

Dalit ArthikAdhikarAndolan (DAAA) is one of the units of NCDHR working towards securing and strengthening the economic rights of Dalits and Adivasis, along with their entitlements regarding education, entrepreneurship and asset building through the Constitutional provisions of budgetary allocation. DAAA believes in strongly advocating for inclusion and promotion of Dalits in the economy of the country. It makes strategic interventions in budgeting, planning schemes and policy formulation, advocacy and research, implementation and monitoring of funds under sub plans for SC/ST. DAAA has been analysing the Central and state Governments budget for the last 9 years, and has engaged in their evaluation. It also engages with policy formulation, and was involved in the process of drafting the 11th and 12th 5-year Plans. DAAA has been involved extensively with communities, policymakers and executives for creating awareness and effective implementation of Scheduled Caste and Scheduled Tribe Component Plans in many states. DAAA focuses mainly on strengthening the communities in accessing schemes and entitlements.



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A large, stylized tree graphic is centered on the right page. The tree's branches and leaves are composed of intricate circuit board patterns, symbolizing technology and interconnectedness. The tree is rendered in a light blue color against a darker blue background.

HANDBOOK FOR PANCHAYAT MEMBERS UNDERSTANDING AND ACCESSING BUDGETS

**NATIONAL CAMPAIGN ON DALIT HUMAN RIGHTS
DALIT ARTHIK ADHIKAR ANDOLAN (DAAA)**

MY PANCHAYAT MY BUDGET:
HANDBOOK FOR DALIT ADIVASI PRI MEMBERS
IN ACCESSING BUDGETS
Dalit Arthik Adhikar Andolan

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1

INTRODUCTION AND PURPOSE OF HANDBOOK

Kotasirlam village is situated 7kms away from Ramabhadrapuram Block of Vijayanagaram district in Andhra Pradesh. 122 Dalit families live in SC colony of this village of which 40 families belong to Madiga communities, 80 belonging to Mala community and 2 families belong to Pydi communities.

The Sarpanch post of the Panchayat is reserved for SC woman. Gollapalli Seethamma belonging to SC mala community is the Sarpanch of the village. She is an illiterate woman and manipulated by influential caste persons, while discharging her duties. She came to power on the behest of politics played by Caste Hindus in filling her nomination under the “reserved seat”. As a result, it was easier for them to manipulate her.

Even though she lives in the Dalit hamlet none of the work done by her has been for the betterment of the community and the hamlets. The Dalit colony has been facing many problems owing to broken public drinking water tap. Resulting in the Dalit community not having access to clean drinking water. In addition, the streetlights in their part of the village don't function resulting in residents of the Dalit hamlets living in dark for months.

The families of Dalit hamlets have made several representations to the Sarpanch, and District Panchayat Officer (henceforth, DPO) and as Panchayat secretary demanding that their concerns regarding drinking water and streetlight be resolved.

In the absence of proper response from the Sarpanch, the residents of Dalit colony approached the DPO Satynarayana, requesting him to address their problems. He sent a team to the village for enquiry

At that time, the village was selected under the Chandranna Bata Scheme for the development of infrastructure in the colony, the scheme focuses on the construction of cement roads in the village. The government sanctioned a sum of Rs.62 lakhs for laying cement roads.

Despite the existing problem of lack of roads in the Dalit hamlets, the Sarpanch Smt. Gollapalli Seethamma, influenced by persons belonging to BC community, diverted majority of money towards laying roads in the BC colony— approach roads to lands of the BC households and a mere 3-meter roads for the Dalit hamlets. P. Lakshmana and Thota Abraham of the Dalit colony with the support of Ward members questioned the Sarpanch as well as the influential persons on this misuse of the funds meant for Dalit colony. They did not respond properly to the Dalit families.

The Dalit colony leaders approached the District Collector and Magistrate twice, making a representation of the diversion of funds allocated under Scheduled Caste Sub-Plans under Chandranna Bata Scheme. Based on the representations made the collector instructed the Deputy Engineer (henceforth DE) to enquire into the matter. During the enquiry in the matter Sarpanch promised to lay the roads under the scheme for the Dalit community. Due to delay in laying of roads, Dalit colony families again approached the Collector. The Collector DE conducted an enquiry to look into the delay.

During the second enquiry it came to light that the budget meant for Dalit colony was diverted. During this enquiry the media was also present and the issue was highlighted in the regional press the next day. As a result of the report submitted by DE and media coverage, the Collector ordered the Contractor to lay roads in Dalit colony as per the sanctioned order, using the allocated funds for the allocated purpose.

The case from Andhra Pradesh is one among the many instances that highlight the way in which exclusion and community assertion of rights play out at the Panchayat level. With the 73rd amendment to the Constitution, Panchayat came to play a central role in the governance of the country. However, as evident from the case, Panchayats are as much home to severe institutional and historical discrimination

based on Caste and ethnicity, as well as a powerful unit of governance.

Dalit and Adivasi continue to face severe discrimination in access to entitlements at the village and Panchayat level, despite and as a result of provisions of reservation of seats in the Panchayat.

In 2012, with the commencement of the provisions of 14th Finance Commission, Panchayats also became a unit of budgetary spending and not just budgetary allocations. That meant the power to discern where the money would be spent was given directly to the people and their representatives at the Panchayat level. Giving more teeth to the local governance unit. The provisions of 14th Finance Commission introduced financial independence of the Panchayats. Allowing the elected representatives to spend money based on their local needs.

WHY THE HANDBOOK

In light of the introduced measures, and the continued discrimination, a need to capacitate the community at the Panchayat level is increasing being felt. Our previous work with budgetary allocations allowed a deep understanding of allocation of resources and enjoyment of entitlements.

The Government of India has various strategies, policies and programmes/schemes to address the economic, social and cultural development of Dalits and Adivasis. However, successful implementation of such programmes requires adequate funds, an appropriate policy framework and, above all an effective delivery mechanism. To this end, it is necessary to involve Panchayats in these programmes, as they are the smallest unit of governance. The first step is to capacitate the Panchayats with relevant information and importance of budgets.

The Panchayati Raj system is a decentralised form of government, which truly helps in giving power to the people at the grassroots. This power can only be unleashed if the Panchayat members and the Sarpanch are well equipped to understand not just the planning process but the fund flow and the larger context within which the system functions. There has been a demand to have a handbook with the main components towards understanding budgets at the Panchayat level and the roles and means of sanc-

tioning and implementing projects at the Panchayat level. Thus the formulation of this handbook entitled 'My Panchayat My Budget: Handbook for Dalit Adivasi PRI Members in Accessing Budgets' was drafted specifically, for Panchayat members but also to be used by community lead organisations in enabling Panchayat members and Panchayat Presidents to access public entitlement for the development of their Panchayat

THIS HANDBOOK WAS DRAFTED WITH AN OBJECTIVE OF –

1. To understand the functioning of Panchayats from the point of view of accessing budgets
2. To build the capacity of PRI members and CSO/CLO members in accessing budgetary allocation
3. To capacitate PRI members to ensure provisions of 14th Finance Commission are properly implemented.

The present handbook will help the PRI elected representatives to understand various steps like their constitutional rights, legal provision, assessment, planning, collection and utilisation of financial resources etc. required in management of Dalits and Adivasis development vis-à-vis education, health, basic infrastructure development, employment, and their role in planning, implementation, monitoring, coordination, etc. of those activities.

METHODOLOGY OF THE HAND BOOK

This Handbook has been developed through rigorous and proactive consultation with various stakeholders viz; Dalit and Adivasi elected representatives, Dalit and Adivasi community leaders, activists, academicians and researchers through regional trainings organised in different parts of the country from Jharkhand, Maharashtra, Tamil Nadu with participants from Bihar, Odisha, Rajasthan, UP, Kerala, along with state level trainings with elected panchayat representatives, Community Led Organisation (CLOs), CSOs (Civil Society Organisations), Govt.'s present and ex officials, in Rajasthan, Bihar, Odisha and UP. Every state has their own state specific PRI Act which deals with the governance at the local level with the very idea of decentralisation of administrative and financial power.

