

UNITED NATIONS DEVELOPMENT PROGRAMME  
PROJECT OF THE GOVERNMENT OF INDIA  
Project Document

Project Number: IND/03/020

Project Title: Rural Decentralisation and Participatory Planning  
for Poverty Reduction

Project Short Title: Rural Decentralisation

Estimated start date: March 1, 2004

Estimated End Date: December 31, 2007

Executing Agent: Planning Commission

Implementing Agent(s): Government Agencies  
and Civil Society

Approval Date:

**Project Description:**

The Country Programme Review (CPR), 2002 undertaken by UNDP in collaboration with GOI strongly emphasized the need for a conscious and vigorous initiative for strengthening the Panchayati Raj Institutions as they are the constitutionally mandated bodies of local governance and responsible for the planning and implementation of a majority of development programmes.

The CPR also underlined the need for developing programmes around the objectives of the Tenth Plan, which calls for strengthening institutions of local governance and promoting good governance at all levels for the targets of the Tenth Plan to be achieved, as well as around the objectives of the United Nations Development Assistance Framework (UNDAF), which has as its priorities the strengthening of decentralization and promotion of gender equality.

Decentralisation is an important means to achieve greater impact in combating poverty, as decentralized governments are likely to be closer and responsive to the needs of the poor, and to implement policies and programmes in a pro-poor manner. The overall objective of the project would thus be to provide catalytic support and create an enabling environment for decentralization at the State level and to strengthen endowment of the local government with sufficient autonomy and resources to respond to local needs. This project will aim to support an empowerment strategy that creates 'space' for people to effectively participate in decision-making processes.

The project will cover poorest districts receiving RSVY support (Backward District Initiative of Planning Commission) that assists in filling the critical gaps that may remain in the plans drawn up by the *gram sabha* and *panchayats* and this project will specifically address the capacity gaps at the local level and pilot innovative participatory approaches focused at the village level. It will, at the same time, support the convergent planning of resources in order to provide an adequate, predictable and equitable fiscal regime for local institutions. This project will also act as a platform for convergence of other UNDP supported programmes such as the capacity building of elected women functionaries, the District Governance programme and other sectoral programmes.

Contd.

This project would broadly concentrate on four components:

- Strengthening decentralisation of decision-making and pro-poor development planning.
- Improving the fiscal domain of the PRIs for local level development through resource convergence and local

resource mobilization.

- Enhancing the oversight function of the PRIs (especially *gram sabhas*) to strengthen transparency and accountability in local governance.
- Supporting enhanced devolution and autonomy of PRIs through facilitating policy-making for decentralisation.

The project would provide catalytic support to the State Governments and Panchayats in the States of Chhattisgarh, Madhya Pradesh, Rajasthan and Orissa and cover six districts, with at least half of them from Schedule V areas that are covered under Panchayats (Extension to Scheduled Areas) Act.

**On behalf of:**

**Signature & Date**

**Name/Title**

Government

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Executing Agency

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## A. UNDP's COUNTRY PROGRAMME CONTEXT

### I. Background

The Tenth Five-year Plan proposes "a shift in the focus of planning from merely resources to the policy, procedural and institutional changes which are essential for every Indian to realise his or her potential."

This resonates with the overarching goals of the work of the United Nations system in India – *to work towards the promotion of sustainable human development and the elimination of human poverty and inequalities* – as well as the UNDP global mandate to establish 'partnerships to fight poverty'. The Government of India (GoI)-UNDP Country Programme for the period 2003 to 2007 is aligned with these priorities, and is a reflection of the recognition that international co-operation can play a significant role in supporting the GoI in addressing these issues.

With an average growth rate in the gross domestic product of 5.8 per cent during the first decade of reforms (1992-2001), India is among the ten fastest growing economies in the world. (Figures just published for the third quarter of 2003 show an impressive growth rate of over 8%). India's steady progress over the last decade towards meeting the goals of human development is reflected in the improvement of the country's human development index (HDI) from 0.406 in 1975 to 0.590 in 2001. Yet the challenges for human development remain formidable.<sup>1</sup> Statistics on critical development indicators such as female literacy, life expectancy at birth, child mortality and incomes show that regional and interstate disparities are increasing<sup>3</sup>. There is growing public consensus on the need for proactive measures to tackle the situation of disadvantaged and vulnerable groups. The pressures on environmental and natural resources and the repercussions of their degradation on low-income livelihoods have become a source of increasing concern. In the context of rapid strides in decentralisation, there is an urgent need to strengthen the capacity of organs of local governance-rural and urban, as also to make public administration more efficient, open and accountable to the public.

The National Human Development Report (NHDR) of the Planning Commission outlines that human deprivation and inequalities are not merely for economic reasons alone, rather they go hand-in-hand with social and political factors rooted in poor governance.

In order to achieve desired social ends, governance requires the exercise of legitimate political power by the designated bodies, in a manner that is perceived as equitable, non-discriminatory, socially sensitive, participatory, and above all, accountable to the people at large.

A review<sup>4</sup> of the status of elected bodies responsible for local governance has been undertaken through use of the following parameters such as the conduct of *Panchayat* elections ; constitution of District Planning Committees; status in respect of recommendations of the respective State Finance Commissions on devolution of funds to PRI bodies; status in respect of devolution of funds, functions and functionaries for 29 subjects listed under the Eleventh Schedule (Article 243 G) of the constitution; and status of the linkage between District Rural Development Agency and *Zilla Parishads*.

### Status of Panchayati Raj Institutions- Selected Indicators (February 2002) in National Human Development Report (NHDR) - updated

States	Holding of Panchayat Elections	Constitution of District Planning Committees (DPC)	Status of State Finance Commission Recommendations	Devolution of Funds, Functions, and Functionaries in Respect of 29 Subjects (Art.243G)	Status of DRDA/ZP Linkage
Andhra Pradesh	GP elections held in August 2001, while Intermediate & District Panchayats elections held in July 2001	Not Constituted	Accepted 54 recommendations fully, 11 with some modifications & 19 not accepted at all  Second SFC Constituted	Funds-05 Functions-17 Functionaries-02	DRDA & ZP not merged, collector is chairperson of DRDA & President of ZP is Vice-Chairman
Arunachal Pradesh	Elections not held	Not Constituted	Not Constituted	Not applicable as yet	Not yet

<sup>1</sup> <http://planningcommission.nic.in>

<sup>3</sup> <http://www.un.org.in/CCA2.htm#The state of human development>

<sup>4</sup> National Human Development Report, Planning Commission, 2002

States	Holding of Panchayat Elections	Constitution of District Planning Committees (DPC)	Status of State Finance Commission Recommendations	Devolution of Funds, Functions, and Functionaries in Respect of 29 Subjects (Art.243G)	Status of DRDA/ZP Linkage
Assam	Elections held in January 2002	Not Constituted	Recommendations accepted in part	Functions-29	Not transferred
Bihar	Elections held in April 2001	Not Constituted	Report awaited	Functions-20	Not merged
Chattisgarh	January-2000	Yes, Minister Chairperson of DPC	Not Set up	Funds-10 Functions-29 Functionaries-9	Merged
Goa	GP- in 1997 DP- in 2000	Not Constituted	Report under consideration	Funds-6 Functions-6	Merger under consideration
Gujarat	GP – December 2001 PS & DP December 2000	Not Constituted	Received but not yet been placed before Legislature for consideration	Funds-15 Functions-15 Functionaries-15	Not merged
Haryana	Elections held in March 2000	Only in 16 Districts	Accepted major recommendations	Functions-29	Not merged
Himachal Pradesh	Elections held in December 2000	Only in 6 districts out of 12. Minister is Chairperson of DPC	Accepted, second SFC constituted	Funds-2 Functions-26 Functionaries- None transferred. GPs and BPs made the appointing authorities wrt. to 9 functions on contract basis	Merged and headed by President of Zila Parishad
Jammu and Kashmir	73rd Constitutional Amendment Act has yet to be extended to State. However, Ministry of Home Affairs has requested the Government of J&K to seek the views of the State Legislature to extend the provisions of the 73rd Constitutional Amendment Act 1992 to the State. Panchayat elections in some part were held in January-February,2001 according to State Pachayati Raj Act				
Jharkhand	Election due, Reported that election will be held in September-2002	Not Constituted	Not Set up	None	
Karnataka	GP-February 2000 PS & DP-July 2000	Constituted. President ZP is Chairperson of DPC	Accepted major recommendations	Funds-29 Functions-29 Functionaries-29	Merged
Kerala	September 2000	Yes, Chairperson of ZP is Chairperson of DPC	Accepted and implemented., Second SFC constituted	Funds-15 Functions-26 Functionaries-15	Merged and headed by president of Zila Parishad
Madhya Pradesh	January 2000	Yes	Accepted second SFC constituted	Funds-10 Functions-23 Functionaries-9	Merged
Maharashtra	GP-October-1997 PS & DP-March-1997	Not Constituted	Major recommendations accepted	Funds-18 Functions-18 Functionaries-18	Against merger of DRDA with ZP
Manipur	GP & DP-January-1997	Yes in 2 out of 4 districts, President ZP is Chairperson of DPC	Accepted	Functions-22 Functionaries-4	No information available
Meghalaya Mizoram Nagaland	73 <sup>rd</sup> Constitutional Amendment Act does not applicable as the traditional system of local self government exist in these States				
Orissa	January 1997, Elections in Schedule V area invalid	Yes in 25 districts, Minister Chairperson of DPC	Accepted	Funds-5 Functions-25 Functionaries-21	Merged and headed by Chairperson ZP
Punjab	GP-June-1998 PS & DP-election are due	Not yet	Accepted	Functions-7	Not merged
Rajasthan	January-2000	Yes, Chairperson of ZP is Chairperson of DPC	Accepted. Second SFC Constituted	Functions-16	Merged
Sikkim	October-1997	Yes	Accepted. Second SFC Constituted	Funds-24 Functions-24 Functionaries-24	Status not reported
Tamil Nadu	October-2001	Yes, Chairperson of ZP is Chairperson of DPC	Accepted. Second SFC Constituted	Functions-29	Status not reported
Tripura	July-1999	Not Constituted	Accepted. Second SFC Constituted	Functions-12	Status difficult to define
Uttar Pradesh	June-2000	Yes, Minister incharge of Districts Chairperson of DPC	Accepted. Second SFC Constituted	Funds-12 Functions-13 Functionaries-9	Merged and headed by President of ZP

