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Decentralization and public sector delivery of health and education services: The Indian experience

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Sanan

Number
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Sector Delivery of Health
and Education Services:
The Indian Experience**

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The **CENTER FOR DEVELOPMENT RESEARCH (ZEF)** was established in 1997 as an international, interdisciplinary research institute at the University of Bonn. Research and teaching at ZEF aims to contribute to resolving political, economic and ecological development problems. ZEF closely cooperates with national and international partners in research and development organizations. For information, see: <http://www.zef.de>.

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Abstract

The paper has two main objectives. The first is to trace the progress in the process of decentralisation in the provision of public services in India. The second is to test the hypothesis that decentralisation in the system of public service delivery in primary health care and education led to improved outcomes for the rural Indian population. Before 1992, with few exceptions, there was little movement towards decentralisation. Rural local bodies functioned primarily as program executing agents for government line departments, with little control over finances, administration, or the pattern of expenditure. The only decentralisation that existed was in the importance of state governments vis-à-vis the centre. After the 1992 Constitutional Amendments, significant progress has taken place in the form of the passing of conformity legislation by state governments, the setting up of State Finance Commissions to examine the distribution of resources from states to local bodies, and accelerated moves towards transfer of planning and expenditure responsibilities to village bodies. The paper used data from the 1994 NCAER survey to test the hypothesis that increased decentralisation/democratisation positively influences enrolment rates and child mortality once the influence of socioeconomic circumstances, civil society organisations, the problem of capture of local bodies by elite groups, and so on are controlled for. Our main empirical findings are that indicators of democratisation and public participation, such as frequency of elections, presence of non-governmental organisations, parent-teacher associations and indicator variables for decentralised states generally have the expected positive effects, although these are not always statistically indistinguishable from zero.

Kurzfassung

Die vorliegende Arbeit analysiert zwei Aspekte der dezentralisierten Bereitstellung öffentlicher Güter in Indien. Der erste Teil veranschaulicht den Prozeß der Dezentralisierung, während im zweiten Teil die Hypothese getestet wird, daß eine dezentralisierte Bereitstellung von medizinischer Grundversorgung und Schulen zu einer Verbesserung der Rahmenbedingungen der indischen Landbevölkerung geführt hat. Im Zuge der Verwaltungsreform 1992 wurden den ländlichen Organen zunehmend Aufgaben übertragen. Durch die entsprechende Verfassungsänderung wurde ein fiskalischer Föderalismus eingeführt, der den Gemeinden und Kreisen auch nötige finanzielle Unabhängigkeit verschaffte. Der empirischen Analyse liegen die Daten der NCAER - Erhebung aus dem Jahre 1994 zugrunde. Die Hypothese des positiven Einflusses der Dezentralisierung auf Sterblichkeitsrate und Schülerzahlen wird um die sozio-ökonomischen Rahmenbedingungen ergänzend überprüft. Die Ergebnisse deuten auf einen positiven Einfluß der verwandten Variablen hin, wobei dieser Einfluß z.T. jedoch gering ausfällt.

1 Introduction

Public sector provision of services is a fact of life in all countries. Governments at the central and local levels typically spend on a wide range of services that directly or indirectly benefit their populations, including defense, education, health, transportation, infrastructure, poverty alleviation, and the like. In India, government spending at the center and state levels amounted to nearly 26 percent of GDP in 1996-97 or nearly \$85 in annual per capita terms.¹ In developed countries such as Australia, Canada, and Germany, government spending per capita is much higher and typically forms more than one-half of GDP (Ter-Minassian 1997). There is an extensive theoretical literature that rationalizes much of these expenditures either as corrections for market failures, or as a means of addressing prevailing inequities (Musgrave and Musgrave 1984; Musgrove 1996; World Bank 1993).

Although the theoretical justifications for enhanced levels of government intervention and spending are often compelling, it is unclear whether the added benefit of public service provision always outweighs the added costs of such intervention. Nor is such a conclusion always supported by empirical evidence—even for public spending on health and education services. Empirical studies emphasize the long-term gains to public investment in primary health and education, whether measured in terms of enhanced rates of return, or in terms of healthy life years gained (World Bank 1993, 1995a,b, 1997a,b). Yet, cross-country analyses often find little evidence to support the efficacy of public spending in health and education (for a survey of this literature, see Gupta, Verhoeven, and Tiongson 1999).

The ambiguous results in the empirical literature on the impact of public spending, coupled with perceptibly high levels of government inefficiency and corruption in several developing countries (Klitgaard 1991; Shleifer and Vishny 1993; World Bank 1996a) and high levels of consumer dissatisfaction with public services (Probe Team, 1999; World Bank 1996b) has fed into two sets of concerns about the effectiveness of public service delivery. The first is that government decisions are not always subject to the relentless discipline of an appropriately regulated market, leading to economic inefficiency in the financing and provision of public services. The debate about the appropriate role and scope of the public sector in service provision has influenced the nature of the recent economic reform process in India and the moves toward increased privatization of its economy (Ahluwalia and Little 1998; World Bank 1996a).

¹ Estimates based on authors' calculations and World Bank (1997a).

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A second concern arises from the observation that government is not one homogeneous entity and typically consists of several layers at the central, provincial, and local levels.² In this line of reasoning, the overall efficacy of public spending depends not only on its magnitude and composition but also on the layer of government that makes the key financing and spending decisions. The suggestion is that “too much” centralization may not be desirable on efficiency grounds. During the last 50 years, India has been witness to several government committees, legislation, and high profile debates on this topic, with perhaps the most prominent being the discussion in Constituent Assembly between Dr. Ambedkar and others in 1948 on the merits of decentralized governance; and, more recently, the Constitution Amendment Act of 1992, which laid a potentially solid foundation for a move toward increased decentralization of government functioning (Government of India 1996; Mathew 1995).

While there is much to be learned from the ongoing discussions on the appropriate role and scope of the public sector and its implications for India and its economic reforms, for the purposes of this paper the overall level of public sector participation in funding the provision of services will be taken as a given.³ Instead, the paper focuses on the role of the various levels of government in providing public services in India and its efficiency implications. Apart from the fact that there is some excellent published work on the overall role of the public sector in the context of India’s economic reforms,⁴ the choice is guided primarily by two considerations. First, the renewed interest in issues of decentralization arising out of the recent constitutional amendments and subsequent state-level legislation concerning local governments in India has not been accompanied by any systematic review of the existing framework for government provision of services.⁵ Moreover, with few exceptions, much of the existing literature on India has tended to focus on political, rather than administrative or fiscal decentralization of public services.

A second key motivation for the focus of this paper is to examine empirically the question of whether decentralized decision making contributes to increased efficiency in public services. In the theoretical literature on the subject, the answer depends on the extent to which the service to be provided has public good features, its technological characteristics (whether its production involves economies of scale or a high level of expertise), the heterogeneity of tastes of the target population and the degree of accountability of the decision maker about public services to the beneficiary group (Bardhan and Mookherjee 1998; Brueckner 1999; Oates 1990;

² India has at least five levels of government—central, state, and three tiers of local bodies. For a comparison, China, and Russia are known to have five or more layers of government (Shi 1999; Zhuravskaya 1999).

³ The discussion on the role of the public sector has found it convenient to rank state intervention along a continuum from the least invasive, such as information provision and regulation, to activities such as financing and providing services. The main lesson emerging from this characterization and accompanying literature is that, generally speaking, the greater the public good attributes of a good, efficiency requires that the greater the desired degree of government intervention in terms of the measures used. The literature also suggests that unless absolutely necessary, the act of provision itself may be contracted out to private entities. If redistribution is also an objective, the conclusions are less clear.

⁴ Prominent examples include the edited work by Ahluwalia and Little (1998).

⁵ There is an emerging literature on this issue (Institute of Social Sciences, 1995, 1996a,b; Rajiv Gandhi Foundation 1998).

Prud'homme 1995). The presence of these confounding elements makes an empirical analysis of the problem rather tricky, as information is required on population characteristics, the mechanisms by which public services are provided, factors that influence accountability of governments including elections, the role of civil society institutions such as non-governmental organizations, the degree of capture of local governments by influential elite groups, and above all, on the nature, quantity and quality of the good or service provided.

