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**STANDING COMMITTEE ON
RURAL DEVELOPMENT
(2005-2006)**

FOURTEENTH LOK SABHA

MINISTRY OF PANCHAYATI RAJ

**DEMANDS FOR GRANTS
(2005-2006)**

*[Action taken by the Government on the recommendations contained
in the Twelfth Report of the Standing Committee on
Rural Development (Fourteenth Lok Sabha)]*

FIFTEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

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Presented to Lok Sabha on

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LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE STANDING COMMITTEE ON
RURAL DEVELOPMENT (2005-2006)

Shri Kalyan Singh — *Chairman*

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3. Shri V.K. Sharma — *Joint Secretary*
4. Shrimati Sudesh Luthra — *Deputy Secretary*
5. Shri A.K. Shah — *Under Secretary*

INTRODUCTION

I, the Chairman of the Standing Committee on Rural Development (2005-2006) having been authorised by the Committee to submit the Report on their behalf, present the Fifteenth Report on the action taken by the Government on the recommendations contained in the Twelfth Report of the Standing Committee on Rural Development (2004-2005) (Fourteenth Lok Sabha) on Demands for Grants (2005-2006) of the Ministry of Panchayati Raj.

2. The Twelfth Report was presented to Lok Sabha on 20 April, 2005. The replies of the Government to all the recommendations contained in the Report were received on 17 August, 2005.

3. The replies of the Government were examined and the Report was considered and adopted by the Committee at their sitting held on 27 October, 2005.

4. An analysis of the action taken by the Government on the recommendations contained in the Twelfth Report of the Committee is given in *Appendix V*.

NEW DELHI;
22 November, 2005
1 Agrahayana, 1927 (Saka)

KALYAN SINGH,
Chairman,
Standing Committee on
Rural Development.

CHAPTER I

REPORT

This Report of the Committee on Rural Development (2005-2006) deals with the action taken by the Government on the recommendations contained in their Twelfth Report on Demands for Grants (2005-2006) of the Ministry of Panchayati Raj which was presented to Lok Sabha on 20 April, 2005.

2. Action taken notes have been received from the Government in respect of all the 19 recommendations which have been categorised as follows:

- (i) Recommendations which have been accepted by the Government:

Para Nos. 2.6, 2.25, 2.27, 2.35, 2.36, 2.37, 2.44, 2.49, 2.57 and 2.60.

- (ii) Recommendations which the Committee do not desire to pursue in view of Government's replies:

Para Nos. 2.7 and 2.26

- (iii) Recommendations in respect of which replies of the Government have not been accepted by the Committee:

Para Nos. 2.5, 2.38 and 2.39.

- (iv) Recommendations in respect of which final replies of the Government are still awaited:

Para Nos. 2.23, 2.24, 2.48 and 2.53.

3. The Committee desire that final replies in respect of the recommendations for which only interim replies have been given by the Government should be furnished to the Committee within three months of the presentation of the Report.

4. The Committee will now deal with action taken by the Government on some of these recommendations in the succeeding paragraphs.

A. Delay in acquisition of manpower

Recommendation (Para No. 2.5)

5. The Committee had noted as below:

“The Committee note that though the Ministry of Panchayati Raj is a new Ministry (set up on 27 May 2004), yet the various activities of the Ministry were earlier being handled by the Department of Rural Development. Therefore in the opinion of the Ministry, the administrative difficulties should have been sorted out before the actual bifurcation had taken place so that the purpose of creating a new Ministry is fulfilled. In fact the Committee had expressed the similar reservations in the earlier report. Here the Committee would like to recommend that the acquisition of manpower should be completed within the shortest-possible time so that the Ministry can tackle the task it has been entrusted with.”

6. The Government in the action taken reply have stated as under:

“All out efforts were made by the Ministry of Panchayati Raj to acquire the requisite manpower to accomplish the task assigned to it. As a result necessary approval for the creation of 66 posts in various Grades has been accorded by the Ministry of Finance. The approval of the Appointments Committee of the Cabinet wherever needed, has been obtained. Out of the 66 posts for the Ministry, 17 officers/staff have already joined. For filling up of the remaining posts, the concerned competent authority *viz.* Department of Personnel and Training, Department of Official Language, Ministry of Petroleum & Natural Gas (who have been recently declared as Cadre control authority of Ministry of Panchayati Raj), Employment Exchange etc. have been requested to nominate the requisite staff which is within their purview of fill up the vacant posts.”

7. The Committee note that more than one year has passed since the Ministry of Panchayati Raj was set up on 27 May, 2004. Though the Ministry appears to have made some efforts in the right direction in so far as acquisition of manpower is concerned, yet by their own admission 49 posts out of the 66 created still remain vacant. The Committee find that the main objective of creating a separate Ministry of Panchayati Raj was to give focused attention to the issues related to Panchayati Raj. Without adequate manpower, the said objective cannot be achieved. While expressing concern on the

considerable delay in sorting out the administrative issues, the Committee reiterate their earlier recommendation that the task of acquisition of manpower needs to be completed in the shortest possible time. The Committee would like to be apprised of the progress in this regard.

B. Training of Panchayati Raj Institutions (PRIs)

Recommendations (Para Nos. 2.23 and 2.24)

8. The Committee had noted as below:

“The Committee find that there is only one Centrally Sponsored Scheme *i.e.* the Scheme of Panchayat Development and Training (PD&T) under the jurisdiction of the Ministry of Panchayati Raj. The major allocation for the Ministry has been made for training. The details of financial achievement have been analysed in the preceding part of the report. As regards the physical achievement, the Committee note that out of 30 lakh representatives of Panchayati Raj Institutions over 6 lakh could be provided training so far by the efforts of Government under the aforesaid scheme.”

Recommendation (Para No. 2.23)

“Further as stated by the Ministry out of the total elected representatives of PRIs a majority of them are new entrants. The Committee find that the Constitution has placed vast responsibility on the Gram Panchayats to formulate and execute various programmes for economic development and social justice. To enable PRIs to handle such onerous responsibility, training is the basic input. The Committee feel that the Ministry has to put more stress on this aspect. There is an urgent need to have a time bound programme for imparting training to all representatives of Panchayati Raj Institutions and the staff. The Committee would like the Department to chalk out an action plan in consultation with the State Governments and apprise them accordingly.”

Recommendation (Para No. 2.24)

9. The Government in the action taken replies have stated as under:

“The recommendation of the Committee has been forwarded to the Secretaries of Panchayati Raj in the States and they have been requested to send the proposals of training of elected

representatives of PRIs to the Ministry of Panchayati Raj to enable it to provide necessary assistance. They have also been requested that while forwarding the proposals the recommendations made during the seventh Round Table of Ministers in charge of Panchayati Raj at Jaipur relating to capacity building and training of the elected representatives may be kept in mind."

Replies to Recommendations (Para Nos. 2.23 & 2.24)

10. The Committee find that in pursuance of their recommendation to have a time bound programme for imparting training to all representatives and functionaries of Panchayati Raj Institutions (PRIs), the Ministry has requested Secretaries of Panchayati Raj Departments of respective State Governments to send proposals of training in this regard. The Committee would like the Ministry to pursue the matter further with the State Governments so that the task of imparting training to PRIs can be completed within a stipulated time frame.

The Committee further find that the Secretaries of Panchayati Raj Departments in the States have been requested to keep in mind the recommendations made during the Seventh Round Table Conference of Ministers in charge of Panchayati Raj Departments at Jaipur relating to capacity building and training of the elected representatives while sending the proposals for training. The Committee would like to be apprised of the details of the recommendations made at the aforesaid Round Table Conference in this regard.

C. Need for a mechanism for monitoring utilisation of funds allocated by Ninth and Tenth Finance Commissions

Recommendations (Para Nos. 2.38 and 2.39)

11. The Committee had recommended as below:

"The Committee would like to be apprised about the State-wise position of the matching contribution provided by the representative State Governments with regard to the Tenth Finance Commission outlay."

Recommendation (Para No. 2.38)

"The Committee further find that the grants-in-aid being extended by the Finance Commission are for the normal and the excluded

areas as proposed by the Finance Commission. It is for the States concerned to distribute the grants recommended by the Finance Commission among the local bodies including those in the excluded area in a clear and just manner. The Committee would like to be clarified about the details of the normal and excluded areas as states above. While nothing that it is the discretion of the State Governments to allocate the funds to the PRIs the Committee would like to be apprised of as to whether any data with regard to funds allocated by the State Governments out of the Ninth and Tenth Finance Commissions to PRIs has been maintained by the Ministry. If so, the Committee would like to be apprised of the details in this regard. Further, the Committee note that the Ministry of Panchayati Raj has stated that they would continue to make available funds for the capacity building of Panchayati Raj Institutions. The Committee would like to be apprised about the details of the funds being provided/proposed to be provided for the said purpose by the Ministry."