States	Holding of Panchayat Elections	Constitution of District Planning Committees (DPC)	Status of State Finance Commission Recommendations	Devolution of Funds, Functions, and Functionaries in Respect of 29 Subjects (Art.243G)	Status of DRDA/ZP Linkage
Uttaranchal	Term of Panchayat expired in Dec.-01. State PR Act has yet to be notified	Yes, Minister Chairperson of DPC	Report Awaited	Functions-11 Functionaries-11	
West Bengal	In 1998	Yes, Chairperson of ZP is Chairperson of DPC	Accepted	Funds-12 Functions-29 Functionaries-12	Merged and headed by President of ZP
<b>Union Territories</b>					
Andaman & Nicobar Is.	September-2000	Yes, Chairperson of ZP is Chairperson of DPC	Under Consideration	Funds-6 Functions-6 Functionaries-6	Merged and headed by Chairperson of ZP
Chandigarh	GP-January-1999 ZP-July-00 PS-Not held so far	Not Constituted	SFC Report awaited	No information available	Not applicable
Daman & Diu	September-2000	Yes, Chairperson of ZP is Chairperson of DPC	Under consideration	Funds-5 Functions-9 Functionaries-3	Merged and headed by ZP President
Dadra & Nagar Haveli	October-2000	Yes, Chairperson of ZP is Chairperson of DPC	Under consideration	Functions-3 Functionaries-3	No DRDA exists
Delhi	NCT Delhi had repealed the Panchayati Raj Act and sought abolition of the Panchayati Raj Institutions (PRI's) System. However, it is now considering adopting the 73 <sup>rd</sup> Amendment Act and reviving the Panchayats				
Lakshadweep	December-1997-January-1998	Yes, Collector cum DM is Chairperson	Under Consideration	Functions-6	No DRDA exists
Pondicherry	Elections have not been held in the UT, as a matter relating to the validity of provisions pertaining to reservation for backward classes in the Pondicherry Panchayati Raj Act was subjudice. The Judgement of the Chennai High Court had become available and the UT Administration filed a clarificatory application in the Chennai High Court. On a similar issue pertaining to Tamil Nadu, the Hon'ble High Court at Chennai had passed Orders making it possible for Tamil Nadu Government to hold elections. The Ministry of Rural Development has advised the UT Administration to take appropriate action to hold Panchayat elections at the earliest on the same lines.				

## II. The Country Programme (2003-07) and its Thematic Focus

The United Nations Development Assistance Framework (UNDAF), which is the document expressing the agreement on programme priorities between the United Nations system in India and the Government of India, has as its main focus the *strengthening of decentralization and the promotion of gender equality*.<sup>5</sup> These two themes form the underlying thrust of the new Country Programme (2003-2007) and interventions as reflected in the following four inter-linked thematic areas:

**Table 1: Four main themes for the Country Programme (2003- 2007)**

Promotion of human development and gender equality	In India, the state human development reports (SHDRs) have been a successful vehicle for promoting the concept of human development as a valid basis for development planning. It is now proposed to build on the credibility and experience-base established through the first Country Cooperation Framework (CCF) to create an interface at the state level between economic policy and social concerns such as gender equality, poverty eradication and people's participation. Strategies proposed include: partnerships with research institutions, civil society organisations and individual experts to support state governments in facilitating integration of social concerns; providing conceptual and methodological support to the process of engendering development; strengthening the state HDR process to make it more consultative and broad-based; and strengthening the involvement in the HDR process of various tiers of the Government and diverse stakeholders, including other members of the United Nations system and bilateral donors.
Capacity-building for decentralisation	Decentralisation is a programme priority. Given the crosscutting focus on decentralisation, strategies proposed include capacity building of panchayati raj institutions (PRIs) and other local institutions. Issues in empowerment of tribal communities through the Panchayat Extension to Tribal Areas Act (PESA) will be explored. Urban governance will be addressed through building of capacity of urban local bodies and partnership with communities and parastatals. Capacity-

	building for district and village-level planning will be supported. Support to civil service reform at various levels, with a focus on gender sensitivity, responsiveness, transparency and efficiency of administration, including initiatives on access to information, will be provided. A grassroots perspective of ICT for development will be explored to support the above initiatives. Given the crosscutting focus on decentralisation, partnerships with local institutions initiated under this programme will also provide a basis for convergent programming in other thematic areas.
Poverty eradication and sustainable livelihoods	This programme will intensify efforts piloted during the first CCF to facilitate action on human poverty and ensure their sustainability by rooting them within local institutions and mainstream government programmes. Strategies proposed include: strengthening partnerships between PRIs, women's groups, civil society organisations and government agencies to develop, test and disseminate innovative, gender-equitable and community-managed approaches to sustainable livelihoods and environmentally sustainable natural resource management; piloting and testing gender-responsive models of support for traditional artisan communities; supporting production of status reports on poverty in India; and evolving a coordinated strategy to share Indian best practices with other developing countries and accessing lessons from international experience.
Vulnerability reduction and environmental sustainability	This programme will comprise activities designed to reduce the vulnerability of communities to natural disasters and environmental degradation. Proposed strategies include: strengthening state-and regional-level systems for establishment of disaster-preparedness plans and systems for early warning and recovery; developing community capacities to plan and implement gender-equitable disaster-mitigation strategies and post-disaster reconstruction/sustainable recovery; strengthening national capacities for influencing global debates on environment and mainstreaming global environmental concerns (e.g., biodiversity areas, renewable energy, land degradation, desertification, climate change) into national projects, programmes and policies; and demonstrating technologies and approaches to address linkages between global environment issues and national developmental challenges.

Based on specific roles for UNDP development co-operation identified through a comprehensive review and stakeholder consultation process, all projects build on the following qualities:

- A perspective 'from below', of low-income households and marginalised communities - rural or urban - in order to strengthen their self-help and self-reliance capacities through innovative and catalytic, 'action-research' types of interventions.
- A common platform to bring a diverse set of development partners (Government agencies at the Central, State and district levels; PRIs, NGOs and CBOs; and other UN system and bilateral donor partners) together to devise innovative solutions to development challenges.
- Emphasis on addressing the multi-sectoral dimensions of development programming and when possible, integrating programming at selected geographical locations/districts.
- Comprehensive monitoring and documentation of development innovations from proven success stories and effective pilot initiatives and dissemination of lessons of value for policy-makers with regard to the design and implementation of much larger public sector schemes.

The new Country Programme reflects a continued commitment to national direction and ownership. Partnerships with government agencies and civil society partners initiated under the first Country Cooperation Framework (CCF- I, 1997-2002) will be vigorously pursued and alliances with the Indian corporate sector and the voluntary sector built to draw on their experience and expertise.

## **B: PROJECT BACKGROUND**

### **I: Development Context**

Decentralisation philosophy states that decentralized governments are more responsive to the needs of the poor, and thus more likely to conceive and implement pro-poor policies. It is maintained that the degree of responsiveness to the poor and the extent to which there is any impact on poverty are determined primarily by the local-central relations and the commitment of the central authorities to decentralisation and poverty reduction.

India has embarked on a path of political and administrative decentralization. As a result of elections to PRIs in States/Union Territories, 2,32,278 panchayats at village level, 5905 panchayats at intermediate level and 499 panchayats at the district level have been constituted in the country. These panchayats are being run by about 3.4 million local elected representatives (of which 1/3<sup>rd</sup> are women), who are making decisions that affect 700 million people in rural areas, about 300 million of which are poor. This is the broadest representative base that exists in any country in the world<sup>6</sup>. The enactment of the 73<sup>rd</sup> Constitutional Amendment Act (CAA) has paved the way for the creation of statutory institutional structures for realising the goals of self-governance under the *Panchayati Raj* system. Though the concept of decentralized planning in India is old, it was not until the passage of the 73<sup>rd</sup> CAA that a legal framework for devolution of funds, functions and functionaries to *panchayats* was established, and it was not until the 74<sup>th</sup> CAA that integrated district planning acquired constitutional status through setting up of District Planning Committees. Adoption of “Panchayats (Extension to Scheduled Areas) Act” in December 1996 added value by giving far reaching self-governance powers to the tribal community (See Annex 1). The explicit objective of these legal frameworks for democratic decentralization is to accelerate the socio-economic development of the rural areas within a participatory framework at the grass-root level.

### The 73<sup>rd</sup> Amendment: Major Provisions

- The establishment of a three-tier PRI structure, with elected bodies at village, block and district levels;
- The recognition that the *Gram Sabha* constitutes a deliberative body at the village level for all voting population;
- Direct elections to five year terms for all members at all levels;
- One-third of all seats are reserved for women; reservations for SCs and STs proportional to their population;
- Reservations for chairpersons of the *Panchayats-Sarpanches*, -following the same guidelines
- State legislatures may provide reservations for other backward groups;
- A State Election Commission (SEC) to supervise, organise and oversee *Panchayat* elections at all levels;
- A State Finance Commission (SFC) to review and revise the financial position of *Panchayats* on five-year intervals, and to make recommendations to the State government about the distribution of funds among panchayats and strengthen inter-governmental fiscal relations.
- It provides for States to endow the panchayats with powers and authority ‘to enable them to function as institutions of self government’. However, the functions of panchayats stated in the same Art 243G are in nature of entrusted development functions: “(a) preparation of plans for economic development and social justice and (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to matters listed in the Eleventh Schedule”
- The 29 Subjects to be administered by the Panchayats are agriculture, land, water management, animal husbandry and fishing, social forestry, minor forest products, small scale industries, khadi and village industries, rural housing, drinking water, fuel and fodder, roads, non-conventional energy sources, electrification, poverty alleviation, education, adult and technical education, culture, markets, health and sanitation, family welfare, women and child development, social welfare, public distribution system and maintenance of community assets.

The Country Programme Review (CPR), 2002 undertaken by UNDP in collaboration with GOI strongly emphasized the need for a conscious and vigorous initiative for strengthening the PRIs as they are the constitutionally mandated bodies of local governance and responsible for the planning and implementation of poverty alleviation programmes. The CPR highlighted the need for developing the programmes around the objectives of the Tenth Plan and UNDAF priorities. Strengthening decentralization was suggested as the first programme for the next country programme cycle. It further adds that the importance of this goal cannot be over-emphasized as for both the GOI and UNDP decentralization is a priority. It is expected to ensure efficiency, improve design of programmes, greater accountability and transparency and people’s participation in programme formulation, implementation and evaluation. It recommended that the decentralization programme focus on capacity building of the PRIs for local level planning and execution and lay special emphasis on applying ICT for effective decentralization. It further highlights that decentralization and women’s empowerment are crucial for poverty alleviation. This is where UNDP has played an important role. The CPR report suggested that this role be strengthened in future.