Due to the extensive data requirements noted above, empirical analyses of the impact of decentralization have been few thus far.⁶ However, an analysis of the impact of decentralization on public service delivery is now possible for India, owing largely to a 1994 survey by the National Council of Applied Economic Research (NCAER) covering more than 1,700 villages and 33, 000 households across almost all the states of India.⁷ The survey collected detailed information about a variety of public services available to people residing in rural areas, especially health and education, the presence of non-governmental organizations, health and education outcomes, and socioeconomic characteristics for the sampled households. These data on individual- and community-level characteristics, along with information on the nature of decentralization in public delivery of services across Indian states offer a unique opportunity to test hypotheses linking decentralization of decision making about specific public services to the effectiveness with which these services are delivered.

The empirical analysis reported in this paper focuses on publicly provided primary health and education services. Apart from the fact that the NCAER survey data are the richest in this respect, these are amongst the most common public services provided India's rural population. It is also the case that there are high returns to investment in primary education and health, so that public provision of these services in developing countries such as India is especially crucial (see, for example, World Bank 1993, 1997b). Finally, in a country that is geographically and culturally as diverse as India, the health and education needs of the people differ greatly by climatic region, religion, caste, language, and a host of other socioeconomic characteristics, so that public health and education services appear particularly well suited for decentralized provision.

The plan for the paper is as follows. Section 2 describes the existing framework for delivering public services in health and education in India and highlights inter-state differentials in delivery systems. The section includes a discussion of the constitutional division of responsibilities among the different levels of government, and the legislative, fiscal, and administrative division of responsibilities that has emerged in different states. Section 3 presents the empirical model, provides a description of the data sources that we use in the analysis, and the main regression results. Section 4 includes a discussion of the results and concludes.

⁶ The study of Russian local governments by Zhuravskaya (1999) is an exception.

⁷ The sole exception was the state of Jammu and Kashmir.

2 Public Service Provision in India

This section describes the roles of the central, state, and local governments in planning, financing, and administering public services in India, and, in particular, the provision of primary education and primary health care.

The section has two parts. The first part focuses on the legal/constitutional guidelines that underlie the provision of services at various levels of government. These guidelines have played a crucial role in influencing the machinery of public service provision in India. It includes a discussion of recent developments in the legal environment following the Constitution Amendment Act of 1992 that made it compulsory for Indian states to take specific steps toward introducing local governments in towns and rural areas (Government of India 1996).

The second part of this section is a description of public health and education service system in various Indian states. It also evaluates the functioning of local bodies in rural areas and discusses their potential future roles in influencing the efficiency of service delivery in light of recent legislative developments.

2.1 The Constitutional Setting

The complexities involved in arriving at an optimal allocation of responsibilities in the functioning of various levels of government were recognized in the Indian Constitution that came into force in 1950.

The framers of the Constitution clearly envisaged a setup with many different levels of decision-making authority (Table 1). In Part III (Article 12) of the Indian Constitution the term “state” is defined to include the “government and the parliament of India and the government and the legislature of each of the states and all local or other authorities...” (Government of India 1996, p.5). In the remainder of this paper, we shall use the term “central government” in place of the government and parliament of India, and “state government(s)” in place of the government and legislature of each of the Indian states.

Table 1: Constitutional Division of Responsibilities between the Center and the States – Part I

	Center	States (Provinces)	Center and States
Term of office	Five years (House of the People); President (indirect election)	Five years; (Legislative assembly); Governor	
Constitutional bases for responsibilities	Fundamental Rights; Directive Principles; Schedule VII	Fundamental Rights; Directive Principles; Schedule VII	Fundamental Rights; Directive Principles; Schedule VII
Schedule VII	97 items (including residual or items not mentioned) Examples: defense, CBI foreign affairs, railways, airways, central bank, insurance, patents, census, elections to parliament and states, audit of accounts of the center and the states, all India public service officials.	66 items Examples: police, local government, land rights, betting and gambling, state public service officials, fisheries, public order, agriculture, prisons, markets and fairs, public debt of the state.	47 items Examples: criminal and civil law, marriage and divorce, transfer of property other than agricultural land, vagrancy, industrial disputes, social security and social insurance, education, legal, medical and other professions, price control, economic and social planning.
Division of responsibilities (health and education)	<i>Health:</i> opium, port quarantine and seaman's hospitals, inter-state quarantine, insurance, patents and copyrights, labor safety in mines and oil fields. <i>Education:</i> provision and regulation of aeronautical education, patents and copyrights, educational institutions of national importance, co-ordination and determination of standards in institutions for higher education or research and scientific and technical institutions, other central government training and research institutions.	<i>Health:</i> public health and sanitation, hospitals and dispensaries, alcohol, relief for disabled, animal and plant diseases, water supplies. <i>Education:</i> regulation of universities other than those of national importance and in compliance with other elements in column II.	<i>Health:</i> Food adulteration, drugs and poisons, mental disease, economic and social planning, population control and family planning, social security and social insurance, labor welfare, medical profession, vital statistics, prevention of inter-state movement of infectious disease. <i>Education:</i> general education, including technical education and universities, vocational and technical training of labor (subject to column II), books and printing presses, economic and social planning.

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Table1 (continued): Constitutional Division of Responsibilities between the Center and the States – Part II

	Center	States (Provinces)	Center and States
Sources of Finances and their distribution	<p><i>Taxes:</i> Taxes on income (excluding agriculture) – <u>a part assigned to states</u> based on recommendations of Finance Commission; Tax on railway fares (<u>assigned to states</u>); estate duty on property other than agricultural land (<u>assigned to states</u>); excise duties (except alcohol) – <u>maybe assigned to states</u>; corporation tax, capital tax, customs duties, surcharges. <i>Borrowing:</i> can borrow upon the security of the consolidated fund of India.</p>	<p><i>Taxes:</i> Taxes on agricultural income, land revenue, estate duties on agricultural land, taxes on land and buildings, taxes on mineral rights, excise duty on alcohol, sales taxes, taxes on entry of goods into local area, taxes on vehicles and animals, tolls, taxes on professions, entertainment tax, luxury tax, taxes on railway fares.</p> <p><i>Grants-in-aid:</i> upon recommendations of Finance Commission, parliament may support grants to states by the center based on need</p> <p><i>Borrowing:</i> can borrow upon the security of the consolidated fund of the state, and from the government of India. <i>Other grants from center:</i> for state plans (Gadgil formula), centrally sponsored schemes, calamities, and so on.</p>	<p><i>Taxes:</i> Stamp duties.</p>
Sources of Finance and their distribution (continued)			

Table1 (continued): Constitutional Division of Responsibilities between the Center and the States – Part III

	Center	States (Provinces)	Center and States
Accountability of officials at central and state levels	<i>All-India service</i> common to the center and the states: Holds office at the pleasure of the president; cannot be dismissed by an authority lower than the president (on the basis on internal inquiry or criminal charge); conditions of work and recruitment regulated by parliament.	<i>State service:</i> Holds office at the pleasure of the governor; cannot be dismissed by an authority lower than the governor (on the basis on internal inquiry or criminal charge); conditions of work and recruitment regulated by state legislature.	
Accountability of the elected representatives	Electorate (every five years), population per elected representative, independent judiciary, comptroller and auditor general, election commission.	Electorate (every five years), population, population per elected representative, independent judiciary, comptroller and auditor general, election commission.	Electorate (every five years), population, population per elected representative, independent judiciary, comptroller and auditor general, election commission.

Sources and notes: Government of India (1996).

Moreover, the Constitution clearly envisages a role for the government in service provision. This responsibility stems essentially from the Fundamental Rights (Part III) in the Constitution, the Directive Principles of State Policy (Part IV)⁸ Schedule VII, which describes the areas where the state can legislate, and the fact that members of the parliament and the state legislatures are answerable to the people of India via the medium of periodical elections.

⁸ Indian courts have interpreted the Fundamental Rights in the broadest possible sense so that substantial responsibilities have been imposed upon the state.