Recommendation (Para No. 2.39)

12. The Government in the action taken replies have stated as under:

"State-wise position of the matching contribution provided by the respective State Governments with regard to the Tenth Finance Commission outlay has been given at *Appendix-I*."

Reply to Recommendation (Para No. 2.38)

"The Ministry of Finance has informed that the Twelfth Finance Commission has not recommended separate grants-in-aid for the normal and the excluded areas. It is for the State concerned to distribute the grants recommended for the State among the local bodies including those in the excluded areas in a fair and just manner. The Ninth Finance Commission did not recommend any fund for the PRIs. * * *"

Reply to Recommendation (Para No. 2.39)

13. Pursuant to the recommendation of the Committee, the Ministry has forwarded the data indicating State-wise matching contribution provided by the respective State Governments with regard to the Tenth Finance Commission outlay. The critical analysis of the data indicates as under:

- (i) out of Rs. 4,380.93 Rs. 3,576.35 crore is amount of the grants released to State Governments. Thus there is a shortfall of Rs. 804.58 crore;

- (ii) the total allocation (the Tenth Finance Commission's allocation of Rs. 3,576.35 crore plus State matching contribution of Rs. 3,863.92 crore) is Rs. 7,440.27 crore. Out of Rs. 7,440.27 crore the utilisation reported by State Governments is Rs. 5,933.75 crore. Thus there is under utilisation of Rs. 1,506.52 crore.
- (iii) individual State-wise utilisation reports indicate that altogether 9 States utilised less than 80 per cent of the total outlay. Himachal Pradesh, Kerala, Maharashtra, Mizoram, Orissa, Rajasthan, Tamil Nadu and Tripura have reported more than 100 per cent utilisation. Not only that some States have reported inflated data of utilisation, for example, 376 per cent in case of Kerala, 291 per cent in case of Sikkim, and 265 per cent in case of Andhra Pradesh;
- (iv) Arunachal Pradesh and West Bengal have provided 'nil' matching contribution; and
- (v) the information with regard to utilisation position is still awaited from 6 States.

The Committee would like the comments of the Ministry on each of the observations noted above so as to enable the Committee to analyse the position in a better way.

The Committee further note that the following information as desired *vide* there earlier recommendations has not been furnished by the Ministry:

- (i) the details of the funds released out of Tenth Finance Commission funds for the capacity building of Panchayati Raj Institutions; and
- (ii) the clarification about the details of normal and excluded areas for which the grants recommended by the Finance Commission are to be distributed among the local bodies.

The Committee would like the response of the Ministry on the aforesaid issues raised in their earlier recommendations.

D. Progress with regard to devolution of funds, functions and functionaries

Recommendation (Para No. 2.44)

14. The Committee had noted as below:

"The Committee in their earlier reports have been repeatedly recommending the need to devolve the functions along with the

funds and functionaries. They note that the overall aim of Part IX of the Constitution is to endow the Panchayats with such powers and responsibilities as may be necessary to enable them to function successfully as institutions of self-government as per the mandate of the Constitution. State Legislatures have been empowered to endow Panchayats by law with such powers and authority as may be necessary to enable them to pursue economic development and social justice, including those in relations to the matters contained in the Eleventh Schedule. The Committee are constrained to note that even though around thirteen years have elapsed since the 73rd Amendment Act was enacted yet there is no considerable progress on the issue of devolution. Only one State *i.e.* Karnataka has transferred the funds, functions and functionaries for all the 29 subjects indicated in the Eleventh Schedule. Other States where considerable progress in this regard has been done are Kerala, Maharashtra, Rajasthan and Sikkim. It is really a matter of concern that several States like Haryana and Punjab have not transferred the funds *vis-a-vis* functions and functionaries, not even for a single subject to Panchayats. The Committee also find that with the constitution of the new Ministry the efforts are being made to motivate State Governments in this regard through various round table Conferences. They are also happy to note that a deadline in this regard has also been made. The Committee would like to be apprised of the aforesaid deadline with regard to devolution. The Committee would also like that the matter should further be pursued with the State Government and they be apprised of the progress in this regard.”

15. The Government in the action taken reply have stated as under:

“The matter was taken up with the Secretaries of Panchayati Raj in the States and UTs bringing to their notice, the above recommendation of the Committee. Their attention was also drawn to the first Round Table Conference wherein the subject of devolution of funds, functions and functionaries was discussed. The latest position as informed by the States is enclosed in the Table (*Appendix-II*). It can be seen there from that there has been considerable progress made by the States in the devolution of activities to Panchayats. To give a further impetus in this regard, the Council of State Ministers of Panchayati Raj has met at Kochi on 5th & 6th August, 2005 discuss the specific issues of activity mapping. *** **

16. The Ministry of Panchayati Raj has claimed that there has been considerable progress made by the States in the devolution of activities to Panchayats. To substantiate this the Ministry has indicated the devolution status in a statement (*Appendix II*). The Committee while analysing the said statement in comparison to the status at the stage of examination of Demands for Grants 2005-2006 [refer Para No. 2.41 of Twelfth Report 2005-2006 (Copy at *Appendix-III*)] find that there is some progress in Madhya Pradesh, Maharashtra, Uttaranchal, D&N Haveli and Daman and Diu. However in case of Gujarat the number of subjects devolved seems to have decreased from 15 to 14. The Committee further note that the Ministry has given an incomplete status of devolution in different States. Devolution status with regard to funds, functions and functionaries has not been separately indicated. Besides in case of 9 States/Union territories no information has been provided. The Committee would like the Ministry to furnish the complete information so as to enable them to come to meaningful conclusion with regard to the progress made in respect of devolution of subjects to PRIs.

The Committee, however, find that there is considerable progress with regards to activity mapping in most of the States/Union territories. The Committee would like the Ministry to continue the efforts with regard to motivating State Governments/Union territory Administrations in this regard.

E. Constitution of District Planning Committees

Recommendation (Para No. 2.48)

17. The Committee had noted as below:

“The Committee find that District Planning Committees are to be constituted in every district to consolidate the plans prepared by the Panchayats. They are constraint to note that there are a number of States in which District Planning Committees have not been constituted so far in accordance with the provisions of Article 243ZD. The Committee also note that with the pursuance of the newly constituted Ministry, a deadline has been fixed whereby all the States/Union territories are required to set up DPCs by the end of the current financial year. The Committee feel that State Governments need to be persuaded further to comply with the said deadline and they be apprised accordingly.”

18. The Government in the action taken reply have stated as under:

“A letter was sent by the Ministry of Panchayati Raj to all Secretaries of Panchayati Raj in the States on 30 May, 2005 enclosing the above recommendation of the Committee and they have been requested to constitute the DPCs in their respective States, if the same have not been constituted so far. They have also been informed about the recommendation of the Committee to discourage the practices which are not in true spirit of the Constitution. Their attention has also been drawn to the meeting of the Committee of Chief Secretaries and Secretaries of Panchayati Raj in the States/Union territories held on 11 April, 2005 wherein the Ministry of Panchayati Raj desired that the States that have not constituted DPCs in accordance with Article 243ZD of the Constitution are to do so within 31 October, 2005.”

19. The Committee find that a deadline has been given by the Ministry of Panchayati Raj to State Governments for the constitution of District Planning Committees (DPCs) by 31 October 2005. The Committee hope that a considerable progress with regard to constitution of District Planning Committees in the respective States might have been made by now. The Committee would like to be apprised of the status in this regard so as to enable them to appreciate the efforts made by the Ministry.