The Tenth Plan further underlines that the PRIs must become the cutting edge of the three-tier political structure and the focal point of democratic decentralisation in order to achieve the targets of the Tenth Plan. The Plan discusses the need for improved capacity and funding for major institutions of decentralization. As indicated



earlier, the GOI has identified strengthening decentralization as one of the thematic area of focus for UNDP under UNDAF. This is crucial for achieving the Millennium Development Goals.

The Tenth plan also lays emphasis on 'inclusive governance' to strengthen participation of voiceless poor in institutions of local self- governance. This was a critical theme in the Global HDR 2002 "Deepening Democracy in a Fragmented World" which notes that democracy needs to be widened and deepened for people to have real voice to influence decisions that shape their lives. Decentralisation in the Indian states also received international notice and recognition in the 2003 Human Development Report.

As the design and implementation of the decentralisation programme is a State Government responsibility, the project will be implemented in close cooperation with the State Governments. This will ensure ownership and sustainable processes for developing an enabling framework for devolution. Towards such an effort, the NHDR identifies a few development challenges that need to be taken on as a priority if the PRIs have to deliver on their promise and potentialities. These include:

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- Restrictions need to be imposed on the devolution of Central Finance Commission funds and from other sources to the States unless administrative and financial powers are effectively devolved to the PRIs;
- Strengthen PRIs with revenue raising powers of their own in order to reduce their excessive dependence on State and Central Government. PRIs have to be encouraged to mobilise local resources for availing matching grants from the Central/State Government;
- Improving accountability of local bodies and their standing committees and the need to help evolve a code of conduct for all functionaries working in the PRI; and
- Provide orientation to newly elected members, simplify rules and procedures to make transactions simple and strengthen financial management and audit procedures.

(Source: National Human Development Report, Planning Commission, March 2002)

## **II: Issues to be addressed**

The overall objective of the project would be to provide catalytic support for influencing the outcomes of decentralized policies at the State level for creating an enabling environment. It will, at the same time, support the convergence of resources in order to provide an adequate, predictable and equitable fiscal regime for local institutions. This will facilitate the local government system, primarily the gram panchayat, to bridge the gap between the constitutional provisions and the economic realities, as majority of the subjects delegated to panchayats are related to economic development.

The Development and Reform facility under Rashtriya Sam Vikas Yojana that has been developed by the GOI (Planning Commission) has embarked on an ambitious programme of tackling the development problems of those areas that, despite existing efforts, continue to be characterized by high poverty, low growth and poor governance. It is proposed that the RSVY will have the following components: a special plan for Bihar and KBK districts; the backward districts initiative covering 100 poorest districts; and a reforms component. This project will work with the backward districts initiative as it envisages preparation of district plans. As the PRIs will play a key role in this initiative, the decentralisation efforts will need to be strengthened.

This project will also act as a platform for convergence with other UNDP supported programmes especially with the capacity building of elected women functionaries. This convergence will help create a strong base of elected women who can articulate their priorities and build capacities of other women to participate in the political process at the local level. The NHDR has clearly pointed out that empowerment of women has been demonstrated to be among the important means to establish countervailing forces in the society for checking deterioration in governance. The project will have strong synergies with the District Governance project, as effective panchayats require effective district and sub-district level administration. Linkages will also be developed with the UNDP livelihood development programmes at the local level to strengthen the impact of the different programmes.

The Tenth Five Year Plan points out that effective decentralization has not taken place in most States and that efforts need to be made to strengthen and accelerate the process of local decentralized planning. A study done by

UNDP in 2001 on 'Decentralisation in India – Challenges & Opportunities' and a recent UN System study reviewing Rural decentralization in India adds force to this conclusion.

### Review of Rural Decentralisation in India

A review of a decade of Panchayati Raj system in India called for urgent attention to following areas:

- Building an enabling environment – for meaningful people's participation
- Enhancing political, functional, administrative and financial autonomy – to enable panchayats to function and deliver at grassroots level
- Enhancing capabilities – for enabling PRI members and functionaries to function effectively
- Strengthening planning system – to plan resources as per local needs for inter-sectoral linkages and resource matching
- Institutional development for linkages at the local level for planning and management of programmes, and for accountability and legal framework – for sustainability of development process

(Source: Institute of Social Sciences, 2003)

The 73<sup>rd</sup> CAA was passed more than a decade ago, but limited devolution and inadequate capacity of local governments seem to have undermined the effectiveness of Panchayati Raj Institutions and the process of decentralization. It is further noted that local governments, if properly supported with institutional flexibility, could gradually develop a comparative advantage in the promotion of effective poverty reduction strategies by playing the following roles:

### Decentralisation and Poverty Reduction: Elaborating the Linkages

- Providing vertical and horizontal information and insights to central government and other development agencies and on the specific needs of communities.
- Coordinating the mapping and mobilization of local capacities and resources. This holds especially true for the informal sector. If properly supported, it could play a key role in promoting local economic development, in employment creation and in the generation of an economic surplus in the form of taxes that can help local governments assume their new roles as catalysts of local development.
- Providing an effective framework to promote the participatory formulation, conceptualisation and operationalisation of local development plans.
- Cultural factors prevent women from participating in local development processes in a way that is commensurate with their economic role. This points to a need for more thorough gender-differentiated consultation and participation modalities.
- Ensuring the fair and equitable targeting of poverty reduction programmes at the local level.
- Facilitating the development of economic, social and physical infrastructure.
- Generating trust and accountability between the State and its citizens by involving local leaders, entrepreneurs and civic organizations in democratic dialogue and in the workings of local government.

(Source: Policy management brief No 12, Maastricht; European Commission Development Policy, 2000)

The critical issues highlighted above are discussed in detail in the following paras to define the priority areas of intervention under the project.

- **The need to strengthen decentralisation of decision-making and development planning processes for poverty reduction**

#### Local Planning process and structures in PRIs

This project will aim to strengthen devolution of powers through constitutionally mandated bodies with an objective to reduce poverty through an empowerment strategy that creates 'space' for people to effectively participate in decision-making processes. The NHDR indicates that despite a visible movement towards decentralisation through the *Panchayati Raj* Institutions, a significant number of voiceless poor have little opportunity to participate in institutions of local self-governance. A Study on 'Overview of Decentralisation'<sup>7</sup> also notes that even when people participate in the political process, they show low levels of interest in the *panchayat* as an instrument of democracy and development. This consequently leads to poor attendance in the most visible accountability mechanism, the *Gram Sabha*. Social backwardness, inadequate education, caste and class issues and resource ownership affect the participation of hitherto excluded groups. While reservations have improved the

<sup>7</sup> Overview of Rural Decentralisation in India, 2000

physical/ numerical presence of women and SC/STs in elected bodies, it has not been a successful instrument to ensure that they have an equal voice in PRI deliberations, in particular at the village level.

Decentralization of planning implies that people especially the marginalized groups in *gram sabha* should be involved in not merely making demands but in shaping the development planning processes including resource assessment, prioritization of development needs, and implementation, monitoring and evaluation of plans. Empowerment of the *gram sabha* will be successful only if stimulated by active participation, articulation of demands and priorities by the poorest and access to information on their rights and responsibilities.

The village level planning needs integration at higher levels. But one of the weaknesses of the process has been the so far limited attention paid to setting up and empowering District Planning Committees (DPCs) - the central bodies that will ensure integration of plans of the three tiers and preparation of composite plans. In a large number of States, the DPCs have either not been set up, or if set up, are not well represented by lower tiers and not functioning effectively in the absence of technical professional support and popular participation. The failure to set up DPCs and policies that undermine the authority of these institutions reflects lack of conceptual clarity and commitment about the institutions of self-government as envisioned by the 73<sup>rd</sup> CAA. The project would seek to work with DPCs in order to prepare effective plans in the district.

#### Planning in tribal areas:

In CCF-I, UNDP in collaboration with GOI initiated a consultative process for studying the self-governance laws affecting the tribal communities in the Schedule V areas. A number of studies have been commissioned for studying the provisions and implications of Panchayats (Extension to Scheduled Areas) Act (PESA). The recommendations emerging from these studies with regard to planning by tribal gram sabhas needs to be taken forward especially in light of the fact that the Tenth Plan has highlighted the need for appropriate legislation to give effect to provisions of the PESA.

The earlier cited UN System study also highlights that although panchayats in the Scheduled V areas have been entrusted with large responsibilities of both development and regulatory functions, the grassroots consultations in the study have brought out several concerns and challenges. The project would therefore need to work with the State governments and the districts to support local planning in the *tribal areas* in view of the extensive self-governance powers bestowed on tribal panchayats especially gram sabhas, in the realm of natural resource management and several functions of social relevance. However, such extensive powers given to *gram sabha* will only be meaningful, if *gram sabhas* are also empowered with capacity to plan and implement schemes of local development.

#### Lack of Coordination:

For the decentralised government to be effective, coordination at different levels will be critical. Different subject departments and different tiers of panchayats must act in cohesion and converge at local level. In many departments, panchayats have not been recognized as implementing agencies for their schemes. Such departments sometimes place greater reliance on parallel organizations (like user groups, self-help groups). This could lead to disempowerment of panchayats, as it tends to deprive them of the funds and functions and dissipate development energy at local level.

Studies have shown that these parallel organizations do not always have effective links with the constitutionally mandated PRIs. There is therefore a need for removing the ambiguity in the relationship between PRIs and parallel bodies. These concerns will be paid attention to in the project strategy to facilitate effective linkages between these local institutions.

#### Efforts required for capacity building

Since capacity building is a crucial input for the PRIs, the project needs to implement innovative strategies and at the same time establish links with the PRI training plans of the State Governments to ensure synergies. The plan formulation process at the district level requires support for the capacity building of PRIs in areas such as creation of local database, resource mapping through use of PRA processes and GIS mapping. Links should also be established

with social sector databases being developed under the District HDR level exercise. For instance, the *Jan Rapat*<sup>8</sup> and the village planning exercise for human development in Chhattisgarh has been valuable in determining disaggregated data and peoples' concerns. There is a need for providing capacity building support to panchayats on resource assessment, budgeting, financial management and project formulation. The leadership and negotiation skills of the panchayats also need to be enhanced. Further, capacities for institutionalizing participatory planning and budgeting processes will need to be supported.