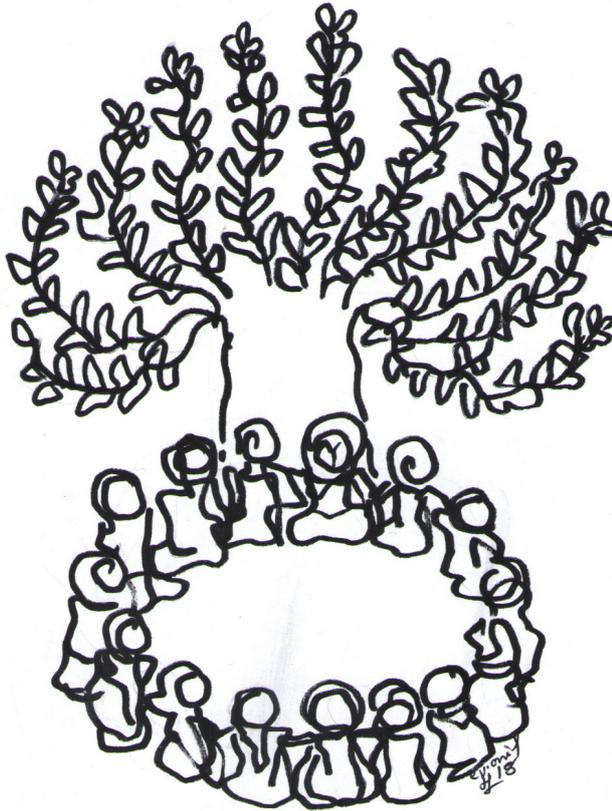
BASIC STRUCTURE OF THE HANDBOOK

This Handbook will help the community leaders and PRI elected members with the basic idea of functioning of Gram Sabha and Gram Panchayats under the local governance system of Panchayati Raj Act of 1994. This handbook, specifically, targets our Dalit and Adivasi elected representatives to help to orient them on the overall basic functions of Panchayats to deal with the different stakeholders' vis-à-vis Government authorities, concerned Departments, and their counterparts in Gram Sabha and Gram Panchayats, in-particular members from the dominant social groups.

The handbook focuses on one of the most important aspect of accessing entitlements—GPDP (Gram Panchayat Development Plan) under PRI which enables the Gram Sabha and Gram Panchayats to prepare their own development outlay plan and track the different expenditures of fund released through the GPDP. An understanding of this process will be helpful in ensuring transparency and accountability under this local governance system.

2

BASICS OF PANCHAYAT RAJ INSTITUTIONS



WHAT IS PANCHAYATI RAJ INSTITUTIONS?

The Panchayati Raj Institutions (henceforth, PRI) were envisioned to decentralise institutions to local bodies, making them participatory in nature.

PRI is designed in such way to ensure empowerment and enablement of the panchayati raj representatives in order to ensure development with social justice and efficient delivery of services.

WHEN WAS THE PANCHAYATI RAJ INSTITUTION INTRODUCED?

Panchayati Raj Institutions are the local government mechanisms that found constitutional backing through the 73rd amendment in 1993.

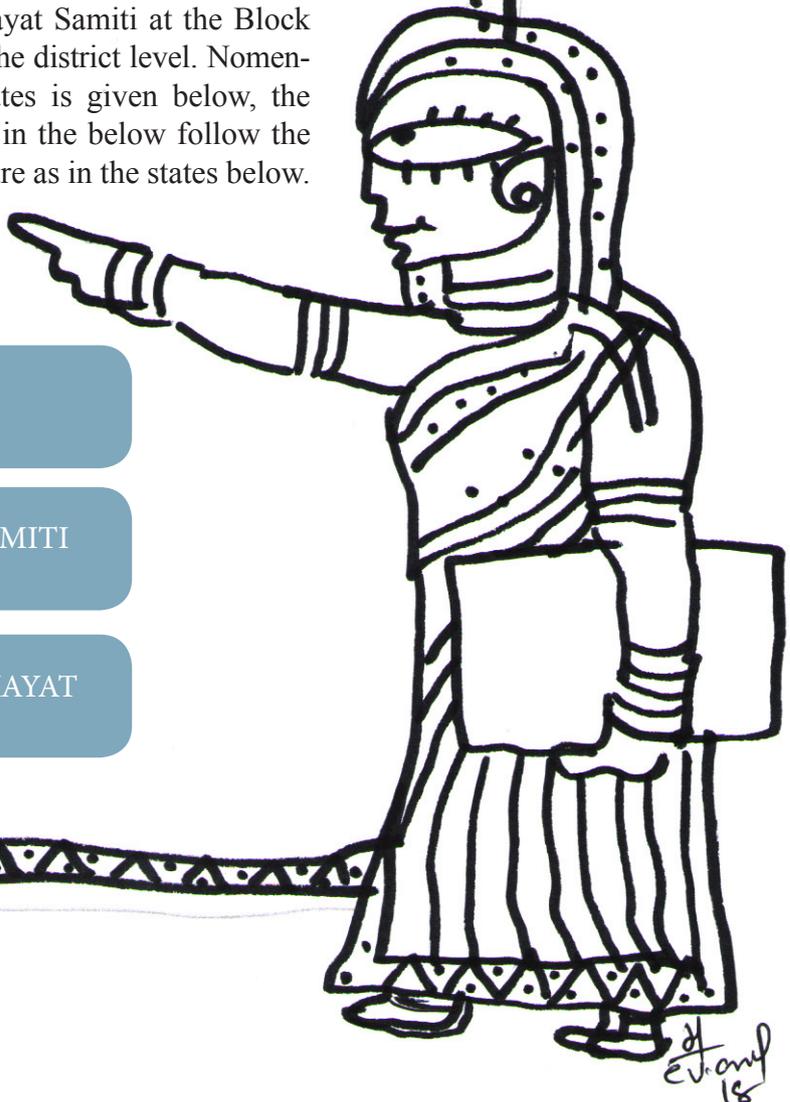
WHAT IS THE STRUCTURE OF THE PANCHAYAT INSTITUTIONS?

The 73rd amendment to the Constitution introduced a three-tier governance structure starting at the lowest level of governance— the Panchayat, at the village level, Panchayat Samiti at the Block level and Zilla Parishad at the district level. Nomenclature of some of the states is given below, the other states not mentioned in the below follow the same or similar nomenclature as in the states below.