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The Constitution further specified areas for which the center and the states can formulate appropriate legislation exclusively, or in some cases concurrently.⁹ Areas for which the central government was responsible included defense, railways, national highways, major ports, central banking, patents, inter-state trade, educational and research institutions of national importance, standards for higher education, income and corporate taxes, customs duties, and most excise duties (the Union List). States were exclusively responsible for policing, local self-government, health, sales tax, taxes on land and buildings, and several items in the health sector (the State List). Items such as civil and criminal law, economic and social planning, population control, social security, and so on, belonged to the legislative ambit of both the center and the states (the Concurrent List; for details, see Government of India 1996). In 1976 the central government moved most of the categories in (primary) education from the state to the concurrent list.

The different roles of the central and state governments were further clarified in Parts XI and XII of the Indian Constitution, which outlined the legislative, administrative, and financial relations between the two levels of government. Specifically, these allowed for center-state financial transfers based on the recommendations of a Finance Commission appointed by the President of India. These transfers include constitutionally mandated (or recommended) assignments of shares in revenues from income tax and excise taxes levied by the central government, and grants to states in need of assistance.¹⁰ Apart from these, the central government has made grants to states for the execution of central and state plans, and various centrally sponsored schemes. Although not specifically described in the Constitution, these grants can be justified to the extent that they are associated with economic planning, which falls under the Concurrent List.

The Constitution has a variety of safeguards to increase the accountability of the central and state governments. Foremost among these are the requirements for holding regular elections and auditing government accounts by independent authorities, the Chief Election Commissioner and the Comptroller and Auditor General of India, respectively. The Constitution also provides for an independent judiciary and specifies rules for the hiring and dismissal of staff employed by various governments.

Up until very recently, however, the Indian Constitution was silent on the role of local governments, with local rural bodies appearing only in the section on the Directive Principles of State Policy, a non-enforceable section.¹¹ The decision about the specific role of these bodies was left to the state governments as a part of the State List. It was only after the 73rd and 74th Constitutional Amendment Acts of 1992 that local bodies got the backing they needed.

⁹ Schedule VII of the Constitution specifies three lists: The Union list which contains 97 items and is the sole legislative responsibility of the Central Government; the State List, which contains 66 items. under the exclusive legislative ambit of the State governments; and the Concurrent List has 47 items for which the center and the states could both enact laws.

¹⁰ See, in particular, Articles 270, 280 and 281 (Government of India 1996).

¹¹ The one exception to this general picture was the small number of regional and district councils in the tribal areas of Northeast India (Table 2).

According to these changes in the Constitution, it is now incumbent upon the states to set up representative rural (panchayats) and urban bodies. This process was to be accompanied by setting up State Finance Commissions that would recommend appropriate devolution of resources from the states to these bodies, and District Planning Committees (DPC) to help in development planning. The Amendments did not go into the question of the appropriate division of responsibilities between the state and local governments, and only provided a suggestive list of areas that could be transferred to local bodies (Table 2). The exact responsibilities and the specification of mechanisms to ensure accountability of these bodies were left to the state legislatures.

Table 2: Constitutional Status of Local Bodies in India: Pre- and Post-1992 – Part I

Categories	Status of rural and urban local bodies, pre-1992	Status of rural and urban local bodies, post-1992
General: frequency of elections, eligibility, levels of government, and so on	<p><i>Article 40 of the Constitution</i> (<u>not legally enforceable</u>) stated that “the state shall organize village panchayats and endow them with such powers and authority as may be necessary for them to function as units of self-government.” (GOI, 1996, p.13). <i>Schedule VII</i> of the Constitution put local bodies, both rural and urban, under the exclusive jurisdiction of the state.</p> <p><u>Autonomous district and regional councils in Northeast India</u> (<i>Schedule VI</i>): 90 percent of district level council members to be directly elected on the basis of adult suffrage. Elected officials have five-year terms.</p>	<p><i>Article 40</i>, and <i>Schedule VII</i> same as in pre-1992 situation. <i>Schedule VI</i> on autonomous councils is also unchanged from the pre-1992 situation.</p> <p><u>New provisions</u>: local bodies (panchayats) to be constituted at the village, intermediate, and district levels in each state with population exceeding 2 million. For <u>urban areas</u>, local bodies to be established as well (for example, municipal corporation, municipal council).</p> <p>Most <u>Panchayat</u> members to be directly elected by the population; terms of five years. State legislatures could decide whether chairpersons of village panchayats could become members of panchayats at the village level, whether MPs and MLAs could become members of panchayats at the district and intermediate levels.</p> <p><u>Urban local bodies</u>: membership by direct election, except for members who may be chosen on the basis of other criteria (special qualifications, MPs, MLAs); term is for five years.</p>

Table 2 (continued): Constitutional Status of Local Bodies in India: Pre- and Post-1992
- Part II

Categories	Status of rural and urban local bodies, pre-1992	Status of rural and urban local bodies, post-1992
		<p>To have a district planning committee in every district to consolidate plans prepared by rural and urban local bodies. At least four-fifth's of the members of the district planning committee shall be elected by (or composed of) members of urban and rural local bodies.</p>
		<p>To have a metropolitan planning committee consisting of at least two-third members from panchayats and urban local bodies in the area.</p>
<p>Responsibility: Areas of substantive authority and/or responsibility</p>	<p><u>No details</u> except in the case of <i>autonomous councils</i> in the Northeast of India. These councils have substantive authority concerning most administrative matters in their jurisdiction. Can make laws with regard to: land use, use of water for agriculture, shifting cultivation, village or town committees and councils, inheritance, marriage and divorce, social customs, water, and sanitation. <i>District councils</i> can establish primary schools, prescribe the manner in which primary education is imparted, and dispensaries.</p>	<p>For <i>autonomous councils</i>, same provisions as in pre-1992 period.</p>
<p>Responsibility (continued)</p>	<p><u>Assent of the governor of the state</u> is required in many of these categories. In case of a clash with legislation of the state or central governments, the latter set of laws shall prevail. The governor has the power to dissolve councils if so recommended by a commission on councils.</p>	<p><i>Panchayats</i>: only suggest that state legislatures endow panchayats with such powers as to enable them to function as units of self-government – especially in preparing and implementing plans/schemes for economic development and social justice. A suggestive list for such actions includes 29 areas (among them, drinking water, poverty alleviation, education including primary and secondary schools, technical and vocational education, adult and non-formal education, libraries, health and sanitation, primary care centers, hospitals, and dispensaries, family welfare, and women and child development).</p> <p><i>Municipalities (again suggestive)</i>: Aside from functions similar to those envisaged for panchayats (i.e. prepare and implement plans), they could also perform “other” functions in areas including 18 defined areas</p>

Table 2 (continued): Constitutional Status of Local Bodies in India: Pre- and Post-1992
- Part III

Categories	Status of rural and urban local bodies, pre-1992	Status of rural and urban local bodies, post-1992
Reservation of seats	<u>Autonomous councils</u> : About ten percent of the district council members are nominated by the governor.	<p>(for example, water supply, public health, sanitation, and solid waste management, mentally retarded, registration of births and deaths, promotion of cultural, educational, and aesthetic aspects, planning).</p> <p>Panchayats: One-third of seats and chairman positions reserved for women; reservation for scheduled castes and tribes; reservation for other backward groups left to state legislature.</p> <p>Urban local bodies: reservation for SCs and STs and one-third reservation for women in seats.</p>
Financing	<u>Autonomous councils</u> : Land revenue; taxes on land and buildings; tolls on residents; taxes on professions, trades, and employment; taxes on animals, vehicles and boats; passenger tolls on ferries; octroi duties; taxes for the maintenance of schools, dispensaries, and roads; share in royalties from mineral extraction in areas under the control of the council(s). Assent by governor needed on legislation by the councils relating to any of the above.	<p><u>Legislature of a state is to decide</u> on the taxes panchayats and urban local bodies can levy, the tax revenues to be assigned to them, and the level of grants-in-aid to be given them.</p> <p><u>State Finance Commissions (SFC)</u>: Binding on the state government(s) to constitute a SFC every five years. The Commission will make recommendations on taxes to be assigned or shared, and grants to be given by states to local bodies. However, the state legislature decides whether these recommendations will be followed.</p>

**Table 2 (continued): Constitutional Status of Local Bodies in India: Pre- and Post-1992
- Part IV**

Categories	Status of rural and urban local bodies, pre-1992	Status of rural and urban local bodies, post-1992
Accountability	Comptroller and Auditor General (CAG) of India responsible for auditing the accounts of the district and regional councils. Governor may appoint commission to evaluate functioning; regular elections.	Left to the state legislatures to decide upon the nature of audits of panchayat accounts; regular elections. For autonomous councils, same as pre-1992.