- **The need for improving the fiscal situation of PRIs**

Poverty reduction and decentralization need to be linked through a resource mobilization strategy in the project areas. The NHDR indicates that the financial condition of local bodies is precarious as in many cases neither is there adequate devolution of resources nor adequate revenue raising powers. Local governments have had relatively few resources and little discretion with which to make a significant impact. The National Commission to Review the Working of the Constitution (NCRWC) has suggested an amendment to the Constitution to devolve financial powers to panchayats. For the project to support the devolution of financial powers and mobilization of resources by the PRIs, it will be important to identify the priority areas of interventions.

Availability of funds for planning:

The degree of autonomy of *panchayats* would depend to a large extent on their state of finances. The funds that panchayats receive are inadequate, ad hoc, unspecified and uncertain. Their high dependence for funds on the State and the Union Governments runs contrary to the principle of self-governance and often turns panchayats into contractors or disbursing agents.

Studies have shown that fiscal autonomy is very low among PRIs in most states. One of the major constraints to fiscal decentralisation is the limited expenditure discretion given to the local governments. Often, PRIs act merely as a channel or at most as a supervisory body for state or central government schemes. Some 'general purpose grants' such as grants in aid arising from recommendations of the Central Finance Commission, or centrally sponsored schemes and schemes originated by the National Planning Commission, give decision-making powers to locally elected authorities. The project would work to establish resource convergence and special efforts will be made for linkages with the RSVY scheme of the Planning Commission.

Lack of untied funds is a major cause why local planning has not been accepted by *panchayats* wholeheartedly. Enough documentation exists advocating augmenting *panchayat* resources through increased discretionary funds. At present, there are almost no general-purpose transfers at the district and block levels. The scheme based devolution and micro allocation within the schemes allow little expenditure discretion to the local governments in making allocation decisions according to their priorities, except in some schemes where the Panchayats can determine the choice of works within a broad category and play a role in the selection of beneficiaries. The project would therefore need to facilitate the availability of untied funds to encourage panchayats to take up initiatives according to the needs of the people, and at the same time promote planned and convergent use of tied funds to prepare perspective plans for local areas.

Resource Mobilisation:

A related issue concerns the ability of local authorities to collect and spend their own revenue. The Tenth Plan encourages the local bodies to raise local resources for development. There are several reasons for poor revenue generation by panchayats including uncertainty about fiscal transfers from higher tiers, lack of knowledge about tax base and elasticity, lack of expertise in revenue administration, dependence on executive district administration for enforcement of tax responsibilities and so on. Resource mobilisation (through tax and non-tax sources) by local bodies is an area where reform is necessary for long-term success of participatory governance in terms of accountability and efficient investment. Pro-poor and equity concerns need to be taken into consideration while mobilising local resources.

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<sup>8</sup> The State of Chhattisgarh has adopted a unique campaign-mode approach wherein the State's 20,000 villages are preparing their own *Jan Rapat* or People's Report through people's active participation and is aimed at expression of concerns and voices of the poorest of the poor, their strengths, needs and aspirations.

### Participatory budgeting:

Along with the issue of resource mobilisation by local bodies, the question of making the budget process itself more gendered and people-centred will have to be addressed. In the absence of a participatory budget process, allocations may not be directed towards the most vulnerable groups especially women. The project would need to support involvement of gram sabha to demystify budgeting and make the budgets more people-centred.

### State Finance Commissions (SFCs):

The project would need to work with SFCs to strengthen the devolution process and the intergovernmental fiscal relations for which the SFCs are mandated. The provisions relating to the constitution of the State Finance Commissions (SFCs) governing the state-local fiscal relations assume special significance. A recent study on 'Fiscal Decentralisation to Rural Governments' asserts the leadership role that the SFCs can play in the development and implementation of a policy plan for fiscal decentralisation. Although many States have established SFCs, few have extended mandatory powers onto the SFCs. Further, the recommendations of the State Finance Commissions have always not been adhered to.

The SFC reports in general have paid far less attention to issues of autonomy, financial management and auditing procedures. The main deficiency of the reports lies in the fact that the recommendations are not based on a clear statement of the spending responsibilities of local bodies. The reports are deficient on linkages between devolution of funds to *panchayats* and their responsibilities. Instead of leading to improvement of fiscal base at the local level, the SFCs have left the existing tax powers of local bodies unchanged. This calls for the development of a proper focal information system at the state level.

### • **The need for strengthening transparency and accountability systems of PRIs**

The Country Programme Review has highlighted the need for enhancing the transparency among PRIs especially in their financial transactions and accounts to enhance their credibility and effectiveness. The Constitution Review Commission had taken note of the inadequate provisions in law relating to audit of accounts of public bodies resulting in delay, misuse of funds, slow implementation of projects and over-all weakening of the system. The Committee also recommended that the Comptroller and Auditor General of India should be empowered to conduct the audit or lay down accounting standards for panchayats. The Tenth Plan also states that the accountability of the local bodies, their standing committees and the representatives need to be strengthened.

With the *gram sabha* coming to the fore, the concept of social audit has gained currency. In order to bring about greater transparency and accountability through social audit by the *gram sabhas*, the Ministry of Rural Development, Government of India, has issued instructions. Recommendations of the government committee on decentralisation (1996) laid the foundation for strengthening *gram sabha* and for social audit. In the light of this and the emphasis of the Tenth Plan, which states that the social audit of all development programmes by the *gram sabha* would be made mandatory, the project needs to have a strong focus on social audit.

The project would therefore need to support rigorous accountability processes and accounting systems of the public funds earmarked for development and fulfilment of objectives enumerated in the plan documents. Guidelines on social audit issued by the GOI have created an enabling environment where people can get information on how development funds were spent. Much more needs to be done to build people's capacity, and empower *gram sabhas*, to demand information. In this regard, the MKSS in Rajasthan has successfully demonstrated mobilisation of people by sharing expenditure information with them on public works.

### • **The need for enabling policy environment for decentralisation**

The preceding analysis demonstrates that the project should also facilitate the process of decentralization in the states which is largely incomplete in terms of transfer of effective decision-making powers along with adequate funds and staff to support the vision of political, administrative and fiscal decentralization endorsed by 73<sup>rd</sup> CAA.

Research undertaken by the National Institute of Rural Development (NIRD)<sup>9</sup>, which covers 19 States, indicates continuing reluctance to devolve all powers to panchayat bodies. A study on 'Overview of Decentralisation' states

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<sup>9</sup> Patterns of decentralised rural institutions (Vol I & II). Hyderabad, India, NIRD, 1999

that functions specified for PRIs under the State Panchayat Acts and subsequent legislation have not been meaningfully transferred. Further it identifies that lagging administrative decentralization limits the capacity of PRIs. In all states, civil servants have often retained effective control over the implementation of almost all government functions and schemes and remained independent of, and are not accountable to, elected local governments. Not surprisingly therefore, PRIs have a very limited capacity for service delivery.

The larger devolution process also needs to be enhanced in the States covered under PESA. In particular, Panchayats (Extension to Scheduled Areas) Act (PESA) has not become part of the mainstream political or policy discourse. Many state governments have passed laws not fully in conformity with the central law and concomitant changes in subject laws and rules are yet to be made.

In order to look into many of issues indicated above, the National Development Council (NDC) constituted in 2003 a High-powered Sub-committee for the Financial and Administrative Empowerment of the Panchayati Raj Institutions (PRIs). The committee's mandate included review of the actions taken by State Governments for the empowerment of the PRIs as per the 73<sup>rd</sup> Amendment so that they could function as effective institutions of local self-government; working out modalities for strengthening the functional domain of the PRIs through transfer of resources from the Centre and the State Governments and assessing the capacity of the PRIs to raise resources and develop an action plan in this regard.

The Committee also has the mandate to look into capability of the PRIs at different levels to absorb the financial allocations made to them under different schemes, and develop a framework to ensure fiscal discipline and financial accountability at different levels; as also to suggest measures that need to be taken to ensure administrative control of the PRIs over State Government functionaries dealing with subjects listed in the XI Schedule of the Constitution, besides evolving a framework for preparing and projecting local plans that reflect the felt needs and aspirations of the people so that development process becomes a peoples' movement.

### **III: Indicators of national priority, government strategy and programmes**

The Tenth Plan underlines the need for decentralization of power from Centre to States, States to district and areas within districts and villages. The Tenth Plan calls for building capacity of the local bodies, its members and the standing committees through training and transfer of resources – physical and financial, encouraging the local bodies to raise local resources for development, and put a system of incentive-based fiscal transfers in place.

Some efforts in terms of devolving of funds under Centrally Sponsored Schemes to PRIs are being made. The resources to the tune of about Rs.10,000 Crore are to be additionally released to PRIs under Sampoorna Grameen Rozgaar Yojna, Hariyali and Swajaldhara, programmes of the Ministry of Rural Development, from 2003-04 onwards. These programmes will provide support at the panchayat level for employment, watershed and drinking water proposals. As mentioned earlier, the Planning Commission has launched a Development and Reform Facility known as the **Rashtriya Sam Vikas Yojana (RSVY)** wherein flexible resources are being provided at the district level to fill critical gaps in physical and infrastructure activities for which no other resources are available. Under this component, a district plan is to be prepared for each identified backward district and would mainly address problems of employment of agricultural labourers. The initiatives could include drought proofing, agriculture, horticulture, infrastructure, social sector and livelihood support. There will be proactive involvement of PRIs, NGOs and other community groups. Funds under the facility will be given directly by the GOI (Planning Commission) to the State Government on 100% grant basis according to the progress of the District Plan.

Among a number of persistent issues, the Planning Commission has highlighted the need for appropriate legislation to give effect to provisions of the Panchayat (Extension to Scheduled V areas) Act. The Tenth Plan clearly points out that from the view point of policy, the tribal communities are vulnerable not only because they are poor, assetless, illiterate, but often their distinct vulnerability arises from their inability to negotiate and cope with the process of integration with the mainstream economy, society, cultural and political system.

The Central Government has called for strengthening of Gram Sabhas as the bedrock of grassroots democracy. The Year 1999-2000 was declared as "Year of Gram Sabha".

Functioning of the *Panchayati Raj* system has been reviewed by the Conference of the State Ministers of *Panchayati Raj* held in July 2001. The Report of the Planning Commission Task Force on PRIs (July 2001) provides direction for the Tenth Five-Year Plan. The Report of the Task Force set up by Ministry of Rural Development on

Devolution of Powers and Functions upon PRIs (August 2001) makes recommendations for enhanced devolution of funds, functions and functionaries. As indicated above, in pursuance of a decision of the NDC, an Empowered Subcommittee of the NDC on Financial and Administrative Empowerment of PRIs has been set up for a comprehensive review of *panchayati raj* and to make recommendations for strengthening and empowering PRIs.