ZILA PARISHAD

PANCHAYAT SAMITI

VILLAGE PANCHAYAT



**TABLE 1- NAMES UNDER DIFFERENT ACTs
UNIT OF GOVERNANCE**

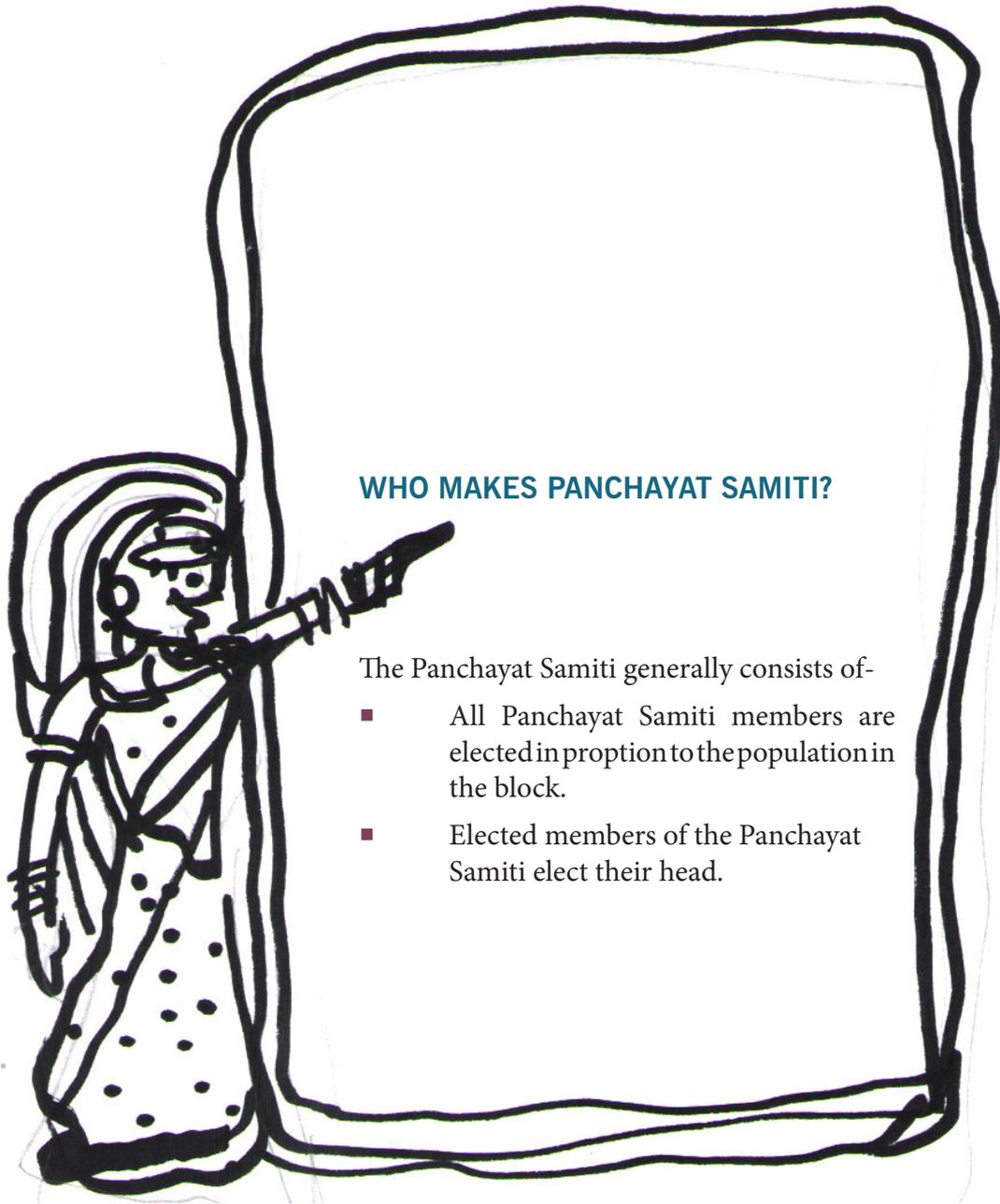
District	Block/Taluka	Village	
NATIONAL ACT	Zilla Parishad	Gram Samiti	Gram Panchayat
UP	Zilla Panchayat	Kshetra Panchayat	Gram Panchayat and Nyaya panchayat
BIHAR	Zilla Parisad	Panchayat Samiti	Gram Panchayat and Gram Katchahry
JHARKHAND	Zilla Parishad	Mandal Parishad	Gram Panchayat
ODISHA	Zilla Parishad	Panchayat Samiti	Gram Panchayat
AP	Zilla Parishad	Mandal Panchayat	Gram Panchayat
TAMIL NADU	District Council	Union Council	Village Panchayat
MAHARASHTRA	Zilla Parishad	Panchayat Samiti	Gram Panchayat
RAJASTHAN	Zilla Parisad	Panchayat Samiti	Gram Panchayat

WHO IS A PANCHAYAT MEMBER?

The Panchayat chiefly consists of representatives elected by the people of the village.

- Only the persons who are registered as voters and do not hold any office of profit under the government are eligible for election to the Panchayat. The persons convicted by the court for criminal offences are disqualified from election of the Panchayat.
- There is reservation of seats for SC and ST community in proportion to their population.
- 33% reservation for women.
- The villagers enrolled in the voting list, above the age of 18 constitute the Gram Sabha. The Panchayat as a body is accountable to Gram Sabha that meets at least six times in a year. Before Gram Sabha meeting, a women gram sabha, constituting only of women members of all the villages in the Panchayat, is to be conducted.

- The Gram Panchayat must present its budget, accounts of the previous year and annual administrative report before the Gram Sabha. Furthermore, it has to secure the latter's approval of the village development plan, proposals for taxation and development programmes before they are enforced by the Panchayat.
- Village development plan should be made in participation with the Gram Sabha.



WHO MAKES PANCHAYAT SAMITI?

The Panchayat Samiti generally consists of-

- All Panchayat Samiti members are elected in proportion to the population in the block.
- Elected members of the Panchayat Samiti elect their head.

WHAT FUNCTION DOES PANCHAYAT SAMITI PERFORM?

Panchayat Samiti is responsible for the implementation of the development projects approved by Zilla Parishad and monitors their progress.

It has no independence in instituting special programmes or development projects of its choice. It simply carries out the directives of the Zilla Parishad.

WHAT IS ZILLA PARISHAD?

Zilla Parishad is the third tier or apex body of the Panchayat structure and functions at district level. They oversee budgeting, planning for the entire rural Panchayati institution, assessment of Village development plan and overseeing its implementation. The Zilla Parishad gives necessary advice to the Government with regard to the implementation of the various development schemes. It is also responsible for the maintenance of primary and secondary schools, hospitals, dispensaries, minor irrigation works etc. It also promotes local industries and art.

WHAT ARE MAJOR FUNCTIONS PERFORMED BY THE PRI

According to the act the business of the house covers matters under the 11th schedule. These are¹ : -

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small-scale industries, including food-processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.

Parliament. "THE CONSTITUTION (SEVENTY-THIRD AMENDMENT) ACT, 1992." Indian Code. <http://indiacode.nic.in/coiweb/amend/amend73.htm> (accessed January 13, 2016).

12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets

3

GRAM SABHA



WHAT IS THE GRAM SABHA?

Gram Sabha is the foundation of the PRI. Gram Sabha refers to the all the adult members (above 18years) who live in an area covered by the Panchayat.

It is generally formed in villages with population at least exceeding 1500 people. However, in some states, a Gram Sabha may be formed even if the population is less than 1500. If the population of several villages are less than the prescribed minimum, then the villages are grouped together to form a Gram Sabha.

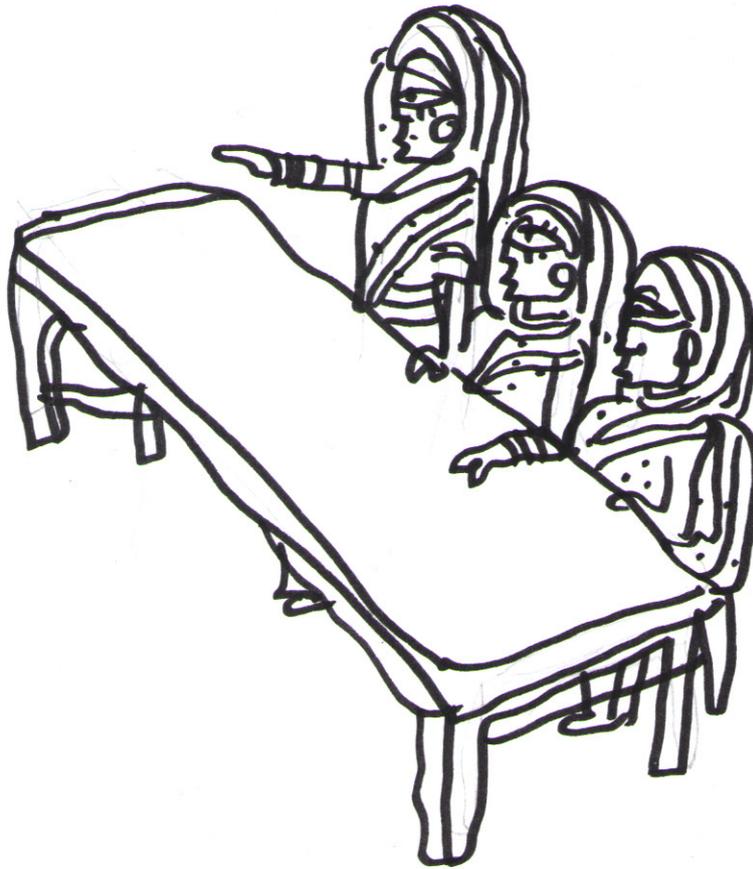
WHAT ARE THE FUNCTIONS OF GRAM SABHA?