F. Implementation of Centrally Sponsored Schemes

Recommendation (Para No. 2.53)

20. The Committee had recommended as below:

“The Committee find that it is matter of concern that even for the Centrally Sponsored Schemes, related to 29 subjects as enlisted in the Eleventh Schedule of the Constitution, the Union Government cannot ensure the implementation of schemes through Panchayats. The Committee appreciate that with the constitution of the Ministry of Panchayati Raj, the matter is being looked into seriously. Not only that, Prime Minister has intervened and the matter is being seriously pursued by the Cabinet Secretary. The Committee further find that with regard to release of funds directly to Panchayati Raj Institutions under the Centrally Sponsored Schemes of the Union Ministries, a Committee has been constituted which will submit the report shortly. The Committee would like to be apprised of the deliberations and decisions taken by the said Committee. The Committee would

like to urge the Ministry of step up their efforts in this regard and hope that considerable progress will be made on the aforesaid subject. The Committee also feel that ensuring the implementation of Centrally Sponsored Schemes through Panchayati Raj Institutions will further motivate the State Governments to devolve 29 subjects enlisted in Eleventh Schedule of the Constitution."

21. The Government in the action taken reply have stated as under:

"The Ministry of Panchayati Raj has examined the list of approximately 300 schemes listed in Volume-II of the Expenditure Budget 2004-05 which, in the explanatory notes, itemizes, *inter-alia*, the various Centrally Sponsored Schemes. The overwhelming majority of these schemes are related to the 29 subjects listed in the Eleventh Schedule. In most Centrally Sponsored Schemes, there is considerable scope for recognizing the centrality of Panchayats in their implementation, in line with the letter and spirit of Parts IX of the Constitution, so as to empower them to function as "institutions of self-government" as per the provisions of Article 243G of the Constitution in respect of such schemes. These are among the issues that have been pursued through evolution of consensus in the series of seven Round Tables of Panchayati Raj Institutions organized by the Ministry of Panchayati Raj.

The Prime Minister has approved a suggestion from the Ministry of Panchayati Raj that all Ministries who are operating Centrally Sponsored Schemes should review their schemes in the light of Article 243G read with the Eleventh Schedule, with a view to incorporating into these Schemes, the Constitutional provisions in this regard in letter and spirit. It has also been decided that the Ministry of Panchayati Raj should be consulted and their views incorporated in the notes prepared for consideration of Cabinet/Cabinet Committees in all cases relating to Centrally Sponsored Programmes/Schemes that have a bearing on decentralization. Cabinet Secretariat has accordingly issued instructions to all the Ministries on the 8 November, 2004 in this regard. Ministries are taking necessary action in this regard.

A Committee was constituted by the Ministry of Panchayati Raj on feasibility of sending funds to PRIs directly through banking channels. The Committee has submitted its report. The Committee has recommended that it is feasible to maintain a database of Panchayat accounts, State-wise for the country to transfer funds without any delay or diversion to these accounts

by using channels and to set up a feedback mechanism to know when a particular bank account is credited with funds. For this purpose, a nodal bank has to be identified for each particular State based on the number of Branches and Branch connectivity of the banks in the State. The strongest Bank in terms of territorial coverage and connectivity in a State should be selected as the nodal Bank. It has been recommended that there should be a service level agreement between the Ministry which remits funds to the Panchayat Bank account and the Nodal Bank, laying out the number of days it will take to credit funds, the number of days it will take for feedback about date of credit, and the time period by which the Bank Branches will be connected to its centralized business solutions network or in the interim to its wide area network. The Department of Panchayati Raj in a State will need to create and maintain, with the assistance of its local State National Informatic Centre Office, a database of Panchayat Bank accounts on the National Panchayat Portal which has already been created by the National Informatic Centre, Delhi. The funds to be remitted to Panchayats through their Panchayat Bank accounts can be prescribed by the States concerned or by the Central Ministries concerned depending on the guidelines framed for the particular schemes or funds being administered by the Ministry.

A Cell to be created in the Ministry of Panchayati Raj or in the Ministry of Finance can look after all the institutional, coordination and infrastructural issues relating to maintaining a computerized database of Panchayat accounts and coordinating with designated Nodal Banks for different States as well as with State Governments. The Cell should have permanent representation from the office of Chief Controller of Accounts, Office of NIC and the Ministries of Panchayati Raj and Finance.

The recommendations of the Committee have been sent to the Ministry of Finance for their consideration.

A Review Meeting was taken by the Prime Minister on the outcome of the Round Tables on the Panchayati Raj on 2 June, 2005. It was decided during the meeting that the Central Ministries/Planning Commission should rationalize policies of Centrally Sponsored Schemes in accordance with the Eleventh Schedule of the Constitution in keeping with the suggestions of the Ministry of Panchayati Raj, Planning Commission Task Force Report on PRIs on December, 2001 and the Task Force of the State Secretaries of PR in December, 2004. It was also decided

that the issue of rationalising Centrally Sponsored Scheme Policy be referred by the Ministry of Panchayati Raj to the Group of Ministries on Panchayati Raj for early resolution.

As per the directive of the Prime Minister, on rationalizing of Policy relating to CSS in accordance with the Eleventh Schedule of the Constitution, the matter has been referred to the Group of Ministers."

22. The Committee note the efforts being made by the Ministry of Panchayati Raj with regard to implementation of different Centrally Sponsored Schemes by Panchayati Raj Institutions as per the mandate of article 243G read with Eleventh Schedule of the Constitution. Further the Committee constituted by the Ministry of Panchayati Raj has found that it is feasible to send funds to PRIs with regard to Centrally Sponsored Schemes directly through Banking channels. The Committee appreciate that Hon'ble Prime Minister has evinced keen interest and a review meeting was taken by him. The Committee further find that on the directive of the Prime Minister the matter of rationalizing of policy related to Centrally Sponsored Schemes has been referred to the Group of Ministries. The Committee while appreciating the initiatives taken by the Ministry in this direction would like them to continue their efforts in this regard. The Committee would like to be apprised of the follow up action in this regard.

G. Progress with regard to setting up of "Rural Business Hubs"

Recommendation (Para No. 2.57)

23. The Committee had noted as below:

"The Committee appreciate the efforts of the Ministry to secure a constructive partnership between Panchayats and industries as envisaged in the concept of establishing 'Rural Business Hubs'. The Committee feel that the said vision when translated into reality has the great potential to bring about an economic transformation in rural India. The Committee hope that progress in this regard is made and they would like to be apprised of it."

24. The Government in the action taken reply have stated as under:

"A Conference of Chief Ministers in charge of Rural Development and Panchayati Raj on Poverty Alleviation through Panchayati Raj was organised in Delhi on 29-30 June, 2004. The Prime Minister in his inaugural address emphasized the need to learn from the Chinese Model of Town and Village Enterprises that

add value to agricultural produce in the rural areas. In this context, he suggested the establishment of Rural Business Hubs based on local resource endowments, felt needs of the local community, and relative absorptive capacity. Accordingly, the Ministry of Panchayati Raj has been engaged in consultation with various experts in order to devise an appropriate framework for Panchayats to facilitate the setting up of the Rural Business Hubs. In November, 2004, National Presentation on Rural Business Hubs was organised jointly by Ministry of Panchayati Raj and Confederation of Indian Industry in which several Government agencies such as IT, Financial Institutions including NABARD and institutions dealing with Textiles, Handicrafts and Agro Business participated. About 1000 elected representatives of Gram Panchayats, Block Panchayats and Zilla Panchayats from various States/UTs also participated along with about 250 representatives of industry. The Ministry of Panchayati Raj and the CII are now working together to facilitate public-private-panchayat partnership to establish rural business hubs. For this purpose, a Rural Business Council Co-chaired by the Minister of Panchayati Raj and Shri S.K. Munjal, former Chairman of CII has been set up. The first Meeting of the Council was held on the 29th July, 2005.

Ten States namely, Uttaranchal, Kerala, Karnataka, Jammu & Kashmir, Punjab, Rajasthan, West Bengal, Uttar Pradesh, Chhattisgarh and Assam have been initially selected as focus States for the purpose of facilitating the establishment of Rural Business Hubs. One individual, either from CII or from the Ministry of Panchayati Raj has been assigned the responsibility of taking up the facilitation process in these States for Panchayats to set up Rural Business Hubs."