Notes and Sources: GOI (1996). There are nine (9) autonomous council areas described under the Indian Constitution (GOI, 1996, p.162). These comprise a very small area and cover only a small portion of the Indian population.

The Indian Experience with Decentralization

The net effect of the various constitutional guidelines is that, at least at the level of the central and state governments, there has been significant decentralization of government functions. This is obvious both from the expenditure patterns as well as the share of state governments in total revenues. As Table 3 clearly indicates, during 1996-97, aggregate spending by Indian states was about the same as the spending by the central government. The picture is unchanged if we look at their respective shares in total revenues.

Table 3: Fiscal Devolution in India (1970-1997), Selected Years, in Bn. Rs.

	1970/71	1980/81	1990/91	1996/97
Central Government				
Gross Tax Revenue	8.05	10.73	12.33	10.30
Net Tax Revenue	6.15	7.63	9.28	7.56
Non-Tax Revenue	3.07	3.56	3.19	2.78
Net Revenue	9.22	11.19	12.47	10.34
Expenditure	12.76	17.91	21.54	15.30
Net Loans to States	0.96	1.98	2.01	1.38
Grants to States	1.43	2.20	3.06	2.03
Transfers for CSS & CPS	0.35	0.79	0.99	0.58
State Government				
Own Tax Revenue	3.79	5.31	6.35	5.58
Own Non-Tax Revenue	4.34	6.95	7.07	5.01
Share of Central Taxes	1.90	3.03	3.06	2.73
Total Revenue	10.03	15.29	16.86	13.32
Expenditure	11.66	17.18	18.64	14.94
Consolidated Government				
Revenue	16.11	21.67	23.36	19.26
Expenditure	21.27	30.27	34.21	25.84

Sources: Government of India, Budget Papers, various issues. Reserve Bank of India Bulletins, various issues.
Government of India, 1999.

Tables 4 and 5 highlight the relative importance of central and state governments in spending on health and education. During 1994-95, aggregate spending by the state governments on health accounted for more than 75 percent of aggregate public sector health spending. Similarly, aggregate spending by the various state governments on education amounted to more than four fifths of all public sector spending during 1995-96. Moreover, the picture is broadly unchanged since the early 1980s.

Table 4: Public Sector Education Expenditure in India

	Share in Total Exp. (%)	1980/81 Share in GDP (%)	Exp. Per Capita (Rupees)	Share in Total Exp. (%)	1990/91 Share in GDP (%)	Exp. Per Capita (Rupees)	Share in Total Exp. (%)	1994/95 Share in GDP (%)	Exp. Per Capita (Rupees)
Andhra Pradesh	14.0	2.9	39.1	21.8	4.4	107.9	17.6	3.8	102.8
Bihar	16.1	3.7	33.9	23.7	6.2	85.1	22.6	5.3	69.4
Gujarat	12.8	2.8	53.3	20.7	4.5	138.3	18.3	3.3	134.1
Haryana	11.9	2.4	55.1	14.8	3.2	118.9	9.3	2.9	118.8
Himachal Pradesh	16.5	5.7	95.1	20.3	8.6	217.2	17.2	7.8	210.3
Karnataka	13.4	3.0	45.9	18.8	4.4	105.3	19.2	4.2	120.6
Kerala	26.1	5.7	84.2	28.5	7.2	157.2	26.5	6.6	76.7
Madhya Pradesh	11.0	2.4	27.0	20.8	4.5	78.1	23.4	5.1	86.3
Maharashtra	14.9	2.5	73.5	16.9	3.0	139.2	17.7	3.1	167.6
Orissa	13.8	3.2	42.6	21.5	6.3	99.3	21.9	5.8	107.0
Punjab	15.6	2.7	71.5	18.4	3.6	158.6	12.6	2.9	146.3
Rajasthan	15.1	3.5	42.9	20.8	5.2	112.3	19.1	5.2	113.4
Tamil Nadu	15.6	3.4	51.4	19.7	4.6	117.6	20.4	4.2	135.5
Uttar Pradesh	13.4	2.4	29.8	19.3	4.6	85.1	16.3	4.2	76.7
West Bengal	16.8	2.8	48.9	29.9	5.4	131.4	22.3	3.7	94.7
All States	14.8	2.5	40.0	19.3	3.8	110.7	17.8	3.0	109.4
Center	2.8	0.5	7.9	2.4	0.5	14.9	2.6	0.5	16.2
Consolidated Government	9.5	2.9	45.5	12.1	4.1	121.6	11.9	3.4	122.6

Note: Per Capita Expenditure for 1990/91 & 1994/95 adjusted for inflation with base year 1980/81.

Sources: Government of India, Budget Papers, various issues.

Reserve Bank of India Bulletins, various issues.

Government of India, 1999.

Unfortunately, further decentralization in the form of effective decision-making powers or greater control over financial resources for local bodies does not seem to have occurred in most Indian states. Following the Balwantrai Mehta Committee report of 1958, almost all Indian state legislatures introduced a three-tier system of rural local government, with a district council (zila panchayat) at the top, an intermediate level (panchayat samiti), and the gram panchayat at the village level (Mathew 1995; see table 6). This legislation included a host of activities to be undertaken by these local bodies, including community development, making development plans, and overseeing health and education. Yet, a paucity of resources coupled with vaguely defined responsibilities left them with almost no independent role. It is worth contrasting the vague description of panchayat responsibilities with regard to education (in Table 7a) with the detailed responsibilities of state and central government officials in Table 7b.

In the absence of financial resources or clearly defined powers and responsibilities, most panchayat bodies tended to become the executing agents of state bodies (for details about the delivery system in health and education, refer to Tables 8a and 8b). Certainly, this was the picture prior to 1992, and continues to remain so in several of the states. Finances are strictly under the control of state-level departments or their subordinate offices at the district and sub-district levels. Personnel working in schools and primary health facilities generally do not report to, and are not accountable to, elected local representatives. Their salaries are directly payable by the appropriate state department. Decisions about construction of new primary schools and health centers and their location generally take place at the level of the District Planning Committee and above, so that local representatives have little or no say in the matter. Panchayats only act as agents that construct school buildings or health centers on behalf of state bodies, or help to identify the potential beneficiaries of poverty alleviation programs. Senior political representatives, such as members of parliament and the state legislature are often appointed to these local bodies, thereby curtailing further even this limited role. The fact that elections to panchayats have been held infrequently, or not at all, in many states has eroded further their legitimacy and credibility as a force for promoting state accountability (Table 6).

Table 5: Public Sector Health Expenditure in India

	Share in Total Exp. (%)	1980/81 Share in GDP (%)	Exp. Per Capita (Rupees)	Share in Total Exp. (%)	1990/91 Share in GDP (%)	Exp. Per Capita (Rupees)	Share in Total Exp. (%)	1995/96 Share in GDP (%)	Exp. Per Capita (Rupees)
Andhra Pradesh	7.6	1.6	21.4	7.0	1.4	34.6	13.4	2.9	83.8
Bihar	6.3	1.5	13.2	7.1	1.8	25.4	7.0	1.9	21.9
Gujarat	6.3	1.4	26.2	7.6	1.6	50.9	6.7	1.3	52.7
Haryana	6.3	1.2	29.1	5.5	1.2	44.1	4.7	1.2	49.8
Himachal Pradesh	15.0	5.1	86.0	16.9	7.1	180.4	8.6	4.0	110.9
Karnataka	6.0	1.4	20.6	6.6	1.6	37.1	7.8	1.8	53.0
Kerala	10.0	2.2	32.1	9.3	2.3	51.2	8.7	2.3	63.7
Madhya Pradesh	8.1	1.8	19.7	8.1	1.7	30.4	8.2	1.8	31.8
Maharashtra	8.2	1.4	40.8	7.1	1.3	58.4	6.5	1.0	61.7
Orissa	10.9	2.5	33.7	7.1	2.1	33.0	9.4	2.4	48.2
Punjab	9.9	1.7	45.1	6.4	1.3	54.9	5.8	1.1	57.7
Rajasthan	11.5	2.7	32.7	11.7	2.9	63.0	8.2	2.6	58.1
Tamil Nadu	7.7	1.7	25.5	11.8	2.7	70.2	10.6	2.2	72.8
Uttar Pradesh	6.5	1.1	14.4	7.5	1.8	33.1	6.8	1.6	29.4
West Bengal	11.3	1.9	32.7	9.5	1.7	41.6	7.7	1.3	34.4
All States	8.4	1.4	22.6	7.3	1.4	41.7	6.7	1.3	49.0
Center	1.5	0.3	4.3	1.5	0.3	9.2	0.7	0.1	4.7
Consolidated Government	4.9	1.5	23.2	4.4	1.5	44.1	3.9	1.2	45.6

Note: Per Capita Expenditure for 1990/91 & 1994/95 adjusted for inflation, base year 1980/81.