#### **IV: Assessment of previous programmes – lessons learnt**

UNDP India has initiated a process of capacity building of PRIs and especially for elected women representatives. The programme focuses on building capacities of women to participate in local governance; strengthening women's networks and advocacy through interface with planners and policy makers; elicit lessons on women's constraints, needs and priorities for capacity building and leadership development. The Country Programme Review has emphasized the need to take this forward and support capacity building for local level planning and execution and improve decentralized delivery of services. This is expected to ensure people's participation in programme formulation, implementation, increase efficiency, enhance effectiveness of programmes, greater accountability and transparency.

As decentralization is constitutionally mandated, one must look at experiences in decentralization efforts within India and also find examples globally.

Within India, there are mixed experiences which needs careful analysis and this includes States of Karnataka, Madhya Pradesh, Kerala, West Bengal, and others that have undertaken a number of initiatives towards effective decentralization and have lessons that can be built upon. Kerala has made achievements in its democratic decentralisation by means of devolving funds, functions and functionaries to the local self-government and developed a decentralised fiscal structure in terms of grant design and empowerment of the gram panchayats. Intense participation of the communities has been possible because of the involvement of the civil society. The Kerala model of decentralization has focussed -on improving the human development aspects. West Bengal (WB) has demonstrated sustained commitment to decentralization, regularly holding panchayat elections for over 25 years. Vibrant PRIs and successful land reforms are credited with significant poverty reduction in the State. The Government of West Bengal has also embarked to strengthen the PRI structure for enabling the development of the gram sansad to facilitate participatory planning and resource mobilization. Panchayats have been particularly important in the implementation of poverty alleviation schemes, which enabled WB to reduce its poverty from 73% in 1973/74 to 32% in 1999/2000. However, in recent years, the NHDR has shown that WB's progress in reducing poverty has slowed down and the poor fiscal health of the State Government is a major factor. Karnataka has a long experience of decentralization as they began their reforms in the mid-1980s and has many lessons reflecting the various forces that impinge on decentralization. The Rajasthan Government's recent decision to transfer all 29 subjects listed in the Eleventh Schedule of the Constitution to the PRIs with funds, functions and functionaries in the true spirit of the 73<sup>rd</sup> CAA seems to have provided a new strength to the Panchayati Raj in the State.

Even global experiences in Philippines, Vietnam, China and other countries have also shown that local governments or village committees have made use of enabling frameworks and laws for the local government and village committees who are performing the various administrative functions. This has led to strengthening of people's political participation. In some countries, the tripartite approach – involving the government (or local governments), NGOs and peoples' organizations in the planning and delivery of programmes- is a strategy used in many areas for rural development.

However, as indicated before there is a need for a number of reforms in decentralization and for facilitating processes for strengthening decentralization for poverty reduction.

Some of the experiences above suggest the following lessons.

- Decentralisation is a necessary but not sufficient condition for broad-based participation in local level planning.
- One major lesson learnt is the need for a strong government commitment and policy on decentralization. Introduction and development of a local planning process have a greater chance of sustainability if supported by an enabling policy framework and implementation of a decentralised planning programme on a wider scale.

- It is also learnt that fiscal decentralization can be initiated without necessarily waiting for local governments to build their capacities first and that the local governments can 'learn by doing'. The capacities can be simultaneously built.
- Strong civil society participation and local action play a significant role in empowering the marginalized communities and empowering them to participate in political process. Unless there is a move towards political and social inclusiveness, social cohesion and equitable distribution is not generally forthcoming in a decentralization process. The expectation that local-level government will be more concerned with social equity has to confront deeply rooted popular expectations about local representation.
- Some programmes that have experimented local development planning and financing have shown the need for a systematic approach and practical experimentation over an extended period of time. This is the key to the changes in institutions and providing a strong support to policy dialogue aiming at institutionalising improved local planning practices.
- Success of decentralised planning process depends on the capacity of local leaders and administrators. There is a need to invest in a long-term effort for the creation of such local capacity.
- It is necessary to promote cooperation between local authorities for making them more relevant to local needs and more apt to mobilise additional local resources.

The project would build on the efforts and lessons that have emerged during the implementation of various decentralization efforts.

#### **V: Reasons for UNDP development cooperation**

UNDP has designated Decentralisation as one of its five global priority practice areas. Fostering democratic governance is a strategic goal of UNDP. The UNDAF theme has made it necessary for UNDP to work on strengthening decentralization, which is also a major priority of Government of India. As efforts are also being made for strengthening decentralization in the South Asian countries, the lessons from this project and India's rich experience in decentralization can serve to enhance South-South cooperation through knowledge networking with other countries. UNDP Country Offices in the region and the UNDP SURF (Sub-Regional Facility) on Governance based in Kathmandu can facilitate the South-South dialogue.

UNDP India has had various programmes on decentralization, which could serve as lessons for future programmes. The initiative on capacity building of PRIs needs to be strengthened and taken forward at a much deeper level to enhance the process of decentralization. Through its various governance programmes UNDP India has been addressing emerging challenges, be it capacity building of local governance institutions, support to civil services reforms, improving citizens' access to information, support to public administration, etc. It has worked to shape the current debate on the issue of governance for human development.

Concurrent with its global mandate, UNDP has set up a Governance Thematic Trust Fund, which has been critical in reinforcing UNDP's structural reform in the area of democratic governance. Among its sub-themes, decentralization and local governance is addressing policy reforms through development planning; promoting effective legal frameworks and plans for mobilising resources to the regional and local levels; building partnerships between civil society and local government; and supporting self-organisation alliances by the poor.

UNDP has accumulated experience over years from various countries where decentralization efforts have been strengthened such as the Philippines, Vietnam, Indonesia, China and Brazil and other countries in different regions and hence can bring to bear the rich global experience.

UNDP has also set up a Oslo Governance Centre to enhance UNDP's programme activities and advisory role in the area of democratic governance. They assist UNDP Country Offices in their cooperation with government, civil society in developing countries. The objective is to support countries in implementing democratic reforms necessary to fulfill the millennium declaration.



UNDP's earlier Management and Governance Programme have made significant efforts throughout the world in promoting decentralization and local democracy as a key to good governance, economic development and improved quality of life through rubric of "sustainable human development".

UNDP can also bring to bear the virtual knowledge network on decentralization to the project activities. It has also launched the virtual practice network on Decentralisation, Local Governance and Urban Development.

UNDP with its network with the Government and Civil society can provide a platform where strengths of civil society can be harnessed for social mobilization, in consensus and partnership with government and so as to enable people to participate more actively and effectively in local governance. The UNDP Country Programme (2003-2007) approved by the Executive Board has a number of initiatives to support the process of decentralization in India through capacity building, networking, research and advocacy. The objectives complement and are in consonance with the Government's own strategy for governance reforms.

## **C: THE PROJECT**

### **I: Background**

The project would support decentralisation that brings government closer to the governed both spatially and institutionally, so that programmes are responsive to the needs and aspirations of the people. Decentralisation is an important means to achieve greater impact in combating poverty. A process of decentralization that best serves poverty reduction is one that balances the strategies of political empowerment, enabling devolution framework, resource mobilisation and enhanced service delivery. The long-term objective of the project is to support endowment of the local government with sufficient autonomy and resources to respond to local needs.

### **II: Project Strategy**

The project strategy will focus on facilitating the larger devolution process and develop sustainable systems for local development through PRIs especially the *gram panchayats* by supporting capacity building of PRIs to formulate, implement and monitor anti-poverty plans, deliver social services, mobilize resources and promote participation at local level for poverty reduction. The project would work in partnership with four State Governments and cover *panchayats* primarily at village level, and include some blocks and district level *panchayats* in 6 Districts. The project strategy has been developed in consultation with the Planning Commission, State Governments, District *Panchayats*, Civil Society and builds on the recommendations of the stakeholder consultations (February 2002) and thematic consultations on decentralisation (May 2002). As the project will essentially cover districts receiving RSVY support (Backward Districts Initiative of Planning Commission), the present project will work closely with the RSVY projects at district level to facilitate convergent use of resources for drawing up people-centered plans by *panchayats*. This project will also act as a platform for convergence of other UNDP programmes especially for the capacity building of elected women functionaries, the District Governance and other livelihood programmes. The lessons from the project would feed into the State and District HDR analysis and would also help in the operationalisation of human development at the district level. A very close collaboration and convergence will be pursued under this project and with district level HDR pilots under the HDR project. The project would support resource convergence. Efforts will also be made to converge with the Food for Work project of the World Food Programme (WFP)<sup>10</sup>. Given the limited resources in the project, strategic partnerships will be developed with bilateral partners for mobilizing resources. In light of the visible impact that the project is likely to have in the poorest districts, opportunities for multi-stakeholder partnerships especially with bilateral agencies for pooling resources and sharing responsibilities for facilitating implementation should be a key perspective in the project.

The project would broadly focus on four components:

- Strengthening decentralisation of decision-making and pro-poor development planning.
- Improving the fiscal domain of PRIs for local level development through resource convergence and local resource mobilization.
- Enhancing the oversight function of the PRIs (especially *gram sabhas*) to strengthen transparency and accountability in local governance.
- Supporting enhanced devolution and autonomy of PRIs through facilitating policy-making processes for decentralisation.

## **Strengthening decentralisation of decision-making and pro-poor development planning**

### *Community mobilization for peoples' plan for social and economic development*

If the development of viable local governance systems is seen as priority task, it logically follows that the decentralization policies need a long-term institutional vision. This implies investing in local governments as an essential element in the institutional framework for development. Partnerships will be developed with the State Governments especially the Panchayati Raj Department and Planning Department for strengthening the decentralized processes and mechanisms at the State level to create an environment for empowering local communities to articulate their interests and needs vis-à-vis local governments. The States, based on the experiences of supporting processes at the local level from the project can determine the best ways of facilitating decentralized planning processes.

The initiative will support the *gram panchayats* in the process of developing socially equitable plans. The strategy will also attempt integrated planning at the block and district level. It will build on the lessons of existing decentralisation practices in some States. The purpose is that the people's micro planning process will develop plans at the village level for addressing both the human development and economic development needs of the area. The project would support social mobilization of *gram sabha* to enable them to participate in planning, implementation, monitoring and evaluation of development in their area. Effective participation of the vulnerable and excluded people especially women will be ensured in the preparation of the local plans. The *Panchayat Standing Committees* at different tiers will play a key role in the preparation of the plans. This process will also support effective interface and alliance building between *gram panchayats* and other local organizations such as self-help groups, user associations and CBOs. The micro planning will demonstrate the capacity of civil society organizations, *gram sabha*, *panchayats*, government line departments and technical agencies to work together at the local level to strengthen institutional links between PRIs and other local actors (government and non-government).