1. Gram Sabha elects the representatives to Gram Panchayat. The main task of Gram Panchayat is to implement development plans in the village and work towards the development of the Panchayat.
2. They keep a check on the activities of Gram Panchayat and influence their decisions for the welfare of the village.
3. All plans towards the development of the Panchayat are placed before the Gram Sabha for consideration, deliberation and discussion. Its only with the approval of the Gram Sabha do the plans get implemented.

HOW MANY MEETINGS DOES A GRAM SABHA ORGANISE IN A YEAR?

- Gram Sabha conducts public meetings in the village.
- In addition to mandatory meeting every two months, it may also conduct additional meetings.
- Gram Sabha may decide a fixed date day based on either English calendar or Indian Calendar or fix a day of the week. In such a case there won't be a need to provide any type of specific information.
- If the Gram Sabha decides to fix each meeting separately or decides to hold a meeting on a particular day, within three days of a decision, an announcement will be made in the whole village.
- Every meeting or proceeding of Gram Sabha will be conducted in public.
- Even if a meeting of the Gram Sabha is to be held in a closed building, there will not be any provision of closing the doors or prohibiting entry.





WHAT IS WOMEN'S GRAM SABHA?

Women's Gram Sabha is the general body of the adult women population of the villages. They meet before the Gram Sabha meeting to discuss the needs, functioning and developmental works of the Panchayat. Their discussion points are part of the Gram Sabha discussion.

WHAT IS THE METHOD OF DECISION MAKING?

The functioning of Gram Sabha will be done with 'consensus'. By 'consensus', is meant people either agrees or neutral to the proposition and no one is in opposition to the decision. There is a quorum for consensus. Quorum comprises of 1/5th of the total members. There will be a separate quorum for women, which will be 1/3rd of the total quorum.

WHAT COMPRISES AS THE PROCEEDINGS OF THE GRAM PANCHAYAT?

- A Chairperson will be elected from amongst the Gram Sabha members for a period of one year.
- Under Panchayat (Extension of Scheduled Areas Act) (henceforth PESA), member of a Scheduled Tribe will be selected. In case the population is less than 10%, person who is not a member of Scheduled Tribe may be appointed.

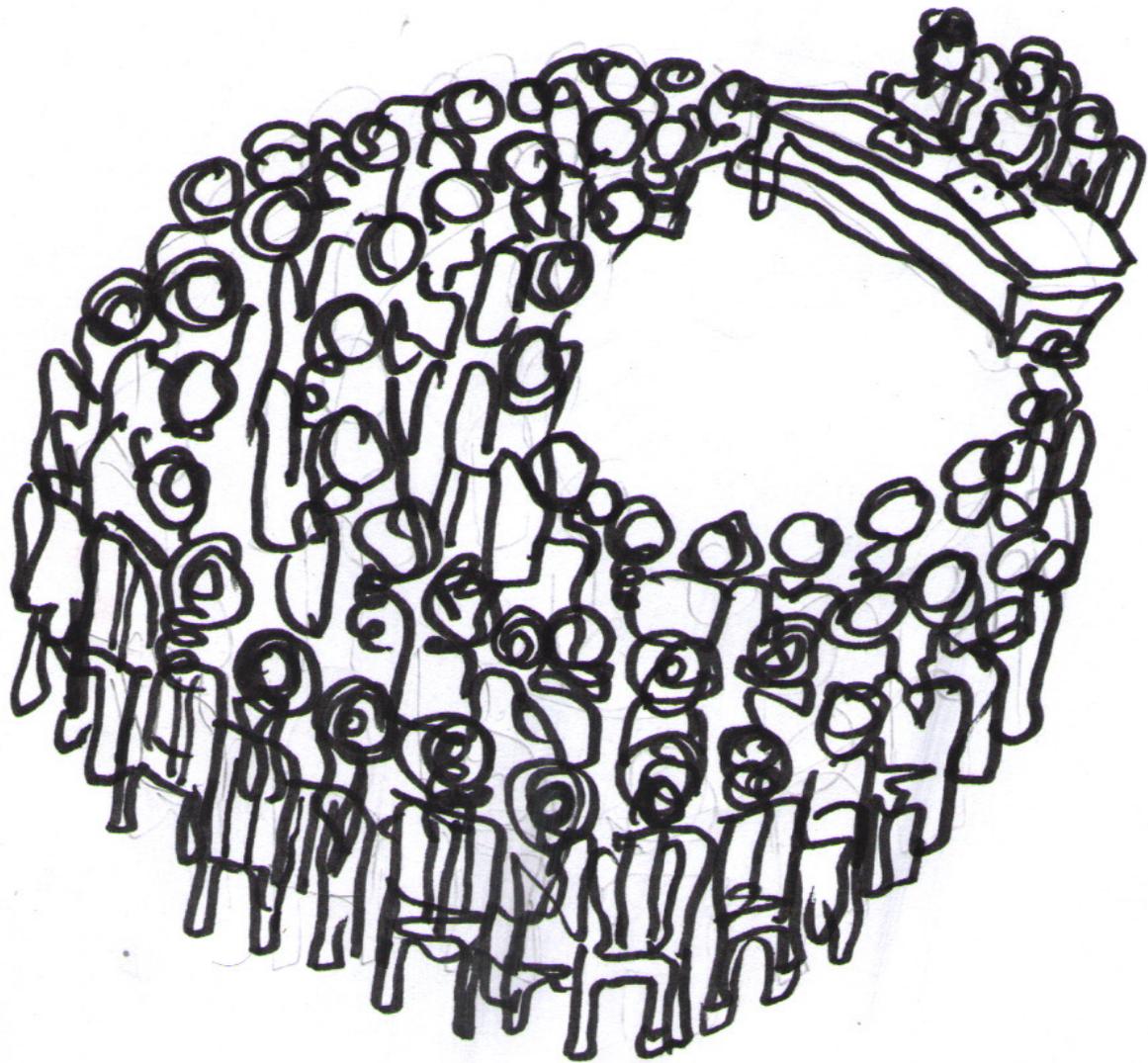
Unless the Sarpanch or any of the Panch of the Panchayat shall be eligible to act as the Chairperson.

- Selection of the Chairperson will be done with consensus to the extent possible. Under PESA in case, a consensus is not reached, the oldest lady of the Scheduled Tribe will be appointed as Chairperson.
- In case the Gram Sabha is not satisfied with the work of the Chairperson they will have a right to recall that person based on a simple majority.
- Meeting the requirement of the quorum will be necessary in the functioning of the Gram Sabah. If the quorum is not met, then the meeting will be postponed.
- While concluding the meeting, a brief statement of the decisions taken in the Gram Sabha will be prepared by the Secretary/Additional Secretary and in their absence, a person nominated by the Gram Sabha. That statement will be read out in the meeting. After a consensus upon the correctness of the statement, the Chairperson, Secretary or the writer will sign or put a mark. In the case of disposal of disputes, the members of the judicial committee will sign or stamp that statement.

WHAT COMMITTEES ARE INSTITUTED BY THE GRAM SABHA?