Sources: Government of India, Budget Papers, various issues. Reserve Bank of India Bulletins, various issues. Government of India, 1999. CMIE, 1997.

Table 6: Panchayati Raj Institutions in India in the Pre-1992 Period, Selected States
PRI's in Andhra Pradesh

Categories	Gram Panchayat and Gram Sabha	Janpad Panchayat	Zila Panchayat
Legislation	1920, 1950, 1951, 1959, 1964, 1976, 1978, 1986	1920, 1950, 1951, 1959, 1964, 1976, 1978, 1986	1920, 1950, 1951, 1959, 1964, 1976, 1978, 1986
Membership criteria	GP: 5-17 members (term of five years). Direct election. GS: All registered voters.	(term of five years). Members were the heads of GPs, MLAs, MLCs, with the BDO as the chief executive officer.	(term of five years) Members were the heads of PS, District Collector, MLAs, MLCs, and MPs.
Reservations	Limited reservations for SCs, STs, Women and OBC.	Limited reservations for SCs, STs, Women and OBC.	Limited reservations for SCs, STs, Women and OBC.
Elections	1959, 1964, 1970, 1981, 1987, 1995	1959, 1964, 1970, 1981, 1987, 1995	1959, 1964, 1970, 1981, 1987, 1995
Basic functions	<i>Gram Sabha</i> : Considered annual statement of accounts and audit of GP, and the program for the year ahead. <i>Gram Panchayat</i> : Had administrative control over the executive officer. Administration via several committees (public health, sanitation. Also supposed to execute development programs in – education, civic amenities, drainage, co-operatives, public health.	Administration via several committees (public health, sanitation. Also supposed to execute development programs in – education, civic amenities, drainage, co-operatives, public health.	Administration via several committees. Advisory and supervisory body over the PS, with powers to approve their budgets, coordinate their plans, and distribute government funds among the blocks. Also had some development functions related to secondary and vocational schools.
Financing	Government grants, taxes, non-tax revenues, income from property.	Surcharge on land cess and on taxes levied by panchayats, contributions by panchayats	central and state government grants, shares of land and local cess, income from endowments and donations.

Source(s): ISS (1995).

Decentralization and Public Sector Delivery of Health and Education Services in India

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Bihar

Categories	Gram Panchayat	Janpad Panchayat	Zila Panchayat
Legislation	1922, 1947, 1956, 1959, 1982, 1990.	1890, 1947, 1961, 1982, 1990	1890, 1947, 1961, 1982, 1990
Membership criteria	Elections	Elections	Elections
Reservations	Introduced in 1987.	Introduced in 1987.	Introduced in 1987.
Elections	1957 (selected GP), 1969, 1978	1969, 1978	1969, 1978
Basic functions	<p><u>No clear distinction between functions of PRI and state governments:</u> included - development and planning, poverty eradication, social welfare, adult and primary education, minor irrigation, etc.</p> <p>Execution of JRY (1987 onwards) works directly assigned to village heads, under supervision of DRDA.</p> <p>Some judicial functions.</p>	<p><u>No clear distinction between functions of PRI and state governments:</u> included - development and planning, poverty eradication, social welfare, adult and primary education, minor irrigation, etc.</p> <p>Execution of various development schemes operated by DDO and BDO. Major role of Block Panchayats.</p>	<p><u>No clear distinction between functions of PRI and state governments:</u> included - development and planning, poverty eradication, social welfare, adult and primary education, minor irrigation, etc.</p> <p>Execution of various development schemes operated by DDO and BDO.</p> <p>Although ZP given responsibility for planning, effectively undertaken by DPDC (operated by the collector).</p>
Financing	6.25 percent of land revenue allotted to PRI, grants and loans from state governments. <u>But no real transfer of funds.</u>	6.25 percent of land revenue allotted to PRI, grants and loans from state governments. <u>But no real transfer of funds.</u>	6.25 percent of land revenue allotted to PRI, grants and loans from state governments. <u>But no real transfer of funds.</u>

Source(s): ISS (1995).

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Gujarat – Part I

Categories	Village Panchayat	Taluk Panchayat	District Panchayat
Legislation	1958, 1975	1961, 1975	1961, 1975
	Nearly forty amendments over time.	Nearly forty amendments over time.	Nearly forty amendments over time.
Membership criteria	Term of five years.	Term of five years.	Term of five years. MLA, MP and the District Collector were associate members of the DP.
Reservations	Reservations for SC, ST and women.	Reservations for SC, ST and women.	Reservations for SC, ST and women.
Elections	1963, 1968, 1973, 1978, 1983, 1988, 1995	1963, 1968, 1973, 1978, 1983, 1988, 1995	1963, 1968, 1973, 1978, 1983, 1988, 1995
Basic functions and accountability	Social Justice Committees to help the weaker sections of society. A Panchayat service commission hired panchayat employees. Auditing by a committee in the state legislature. Village level government functionary secretary to the VP.	Social Justice Committees to help the weaker sections of society. Auditing by a committee in the state legislature. A Panchayat service commission hired panchayat employees.	Social Justice Committees to help the weaker sections of society. Auditing by a committee in the state legislature. A Panchayat service commission hired panchayat employees. DDO was CEO of the District Panchayat. District Planning Board and DRDA – worked closely with Panchayat bodies but were independent of the latter.

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Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Gujarat – Part II

Categories	Village Panchayat	Taluk Panchayat	District Panchayat
Financing	All land revenue to panchayats. Matching grants from district development fund. Cattle pond income, district gram equalization fund, contributions from public, etc.	Revenue on 20% cess on irrigation received by Taluka Panchayats. All land revenue to panchayats. Matching grants from district development fund. Levy on stamp duty, education cess, equalization grants, contributions from public. Financially weak. Only about Rs. 0.50 lakhs annually.	Out of total budget of Rs. 96 lakhs, only 8.7 lakhs was from own resources. All land revenue to panchayats. Matching grants from district development fund, contributions from public. Stamp duty, taxes on profession, loans, etc.

Source(s): ISS (1995).

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Haryana

Categories	Gram Panchayat	Janpad Panchayat	Zila Panchayat
Legislation	1939, 1952, 1961 (became a separate state in 1966)	1952, 1961 (became a separate state in 1966)	1952, 1961 (became a separate state in 1966).
Membership criteria	Term increase from three to five years in 1971.	Term increased from three to five years in 1983. Mostly elected indirectly, also memberships for BDO, local MLAs, and sub-divisional magistrate.	ZP abolished in 1972. Mostly elected indirectly, district collector, MP, MLA. Chairperson elected indirectly by ZP members.
Reservations	Reservations (unspecified)	Some reservations for SC and women.	Some reservations for SC and Women.
Elections	1972, 1978, 1983, 1988, 1991	1972, 1983, 1991	1972
Basic functions	GS: Had rights to purchase, hold an dispose off property. Pass the annual budget and review the development plan of the GP. GP: An executive committee of the GS. Agencies of the PS for implementing development programs under their purview.	BDO was the executive officer. Several committees to help in functioning. Mostly executed development plans of the central and state governments. Exercised supervision over GPs. Powers greatly reduced in late-1970s and 1980s. Several revenue sources and officials taken away. DRDA independent body.	Mostly a coordinating and supervisory body (generally quite weak).
Financing		Government grants, tax on professions, contribution from GPs, income from cattle fairs.	Government grants and contributions from PS.

Source(s): ISS (1995).