Though planning requires attention at village, block and district levels, the experience shows that for sustainability, the village should be the first level for planning. This will include, as initial steps, preparation of baseline studies with the help of local consultations to make an assessment of resources, identify development challenges and discuss possible solutions. This will be done through *gram sabha* meetings, PRAs, focused group discussions and consultations with a cross section of people. Existing studies, surveys and district level HDRs will also be used. The village level human development plans developed in the case of Chhattisgarh will be a useful foundation. All these processes would help in the formulation of development reports and plans for the *panchayats*. The resource persons for facilitating this exercise could be drawn from Total Literacy Campaigns, elected representatives, NGOs and community leaders. Adequate representation of women and members of SCs/STs should be ensured among the resource persons. Popular means of communication will be deployed to raise awareness and draw people into the spirit of participation.

It will also be ensured that *gram sabhas* in Schedule V areas are mobilized based on the comprehensive understanding of the traditional system of administration of tribal communities; planning, monitoring, financial accountability powers; and their awareness of constitutional and legislative provisions and institutional frameworks given under PESA.

On a pilot basis, a partnership will be established in one of the districts with one of the business community organizations (CII), so as to facilitate the identification of business opportunities emerging from the local development plan, and facilitate effective response from the business community in terms of investment and job creation.

### *Capacity building*

In order to assist the above planning process, capacity building support will be provided to *panchayats* at various levels to enable them to make an assessment of resources (natural, financial and institutional), strengthen their information base (including through PRA and GIS-based resource mapping), help them determine priorities, build their capacity to plan, develop a framework to ensure fiscal discipline and financial accountability and implement as also monitor development initiatives. Training camps will be organised for the resource persons and PRI representatives for community mobilization, leadership development, facilitating assessment and prioritisation of development needs mainly at the village level.

Local educational institutions, bank personnel and officials of government departments, college faculties and legal professionals could play a crucial role in facilitating planning at all levels of PRIs. A Voluntary Technical Committee could be created consisting of experienced people to vet and re-work projects prepared by the panchayats. NGOs and institutions need to be identified for providing services, training and support for effective implementation of initiatives at the local level.

At the higher levels of PRIs, the expertise to integrate lower micro-level activities and to matrix spatial and sectoral plans will be addressed in a few administrative units. The panchayats can make significant contribution by way of convergence of basic services at the village level. The capacity of DPC to undertake such integration and address spatial externalities will also be a component of the activities at the district level. The States will need to empower the DPCs so that the process of preparing composite plans can be facilitated.

### **Improving the fiscal domain of PRIs for local level development through resource convergence and local resource mobilization**

Efforts will be made to interface with the State Finance Commissions for adequately assessing the financial needs of the *panchayats* and improving their fiscal base through creating an efficient and reliable fiscal information system on the revenues and expenditures of local bodies. This would help to support the leadership role that the SFCs can play in the development and implementation of a policy plan for fiscal decentralization. The States could be assisted in preparing state policy papers and action plan on fiscal decentralization goals. The project will work with the *panchayats* for improving their fiscal base and the experiences would be fed back to SFCs.

Through planning of funds, the *panchayats* at each level in the project districts will play an important role in inter-sectoral linkages and resource matching. As the initial funding is inadequate, the project would mainly focus at the village level in the primary stages. The plan-budget linkage will be strengthened so that the *gram panchayat* plans have the necessary resource base. The resource identification and mobilization will be given special attention as it holds the key to success of the planning exercise. A mapping of all development programmes will be made cutting across sectors, source of funds and the target beneficiaries/areas. Ingenuity will be used in the convergent use of these resources. The plan at each level and especially at the level of the *gram panchayats* will be accompanied by a comprehensive financing plan indicating resources through grants and subsidies under various plans and schemes of the Centre and State Government, local contributions in kind, shared revenues, cross-financing and any other source of funds which could be untied. It will be ensured that allocations are specifically made for priorities set by women during the plan formulation.

The project will link up with the backward districts receiving RSVY support in the four States and the funding under RSVY will assist in filling the critical gaps that may remain in the plans drawn up by the *gram sabha* and *panchayats*. Untied funds will also be placed at the disposal of *gram panchayats* to augment their resource base and introduce much needed flexibility to plan and leverage additional resources. At the same time, options to consolidate some of the schemes into untied funds (small number of general purpose grants) for *gram panchayats* will be explored. The untied funds will empower local authorities with discretionary funds thereby allowing meeting of local preferences. Full involvement of banks, rural banks, cooperative banks will be ensured to link credit plan to village plan. The financing plan would provide for maintenance of assets. Strong convergence with other subject departments is a pre-condition to the success of this initiative.

The *panchayats* will be supported to mobilize their own resources in addition to the resources devolved to them from the state and the central government. While raising local revenues, social equity considerations will be central to such processes. *Gram Panchayats* will be assisted in estimating their revenue potential and accordingly planning the target for additional resource mobilisation.

### **Enhancing the oversight function of the PRIs (especially *gram sabhas*) to strengthen transparency and accountability in local governance**

The project will support accountability through appropriate mechanisms for informing and involving *gram sabha* in decision-making and performance oversight. As the *gram sabha* is the ears and eyes of the people, it is the best social audit unit in the democratic institutions. Social auditing of public expenditure would be supported. Guidelines will be developed to ensure that the *gram panchayat* presents before the *gram sabha* the financial

account, work report and a statement of the development activities that are intended to be undertaken. Linkages will be established with the MORD guidelines that have been developed. The *gram sabhas* especially the women will be supported to participate in the monitoring of the development plans and help in the selection of beneficiaries. The deliberative meetings will be conducted in forums where the marginalized people are empowered to voice their opinions, hold elected officials accountable, monitor and review plans and suggest solutions. *Gram Panchayat* and *gram sabha* members especially the women's groups will be encouraged to keep a watch on the non-attendance of grassroot functionaries of the Departments, namely *Patwari*, Teachers, ANMs, MPW, VLW, *Anganwadi* workers and health staff posted in rural areas.

The process of audit of panchayats will be institutionalised with the help of the Office of the CAG<sup>11</sup>, NGOs and other civil society organisations. There should be a process of checks and balances so that the accountability of all the stakeholders can be ensured from the beginning of the process. In order to assist the PRIs, their capacities will be built to fill the format for preparation of budgets and keeping of accounts for these institutions shall be prescribed by the C&AG of India. Wherever possible, accounts and audit of gram panchayats will be computerized and selected panchayats networked. These issues will form a key segment of the strategy to improve citizens' access to information.

### **Supporting enhanced devolution and autonomy of PRIs through facilitating policy-making processes for decentralization**

Effective poverty reduction through local governments will require supportive reforms. The project will make efforts in cooperation with the State Governments, to support local governments to be fully empowered and enabled to function as genuine local self-government institutions in keeping with the spirit of the Constitution. National dialogue processes will be facilitated. This would involve different stakeholders at the State and National level such as the Panchayati Raj Departments, State Planning Boards, State Finance Commissions, Planning Commission, Ministry of Rural Development, legislatures and civil society to evolve effective strategies on the content and operational modalities of the decentralization process. Meetings will be organized at different levels to facilitate the modalities of transfer of power to panchayats and creation of mechanisms of accountability. Consultations among line departments will be held to promote better coordination for effective planning through PRIs.

Under the project, systematic stock-taking will be undertaken in the project States. Monitorable indicators will be developed to measure the impact or at least the medium-term effect of aid to the decentralization process from a poverty perspective in the project districts. The project would also document lessons learnt from people's planning campaign in Kerala, efforts at decentralization in West Bengal, Karnataka, Madhya Pradesh and other States and its impact on poverty reduction. This would help to distill lessons needed for replication strategies in decentralized governance. This would also include documentation of decentralized governance and planning in the project areas covered under PESA to understand the processes in tribal administration. Areas, which need further studies such as administrative functions of panchayats, tax base of panchayats and others, would be studied to support the decentralization efforts. Documentation of international practices will help to increase the body of available information on decentralization strategies. Both print and video documentation of such efforts could be prepared to create an information hub. These will be widely disseminated to different stakeholders to facilitate decentralization efforts.

Lessons learned from the project and other decentralization initiatives will be helpful in formulating policies for empowerment of PRIs especially with regard to their financial and administrative empowerment in both tribal and non-tribal areas. Efforts will be made to share experiences of other states and countries on administrative and fiscal decentralization with the local administration and the State Government in the project States. Regular dialogues and interactions will be facilitated with States, which have made strides in the decentralized planning processes and devolution of powers to PRIs. Exposure visits and meetings in good practice areas will be ensured. The experience of some States and some PRIs within States would provide the necessary impetus for greater devolution in other parts of the country.

Further, it would be important to build upon the recommendations formulated under the PESA studies undertaken in CCF-1 and focus on facilitating development of appropriate policies, laws, rules and regulations at the State level for ensuring empowerment of gram sabhas in Schedule V areas (State level PESA, Subject Laws) through

organising feasibility assessments and consultations. The effort will be to support the implementation of State Acts and rules that take into account the constraints identified through the studies and consultations, and build on their recommendations.

### III. Mainstreaming UN Development Assistance Framework (UNDAF) Focus Areas

The Government of India has identified *strengthening decentralization* and *promotion of gender equality* as the two priority goals for coordinated action by the UN System in India under the UNDAF. The project will also work towards achieving objectives under the UNDAF that are strengthening decentralization and promoting gender equality.