Gram Sabha can constitute the following standing committees to look into the functioning of the village. These are

- Peace Committee
- Justice Committee
- Resource Planning and Management Committee
- Intoxication Control Committee
- Debt Control Committee
- Market Committee
- Sabha Kosh Committee



In addition any other, as the Gram Sabha may deem necessary for the functioning of the village. Members of the standing committee will be elected in an open meeting of the Gram Sabha. This provision makes the Gram Sabha the very foundation of the PRI institution. In order to ensure the democratic and participatory nature of the institution, involvement of all members in some committee is ensured as far as possible.

The tenure of all the Standing Committees will be of one or two years as decided by the Gram Sabha. For this purpose on the decided date all the members of these Committees will be relieved of their duties. Gram Sabha will then take a decision to assign them responsibility in the same or some other Standing Committee. The Gram Sabha is competent to reconstitute all the Committees.

There will be a President and a Secretary in each Standing Committee. The Committee concerned will appoint them from among the members with consensus.

WHAT POWER DOES THE GRAM SABHA HAVE?

- Enforce prohibition or regulate or restrict sale/consumption of toxicant.
- Ownership of forest produce.
- Prevent the alienation of land in Scheduled Areas (under PESA) and take action to restore any unlawfully alienated land.
- Manage village markets
- Control over money lending to Scheduled Tribes
- Control over institutions and their functioning.
- Control over local plans and resources for such plans.

4

73RD CONSTITUTIONAL AMENDMENT

SUMMARY OF PROVISIONS OF 73RD AMENDMENT

- The Amendment Act has added part IX to the Constitution of India entitled as 'Panchayats'. The part consists of provisions from Article 243 to 243-0. A new schedule called as Eleventh Schedule lists 29 functional items that panchayats are supposed to deal with under Article 243-G.
- Creation of State Election Commission to conduct PRI elections.
- In order to review the financial position of the PRIs set up State Finance Commission for five years.
- Tenure of PRIs fixed for five year. In case of dissolution of Panchayat, fresh elections to take place within 6 months.
- Creation of three tier Panchayat System at district, block and village level.
- Minimum age for contesting PRI election fixed at 18 years.
- Reservation for women in Panchayat (chairman and members) minimum 1/3rd seats. In some states, the state acts have been amended to increase the reservation of women to 50%.
- Reservation of seats for SC/ST in panchayats (chairman and members) in proportion to their population.
- All posts at all levels (with two exceptions) to be filled by direct elections, and

5

BUDGETS AND PRIs

WHY UNDERSTANDING BUDGETS FROM THE POINT OF VIEW OF PRI IS IMPORTANT²?

PRIs are the most powerful democratic governance unit in Independent India. It provides individuals with opportunities to be part of local governance process, especially at the village level.

Any discussion on governance is incomplete without an understanding of budgets. Budgets are the income and expenditure statement for a financial year. The budget is made at the level of Gram Panchayat, the lowest and smallest unit of governances, thus ensuring participation of people in the budget making and implementation process. Hence an understanding of budgets becomes even more important from the point of view of PRIs.

Moreover, across state acts, Panchayats are the only unit of governance with reserved seats for members of Dalit and Adivasi community especially women from these communities. In such a scenario, budget formulation, allocation and implementation gains socio-economic-political significance.

Understanding of budget making process, budgetary allocations thus will go a long way in ensuring enjoyment of rights by marginalised communities like Dalits and Adivasi.

WHAT IS THE IMPORTANCE OF BUDGETS FOR PRIs?

- The budgets at Panchayat level focus on development of the community and public welfare.
- Budgets are tailor made for each Panchayat incorporating the individual and specific needs of the village community.
- Implementation and tracking of budgets at the level of the village community, ensures measuring the physical progress of activities and initiatives taken by the Panchayat against the budgetary allocation.

2. Karnataka, Government of. Taluka Panchayat Accounts Manual. Karnataka, Government of, 2013.

6

PROVISIONS UNDER 14TH FINANCE COMMISSION FOR PRIs

WHAT ARE THE MAJOR RECOMMENDATIONS OF THE 14TH FINANCE COMMISSION WITH RESPECT TO THE PRI?

- The 14th Finance Commission, made a significant shift in the fund allocation to the local bodies. According to the recommendations of the 14th Finance Commission, funds were to be directly transferred to the Panchayat. State government to take care of the needs at other levels.
- The Commission mandated, that Gram Sabha to hold one meeting towards the planning process in a SC and ST basti at least once a year.
- The total size of the grant for local bodies was to be Rs. 2, 87, 436Cr for the period of 2015-20 constituting an assistance of Rs 488 per capita at an aggregate level. Of this, the grant recommended to Panchayat is Rs 2, 00, 292.2Cr and for Municipalities is Rs 87, 143.8Cr.
- As per the new recommendations, grants were to be made in two parts—basic and performance.
- Basic grant comprises 90% of the grant amount. These grants are directly responsible for basic services. 50% of the grant is released to the state as the 1st instalment at the beginning of the year. Remaining basic grant is released later in the year with the performance grants. The state is expected to release the funds within 15 days of receiving them.
- The commission recommended that local bodies spend the grants only on basic services within the functions assigned to them under Panchayati Raj Act.
- Performance grant makes 10% of the total grant. It is based on receipt of expenditure through audited accounts. It is based on improvement in own revenue.

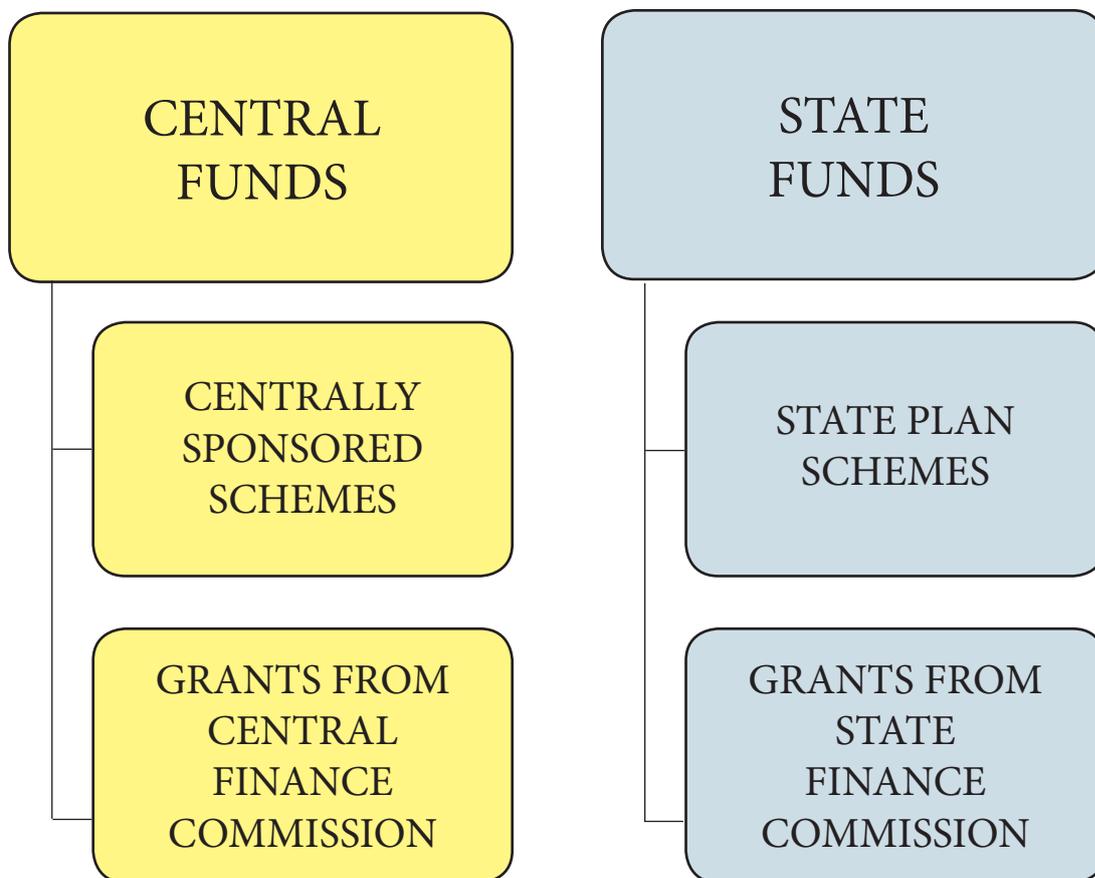
- The commission recommended that the local bodies maintain their own accounts. The accounts should distinctly capture, income on account of own taxes and non-taxes, assigned taxes, devolution and grants from the State, grants from Finance Commission and grants for any agency functions as signed by the Union and State Government.
- The earmarked basic grant for Gram Panchayat will be distributed using the formula prescribed by each State Finance commission.
- In case the state formula is not available the prescribed formula will be distribution of grants to the states using the 2011 population census with weight of 90% and area with weight of 10%.
- Performance grant to address following issues— i) reliable data on local bodies' receipt and expenditure through audited accounts; and ii) improvement in own revenue.
- To be eligible for performance audit, Gram Panchayat will have to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which the Gram Panchayat seeks to claim the performance grant. It will have to show an increase in its own revenue.
- The grants, as per 14th Finance Commission recommendation, to be released in two instalments each year— June and October. This will enable timely flow to local bodies during the year, enabling them to plan and execute the work better. 50% of the basic grant to be released in the first instalment. The remaining basic grant and the full performance grant for the year may be released as the second instalment for the year.
- In Andhra Pradesh, Tamil Nadu, Maharashtra, Jharkhand, Rajasthan and Odisha no separate formula is used. They follow the Finance Commission guidelines. While in Uttar Pradesh and Bihar separate formulas are used. (See Appendix)