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Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Himachal Pradesh

Categories	Gram Panchayat	Janpad Panchayat	Zila Panchayat
Legislation	(Became separate state in 1948), 1939, 1952, 1968	(Became separate state in 1948) 1939, 1952, 1968	(Became separate state in 1948) 1939, 1952, 1968
Membership criteria	Three-year term Had both directly elected members and some co-opted members.	Presidents of GPs and co-opted members. President elected indirectly.	Presidents of PS, MP, MLA, District collector, President elected indirectly.
Reservations	Limited reservations for women and SC	Limited reservation for SC and women.	Reservations for women and SC
Elections	1954, 1962, 1972, 1978, 1985, 1991, 1995.	1972, 1978, 1985, 1992, 1995	n.a.
Basic functions	GS: responsible for passing budget and accounts of previous year.	After 1968, chairperson wrote the ACR of the Block Development Officer.	Mainly co-ordination and supervisory functions.
Financing		Real powers vested with government officials – relating to suspension, dissolution of PRI, their taxation powers, plans for implementation. Grants from central and state governments under various heads.	State and central government assignments; share in land cess, state taxes, income from endowments, and donations.

Source(s): ISS (1995).

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Karnataka - Part I

Categories	Gram Sabha and Mandal Panchayat	Taluka Panchayat	Zila Parishad
Legislation	(state formed in 1956) 1902, 1918, 1920, 1926, 1959, 1983	(state formed in 1956) 1959, 1983	(state formed in 1956) 1959, 1983
Membership criteria	Direct elections in villages (or groups of villages) with population in excess of 2,500. <i>After 1985:</i> Typically for a population of 8-12,000 (one member per 400). Consisted of elected members.	<i>After 1985:</i> Headed by the local MLA with mandal panchayat heads as its members.	(Before 1985): No real ZP. District Development Council consisting of Presidents of PS, MP, MLA, headed by the DM. <i>After 1985:</i> ZP members directly elected. MP and MLA were members.
Reservations	SC and ST. Limited seats for women.	SC and ST. Limited seats for women.	Limited reservations for SC, ST, and women. After 1985, increase in reserved seats.
Elections	1959, 1968, 1978, 1987, 1993	1959, 1968, 1978, 1987	1987
Basic functions	<i>After 1985:</i> made responsible for implementation of anti-poverty programs. Expected to take interest in agricultural and social welfare projects. Had a full time secretary appointed and paid for by the ZP. <i>Gram sabha:</i> to meet twice a year: review mandal panchayat annual report and to identify beneficiaries of anti-poverty programs. Develop mandal plans and then forward them to ZP.	<i>After 1985:</i> No executive powers.	<i>After 1985:</i> Headed by a president. Administration headed by the "chief secretary" from the IAS. Had a planning unit. All district level departments functioned under the ZP. DC was kept out of PRI. Had a wide range of functions – besides co-ordination and preparation of development plans. Included education and public health. Detailed programs and department staff were transferred to ZP control (many primary school teachers in government schools).

Decentralization and Public Sector Delivery of Health and Education Services in India

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Karnataka – Part II

Categories	Gram Sabha and Mandal Panchayat	Taluka Panchayat	Zila Parishad
Financing	<i>After 1985:</i> share in grants by the state government. SFC set up and submitted report in 1989 (no action taken). Local taxes with limited revenue capability.	Surcharge on stamp duty, share in state land revenue. Bulk of revenues from the grants made by central and state governments. SFC set up and submitted report in 1989.	Incorporate mandal plans and its own priorities to formulate a district plan and forward it to the state government. 37.2% of the budget for centrally sponsored schemes/state plans transferred to ZP. 20% non-plan funds; 30% of government employees transferred to ZPs. No powers of taxation.

Source(s): ISS (1995).

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Madhya Pradesh

Categories	Gram Panchayat and Gram Sabha	Janpad Panchayat	Zila Panchayat
Legislation	1920, 1929, 1946, 1962, 1981, 1990	1949, 1962, 1981, 1990	1949, 1962, 1981, 1990
Membership criteria	one per 100 (directly elected) Gram Sabha members comprised all registered voters in the "patwari" circle. Gram Panchayat had directly elected as well as co-opted members.	Heads of GP, representatives from municipal bodies, MLA, other co-opted members. President was directly elected.	Heads of JP, representatives of municipal bodies, MP, MLA, chairperson(s) of co-operative societies. President was directly elected.
Reservations	SC, ST, women (from 1988)	SC, ST, women (from 1988)	SC, ST, women (from 1988)
Elections	1965, 1970, 1978, 1983, 1989	1970, 1978, 1983, 1989	1983, 1989
Basic functions	Civic functions, implement community development programs. Had skeletal staff. One secretary for four GPs.	Civic functions, implement community development programs	Civic functions, implement community development programs

Source(s): ISS (1995).

Decentralization and Public Sector Delivery of Health and Education Services in India

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Maharashtra – Part I

Categories	Gram Panchayat	Panchayat Samiti	Zila Panchayat
Legislation	1920, 1933, 1939, 1958	1961	1961
Membership criteria	(Term of five years); 7-15 elected members and associate members. Included chairpersons of co-operative bodies linked to the villages.	(Terms of five years): Directly elected (two from each electoral division); ZP members from the area; MP and MLA not members; chairpersons from co-operative bodies.	(Terms of five years): 50-75 directly elected members; presidents of PS; chairpersons of co-operative societies; MP and MLA not members.
Reservations	For SC, ST and Women.	For SC, ST and Women.	For SC, ST and women.
Elections	`	1962, 1967, 1972, 1979, 1992	1962, 1967, 1972, 1979, 1992
Basic functions	Committees for discharging duties. Included water supply, sanitation, and public health. Worked under the overall guidance of the ZP and the PS. Village development officer (gram sevak) was the secretary of the GP. Appointed by ZP.	Similar functions to ZP. Functioned under the overall guidance and instruction from ZP. BDO was the head of the administrative machinery and the secretary of the PS. BDO was assisted by extension officers (Class III) from various departments – agriculture, panchayats, health, and so on.	Collector disassociated from ZP functioning; district level schemes transferred to ZP. Nine committees established (education, health, women and child welfare, and so on). The heads of the department in ZP were secretaries of the appropriate committees. Development functions included using its funds for various items in its jurisdiction; had to execute and maintain its own schemes as also those entrusted to it on an agency basis. CEO of ZP was assisted by officers in health, education, social welfare, and other departments. ZP had supervisory power over personnel in its ambit. Class III and Class IV employees were ZP employees. Planning body DPDC kept outside the purview of ZP.

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in Maharashtra – Part II

Categories	Gram Panchayat	Panchayat Samiti	Zila Panchayat
Financing	Grants from governments and own revenues. Heavily dependent on grants.	PS had no power to raise taxes.	Government grants, self-raised resources, and assigned revenues by states. Own resources to grants averaged 5 percent during the 1980s.

Source(s): ISS (1995).

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Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in West Bengal – Part I

Categories	Gram Panchayat	Panchayat Samiti	Zilla Panchayat
Legislation	1957, 1963, 1973	1963, 1973	1963, 1973
Elections	1964, 1978, 1983, 1988, 1993	1959, 1978, 1983, 1988, 1993	1978, 1983, 1988, 1993
Membership criteria	Each GP covered about 10-12 villages (or 10-12,000 people). About 5-25 members who were directly elected. Five year term.	Directly elected members (not exceeding three from each panchayat area); heads of all gram panchayats; MLA; MP. Five year term.	Directly elected members (not more than two from each block); heads of all panchayat samitis; MLA; MP. Five year term.
Reservations	For SC, ST, and women.	For SC, ST, and women.	For SC, ST, and women.
Basic functions, administration, and accountability	<i>Detailed functions:</i> similar to those assigned for the post-1992 West Bengal panchayats. A lot of implementation/agency functions. In 1992, some effort was made to delegate the GP head's responsibilities to specific members.	<i>Standing Committees</i> (see post-1992 table on West Bengal). Consisted of PS members and nominated government specialists. <i>Detailed functions:</i> similar to those assigned for the post-1992 West Bengal panchayats. <i>Block planning committees</i> in 1985. Headed by chairperson of PS and included heads of GP, chairpersons of standing committees, and block level officials.. Departments communicated their budgeted expenditures to the committee. BDO was executive officer of PS (rest, same as in post-1992).	<i>Standing Committees</i> (see post-1992 table on West Bengal). Consisted of ZP members and nominated government specialists. <i>Detailed functions:</i> similar to those assigned for the post-1992 West Bengal panchayats. <i>District planning committees</i> in 1985. Headed by chairperson of ZP and included heads of PS and municipalities, chairpersons of standing committees, and district level officials. Departments communicated their budgeted expenditures to the committee. DM executive officer of the ZP.