25. The Committee are glad to note that remarkable progress has been made on the issue of setting up 'Rural Business Hubs' (RBHs) for facilitating public-private-Panchayat participation. The Committee have been informed that the consultations are in progress with various experts to devise an appropriate framework for Panchayats to facilitate the setting up of the said Rural Business Hubs. The Committee also find that ten States have initially been selected for the purpose of establishing Business Hubs. The Committee hope that the vision of Rural Business Hubs would be translated into reality with the initiative of the Ministry of Panchayati Raj. The Committee would like to be kept informed about the progress made in this regard.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 2.6)

The Committee while analysing the data of outlay earmarked during 10th Plan, find that during the Tenth Plan the allocation provided under the scheme of Panchayati Raj Development and Training is less than half of the projected outlay. Another noticeable fact noticed by the Committee is that during the first year *i.e.* 2004-2005 of the newly created Ministry, the Ministry has got less than half of what was projected outlay. But even that amount could not be spent fully. Out of Rs. 31.04 crore earmarked at BE stage, the expenditure incurred is just Rs. 6.98 crore which includes the releases of Rs. 1 crore made for North Eastern Region. In fact out of Rs. 1 crore earmarked to North Eastern Region, only Rs. 16,78,460 could be spent and remaining amount was transferred to non-lapsable fund. The analysis with regard to PD&T scheme has been done in the subsequent part of the report. Here while analysing the over all position of outlay the Committee find that even though the allocation is just half of the projected outlay during 2004-2005 the expenditure reported is a just one-fifth of the BE. Not only that about half of the outlay has been earmarked in the last three months of the year. The Committee express their strongest concern on the gross non-utilisation of resources and recommend that suitable corrective actions may be taken in this regard.

Reply of the Government

The observations of the Committee have been noted. Necessary corrective action are being taken and as a result the funds earmarked for the year 2005-06 will be utilised fully during the current financial year.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Recommendation (Para No. 2.25)

The Committee further find that after the setting up of the Ministry of Panchayati Raj, a Training and Research Advisory Committee has

been set up. Two sittings of the said Committee have been held so far and the Advisory Committee has approved five research/training proposals in this regard. The Committee also note that the Ministry has furnished the reasons for under spending as the late constitution of this body. Whereas the Ministry was constituted on 27 May, 2004 the Committee could only be constituted on 18 January, 2005. It has also been stated that the Head of Account of the Ministry was partially separated on November, 2004 and after that the said Advisory Committee could be constituted. The Committee while understanding the initial teething problems of the Ministry hope that this year more attention would be paid on the training of PRIs.

Reply of the Government

The Recommendation of the Committee has been noted.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Recommendation (Para No. 2.27)

The Committee also note that the Department of Rural Development (Ministry of Rural Development also have allocation for NIRD, SIRD, ETCs which cater to the training needs of PRIs. In this situation the Committee would like to be apprised of the status of training Committees under the Ministry of Rural Development. The Committee would also like to be apprised how the coordination between the training aspect being handled by the Ministry of Rural Development and this Ministry would be ensured. Besides the Committee will also like to be apprised of the involvement of NIRD, SIRD, ETCs under the Ministry of Rural Development for the purpose of training.

Reply of the Government

Both the Departmental Screening Committee (DSC) which considers proposals received for non-recurring expenditure in respect of State Institutes of Rural Development (SIRDs) and Extension Training Centres (ETCs), and the Training Advisory Committee (TAC) considering programmes under SGSY Scheme continue to function in the Ministry of Rural Development.

The NIRD, among other activities also provide support for training of PRI elected representatives in terms of Training of Trainers, development of material and other guidance SIRDs impart training to

the Rural Development functionaries at the National, State and District level while ETCs impart training to the Rural Development functionaries at Block/Village level. The SIRDs/ETCs also provide training to PRIs members and officials at different levels.

The Ministry of Panchayati Raj is working in close co-ordination with these activities of the NIRD, SIRDs. The following are the specific areas of coordination:

- (a) The Director General of the NIRD is member of the TRAC of Ministry of Panchayati Raj.
- (b) Training of PR Members and officials by SIRD is funded by the Ministry of Panchayati Raj.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Recommendation (Para No. 2.35)

The Committee find from the position of allocation and utilisation of outlay provided by the 10th Finance Commission that the utilisation is 84 per cent whereas the percentage utilisation of funds allocated by the 11th Finance Commission is stated to be 69 per cent only. The Committee find from the information furnished by the Ministry that the funds in this regard have not been released to State Governments. The Committee also note that the Ministry of Panchayati Raj has identified the tracking and monitoring of funds as the thrust area in the Ministry of Panchayati Raj. While appreciating the said initiative of the Ministry the Committee further stress that there is an urgent need to put a mechanism for monitoring of the outlay being earmarked particularly when the Ministry of Panchayati Raj is making efforts to ensure devolution of funds for the 29 subjects indicated in the Eleventh Schedule of the Constitution besides ensuring direct release of funds under different Centrally Sponsored Schemes directly to Panchayats.

Reply of the Government

Ministry of Finance, Department of Expenditure, Finance Commission Division have put a mechanism in place for monitoring of the outlay earmarked for Panchayats. The Guidelines were released and utilisation of Grants recommended by the Twelfth Finance Commission for augmentation of the Consolidated Funds of the States

for supplementing these resources of the Rural and Urban Local Bodies spells out the following mechanism with respect to the monitoring of fund transfer:

- Every State shall constitute a High Level Committee (HLC) headed by the Chief Secretary to ensure proper utilisation of Local Bodies Grants.
- A Central Review Committee shall be constituted in the GOI, headed by the Secretary, Ministry of Finance, Department of Expenditure to review the releases and utilization of grants.
- A separate Committee for PRIs headed by the Secretary, Ministry of Panchayati Raj, Government of India, would be constituted to monitor the mode of release of local body grants to Panchayats. This Committee shall bring out the points for intervention by Government of India in Ministries of Panchayati Raj and Finance to ensure smooth and uninterrupted flow of funds to PRIs.
- Grants will not be released to a State (if covered under Part IX of the Constitution) where elections for constituting these Panchayats have not been held, for the period for which there were no elected Panchayats as per the provisions of the Constitution.
- Local body grants shall be released in two equal instalments in July and January every year. States have to mandatorily transfer the grants released by the Centre to the PRIs within 15 days of the same being credited to the State's account.
- State Finance Secretary would be required to provide a certificate within 15 days of the release of each instalment by Government of India under his signature certifying the dates and amounts of local grants received by the State from the Government of India and the dates and amount of grants released by the State to the PRIs.
- In the case of delayed transfer to PRIs from the State, an amount of interest at the rate equal to the RBI Bank rate should be additionally paid by the State Government to the PRIs, for the period of delay.

- A certificate of release of the previous instalment to PRIs will be a pre-condition from the second release onwards. State Governments will also need to give details of allocations of funds to PRIs before they become eligible to receive funds.

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Dated: 4 August, 2005]

Recommendation (Para No. 2.36)

They note that certain conditions laid down by the Finance Commissions stipulate that the funds would be released only on the fulfilment of certain conditions. The Committee would like to be apprised about the conditions laid down by the Finance Commission in this regard. They also note that several States have not complied the conditions laid down by the Finance Commission. The Committee would like to be apprised about the names of the said States. The Committee hope what with the creation of an exclusive Ministry to deal with the Panchayati Raj, the things will improve and it will be ensured that there is effective utilization of funds allocated by the Finance Commissions.

Reply of the Government

Guidelines issued by Ministry of Finance on the recommendations of the 10th & 11th Finance Commission stipulated devolution of functions and responsibilities from the State to local bodies with mandatory elections so that they function as the effective units of local self government. During the first year of the recommendation period the funds were released to States for PRIs and ULBs on *ad-hoc* basis and for subsequent years releases the State Governments were required to furnish utilisation certificates and holding of Panchayat elections was mandatory. During the period to which the recommendations of the Tenth Finance Commission applied 5 States namely, Arunachal Pradesh, Goa, Jammu & Kashmir, Meghalaya and Nagaland had not complied partly/fully the conditions laid in the Guidelines issued by Ministry of Finance. During the period to which the recommendations of the Eleventh Finance Commission applied 5 States namely, Arunachal Pradesh, Assam, Goa, Jammu & Kashmir and Jharkhand had not complied partly/fully the conditions laid down in the Guidelines issued by Ministry of Finance. The Ministry of Panchayati Raj will take action to monitor the effective utilisation of funds allocated to them, in terms of the guidelines issued by the Ministry of Finance on the utilisation of grants released on the recommendations of the Twelfth Finance Commission in this regard.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Recommendation (Para No. 2.37)

The Committee further find that a sum of Rs. 20,000 crore have been allocated as grants-in-aid to augment the Consolidated Fund of States for the period 2005-2010. They also note that the information on the action plan for the utilisation of the said allocation is being procured by the Ministry, from the Ministry of Finance. The Committee would like to be apprised of the details in this regard.