7

SOURCES OF FUNDS AND FUND FLOW

WHAT ARE THE SOURCES OF INCOME FOR PANCHAYATI RAJ INSTITUTIONS?

Panchyati Raj Act 1994 mandates three sources of income for the Panchayat. These are Funds from Central Government, Funds from State Government and Own Resources.



WHAT ARE OWN RESOURCES OF A PANCHAYAT?

In addition to these sources, Panchayat also has its own funds that constitute its own revenue largely comprising of taxes levied by them. These taxes broadly cover taxes on land, environment, and produce sold in the local market, registration of animals and use of slaughterhouses. These taxes are on common resources and can differ from state to state.

WHY UNDERSTANDING BUDGETS FROM THE POINT OF VIEW OF PRI IS IMPORTANT³?

PRIs are the most powerful democratic governance unit in Independent India. It provides individuals with opportunities to be part of governance process, especially at the village level.

Any discussion on governance is incomplete without an understanding of budgets. Budgets are the income and expenditure statement for a financial year. It is a Constitutional right of the budget community. The budget is made at the level of Gram Panchayat, the lowest and smallest unit of governances, thus ensuring participation of people in the budget making and implementation process. Hence an understanding of budgets becomes even more important from the point of view of PRIs.

Moreover, across state acts, Panchayats are the only unit of governance with reserved seats for members of Dalit and Adivasi community especially women from these communities. In such a scenario, budget formulation, allocation and implementation gains socio-economic-political significance.

Understanding of budget making process, budgetary allocations thus will go a long way in ensuring enjoyment of rights by marginalised communities like Dalit and Adivasi.

WHAT IS THE IMPORTANCE OF BUDGETS FOR PRIS?

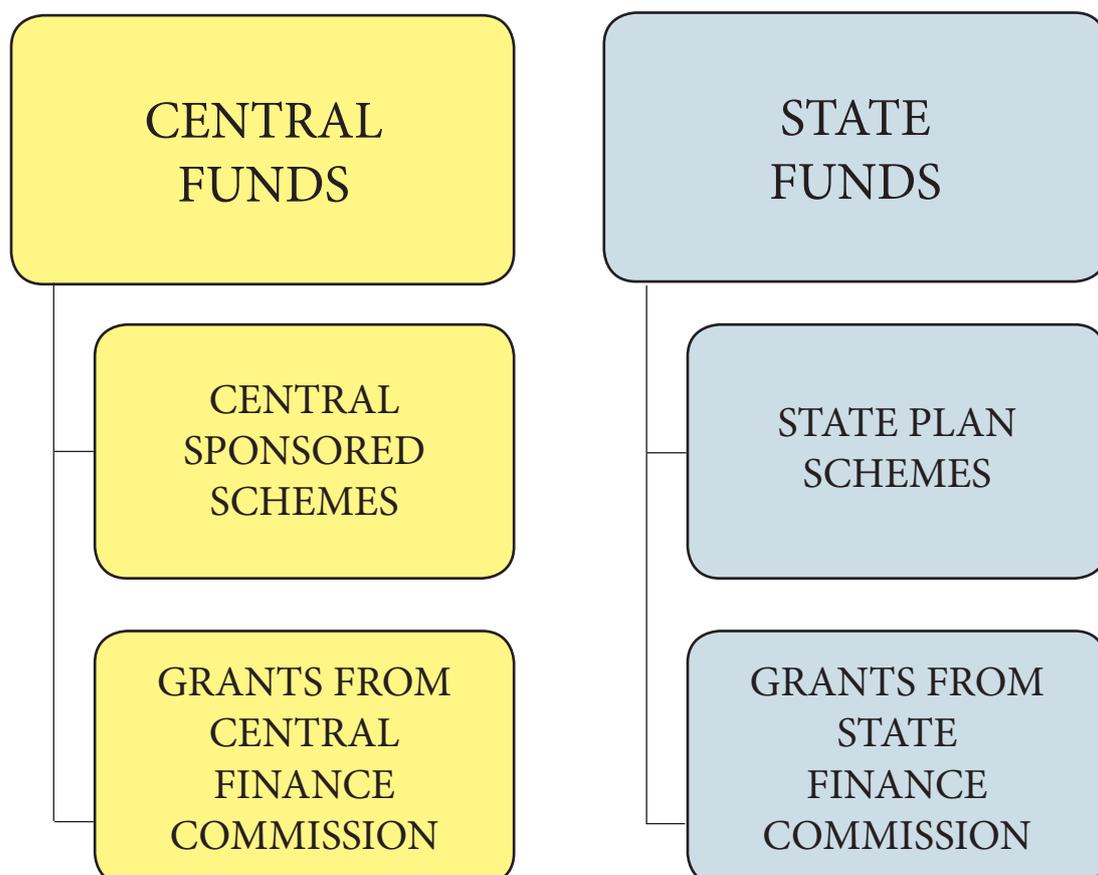
- The budgets at Panchayat level focus on development of the community and public welfare.
- Budgets are tailor made for each Panchayat incorporating the individual and specific needs of the village community.

3. Karnataka, Government of. Taluka Panchayat Accounts Manual. Karnataka, Government of, 2013.

- Implementation and tracking of budgets at the level of the village community, ensures measuring the physical progress of activities and initiatives taken by the Panchayat against the budgetary allocation.

WHAT ARE THE SOURCES OF INCOME FOR PANCHAYATI RAJ INSTITUTIONS?

Panchyati Raj Act 1994 mandates three sources of income for the Panchayat. These are— Funds from Central Government, Funds from State Government and Own Resources.



WHAT ARE OWN RESOURCES OF A PANCHAYAT?

In addition to these sources, Panchayat also has its own funds that constitute its own revenue largely comprising of taxes levied by them. These taxes broadly cover taxes on land, environment, and produce sold in the local market, registration of animals and use of slaughterhouses. These taxes are on common resources and can differ from state to state.

8

WORKING WITH BUDGETS

WHERE IS PANCHAYAT BUDGET MADE?

Gram Panchayat is an autonomous body responsible for drafting the budget at the village level, while Zilla Parishad and Block/Taluka Panchayat are its extended arms.

HOW DOES PANCHAYAT BUDGET WORKS?

Panchayat budgets have a close and strong relationship with the accounting structure. It can be best understood and seen in the accounting process followed at village/block/district level.