Table 6 (continued): Panchayati Raj Institutions in India in the Pre-1992 Period,
Selected States - PRI's in West Bengal – Part II

Categories	Gram Panchayat	Panchayat Samiti	Zilla Panchayat
Financing	Establishment and personnel costs of all tiers of PRI met by the state government. But own resources were limited. GP raised about Rs. 10,000 per village from own revenue sources during 1988-89.	Establishment and personnel costs of all tiers of PRI met by the state government. But own resources were limited.	Establishment and personnel costs of all tiers of PRI met by the state government. But own resources were limited.

Source(s): ISS (1995).

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Table 7a: Responsibility of the Panchayati Raj Institutions for Primary Education, Various Three-Tier Indian States.

State	Zilla Parishad	Panchayat Samiti	Gram Panchayat
Andhra Pradesh		Manage elementary and higher elementary schools	
Gujarat	Primary education: recruit primary school teachers; construct school buildings	Establish primary schools; primary education	Primary schools
Karnataka	Establish and maintain ashram schools; promote primary education	Promote primary education; construct, repair, and maintain schools	Promote public awareness and participation in primary schools; ensure enrollment and attendance in primary schools
Madhya Pradesh		Establish primary school buildings	Inspect schools; construct and maintain primary schools; distribute free textbooks and uniforms; manage scholarships for SC/ ST primary school children; organize nonformal education
Maharashtra	Establish, maintain, inspect, and repair primary schools; provide teaching aids to primary schools	Primary education	Promote education
Rajasthan	Ensure proper functioning of primary schools	Promote primary education	Supervise primary schools; transfer, post, and disburse salary of primary school teachers
Uttar Pradesh	Construct and maintain primary schools	Establish and maintain primary schools	Establish primary schools
West Bengal	Construct primary schools in flood-affected areas; supervise primary schools	Promote primary education	Construct primary schools in flood-affected areas; distribute textbooks

Source: (Table 8.3, World Bank 1997b).

Table 7b: Role of various levels of government in specific components of primary school (or equivalent) service: The case of Karnataka – Part I

	Infrastructure (school buildings)	Personnel, working conditions, and salaries	Teaching materials	Curricula and Exams
Central	Sponsors schemes such as “Operation Blackboard”, and supports state plan expenditures.	No direct role except through NIEPA and NCERT.	Technical advice through NCERT; operation blackboard and other centrally sponsored schemes	No direct role except through NCERT and NIEPA.
State	State plan expenditures, matching grants for centrally sponsored schemes, funds for maintenance of school buildings.	Sets non-teaching personnel quotas, SCERT sets teacher certification standards; Commissioner of public instruction dismisses and promotes supervisors, authorizes transfers of education officers; Karnataka Public Service Commission hires supervisors and non-teaching personnel; Pay Commission sets salaries for teachers, principals, and supervisors.	Directorate of public instruction (primary) sets guidelines for purchase of instructional materials; SCERT helps develop and write textbooks.	Board of Secondary Education Examination establishes student certification standards, designs and administers tests, disseminates test results

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Table 7b: Role of various levels of government in specific components of primary school (or equivalent) service: The case of Karnataka – Part II

	Infrastructure (school buildings)	Personnel, working conditions, and salaries	Teaching materials	Curricula and Exams
District	ZP responsible for construction of schools.	District Director of public instruction can promote, discipline, dismiss and authorize transfers of teachers; appoint, promote, discipline, and dismiss principals, has great authority over non-teaching personnel, inspectors of schools. District-level recruitment committee recruits teachers.	District textbook depot distributes textbooks.	District Director of public instruction responsible for establishing certification standards for higher primary school examinations, design and administer tests and disseminate results.
Block		Block inspector supervises schools. Block education officers sanctions leave and transfer of primary school headmasters, supervises work of inspectors of schools; lots of power over non-teaching personnel		Block education officers administer tests.
Village	GPs responsible for repairs of school building; responsible for construction of schools.	Headmaster evaluates teachers' performance; assigns teachers to classes, sanctions leave of teachers.		Headmaster sets standards for promotion of students; establishes homework policies.

Source(s): World Bank (1997b).

Table 8a: Management and Financing of Primary Education Services by the Public Sector

	Political	Administrative	Technical Support and Planning	Funding
Central	Central Government Ministry of Human Resource Development	Department of Education	Planning Commission; Central Advisory Board of Education; National Council of Educational Research and Training; National Institute for Educational Planning and Administration	External funding Own tax and non-tax revenues
State	State Legislature State Ministry of Education	Directorate/Secretariat of Education	State Planning Commissions; State Council of Educational Research and Training; State Institutes of Educational Management, Administration and Training	Centrally sponsored schemes; state plans; own resources.
District	Zilla Parishad (ZP)	District Education Office	District Institute of Educational Training (DIET)	Centrally sponsored schemes, transfers from state governments, own resources of local bodies
Block	Panchayat Samiti (PS)	Block Education Office Inspectorate	Block Resource Center, Cluster Resource Center	
Village	Gram Panchayat (GP) and Gram Sabha (GS)	Headmaster	Teachers	

Source(s): World Bank (1997b).

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Table 8b: Institutions Supporting the Management and Financing of Primary Health Care in the Public Sector

	Political	Administration	Technical Support	Funding
Central	Central Government Ministry of Health and Family Welfare; Ministry of Human Resources Development	Department of Health Department of Family Welfare; Department of Indian Systems of Medicine and Homeopathy; Department of women and Child Development	<u>Several</u> including: National Institute of Health and Family Welfare; Indian Council of Medical Research (ICMR); Central Drug Research Institute; Central Laproscopic Training Centers; Indian Medical Association; Central Drug Standard Control Organization; National Institute of Communicable Diseases.	External funding Own tax and non-tax revenues
State	State Legislature State Ministry of Health State Ministry of Social Welfare	Directorate/Secretariat of Health Directorate of	State Drug Control Authority; State Institutes of Health and Family Welfare; Various research institutions.	Centrally sponsored schemes; state plans; own resources.
District	Zilla Parishad (ZP)	District Health Office; District Medical Superintendent (Hospitals);	Program officers for various centrally sponsored schemes – Tuberculosis, ICDS, Malaria, Leprosy, Family Welfare and so on; District laboratories.	Centrally sponsored schemes, transfers from state governments, own resources of local bodies
Block	Panchayat Samiti (PS)	Block Development Office; Medical Officer (PHC); Superintendent (CHC); ICDS Project Officer.		
Village	Gram Panchayat (GP) and Gram Sabha (GS)	Medical Officer (PHC), ANM, Village Health Guide, Anganwadi worker		

Sources: Government of India (1995); World Bank (1995b, 1997a); Mavalankar (1998); Mavalankar and Patel (1998)

There are exceptions to this general picture. Well before 1992, the states of Maharashtra and Gujarat transferred many activities, including the administration of primary health care and primary education, to elected rural bodies at the district level (the Zilla Parishads). Flexibility in being able to directly hire certain employees at the lower level was also available. Higher level employees were also under the administrative control of the zilla parishad, although they were officially state employees on deputation to it (Mavalankar and Patel 1998; see also Table 6). Members of Parliament and state legislatures were kept out of the membership of the local bodies. Funds for administering these activities were directly transferred to these bodies, as well. However, in this case, the state line departments kept a tight leash on the funds spent. Independent sources of funding for these local bodies were limited at about 5 to 10 percent of their total spending. Even this was considerably higher than in the other Indian states. Unfortunately, key departments for planning were kept outside the purview of the zilla parishad under the administrative head of the state government. There is also some evidence that, although formally kept out of their membership, members of parliament and state legislatures exercised considerable influence on the local bodies regarding transfers of personnel and spending (Dubey 1975; Mavalankar and Patel 1998).

