDDP	Gross District Domestic Product	SAS	State Administrative Service
GOI/Gol	Government of India	SC	Scheduled Caste
GP	Gram Panchayat	SCP	Special Component Plan
GR	Growth Rate	SDP	State Domestic Product
GSDP	Gross State Domestic Product	SEB	State Electricity Board
IAY	Indira Awas Yojana	SFC	State Finance Commission
IKM	Information Kerala Mission	SG	State Grant
IRDP	Integrated Rural Development Program	SGRY	Sampoorna Gram Rozgar Yojana
ISEC	Institute for Social and Economic Change	SGSY	Swaranjayanti Gram Swarozgar Yojana
IUD	Intra-uterine Device	SPA0	State Performance Audit officer
JGSY	Jawahar Gram Samridhi Yojana	SSFC	Second State Finance Commission
JRY	Jawahar Rozgar Yojana	ST	Scheduled Tribe
LB	Local Body	TAD	Tribal Area Development
LBG	Local Body Government	TG	Total Grant
LFA	Local Fund Auditor	TP	Taluk Panchayat
LGI	Local Government Institution	TR	Total Receipt
MLA	Member of Legislative Assembly	TSP	Tribal Sub-plan
MLC	Member of Legislative Council	ULB	Urban Local Body
MNP	Minimum Needs Program	VPF	Village Panchayat Fund
MP	Member of Parliament	VRM	Village Road Maintenance
		VTC	Vehicles Tax Compensation
		WCP	Women Component Plan
		ZP	Zilla Panchayat

Glossary

Adivasi	indigenous	Lakh	100,000
Crore	1,000,000	Mandal Panchayat	conglomeration of villages with 8000-10000 persons
Dalit	"of the soil"; formerly "untouchable" castes	Panchayat	rural local government body
Gram/grama/gramam	village	Taluk	block
Gram sabha	assembly of voters at ward level	Zilla	district
Gram Swaraj	village self-rule	Zilla Parishad	district panchayat

Currency Equivalents: Indian (Rs.) US\$1.00 = Rs. 47.37 (May, 2003) Fiscal Year: April 1 - March 31