The accounting process follows the details of the scheme document. In most cases the implementing unit is the Panchayat. The accounts under PRI model system are kept on cash basis and transactions monitored through receipts.

Each institutions- Gram Panchayat, Panchayat Samiti and Zilla Parishad- form an accounting unit under PRI. Fund release and accounting takes place at block Panchayat. Funds for these units are released at both by centre and state level.

WHO MAINTAINS THE ACCOUNTS?

Accounts at the Gram Panchayat are maintained by Panchayat members and at the block level by Assistant Accounts Officer and is assisted by Accounts Assistant.

HOW IS FUND MOVEMENT TRACKED IN THE PRI SYSTEM?

To aid the accounting process a number of registers are maintained against different transactions at different levels.

**TABLE 3: REGISTERS MAINTAINED AT BLOCK LEVEL
AREA KEY REGISTER MAINTAINED**

Treasury Releases- Line Department	Release Watch Register/ Allotment Register
Treasury Releases- Block Panchayat Expenditure	Grant Register
Receipt- Banking Channel	Scheme Cash Book
Own resources receipt	Receipt Register & Remittance Register
Expenditure- Line Department	Allotment Register
Expenditure- Own Funds	General Cash Book
Expenditure- Banking Channel	Scheme Cash Book, Beneficiary Payment Register

In addition these the following registers are maintained by Zilla Panchayat for internal control and purposes. These are –

- DC Bill Register
- Cheque Register
- Stamps Register
- Inward Register
- Outward Register
- Works Register
- Asset Register
- DDR Register
- TTR Register/ Control Register for Releases
- Treasury Transaction Token Register
- Gram Panchayat Funds Release Register (Drinking Water)

HOW DOES THE GRAM PANCHAYAT PARTICIPATE IN THE BUDGET MAKING AND IMPLEMENTING PROCESS?

Gram Panchayat, play a vital role within the three tier system of Panchayati Raj. Working at the smallest unit of governance the Panchayats play a vital role in addressing development concerns of the village community.

14th Finance Commission introduced opportunity for responsive local governance at the level of Gram Panchayat. Under the guidelines issued by the commission, for the release and utilisation of funds by local bodies proper plans will need to be prepared at the gram sabha levels. These plans will be called Gram Panchayat Development Plans (GPDP).

WHAT IS THE PURPOSE OF GPDP⁴ ?

GPDP are development document prepared by the Gram Sabha. These documents are mandatorily made in participation with the community. They are mandated to promote projects that are geared towards social justice and economic development. The Gram Sabha is mandated to identify vulnerable population and marginalised communities towards securing livelihood opportunities through integrated poverty reduction and securing a decent living.

The GPDP form the basis of planning and allocation at the block and district level. Based on the GPDP, the government at various levels will release funds.

WHERE DOES THE MONEY COME?

Funds released under PRI are deposited in accounts at the block level. There are three types of accounts under PRI.

HOW DOES ONE TRACK THE FUNDS RELEASED UNDER GPDP? TABLE 5 ACCOUNTS AT BLOCK LEVEL

ACCOUNT	DETAILS
FUND-I	Account for all receipts and expenditure of Central Plan and Centrally Sponsored Schemes including State Share, and grants under Finance Commissions recommendations.
FUND-II	Account for all receipts and expenditure of State Schemes received from State Government.
FUND-III	Account for all receipts and expenditure of own funds and duty levied.

Balances under each fund are checked by the auditor end of the year.

4. www.panchayat.gov.in/decentralized-planning

HOW CAN THE GRAM SABHA ENSURE TRANSPARENCY AND ACCOUNTABILITY OF FUNDS RELEASED UNDER DIFFERENT SCHEMES?

At the District level a number of line departments exist to ensure essential public works assigned under the Government schemes in line with the needs of the individual Panchayats. The line department situated at the district level spends the money released. The Gram Panchayat conducts a detail audit and submits a report. Based on the two the Block Panchayat verifies the money spent. Only after this process is the money released accounted for. To ensure this at each level appointed officials sign at the various documents to ensure release of funds and their expenditure.

**TABLE 6
SIGNATORIES AT DIFFERENT LEVELS**

UNIT OF GOVERNANCE	SIGNATORY
District	Chief Executive Officer (IAS), and Chief Account Officer.
Block	Block Development Officer/Executive Officer, Account officer
Village	Sarpanch+ PDO/ Secretary

WHAT ARE THE VARIOUS STEPS IN THE BUDGET CYCLE? TABLE 7- BUDGET CYCLE

ACTIVITY

Intimation inviting project proposal for the coming year from various Line Departments
Submission of proposals
Preparation of Block Panchayat's own works list
Preparation of Shelf of Projects
Preparation of Block Panchayat's Budget Proposals
Approval of shelf of Projects & Budget estimates by Block Panchayat's Body
Submission of the Block Panchayat's Budget proposal along with SoP to the Zilla Parishad

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ANNEXURE

TABLE 1: TAXES LEVIED UNDER DIFFERENT STATE ACTs

STATE	LIST OF TAXES
UTTAR PRADESH	Tax on land 1 [not less than 25 paise by not exceeding 50 paise] in a rupee on the amount of land revenue payable or deemed to be payable therefor; Provided that where the land is in the actual cultivation of a person other than the person by whom the land revenue therefore is payable or deemed to be payable the tax shall be payable by the person in actual cultivation.
	A tax on theatre, cinema or similar entertainment temporarily stationed in the area
	A on animals and vehicles other than mechanically propelled vehicles kept within the area of the [Gram Panchayat] and plied for hire, at there rate
	In the case of animals, not exceeding three rupees per animal per annum;
	In the case vehicles, not exceeding six rupees per vehicle per annum;
	Sale in market, hats, or melas belonging to or under the control of the Gram Panchayat concerned;
	Fees on the registration of animals sold in any market or place belonging to or under the control of the Gram Panchayat;
	Fees for the use of slaughter-houses and encamping grounds;
	A water rate where water for domestic consumption is supplied by the Gram Panchayat;
	A tax for cleaning private latrines and drains payable by the owners or occupiers of the houses.

	A tax for cleaning and lighting of streets and sanitation;
	An irrigation rate, where water for irrigation purposes is supplied by the Gram Panchayat from any small irrigation project constructed or maintained by it.
BIHAR	Tax on occupants of holdings;
	Tax on Professions, trades, callings and employments;
	Registration of vehicles not registered under any other law
	Sanitary arrangements at such places of pilgrimage, haats, melas and public use
	Water Rate,
	Lighting Fee,
	Conservancy Rate
	House building tax
	Vehicle tax
	Water, drainage and sanitation taxes
	Pilgrim tax
	Tax on profession, trade, and callings
	Tax on fairs and other entertainments
	Tax on advertisement
	Octroi on animals or goods or both brought for sale
	Lump sum levy of factories in lieu of taxes
	Special tax for construction and public works
ODISHA	
ANDHRA PRADESH	House Tax
	Tax on produce sold in local market based on weights
	Duty on transfer of property
	Vehicle tax
	Land cess
	Tax on Advertisements
	Special tax levied by Gram Panchayat
TAMIL NADU	1. House Tax
	Tax and collection on advertisement Tax
	The taxes and tolls levied in the village under Sections 117 and 118 of the Tamil Nadu Public Health Act, 1939 (Tamil Nadu Act VIII of 1939);