As the UNDAF is a central pillar of the GOI/UNDP Country Programme (2003-2007), all UNDP-supported projects are required to mainstream strategies towards achieving these goals. The table below presents an overview of the underlying principles, policy framework and project cycle management strategies that must guide all stakeholders:

<b>Project Cycle Management Strategies</b>	<b>UNDAF Goal: Promoting Gender Equality</b>	<b>UNDAF Goal: Strengthening Decentralization</b>
Principles	<ul style="list-style-type: none"> <li>• Equal gender relations.</li> <li>• Equity in participation and benefit sharing.</li> </ul>	<ul style="list-style-type: none"> <li>• People’s participation, their influence and control on matters important to their lives; equal access and fair representation for all social groups.</li> </ul> <p>Responsive, open, transparent and accountable public mechanisms.</p>

Results Framework	<ul style="list-style-type: none"> <li>• Transform unequal gender relations.</li> <li>• Strengthen equity in participation and benefit sharing (at least 50% share to women under employment opportunities created through the project).</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen decentralization as an essential pre-requisite to people-centred development.</li> <li>• Support <i>panchayati raj</i> institutions – both rural and urban – directly (building their capacity or working with them on specific issues such as natural resource management, sustainable livelihoods or disaster management) or indirectly strengthen the decentralization process by supporting social mobilization and preparing communities or other civil society actors to actively participate in <i>panchayati raj</i> institutions.</li> </ul>
Policy Framework	<ul style="list-style-type: none"> <li>• National goal of promoting gender equality and women’s empowerment and improvement in conditions of women through removal of barriers to their development.</li> </ul>	<ul style="list-style-type: none"> <li>• The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments on democratic decentralization.</li> <li>• Panchayats (Extension to Scheduled Areas) Act for self-governance by tribal communities.</li> </ul>

Project Management	<ul style="list-style-type: none"> <li>• Involve women stakeholders and gender resource persons with sector-specific competence in project development, work planning and monitoring.</li> <li>• Provide at least 30% membership of women in all community organisations and local level management/implementing committees, and chairing of such committees. Minutes of community meetings to separately record attendance of women members.</li> <li>• Include at least one woman member (a representative of a local women's group, a woman academic or civil servant, or a woman community leader) in Project Advisory Committees at the local level.</li> <li>• Ensure strict application of the principle of 'equal wages for equal work'.</li> <li>• Maintain separate muster rolls and payment records for women beneficiaries.</li> <li>• Ensure at least 50% participation of women in training/learning opportunities (skill training at grassroots level, study tours, exposure visits, issue-based workshops and specialized professional courses). Provide appropriate support towards this (training programmes for community representatives organized at local level, Crèche/childcare and health).</li> <li>• Ensure that at least 30% of project staff are women by instituting non-discriminatory recruitment procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• Create multi-stakeholder groups at appropriate levels to promote community management of services and resources.</li> <li>• Support effective social mobilisation, improved access to information and greater sensitivity among development administrators.</li> <li>• Support flexible and locally appropriate institutions and systems to address development concerns at different levels – within the community, at the district level and at the State level.</li> <li>• Evolve a structured mechanism that will allow community groups, Gram Sabha and the Panchayati Raj Institutions to complement the work of Government Departments at suitable levels.</li> <li>• Establish suitable mechanisms to facilitate participation of representatives from local government structures in project management. Similarly, facilitate solicitation of views from NGOs.</li> <li>• Ensure incorporation of decentralized assessment indicators in work planning processes.</li> <li>• Ensure that capacity building activities (structured training, exposure visits, etc.) include representatives of PRIs/CBOs/ NGOs to strengthen their decision-making skills.</li> <li>• Implement measures for perspective building of Implementing Agencies and other project stakeholders in the philosophy of decentralization and implications of various decentralization amendments.</li> <li>• Ensure a democratic and decentralized decision-making process within the implementing organizations.</li> </ul>
Project Monitoring and Evaluation	<ul style="list-style-type: none"> <li>• Carry out a gendered baseline survey to benchmark basic indicators of women's development, including population, education, health status, work participation and issues/problems specific to the area. Use data from secondary sources such as the Census 2001, National Sample Surveys and previous research studies.</li> <li>• Collect data through interviews, focus group discussions, and surveys from local women's groups/NGOs.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure benchmarking of the identified districts/specific regions with regard to the status of PRIs/CBOs/NGOs as part of the baseline survey.</li> <li>• Mid-term/final evaluation/any other final assessment should also assess the contribution of the project to the decentralization objective.</li> </ul>

#### IV. Project Outputs and Activities

The attached matrix outlines the key Project outputs and indicative activities:

<b>Project Outcome 1 Strengthen decentralisation of decision-making and pro-poor development planning.</b>			
<b>Baseline</b>	<b>Target</b>	<b>Intended Outputs</b>	<b>Some Indicative Activities</b>
Decentralised planning processes necessary for poverty reduction needs strengthening	<p>State Governments create an environment and institutionalise mechanisms for strengthening rural decentralised planning especially in PESA and non-PESA areas.</p> <p>Demonstrate the process of development of pro-poor, socially equitable, participatory and integrated plans mainly at gram panchayat level of PRIs with effective citizens' participation.</p> <p>Replication of decentralized planning process seen in other districts of the Project States.</p>	<ul style="list-style-type: none"> <li>• Effective partnership with State Departments responsible for decentralization demonstrated for strengthening decentralized planning in the State.</li> <li>• Decentralised and need-based plans developed mainly at the gram panchayat level of PRIs and sustainable mechanism created for local planning and governance.</li> <li>• Better systems of integration of plans between GP, BP and ZP attempted.</li> <li>• Institutional links between user groups and PRIs demonstrated in development planning and implementation.</li> <li>• Panchayat Standing Committees functioning effectively and supporting different tiers.</li> <li>• Increased participation of marginalised groups such as women, STs and SCs in the process of planning, implementation and evaluation.</li> </ul>	<p>Hold regular consultations with the State Government to evolve and facilitate decentralised planning processes.</p> <p>Work with the District Panchayats, selected NGOs and other stakeholders in involving the gram sabha in assessment of local development problems, identification of community needs and preferences through participatory appraisal exercises and other GIS.</p> <p>Undertake special efforts in Schedule V areas to work with tribal communities based on the understanding of their traditional system of administration and provisions of PESA.</p> <p>Systematic consultation between a multiplicity of local development actors (gram sabha, standing committees, user groups, line departments and others) for participation in identification, selection, prioritisation and implementation of development projects/initiatives/activities and drawing up micro plans.</p> <p>Formulate selected projects/actions with Panchayat Standing Committees and submission to block panchayats.</p> <p>Support attempts for planning at block and district level for sectoral and spatial integration of plans.</p> <p>Constitute technical support groups and hiring local resource persons for vetting and sanction of identified projects/initiatives.</p>

<b>Project Outcome 2</b>			
<b>Improving fiscal domain of PRIs for local level development through resource convergence and local resource mobilization.</b>			
<b>Baseline</b>	<b>Target</b>	<b>Intended Outputs</b>	<b>Some Indicative Activities</b>
Inadequate resource base and fiscal autonomy of the PRIs to match local needs for poverty alleviation.	<p>SFCs leading the development and implementation of a policy plan for fiscal decentralisation.</p> <p>Fiscal autonomy and resources to PRIs to match functional domain.</p> <p>Effective resource convergence for local level planning.</p> <p>Strengthened capacity of PRIs to raise own resources.</p>	<ul style="list-style-type: none"> <li>State policy papers and action plans on fiscal decentralisation goals through partnership with SFCs.</li> <li>Model of provision of untied funds to GPs demonstrated.</li> <li>Increased local revenue generated by Gram Panchayats.</li> <li>Convergent use of resources demonstrated.</li> </ul>	<p>Support consultations, meetings with the SFCs and other State Departments in preparing state policy papers and action plan on fiscal decentralization.</p> <p>Supporting effective fiscal information system for SFCs.</p> <p>Develop local development financing plan including multi-year development budgets from different sources.</p> <p>Develop synergies with the RSVY scheme of the Planning Commission.</p> <p>Develop a mechanism to provide untied funds to pilot panchayats.</p> <p>Support capacity building of PRIs to raise resources of their own.</p> <p>Demystify panchayat budgeting process and strengthening financial management systems of the PRIs.</p>
<b>Project Outcome 3</b>			
<b>Enhancing the oversight function of the PRIs (especially <i>gram sabha</i>) to strengthen transparency and accountability in local governance.</b>			
<b>Baseline</b>	<b>Target</b>	<b>Intended Outputs</b>	<b>Some Indicative Activities</b>
Inadequate systems of accountability of public expenditure by PRIs.	<p>Institutionalisation of social audit of PRIs .</p> <p>Mechanisms of C&amp; AG audit for all the tiers of PRIs strengthened.</p>	<ul style="list-style-type: none"> <li>Mechanisms of accountable and transparent planning, budgeting and expenditure by local bodies and their standing committees better defined.</li> </ul>	<p>Discussion with CAG and state level AG for maintenance of accounts by elected bodies.</p> <p>Development of guidelines to support gram panchayats for presenting accounts and statements to gram sabhas.</p> <p>Ensuring active role of the gram sabha in community audit of accounts, selection of beneficiaries, functioning of the grassroots functionaries and holding elected officials accountable.</p> <p>Holding public hearings and posting of budgets at public places or ICT kiosks for public access.</p>



<b>Project Outcome 4</b>	<b>Supporting enhanced devolution and autonomy for PRIs through facilitating policy-making processes for decentralisation.</b>		
<b>Baseline</b>	<b>Target</b>	<b>Intended Outputs</b>	<b>Some Indicative Activities</b>
<p>Lack of understanding of the links between decentralisation and poverty reduction.</p> <p>Inadequate devolution of powers to PRIs to serve as institutions of self-government.</p>	<p>State Governments pursuing and facilitating devolution in terms of transfer of subjects, departments and resources to local bodies in both general and PESA areas.</p> <p>State Acts/fiscal decentralization policies of the project States suitably amended for strengthening decentralization.</p>	<p>Networking among the institutional structures responsible for decentralization improved.</p> <p>Monitorable indicators developed to measure the impact of decentralisation on poverty reduction.</p> <p>Lessons learned documents on decentralization practices developed and disseminated.</p>	<p>Organise national consultations on operational modalities of decentralization and its impact on poverty reduction with State Planning Boards, SFCs, legislatures and civil society.</p> <p>Organise stakeholder workshops, periodic meetings with State Governments and other partners on decentralization practices.</p> <p>Development of indicators for links between decentralization and poverty reduction.</p> <p>Support State Governments in development of rules and regulations for PESA to implement the PESA provisions.</p> <p>Systematic stock-taking and documentation of good decentralization practices in print and video in the project and other States including PESA areas.</p> <p>Wide dissemination of the documented practices to state governments, NGOs, local governments, PRI training institutions and other partners.</p> <p>Preparing strategic papers/reports on decentralization and sharing them with state governments, National government and Committees and civil society partners.</p> <p>Sharing analytical notes and best practices on fiscal devolution with State Finance Commissions.</p> <p>Organising exposure visits to good decentralisation practices.</p>

## **V: Geographical coverage**

The project will work in Chhattisgarh, Madhya Pradesh, Orissa and Rajasthan and cover six districts<sup>12</sup>, with at least half of them from Schedule V areas that are covered under Panchayats (Extension to Scheduled Areas) Act. Of the six districts, four districts will be taken up in the first year of the project and two districts will be added in the second year to gain from the lessons of the first year. A particular effort will be made to select districts that are also covered under UNDP CCF-2 governance programmes as well as other UNDP programmes. The districts covered under RSVY are characterized by high poverty, low growth and poor governance and hence the Planning Commission is keen that the effort under the project would demonstrate impact through a focused and holistic strategy.