Reply of the Government

Twelfth Finance Commission recommended a sum of Rs. 20,000 crore as grants-in-aid to PRIs to augment the Consolidated Fund of States for the period 2005-2010. The Finance Commission has recommended the PRIs to perform the following functions:

- (i) the PRIs should be encouraged to take over the assets relating to water supply and sanitation and utilise the grants for repairs/rejuvenation as also the O&M costs. The PRIs should, however, recover at least 50 per cent of the recurring costs in the form of user charges; and
- (ii) of the grants allocated for Panchayats, priority should be given to expenditure on the O&M costs of water supply and sanitation. This will facilitate Panchayats to take over the schemes and operate them.

The Guidelines for release of Local Bodies Grants recommended by the Twelfth Finance Commission has been issued by the Ministry of Finance and a copy thereof is enclosed for reference. (*Annexure-I*).

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Recommendation (Para No. 2.44)

The Committee in their earlier reports have been repeatedly recommending the need to devolve the functions along with the funds and functionaries. They note that the overall aim of Part IX of the Constitution is to endow the Panchayats with such powers and responsibilities as may be necessary to enable them to function successfully as institutions of self-government as per the mandate of the Constitution. State Legislatures have been empowered to endow Panchayats by law with such powers and authority as may be necessary to enable them to pursue economic development and social justice,

including those in relations to the matters contained in the Eleventh Schedule. The Committee are constrained to note that even though around thirteen years have elapsed since the 73rd Amendment Act was enacted, yet there is no considerable progress on the issue of devolution. Only one State *i.e.* Karnataka has transferred the funds, functions and functionaries for all the 29 subjects indicated in the Eleventh Schedule. Other States where considerable progress in this regard has been done are Kerala, Maharashtra, Rajasthan and Sikkim. It is really a matter of concern that several States like Haryana and Punjab have not transferred the funds *vis-a-vis* functions and functionaries, not even for a single subject to Panchayats. The Committee also find that with the constitution of the new Ministry the efforts are being made to motivate State Governments in this regard through various round table Conferences. They are also happy to note that a deadline in this regard has also been made. The Committee would like to be apprised of the aforesaid deadline with regard to devolution. The Committee would also like that the matter should further be pursued with the State Governments and they be apprised of the progress in this regard.

Reply of the Government

The matter was taken up with the Secretaries of Panchayati Raj in the States and UTs bringing to their notice, the above recommendation of the Committee. Their attention was also drawn to the first Round Table wherein the subject of devolution of funds, functions and functionaries was discussed. The latest position as informed by the States is enclosed in the Table given at *Annexure-III* as can be seen therefrom, there has been considerable progress made by the States in the devolution of activities to Panchayats. To give a further impetus in this regard, the Council of State Ministers of Panchayati Raj has met at Kochi on 5th & 6th August, 2005 to discuss the specific issues of activity mapping. A statement of conclusions arrived at in the meeting is enclosed as (*Annexure-IV*)

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Dated: 4 August, 2005]

Comments of the Committee

(Please *see* Para No. 16 of Chapter-I of the Report)

Recommendation (Para No. 2.49)

The Committee further find that as stated by the Ministry the meetings of the DPCs are not being chaired as per the provisions of

the Constitutions. In some States, Minister-in-charge of the districts have been made as the Chairpersons of the DPCs. The Committee hope that with the transfer of DPCs to the Ministry of Panchayati Raj which is exclusively dealing with the matters related to implementation of Part IX of the Constitution, the State Governments would be persuaded to discourage the practices which are not in true spirit of the Constitution. The Committee would like to be apprised of the efforts being made by the Ministry in this regard.

Reply of the Government

A letter was sent by the Ministry of Panchayati Raj to all Secretaries of Panchayati Raj in the States on 30 May, 2005 enclosing the above recommendation of the Committee and they have been requested to constitute the DPCs in their respective States, if the same have not been constituted so far. They have also been informed about the recommendation of the Committee to discourage the practices which are not in true spirit of the Constitution. Their attention has also been drawn to the meeting of the Committee of Chief Secretaries and Secretaries of Panchayati Raj in the States/UTs held on 11.4.2005 wherein the Ministry of Panchayati Raj desired that the States that have not constituted DPCs in accordance with Article 243ZD of the Constitution are to do so within 31 October, 2005.

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Recommendation (Para No. 2.57)

The Committee appreciate the efforts of the Ministry to secure a constructive partnership between Panchayats and industries as envisaged in the concept of establishing 'Rural Business Hubs'. The Committee feel that the said vision when translated into reality has the great potential to bring about an economic transformation in rural India. The Committee hope that progress in this regard is made and they would like to be apprised of it.

Reply of the Government

A Conference of Chief Ministers and State Ministers in charge of Rural Development and Panchayati Raj on Poverty Alleviation through Panchayati Raj was organised in Delhi on 29-30 June, 2004. The Prime Minister in his inaugural address emphasised the need to learn from the Chinese Model of Town and Village Enterprises that add value to agricultural produce in the rural areas. In this context, he suggested the establishment of Rural Business Hubs based on local resource endowments, felt needs of the local community, and relative absorptive

capacity. Accordingly, the Ministry of Panchayati Raj has been engaged in consultation with various experts in order to devise an appropriate framework for Panchayats to facilitate the setting up of the Rural Business Hubs. In November, 2004, National Presentation on Rural Business Hubs was organised jointly by Ministry of Panchayati Raj and Confederation of Indian Industry in which several Government agencies such as IT, Financial Institutions including NABARD and institutions dealing with Textiles, Handicrafts and Agro Business participated. About 1000 elected representatives of Gram Panchayats, Block Panchayats and Zilla Panchayats from various States/UTs also participated along with about 250 representatives of industry. The Ministry of Panchayati Raj and the CII are now working together to facilitate public-private-panchayat partnership to establish rural business hubs. For this purpose, a Rural Business Council Co-chaired by the Minister of Panchayati Raj and Shri S.K. Munjal, former Chairman of CII has been set up. The first Meeting of the Council was held on the 29 July, 2005.

Ten States namely, Uttaranchal, Kerala, Karnataka, J&K, Punjab, Rajasthan, West Bengal, U.P., Chhattisgarh and Assam have been initially selected as focus States for the purpose of facilitating the establishment of Rural Business Hubs. One individual, either from CII or from the Ministry of Panchayati Raj has been assigned the responsibility of taking up the facilitation process in these States for Panchayats to set up Rural Business Hubs.

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Comments of the Committee

(Please see Para No. 25 of Chapter-I of the Report)

Recommendation (Para No. 2.60)

The Committee appreciate the fact that the Government has initiated the process of awarding Panchayats for excellence in various fields. Here the Committee would like to suggest the greater publicity should be given to such events that would increase awareness about them at all levels and inspire more Panchayats to strive for such awards.

Reply of the Government

The recommendation of the Committee has been noted.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Para No. 2.7)

The Committee find from Detailed Demands for Grants of Ministry of Panchayati Raj as tabled in the House, that there are certain components of plan allocation, such as Grants-in-aid to State Governments, projects assisted by the United Nations agencies, other charges, Panchayat Development and Research, Grants to Institutions, Conferences, Seminar, Workshop for which the allocation has been separately made. However in the Performance Budget the analysis of Plan outlay and expenditure has been done under only one major scheme *i.e.* Panchayat Development and Training. The Committee would like to recommend that the analysis head-wise as indicated in the detailed Demands for Grants as explained above should be indicated in detail in the Performance Budget so as to enable the Committee to analyse the data critically and arrive at some meaningful conclusions.

Reply of the Government

The recommendation has been noted for compliance.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Recommendation (Para No. 2.26)

The Committee further find from the reply of the Ministry that earlier there was Research and Training Committee under the Panchayati Raj Training Division of the Ministry of Rural Development. The Committee would like to be apprised of the difference between the erstwhile Committees that was functioning under the Ministry of Rural Development and the existing Research and Training Committee of the Ministry of Panchayati Raj.

Reply of the Government

The Research and Training Committee which was earlier functioning under the Ministry of Rural Development assisted the States in imparting training to all elected representatives of Panchayats and

official functionaries. The Ministry of Rural Development was providing financial assistance for research studies to the Research Institutes/NGOs. The Ministry of Rural Development also provides assistance to 27 State Institutes of Rural Development (SIRDs) and 88 Extension Training Centres (ETCs) engaged in imparting training to the elected representatives and officials in the States for meeting partially their requirement of recurring and non-recurring expenditure.

