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## Evaluating the panchayati raj institutions at 25

Panchayati raj institutions are simultaneously a remarkable success and a staggering failure

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File photo. There are about 250,000 panchayati raj institutions and urban local bodies, and over three million elected local government representatives. Photo: HT

Last week marked the 25th anniversary of the 73th Amendment, a good time for some examination and introspection on panchayati raj. Panchayati raj institutions (PRIs) are simultaneously a remarkable success and a staggering failure, depending on the goalposts

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against which they are evaluated. If the goal was to create another layer of government and political representation at the grass-roots level, then there is no parallel to the PRIs. And if the goal was to provide better governance, then PRIs are a failure and not equipped to succeed anytime in the foreseeable future.

Soon after the 73rd and 74th Amendments, every state government began the process of creating the requisite layer of PRIs and urban local bodies. State election commissions were in charge of the infrastructure required to elect local representatives. There are about 250,000 PRIs and urban local bodies, and over three million elected local government representatives. The 73rd and 74th Amendments required that no less than one-third of the total seats in local bodies should be reserved for women. At 1.4 million, India has the most women in elected positions. Seats and *sarpanch/pradhan* positions were also reserved for SC/ST candidates.

While India has always had reservations for elected representatives from disadvantaged groups like SC/STs, this is the only level of government with reservation for women. And this is the only level of government, where SC/ST candidates have a genuine voice in governance (unlike the candidates from reserved constituencies at the parliamentary level). Research using PRIs (by Lakshmi Iyer, Anandi Mani, Prachi Mishra, and Petia Topalova) has shown that having female political representation in local governments makes women more likely to come forward and report crimes. Further, female PRI leaders are more likely to focus on issues pertinent to women. R. Chattopadhyay and E. Duflo show that in districts with female *sarpanch/pradhans*, significantly greater investments are made in drinking water, a priority public goods issue for women. They also show that SC *sarpanch/pradhans* are more likely to invest in public goods in SC hamlets—an important change in the severely segregated villages of India. In a country where access is determined by gender and caste, even more than economic status, these changes are remarkable.

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On all other margins except representation, PRIs are either a failure or, at best, a series of missed opportunities. Before 1993, India had only two levels of government. The 73rd Amendment introduced local governing bodies across India. This amendment, however, did not require the implementation of local self-governing bodies. It only mandated the creation of local self-governing bodies, and left the decision to delegate powers, functions, and finances to the state legislatures. And therein lies the failure of PRIs.

The first failure of the 73rd Amendment was that the transfer of various governance functions—like the provision of education, health, sanitation, and water was not mandated. Instead the amendment listed the functions that could be transferred, and left it to the state legislature to actually devolve functions. There has been very little devolution of authority and functions in the last 25 years. PRIs cannot govern unless they are given the authority to actually perform functions related to governance.

To make matters worse, because these functions were never devolved, state executive authorities have proliferated to carry out these functions. The most common example is the terrible state water boards, performing tasks that should have been left to elected representatives of local governments who best understand local water problems and can be disciplined through the democratic process.

The second failure of the 73rd Amendment is the lack of finances for PRIs. Local governments can either raise their own revenue through local taxes or receive intergovernmental transfers. The 73th Amendment recognized both forms of public finance, but did not mandate either. The power to tax, even for subjects falling within the purview of PRIs, has to be specifically authorized by the state legislature. The 73rd Amendment let this be a choice open to the state legislatures—a choice that most states have not exercised.

A second avenue of revenue generation is intergovernmental transfers, where state governments devolve a certain percentage of their revenue to PRIs. The constitutional

amendment created provisions for State Finance Commissions to recommend the revenue share between state and local governments. However, these are merely recommendations and the state governments are not bound by them. Though finance commissions, at every level, have advocated for greater devolution of funds, there has been little action by states to devolve funds.

As a result, PRIs are so starved for funds that they are often unable to meet even payroll obligations. They are reluctant to take on projects that require any meaningful financial outlay, and are often unable to solve even the most basic local governance needs. The only long-term solution is to foster genuine fiscal federalism where PRIs raise a large portion of their own revenue and face hard budget constraints, i.e. fiscal autonomy accompanied by fiscal responsibility.

Now that there are millions of elected representatives giving voice to Indians at the grass-roots level, these representatives need clear mandates of local functions, and the ability to raise their own revenue, to foster better local governance. Without the functions and finances, PRIs will only be an expensive failure.

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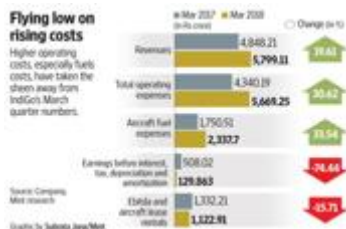
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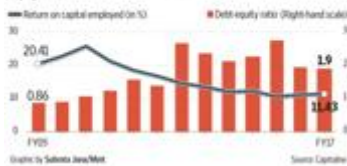


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