## **VI: Risks**

As the project has several complexities in terms of the expected enabling policy environment for decentralization or the convergence of programmes and resources, the risks are high. Some of the risks could be associated with changes in political and electoral processes. The policy framework for decentralisation in the project States may change and not always favourably. This could affect the devolution process to PRIs in the state. Further delays in the budget disbursement from Central to State or State to PRIs under various poverty alleviation schemes could lead to bottlenecks in effective implementation of the decentralised plans drawn up by the PRIs. There may be several obstacles in the way of institutionalising the provision of untied funds and resource mobilization at the level of gram panchayat.

The implementing partners may not provide the enabling environment for the intensive participatory process required for the village level planning. At the same time, the intensive participatory process may take a long time before any local plans are made.

However, the potential impact that is expected from the project for a decentralized planning process aimed at poverty reduction of the marginalised groups in the poorest districts, justifies to proceed with the project, while making sure to remain continuously informed of developments in these risk areas. The project strategy is therefore developed in a holistic manner with intended reforms at both micro and macro level to offset some of these problems.

## **D. IMPLEMENTATION ARRANGEMENTS AND ROLES & RESPONSIBILITIES OF PROJECT PARTIES**

### **I. Prior Obligations and Pre-requisites:**

The Planning Commission will closely monitor the implementation of the project and provide necessary inputs for the successful implementation of the project. As an expert body on planning policies and programmes, it is expected that the Planning Commission would facilitate linking up of this project with other externally supported/centrally sponsored projects for Panchayati Raj Institutions.

The Planning Commission will provide the necessary support in terms of ensuring State Governments' collaboration. The State Governments identified under this project will ensure effective implementation of the project activities in their respective States and also contribute to components that influence the policies on decentralisation. The selected State Governments and other implementing partners will provide necessary support at the district level, wherever required.

UNDP assistance will be provided subject to the satisfactory fulfilment of the above pre-requisites. If anticipated fulfilment of one or more pre-requisites fails to materialise, UNDP may, at its discretion, either suspend or terminate its assistance.

### **II. Implementation Arrangements – Role of Partners**

**Government Coordinating Agency:** The Department of Economic Affairs (DEA) in the Ministry of Finance, the Government aid coordinating agency, will be responsible for the overall coordination of the Country Programme activities. In order to guide and support the Executing Agency towards meeting the Country Programme goals, DEA

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will participate in the Project Management Board. DEA will also catalyse consultations on broader development cooperation issues emerging out of different programmes supported by UNDP as well as programmes assisted by other agencies. As a part of its overall mandate of resource mobilisation, DEA in collaboration with the concerned government departments and UNDP will also assist in raising additional resources to support Project objectives.

**National Executing Agency:** In line with the National Execution Guidelines (July 1998) issued by the Department of Economic Affairs, Ministry of Finance and the UNDP corporate procedures as outlined in its Programming Manual (May 2000), the project will be executed nationally. The Planning Commission will be the Executing Agency for the project, and will be responsible for its overall management including achievement of planned results and for the use of UNDP funds. The Planning Commission has the nodal charge of formulating policies and legislations on decentralized planning by PRIs and the DPCs and the management of the RSVY programme. The Planning Commission will designate a senior level official of the rank of Advisor as the National Project Director (NPD) to coordinate project execution.

**Implementing Agency (ies):** District Panchayat and NGOs will be implementing agencies for this project. Multi-stakeholder participation is necessary especially for making these initiatives successful. Selection of the NGOs will be done through a consultative process.

Sub-contracts will be signed with the implementing agencies and implementation of the initiatives, assessment, management, documentation and dissemination of lessons learnt to different groups, agencies and State Governments, and will further contract other institutions/agencies to undertake the specific pilots.

**Programme Management Board (PMB):** The PMB will be chaired by the Secretary, Planning Commission and with representation from stakeholders. It will provide oversight and guidance to the project, and ensure that the project's outputs contribute to the achievement of the objectives. The functions of the PMB will be in line with NEX Guidelines.

**Standing Committee (SC):** The SC will be headed by the NPD and will have as members project representatives and representatives from DEA, UNDP and relevant Divisions of Planning Commission. The functions of the SC will be in accordance with NEX Guidelines.

### **State-level Implementation Arrangements:**

The State-level Committee will be chaired by the Secretary, Planning and Panchayati Raj/Rural Development. The members of the Committee will include officers (at least of the rank of Joint Secretary) from the relevant departments. The State Level Panchayati Raj Department, Planning Departments, Sectoral Departments, NGOs, PRIs will also be members, as well as Government of India representative and a UNDP representative. This Committee will oversee coordination of the Project, and will facilitate the formation of partnerships for convergence of support to the project.

### **III. Funds flow arrangements and financial management**

The funds flow arrangements under the project will be guided by the GOI NEX Guidelines and UNDP procedures for national execution. Funds shall be advanced to projects/agencies/institutions based on the contractual agreements.

The Implementing Agency(ies) shall maintain separate bank accounts in order to receive and disburse UNDP funds. Separate books of accounts on cash basis of accounting shall also be maintained in order to ensure accurate reporting of expenditures and providing a clear audit trail. Suitable guidelines on financial management will be issued by UNDP separately.

### **IV. Audit**

As per the GOI NEX Guidelines, the project shall be subject to audit in accordance with UNDP procedures. In order to meet the UNDP requirement of covering 90% of the annual NEX expenditure under audit, an annual audit plan will be drawn up in consultation with DEA. The project shall be informed of the audit requirements by January of the following year. The audit covering annual calendar-year expenditure will focus on the following parameters:

(a) financial accounting, documenting and reporting; (b) monitoring, evaluation and reporting; (c) use and control of non-expendable reporting; and (d) UNDP Country Office support.

The auditor shall be appointed in consultation with DEA. In line with the UN Audit Board requirements for submitting the final audit reports by 30<sup>th</sup> April, the field visits will be carried out by the auditors in February/March. Detailed instructions on audit will be circulated by UNDP separately.

**E. MONITORING, EVALUATION & RESEARCH AND COMMUNICATIONS & ADVOCACY**

**I. Monitoring and Evaluation**

A multi-pronged monitoring, evaluation and action-research (MER) strategy will be implemented in order to ensure effective and results-oriented project implementation and for drawing out relevant lessons for various stakeholders including development workers and policy makers at the Central and State levels. It will be ensured that baseline studies are undertaken at the start of the project in each of the project areas followed by a mid-term evaluation for determining mid-course corrections. At the end of the project, impact assessments will be undertaken. Assessment indicators will be developed in close cooperation with the UNDP Human Development Resource Centre to determine both human development and economic development indicators, which are measurable.

**F. LEGAL CONTEXT**

This project shall be the instrument envisaged in the supplemental provisions. The following types of revisions may be made to this document with the signature of the UNDP Resident Representative only, provided he or she is assured that the other signatories of the Project document have no objection to the proposed changes.

- Revisions in, or addition of, any of the Annexes of the project document (with the exception of a Standard Legal Text for non-SBAA countries which may not be altered and agreement to which is a pre-condition for UNDP assistance.
- Revisions which do not involve significant changes in the immediate objectives, outputs of activities of the Project but are caused by the re-arrangements of inputs already agreed to or by cost increases due to inflation; and
- Mandatory annual revisions, which rephrase the delivery of, agreed project inputs or increased experts or other costs due to inflation.





### **Panchayats (Extension to the Scheduled Areas) Act**

The provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA) have come into force on 24<sup>th</sup> December 1996. The Act extends Panchayats to tribal areas of eight States namely, Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Maharashtra, Madhya Pradesh, Orissa, Rajasthan; it will enable tribal society to assume control of its own destiny to preserve and conserve the traditional rights over natural resources. All States barring Bihar and Rajasthan have enacted State Legislation to give effect to the provisions contained in Act 40, 1996 as mandated under the Central Act, Rajasthan promulgated an ordinance in this regard recently.

The PESA act is remarkable in the Indian context. It (i) recognizes that tribal communities are a vulnerable group that needs to be protected from the state in the person of the lower functionaries such as policeman, excise, forest and revenue officials who tend to act against tribal communities interest, and (ii) it endorses the communitarian nature of tribal communities life and the common ownership of property. Specifically it recognizes the priority of community rights, not just to the resource base in which the community is located but also over the individuals especially with respect to property. With these principles in mind the Central act has placed the Gram Sabha at the center of the *Panchayat* system of self-rule for the tribal communities. Its powers and functions go much beyond the Gram Sabha in the non Scheduled Areas. The Gram Sabha in Scheduled Areas has been entrusted with: (i) preserving the tradition and custom of the people, (ii) Protecting their cultural identity, (iii) safeguarding community interests in the management of community resources, (iv) ensuring the customary mode of conflict resolution; (V) being consulted in land acquisition matters for grant of prospecting license for mining lease for minor mineral in the Scheduled Area, and for grant of concession for exploitation of minor minerals by auction.

PESA is a unique legislation; it gives radical self-governance powers to the tribal community and recognizes its traditional community rights over natural resources. Prior to passage of this Act, laws passed by central and state governments were applied mechanically to tribal areas even when these contravened traditional tribal practices and institutions. However, under PESA the law focuses on settlements which the tribal people themselves perceive to be traditional and organic entities. In fact this is the first law that empowers people to redefine their own administrative boundaries. PESA provides that the tribal *gram sabha* so defines would be empowered to approve all development plans, control all functionaries and institutions of all social sectors as well as control all minor water bodies, minor minerals and non-timber forest resources. It would also have the authority to control land alienation, impose prohibition, manage village markets and resolve internal conflicts by traditional modes.

In one stroke, the Act creates space for peoples empowerment, genuine popular political participation, convergent community action, sustainable people-oriented development and auto-generated emancipation. In reality, however since its passage the law has almost been forgotten and it has not become part of the mainstream political or policy discourse. Many state governments have passed laws not fully in conformity with the central law. For their part, the tribal greeted the law with enthusiasm but find themselves progressively handicapped by the lack of actual preparedness to negotiate development and of democratisation in the manner envisaged by the law.

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