After the transfer of work relating to Training of Panchayati Raj Members etc. to the Ministry of Panchayati Raj, there is a Committee functioning in the Training Division of the Ministry of Rural Development namely, the Departmental Screening Committee (DSC) under the Chairmanship of Secretary (RD) which considers proposals received for non-recurring expenditure in respect of State Institutes of Rural Development and Extension Training Centres. Additionally, the Ministry of Rural Development also has a Training Advisory Committee in the SGSY Division that provides funding to the State Governments, SIRDs and Bankers for organizing Training Programmes on various SGSY Schemes.

The existing Training and Research Committee under the Ministry of Panchayati Raj, considers proposals of the States as also the State Institutes of Rural Development/Extension Training Centres etc. in imparting training to the elected representatives and officials in the States. The TRAC of the Ministry of Panchayati Raj also considers proposals for providing financial assistance for Research Studies to Research Institutes/NGOs on various aspects of Panchayati Raj.

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Dated: 4 August, 2005]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Para No. 2.5)

The Committee note that though the Ministry of Panchayati Raj is a new Ministry (set up on 27 May 2004), yet the various activities of the Ministry were earlier being handled by the Department of Rural Development. Therefore, in the opinion of the Ministry, the administrative difficulties should have been sorted out before the actual bifurcation had taken place so that the purpose of creating a new Ministry is fulfilled. In fact the Committee had expressed the similar reservations in the earlier report. Here the Committee would like to recommend that the acquisition of manpower should be completed within the shortest-possible time so that the Ministry can tackle the task it has been entrusted with.

Reply of the Government

All out efforts were made by the Ministry of Panchayati Raj to acquire the requisite manpower to accomplish the task assigned to it. As a result necessary approval for the creation of 66 posts in various Grades has been accorded by the Ministry of Finance and the Appointments Committee of the Cabinet's approval wherever needed has been obtained. Out of the 66 posts for the Ministry, 17 officers/ staff have already joined for filling up of the remaining posts, the concerned competent authority *viz.*, Department of Personnel & Training, Department of Official Language, Ministry of Petroleum & Natural Gas (who have been recently declared as Cadre control authority of Ministry of Panchayati Raj). Employment Exchange etc. have been requested to nominate the requisite staff which is within their purview to fill up the vacant posts.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please see Para No. 7 of Chapter-I of the Report)

Recommendation (Para No. 2.38)

The Committee would also like to be apprised about the State-wise position of the matching contribution provided by the respective State Governments with regard to the 10th Finance Commission outlay.

Reply of the Government

State-wise position of the matching contribution provided by the respective State Governments with regard to the Tenth Finance Commission outlay is at *Annexure-II*.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please see Para No. 13 of Chapter-I of the Report)

Recommendation (Para No. 2.39)

The Committee further find that the grants-in-aid being extended by the Finance Commission are for the normal and the excluded areas as proposed by the Finance Commission. It is for the States concerned to distribute the grants recommended by the Finance Commission among the local bodies including those in the excluded area in a clear and just manner. The Committee would like to be clarified about the details of the normal and excluded areas as stated above. While noting that it is the discretion of the State Governments to allocate the funds to the PRIs the Committee would like to be apprised of as to whether any data with regard to funds allocated by the State Governments out of the Ninth and Tenth Finance Commissions to PRIs has been maintained by the Ministry. If so, the Committee would like to be apprised of the details in this regard. Further, the Committee note that the Ministry of Panchayati Raj has stated that they would continue to make available funds for the capacity building of Panchayati Raj Institutions. The Committee would like to be apprised about the details of the funds being provided/proposed to be provided for the said purpose by the Ministry.

Reply of the Government

The Ministry of Finance has informed that the Twelfth Finance Commission has not recommended separate grants-in-aid for the normal and the excluded areas. It is for the State concerned to distribute the

grants recommended for the State among the local bodies including those in the excluded areas in a fair and just manner. The Ninth Finance Commission did not recommend any fund for the PRIs. For the first time, the 10th Finance Commission recommended PRIs grants for Rs. 4381 crore for the period 1995-2000. State-wise details are at *Annexure-II*. For the year 2005-06, Ministry of Panchayati Raj has budget Provision of Rs. 29.40 crore for providing grants-in-aid for training of elected representatives of PRIs.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please see Para No. 13 of Chapter-I of the Report)

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Para No. 2.23)

The Committee find that there is only one Centrally Sponsored Scheme *i.e.* The Scheme of Panchayat Development and Training (PD&T) under the jurisdiction of the Ministry of Panchayati Raj. The major allocation for the Ministry has been made for training. The details of financial achievement have been analysed in the preceding part of the report. As regards the physical achievement, the Committee note that out of 30 lakh representatives of Panchayati Raj Institutions over 6 lakh could be provided training so far by the efforts of Government under the aforesaid scheme.

Reply of the Government

The recommendation of the Committee has been forwarded to the Secretaries of Panchayati Raj in the States and they have been requested to send the proposals of training of elected representatives of PRIs to the Ministry of Panchayati Raj to enable it to provide necessary assistance. They have also been requested that while forwarding the proposals the recommendations made during the seventh Round Table of Ministers in charge of Panchayati Raj at Jaipur relating to capacity building and training of the elected representatives may be kept in mind.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please *see* Para No. 10 of Chapter-I of the Report)

Recommendation (Para No. 2.24)

Further as stated by the Ministry out of the total elected representatives of PRIs a majority of them are new entrants. The Committee find that the Constitution has placed vast responsibility on the Gram Panchayats to formulate and execute various programmes for economic development and social justice. To enable PRIs to handle

such onerous responsibility, training is the basic input. The Committee feel that the Ministry has to put more stress on this aspect. There is an urgent need to have a time bound programme for imparting training to all representatives of Panchayati Raj Institutions and the staff. The Committee would like the Department to chalk out an action plan in consultation with the State Governments and apprise them accordingly.

Reply of the Government

The recommendation of the Committee has been forwarded to the Secretaries of Panchayati Raj in the States and they have been requested to send the proposals of training of elected representatives of PRIs to the Ministry of Panchayati Raj to enable it to provide necessary assistance. They have also been requested that while forwarding the proposals the recommendations made during the seventh Round Table of Ministers in charge of Panchayati Raj at Jaipur relating to capacity building and training of the elected representatives may be kept in mind.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please see Para No. 10 of Chapter-I of the Report)

Recommendation (Para No. 2.48)

The Committee find that District Planning Committees are to be constituted in every district to consolidate the plans prepared by the Panchayats. They are constraint to note that there are a number of States in which District Planning Committees have not been constituted so far in accordance with the provisions of Article 243ZD. The Committee also note that with the pursuance of the newly constituted Ministry, a deadline has been fixed whereby all the States/Union Territories are required to set up DPCs by the end of the current financial year. The Committee feel that State Governments need to be persuaded further comply with the said deadline and they be appraised accordingly.

Reply of the Government

A letter was sent by the Ministry of Panchayati Raj to all Secretaries of Panchayati Raj in the States on 30 May, 2005 enclosing the above recommendation of the Committee and they have been requested to

constitute the DPCs in their respective States, if the same have not been constituted so far. They have also been informed about the recommendation of the Committee to discourage the practices which are not in true spirit of the Constitution. Their attention has also been drawn to the meeting of the Committee of Chief Secretaries and Secretaries of Panchayati Raj in the States/UTs held on 11.4.2005 wherein the Ministry of Panchayati Raj desired that the States that have not constituted DPCs in accordance with Article 243ZD of the Constitution are to do so within 31 October, 2005.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please see Para No. 19 of Chapter-I of the Report)

Recommendation (Para No. 2.53)

The Committee find that it is matter of concern that even for the Centrally Sponsored Schemes, related to 29 subjects as enlisted in the Eleventh Schedule of the Constitution, the Union Government cannot ensure the implementation of schemes through Panchayats. The Committee appreciate that with the Constitution of the Ministry of Panchayati Raj, the matter is being looked into seriously. Not only that, Prime Minister has intervened and the matter is being seriously pursued by the Cabinet Secretary. The Committee further find that with regard to release of funds directly to Panchayati Raj Institutions under the Centrally Sponsored Schemes of the Union Ministries, a Committee has been constituted which will submit the report shortly. The Committee would like to be apprised of the deliberations and decisions taken by the said Committee. The Committee would like to urge the Ministry of step up their efforts in this regard and hope that considerable progress will be made on the aforesaid subject. The committee also feel that ensuring the implementation of Centrally Sponsored Schemes through Panchayati Raj Institutions will further motivate the State Governments to devolve 29 subjects enlisted in Eleventh Schedule of the Constitution.