	Fees levied in public markets classified as Village Panchayat markets after deducting the contributions, if any, paid by the Village Panchayat to the Panchayat Union Council on the scale fixed by the Government;
	The contribution paid to the Village Panchayat by Panchayat Union Councils in respect of markets classified as Panchayat Union markets;
	Fees for the temporary occupation of village sites, roads and other similar public places or parts thereof in the Panchayat Village;
	Fees levied by the Village Panchayat in pursuance of any provisions of this Act or any rule or order made thereunder;
	Income from endowments and trusts under the management of the Village Panchayat; Government;
	Panchayat;
	The net assessment on service which are resumed by the income derived from Panchayat Village fisheries;
	Income derived from ferries under the management of the Village
	Unclaimed deposits and other forfeitures;
	A sum equivalent to the seignior age fees collected by the Government
	Every year from persons permitted to quarry for road materials in the Panchayat Village:
	All income derived from porambokes the user of which is vested in the Village Panchayat;
	Where the Panchayat Village is in a ryotwari tract, all income derived from trees standing on porambokes although the user of the porambokes is not vested in the Village Panchayat;
	Income from leases of Government property obtained by the Village
	Fines and penalties levied under this Act by the Village Panchayat or at the instance or on behalf of the Village Panchayat;
	All sums other than those enumerated above which arise out of, or are received in aid of or for expenditure on any institutions or services maintained or financed from the Village Panchayat fund or managed by the Village Panchayat;

MAHARASHTRA	a) House Tax
	Tax on lands not subject to payment of agricultural assessment at such rates as may be decided by it (but subject to the minimum and maximum rates which may be fixed by the State Government)
	A tax on building
	Octroi;
	A pilgrim tax;
	A tax on fairs, festivals and other entertainments
	A tax on bicycles and on vehicles drawn by animals;
	A tax on the following professions, trades, callings or employments, that is to say—
	(a) Shop keeping and hotel keeping,
	(b) Any trade or calling (other than agriculture) which is carried on with the help of machinery run by steam, oil or electric power or by manual labor, and
	(c) The profession or calling of brokers in cattle markets;
	A general sanitary cess for the construction or maintenance, or both, of public latrines and for the removal and disposal of refuse;
	A general water rate that may be imposed in the form of rate assessed on buildings and lands or in any other form as may be best adapted to the circumstances of any class of cases
	Any other tax which the State Legislature has, under the Constitution, power to impose in the State and which has been sanctioned by the State Government;
	Markets and weekly bazars;
	Cart-stands and tonga-stands
	A special water rate for water supplied by the Panchayat through pipes,
	A fee for the supply of water from wells and tanks owned by it, for purposes other than domestic use and for cattle.
	A fee for putting up projections over, or temporary occupation of any public street or place;
q)	A fee for cleansing a cess pool constructed on land whether belonging to Panchayat or not;

r)	A fee for grazing cattle on grazing lands vesting in a Panchayat;
s)	No tax will be levied on all buildings and lands or on any class of buildings or lands situated in an area predominantly populated by members of scheduled castes or scheduled tribes.
RAJASTHAN	House Tax
	Goods Tax
	Vehicle Tax
	Passenger Tax
	Water Distribution Tax
	Commercial Crop Tax
	Special Tax on Community Services
Non Tax Income	
	License and Other Fees
	Income from Fairs
	Rent from Assets
	User Charges
	Royalty on minor minerals
	Other Own Income (Including income from issuing pattas)

10

APPENDIX

STATE FORMULA FOR DISTRIBUTION OF BASIC GRANTS AMONG GPS IN BIHAR:

A. Based on the State Finance Commission (SFC) recommendations:

$$\text{Formula for Transfer} = (\text{BS} + \text{D} + \text{I} - \text{R}) \pm \text{C}$$

Where, **BS** is the basic services component
D is the development component,
I is the institutional support component,
R is the revenue-raising capacity correction, and
C is a correction and stabilization factor.

Basic Service Component (BS):

The purpose is to enable the LBs to provide basic services (water, sanitation, electricity, waste disposal etc.) including free basic services to households below poverty line.

- There could be two levels of support for each subsidized basic service:
 - A full subsidy for unserved households
 - A partial subsidy for households that actually receive services from the LBs.

Conventionally partial subsidy has been set at one-third of the cost of the subsidy provided to the serviced households.

$$\text{BS} = \sum_{i=1}^n (\text{Si1} * \text{PW Si} + \text{Si2} * \text{PWP Si} + \text{Si3} * \text{PWF Si}) + \sum_{j=1}^m (\text{Sj1} * \text{NPW Sj} + \text{Sj2} * \text{NPWP Sj} + \text{Sj3} * \text{NPWF Sj})$$

Where, S_i = Basic Service for poor i to n , S_j = Basic Service for non-poor j to m

PW= Poor without subsidy, **PWP**= Poor with partial subsidy, **PWF**= Poor with full subsidy

NPW= Non-poor without subsidy, **NPWP**= Non-poor with partial subsidy, **NPWF**= Non-poor with full subsidy

Institutional Support Component (I):

- Particularly important for the LBs, which are unable to raise sufficient revenue to fund the basic costs of administration and governance.
 - Supplements (does not fund fully) funding of the LBs for administration and governance cost.
 - It includes two elements: (i) Administrative capacity (ii) Local electoral accountability.
- $I = \text{base allocation} + [\text{admin \& governance support} * \text{population}] + [\text{council support} * \text{no. of seats}]$

Development Component (D):

It was set at zero when the current formula was introduced on April 1, 2005, pending an investigation of how best to capture the factor in the formula.

Revenue-Raising Capacity Correction (R):

- It is related to the LB's ability to raise additional resources to fund the cost of basic services and administrative infrastructure.
- The basic approach is to use the relationship between (a) the demonstrated revenue –raising capacity by the LBs that report information and (b) the objective LB information from statistics, to proxy revenue – raising capacity for all the LBs.
- The revenue that should be available to the LBs is then “corrected” by imposing a certain “tax” rate (say 5%): To be decided by the Govt.

Correction and Stabilization factor (C):

- The correction is based on the actual grant to each LB.

Equity	LSGs with equal fiscal needs should be treated equally.
Neutrality	LSGs should not be able to influence the award of grants by manipulating their expenditure or tax decisions
Predictability & Flexibility	LSGs need to be able to budget and plan for the future but, at the same time, have the flexibility to respond to the changing circumstances
Simplicity & Transparency	The transfer mechanism or allocation formula should be easy to understand and easy to administer
Autonomy	LSGs should have independence to set priorities and manage services to respond to the local needs
Incentive for better Mgmt.	The transfer mechanism should provide incentive for sound fiscal management and discourage inefficient practices, rather than penalize LSGs for sound economic management
Accountability	The Grantor must be accountable for the design & operation of the transfer system and the recipients must be accountable to the grantor and its citizens for financial integrity and results.
Responsiveness	The Transfer mechanism should be flexible enough to accommodate unforeseen changes in the fiscal situations of the recipients.

Criteria for Intra PRI distribution

Criterion	Weight (%) assigned by the 5 th SFC		
	ZP	BP	GP
Population	50	50	Each GP falling within a particular Block would get equal share of amount available to all the GPs in that particular Block based on the Block's UDI.
Area	10	0	
UDI	40	50	
Total	100	100	

STATE FORMULA FOR DISTRIBUTION OF BASIC GRANTS AMONG GPS IN UP: PRINCIPLE OF TRANSFER BETWEEN RURAL LOCAL CORPORATIONS

Wherever the relation to transferable fund between Panchayati Raj institutions is concerned, 40% transfer of the total transferable amount will be divided district wise on the basis of the following objective indicators.

S. NO.	ITEM	% INCOME
1	District population - 2011	50
2	District Area - 2011	10
3	District's SC/ST Population - 2011	10
4	Gross Development Backwardness Index	30
	TOTAL	100

Source: [http://sfc.up.nic.in/\(S\(omnber2rzbn1khoa35tf0f22\)\)/FourththSFC.aspx#](http://sfc.up.nic.in/(S(omnber2rzbn1khoa35tf0f22))/FourththSFC.aspx#)

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ABOUT DAAA

Dalit Arthik Adhikar Andolan (DAAA) is one of the units of Swadhikar-NCDHR, looks into the economic rights of Dalits and Adivasis with specific focus on public entitlements towards discrimination free access to education and entrepreneurship related schemes and entitlements. It works on inclusion and promotion of the Dalits and Adivasis in the economy of the country from Panchayat to International Forums.