Reply of the Government

The Ministry of Panchayati Raj has examined the list of approximately 300 schemes listed in Volume-II of the Expenditure Budget 2004-05 which, in the explanatory notes, itemizes, *inter alia*, the various Centrally Sponsored Schemes. The overwhelming majority of these schemes are related to the 29 subjects listed in the Eleventh Schedule. The most Centrally Sponsored Schemes, there is considerable scope for recognizing the centrality of Panchayats in their

implementation, in line with the letter and spirit of Parts IX of the Constitution, so as to empower them to function as “institutions of self-government” as per the provisions of Article 243G of the Constitution in respect of such schemes. These are among the issues that have been pursued through evolution of consensus in the series of seven Round Tables of Panchayati Raj Institutions organized by the Ministry of Panchayati Raj.

The Prime Minister has approved a suggestion from the Ministry of Panchayati Raj that all Ministries who are operating Centrally Sponsored Schemes should review their schemes in the light of Article 243G read with the Eleventh Schedule, with a view to incorporating into these Schemes, the Constitutional provisions in this regard in letter and spirit. It has also been decided that the Ministry of Panchayati Raj should be consulted and their views incorporated in the notes prepared for consideration of Cabinet/Cabinet Committees in all cases relating to Centrally Sponsored Programmes/Schemes that have a bearing on decentralisation. Cabinet Secretariat has accordingly issued instructions to all the Ministries on the 8 November, 2004 in this regard. Ministries are taking necessary action in this regard.

A Committee was constituted by the Ministry of Panchayati Raj on feasibility of sending funds to PRIs directly through banking channels. This Committee has submitted its report. The Committee has recommended that it is feasible to maintain a database of Panchayat accounts, State-wise for the country to transfer funds without any delay or diversion to these accounts by using channels and to set up a feedback mechanism to know when a particular bank account is credited with funds. For this purpose, a nodal bank has to be identified for each particular State based on the number of branches and branch connectivity of the banks in the State. The strongest Bank in terms of territorial coverage and connectivity in a State should be selected as the nodal Bank. It has been recommended that there should be a service level agreement between the Ministry which remits funds to the Panchayat Bank account and the nodal bank, laying out the number of days it will take to credit funds, the number of days it will take for feedback about date of credit, and the time period by which the bank branches will be connected to its centralised business solutions network or in the interim to its wide area network. The Department of Panchayati Raj in a State will need to create and maintain, with the assistance of its local State National Informatic Centre Office, a database of Panchayat Bank accounts on the National Panchayat Portal which has already been created by the National Informatic Centre, Delhi. The funds to be remitted to Panchayats through their Panchayat Bank accounts can be prescribed by the States concerned or by the Central Ministries concerned depending on the guidelines framed for the particular schemes or funds being administered by the Ministry.

A Cell to be created in the Ministry of Panchayati Raj or in the Ministry of Finance can look after all the institutional, coordination and infrastructural issues relating to maintaining a computerized database of Panchayat accounts and coordinating with designated Nodal Banks for different States as well as with State Governments. The Cell should have permanent representation from the office of Chief Controller of Accounts, office of NIC and the Ministries of Panchayati Raj and Finance.

The recommendation of the Committee have been sent to the Ministry of Finance for their consideration.

A Review Meeting was taken by the Prime Minister on the outcome of the Round Tables on the Panchayati Raj on 2 June, 2005. It was decided during the meeting that the Central Ministries/Planning Commission should rationalize policies of Centrally Sponsored Schemes in accordance with the XI Schedule of the Constitution in keeping with the suggestions of the Ministry of Panchayati Raj, Planning Commission Task Force Report on PRIs on December, 2001 and the Task Force of the State Secretaries of PR in December, 2004. It was also decided that the issue of rationalising Centrally Sponsored Scheme Policy be referred by the Ministry of Panchayati Raj to the Group of Ministers on Panchayati Raj for early resolution.

As per the directive of the Prime Minister, on rationalizing of Policy relating to CSS in accordance with the XI Schedule of the Constitution, the matter has been referred to the Group of Ministers.

[Ministry of Panchayati Raj OM No. H-11011/2/2005-PR
Dated: 4 August, 2005]

Comments of the Committee

(Please *see* Para No. 22 of Chapter-I of the Report)

NEW DELHI;
22 November, 2005
1 *Agrahayana*, 1927 (*Saka*)

KALYAN SINGH,
Chairman,
Standing Committee on
Rural Development.

APPENDIX I

(As on 31.3.2005)

STATEMENT SHOWING STATE-WISE RELEASE OF GRANTS AS PER FINANCE COMMISSION RECOMMENDATIONS AND ITS UTILISATION BY PANCHAYATI RAJ INSTITUTIONS

(Rs. In lakhs)

Sl.No.	State	Tenth Finance Commission							
		Allocation (1995-2000)	Grants released to SG (1995-2000)	Short fall (Col. 2 minus 3)	Desired utilisation grant released alongwith desired matching contribution by State Govt.)	Matching Contribution by PRI/SG reported by State Govt.	Grants released by SG to PRIs	Utilisation reported by State Govt.	Col. 8 as % of Col. 5
1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh	35100	33594.21	1505.79	44791.16	85169.86	118764.07	118764.07	265.15
2.	Arunachal Pradesh	451	141.25	309.75	188.33	NA	IA	IA	—
3.	Assam	13336	4167.50	9168.5	5556.53	NIL	4167.5	4167.5	75.00
4.	Bihar*	50719	12680.00	3803.9	16906.24	897.02	9221.13	9221.13	54.54
5.	Chhattisgarh	—	—	—	—	—	—	—	—
6.	Goa	591	258.50	332.5	344.66	NA	IA	IA	—
7.	Gujarat	19201	19201.00	0	25600.69	21767.59	19200.00	19200.00	75.00
8.	Haryana	8264	8264.00	0	11018.39	826.04	9090.04	9090.04	82.50
9.	Himachal Pradesh	3218	2816.00	402	3754.57	649.33	3887.38	3867.38	103.00
10.	Jammu and Kashmir	3759	3759.00	0	5011.87	—	IA	IA	—
11.	Jharkhand	—	—	0.00	0.00	NA	IA	IA	—
12.	Karnataka	22177	22177.00	0	29568.59	4350.13	22177.00	22177.00	75.00
13.	Kerala	17881	17881.00	0	23840.74	119714.00	89788.00	89788.00	376.61
14.	Madhya Pradesh	34869	34285.57	583.43	45712.95	54448.00	34868.00	34868.00	76.28
15.	Maharashtra	34701	21688.00	130.13	28916.61	13189.50	34827.00	34827.00	120.44
16.	Manipur	931	407.25	523.75	542.99	407.25	407.25	407.25	75.00

1	2	3	4	5	6	7	8	9	10
17.	Meghalaya**	865	378.00	487	503.99	NA	IA	IA	—
18.	Mizoram	294	294.00	0	391.99	294.00	588.00	588.00	150.00
19.	Nagaland***	465	203.50	261.5	271.33	NA	IA	IA	—
20.	Orissa	20099	20099.00	0	26798.00	16750.00	36849.00	36849.00	137.51
21.	Punjab	10335	4521.50	5813.5	6028.52	1507.17	4224.85	4224.85	70.08
22.	Rajasthan	21222	21222.00	0	28295.29	25157.62	45907.82	45907.82	162.25
23.	Sikkim	190	190.00	0	253.33	548.00	738.00	738.00	291.32
24.	Tamil Nadu	28734	28734.00	0	38311.04	28734.00	57468.00	57468.00	150.00
25.	Tripura	1394	870.50	523.5	1160.64	350.00	1744.00	1744.00	150.26
26.	Uttar Pradesh	75952	66458.00	9494	88608.45	11632.57	67181.43	67181.43	75.82
27.	Uttaranchal	—	—	—	—	NA	—	—	—
28.	West Bengal	33345	33345.00	0	44458.89	Nil	32298.54	32298.54	72.65
	Total	438093.00	357635.78	80457.22	476835.79	386392.08	593375.01	593375.01	124.44

* Includes Rs. 3207 lakhs transferred to Jharkhand.

** Meghalaya had transferred the entire TFC funds to ULBs as there are no PRIs in Meghalaya.

*** Govt. of Nagaland has transferred the entire fund. 1A Information Awaited.

APPENDIX II

**THE STATEMENT INDICATING THE FUNDS FUNCTIONS AND
FUNCTIONARIES DEVOLVED BY THE STATES/UNION TERRITORIES
INDICATING LATEST POSITION UPTO 29 JUNE, 2005**

State	Subjects transferred through legislation	Activity mapping undertaken	Latest position ((29.6.2005)
Andhra Pradesh	17 Subjects	9 Subjects	Committee constituted under Special Chief Secretary has yet to meet to consider activity mapping.
Assam	29 Subjects	29 Subjects on 26.7.2002	Activity mapping not operationalised through executive orders and funds transfer.
Arunachal Pradesh	Nil	6 Subjects	--
Bihar	25 Subjects	20 Subjects	
Chhattisgarh	29 Subjects	6 Subjects	Activity mapping for six completed and the remaining to be completed by October, 2005.
Goa	6 Subjects	18 Subjects	
Gujarat	14 Subjects	14 Departments	Activity in respect of 5 subjects have been devolved partially. With respect to 10 functions, activities are yet to be devolved.
Haryana	16	16 Subjects	Draft Activity mapping prepared. Final decision of Govt. of Haryana awaited.
Himachal Pradesh	26 subjects		Preliminary discussions held draft activity mapping.
Jammu & Kashmir			
Jharkhand			
Karnataka	29 Subjects	29 Subjects	Devolution of funds pertaining to 26 subjects completed with effect from 2005-06.
Kerala	26 Subjects	26 Subjects	United funds devolved in respect of devolved functions.
Maharashtra	19 Subjects	9 Departments	
Madhya Pradesh	25 Subjects	7 Subjects	Draft Activity Mapping under consideration of Government.
Manipur	22 Subjects	22 Subjects	Activity Mapping of 22 subjects completed.
Orissa	25 Subjects	8 Subjects	Meeting of 11 Departments have been called and activity mapping of 8 Departments are in progress.
Pondicherry			
Punjab	7 Subjects	6	Draft Activity Mapping prepared. Final decision of Govt. awaited.
Rajasthan	29 Subjects	18 Subjects transferred	Activity Mapping is in progress.
Sikkim			
Tamil Nadu			
Tripura			
Uttar Pradesh	12 Subjects	10 Subjects	Activity Mapping is in progress.
Uttaranchal	14 Subjects	14 Subjects	Activity Mapping in respect of 9 departments completed and under consideration of the Government. GOs for devolution of 3 departments issued.
West Bengal	29 Subjects	29	Activity Mapping is completed, awaiting approval of Cabinet.
D & N Haveli	29 Subjects	29 Subjects	Activity Mapping is completed.
Daman & Diu	29 Subjects	29 subjects	Activity Mapping is completed.
A&N Nicobar Islands			
Lakshdweep			
Chandigarh UT			

APPENDIX III

THE STATEMENT INDICATING THE FUNDS, FUNCTIONS AND FUNCTIONARIES DEVOLVED BY THE STATES/UNION TERRITORIES INDICATING NUMBER OF DEPARTMENTS/ SUBJECTS TRANSFERRED TO PANCHAYATS

Sl.No.	States/Union territories	No. of Departments/Subjects Transferred to Panchayats			Remarks
		Funds	Functions	Functionaries	
1	2	3	4	5	6
1.	Andhra Pradesh	05	17	02	
2.	Arunachal Pradesh	—	—	—	Elections held recently. Yet to devolve 3Fs.
3.	Assam	—	29	—	
4.	Bihar	8	25	—	Only functional control
5.	Jharkhand	—	—	—	Elections have not yet been held.
6.	Goa	6	6	—	
7.	Gujarat	15	15	15	
8.	Haryana	—	16	—	
9.	Himachal Pradesh	02	26	11	
10.	Karnataka	29	29	29	
11.	Kerala	26	26	26	
12.	Madhya Pradesh	10	23	09	
13.	Chhattisgarh	10	29	09	
14.	Maharashtra	18	18	18	
15.	Manipur	—	22	04	
16.	Orissa	09	25	21	
17.	Punjab	—	07	—	

1	2	3	4	5	6
18.	Rajasthan	18	29	18	
19.	Sikkim	24	24	24	
20.	Tamil Nadu	—	29	—	
21.	Tripura	—	12	—	
22.	Uttar Pradesh	04	12	06	
23.	Uttaranchal	—	11	11	
24.	West Bengal	12	29	12	
25.	A&N Islands	06	06	06	
26.	Chandigarh	—	—	—	
27.	D&N Haveli	—	03	03	
28.	Daman & Diu	05	09	03	
29.	NCT of Delhi	Panchayati Raj System is yet to be revived			
30.	Pondicherry	—	—	—	Elections have not yet been held
31.	Lakshadweep	—	06	—	

APPENDIX IV

EXTRACTS OF MINUTES OF THE SEVENTH SITTING OF THE COMMITTEE HELD ON THURSDAY THE 27 OCTOBER, 2005

The Committee sat from 1100 hrs. to 1200 hrs. in Committee Room 'E',
Parliament House Annexe, New Delhi.

PRESENT

Shri Kalyan Singh—*Chairman*

MEMBERS

Lok Sabha

2. Shri V. Kishore Chandra S. Deo
3. Shri Mohan Jena
4. Shri Subhash Maharia
5. Shri Hannan Mollah
6. Shri Dawa Narbula
7. Shri Anna Saheb M.K. Patil
8. Shrimati Tejaswini Seeramesh
9. Shri P. Chalapathi Rao
10. Shri Nikhilananda Sar
11. Shri Mohan Singh
12. Shri D.C. Srikantappa
13. Shri Bagun Sumbrai

Rajya Sabha

14. Kumari Nirmala Deshpande
15. Shrimati Vanga Geetha
16. Prof. Alka Balram Kshatriya
17. Shri Penumalli Madhu
18. Shri Kalraj Mishra
19. Dr. Chandan Mitra
20. Dr. Gyan Prakash Pilonia
21. Prof. R.B.S. Varma

SECRETARIAT

- | | | | |
|----|------------------------|---|----------------------|
| 1. | Shri S.K. Sharma | - | Additional Secretary |
| 2. | Shrimati Sudesh Luthra | - | Deputy Secretary |
| 3. | Shri A. K. Shah | - | Under Secretary |
| 4. | Shrimati Gurjeet Kaur | - | Assistant Director |

2. The Chairman, at the outset, welcomed the members to the sitting of the Committee and felicitated Smt. Vanga Geetha, MP, Rajya Sabha on her nomination as the member of the Committee. Thereafter, the Committee took up for consideration Memorandum No. 2 regarding action taken report on Eleventh Report of the Committee on Demands for Grants (2005-2006) of the Department of Drinking Water Supply (Ministry of Rural Development). The Committee after deliberation adopted the draft report with certain modifications as indicated in *Annexure*.

3. The Committee then took up for consideration Memorandum No. 3 regarding action taken report on Twelfth Report of the Committee on Demands for Grants (2005-2006) of the Ministry of Panchayati Raj. The Committee after deliberation adopted the said draft report without any modifications.

4. The Committee then authorised the Chairman to finalise the aforesaid draft action taken Reports on the basis of factual verification from the concerned Department/Ministry and present the same to both the Houses of Parliament.

5. The Committee, thereafter, decided that the next sitting might be convened on Thursday, the 10 November, 2005.

The Committee then adjourned.

APPENDIX V

[Vide Para 4 of the Introduction]

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWELFTH REPORT OF THE STANDING COMMITTEE ON RURAL DEVELOPMENT (14TH LOK SABHA)

I.	Total number of recommendations	19
II.	Recommendations that have been accepted by the Government Para Nos. 2.6, 2.25, 2.27, 2.35, 2.36, 2.37, 2.44, 2.49, 2.57 and 2.60	10
	Percentage to the Total recommendations	(52.63%)
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies Para Nos. 2.7 and 2.26	2
	Percentage to the Total recommendations	(10.52%)
IV.	Recommendations in respect of which replies of the Government have not been accepted by the Committee Para Nos. 2.5, 2.38 and 2.39	3
	Percentage to the Total recommendations	(15.78%)
V.	Recommendations in respect of which final replies of the Government are still awaited Para Nos. 2.23, 2.24, 2.48 and 2.53	4
	Percentage to the Total recommendations	(21.05%)