Another noteworthy experiment, although of a less durable nature, occurred in Karnataka in the mid-1980s (Chandrasekhar 1984, 1989; Mathew 1995). As in Maharashtra and Gujarat, entire departments (including primary education and health care) and associated expenditures were transferred to local bodies at the village and district levels (see Table 6 for additional details). In addition, planning departments were moved under their control, a novel feature. The Karnataka experiment also included setting up a state finance commission to frame guidelines on which resources at the state level could be divided between the state government and the local bodies.

The other state where some movement toward decentralized governance took place in the pre-1992 phase was West Bengal (ISS 1995; Lieten 1992; Rao 1995). Although less well set up than envisaged in the Karnataka experiment, local bodies did have some control over the planning organs (and even some untied funds). West Bengal panchayats were actively involved in a variety of programs as executing agencies including mass literacy campaigns, irrigation schemes, and employment generation. In some circumstances, however, the state handed over the administration and management of services as well as in the case of tubewells constructed under a World Bank scheme (Rao 1995).

Post-1992, the movement toward increased decentralization has picked up steam. All states have passed conformity legislation in line with the Constitutional changes of 1992, and most have held elections, and set up state finance commissions for devising a framework for devolving funds to local bodies (Table 9). Some states such as Kerala and more recently, Madhya Pradesh have taken dramatic steps toward moving departments to the control of the local rural bodies, and involving them in the development planning process. In Kerala, moves have been made toward a large transfer of funds to local bodies (Vijayanand 1998). In Madhya

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Pradesh, panchayats can demand funds for schools and hire their own teachers (Probe 1999). Many of the changes are still ongoing, so a full picture is not, as yet, available.

Table 9: Post-1992 Status of Rural Local Bodies as Per State Legislation, Selected States: Gujarat – Part I

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies Taluka Panchayat	District level bodies Zilla Parishads/District Panchayat
General: frequency of elections, eligibility, levels of government, and so on	Gram Sabha: All eligible voters are members.	Constituted for every revenue taluka; has both <u>elected</u> and <u>associate</u> members such MLA, local members of the district level panchayat and presidents of municipalities . Number of members is 15 or more. Last elections-1995	Has directly and indirectly elected members. Members include presidents of taluka panchayats, two persons with experience in the field of education, MP, MLA, the District Collector, and the presidents of all municipalities. Membership is 17 or more. Last elections- 1995
Number of local bodies	(13,316)	(184)	(19)
<i>Responsibility:</i> Areas of substantive authority and/or responsibility, especially in health and education	Gram Sabha: Approves annual budget and plan of development programs; assist in identification of beneficiaries; also <u>promote adult education and family welfare.</u>	<u>Education:</u> assisting in the propagation of pre- primary and primary education, enforcing the law relating to compulsory primary education, establishment and maintenance of primary schools, preparing and implementing a program of constructing primary school buildings, assisting educational activities of the village panchayat, library development.	Has powers of supervision and control over lower level local bodies.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation, Selected States: Gujarat – Part II

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies Taluka Panchayat	District level bodies Zilla Parishads/District Panchayat
	Gram Panchayat: <u>Health and sanitation</u> - supply of water, family planning, constructing and cleaning of public roads, drains, wells, etc., sanitation, preservation and improvement of public health, establishing and maintaining public hospitals and dispen- saries, construction and maintenance of public latrines, taking measures to prevent the outbreak of infectious disease, maternity and child welfare, encouragement of vacci-nation, removal of rubbish heaps, relief of the sick.	Other education related functions include – to provide adequate equipment for primary schools, to determine the exact location of primary schools, to supervise the working of all primary schools, to give grants to GP for their standing committee on education.	<u>Sanitation and health</u> : - establishment and maintenance of dispensaries, provision and maintenance of drinking water supply, taking steps to improve public health, establishment and maintenance of PHC, assisting in family planning, establishment and maintenance of indigenous medicine dispensaries, providing for the training of nurses, and so on.
Responsibility: Areas of substantive authority and/or pre-responsibility, especially in health and education (continued)	<u>Education and Culture</u> - spread of education, establishment and maintenance of libraries and reading rooms, pre- primary education and child welfare activities, assisting in the introduction of compulsory primary education, repairs and maintenance of school buildings, scholarships to needy students, establishment, construction and maintenance of secondary schools.	In addition, several responsibilities in the areas of road construction, social education, community development, agriculture and allied activities, village industries, social welfare, disaster relief, rural housing, TP has two committees.	<u>Education</u> :- planning of education in the district within the framework of national policy, survey and evaluation of educational activities, distribution of government funds for primary education to TP, recognizing private educational institutions within its jurisdiction, selection of textbooks, inspection of primary schools managed by TP

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Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation, Selected States: Gujarat – Part III

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies Taluka Panchayat	District level bodies Zilla Parishads/District Panchayat
	<p><u>Planning and Administration:</u> Preparation of plans for village development, conducting an economic survey of the village, preparation of budget, collection and maintenance of accounts, upkeep of records, and so on.</p> <p>Several other functions in the areas of public works, community development, agriculture and allied activities, village industries. Responsible for collection and record keeping with regard to land revenue.</p> <p>GP have two committees.</p>		<p>and the conduct of their examination, assisting and guiding all educational activities.</p> <p>Planning: co-ordination and integration of development schemes of all talukas in the district, and implementing development schemes entrusted to it by the state government.</p> <p>Other activities related to agriculture and allied functions, village industries, social welfare, and disaster relief.</p> <p>DP has 7 committees - these include <u>committees for education and public health</u>. The primary purpose is to facilitate the functions assigned to the DP. Also supposed to promote <u>non-formal and vocational education</u>.</p>

Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation, Selected States: Gujarat – Part IV

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies Taluka Panchayat	District level bodies Zilla Parishads/District Panchayat
Reservation of seats	33 percent reservation for women. Also reservations for SC, ST, and other backward groups.	33 percent reservation for women. Also reservations for SC, ST, and other backward groups.	33 percent reservation for women. Also reservations for SC, ST, and other backward groups.
Financing	SFC report submitted on 7/98. Existing resources include - taxes on buildings, lands, octroi, taxes on fairs, entertainment tax, land revenue (50% share), water cess; loans from district development fund.	SFC report submitted on 7/98 25% share in land revenue; loans from district development fund.	SFC report submitted on 7/98. 10% share in land revenue; loans from district development fund.
District Planning Committee	n.a.	n.a.	Has been constituted.
Accountability	Staff to be hired via Panchayat service selection board, district panchayat service selection committee, and district primary education staff selection committee.	Staff to be hired via Panchayat service selection board, district panchayat service selection committee, and district primary education staff selection committee.	Staff to be hired via Panchayat service selection board, district panchayat service selection committee, and district primary education staff selection committee.
Relationship to bureaucracy or other higher levels of government		Taluka Development Officer (TDO) is the ex-officio secretary of the TP	District Development Officer (on deputation) is the ex-officio secretary of the district panchayat. He is assisted by sectoral officers from agriculture, health, PWD, and so on.

Notes and Sources: ISS(1995, 1996); communication with Sanjay Mitra.

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Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Kerala – Part I

	Gram Sabha	Gram Panchayat	Taluka Panchayat	Zilla Parishad
Legislation	1994	1994	1994	1994
Population covered per unit	1-2,000; one per ward	23,500 (990) 10-11 villages	Block level (152)	District level (14)
Membership criteria	All eligible voters	8-15 members directly elected; reserved seats	8-15 members: directly elected, presidents of GPs, MPs and MLAs; reserved seats	15-25 members: directly elected, BP presidents, and MP; reserved seats
Election of President		Indirectly by GP members	Indirectly by BP members	Indirectly by ZP members
Elections		1950, 1963, 1979, 1988		1991
Responsibilities	Meets twice a year; Identifies beneficiaries of all schemes (Center, State, PRI); approves the annual budgets of GP	Maintain water taps; formulate and implement schemes of economic development; public roads, waterworks	Maintain water taps; formulate and implement schemes of economic development	Maintain water taps; formulate and implement schemes of economic development
Areas of responsibility	Apart from institutions and posts, several state government schemes have been transferred to the PRIs; GS selects beneficiaries,	Some institutions and posts in the following depts. Transferred to GP: agriculture, dairy development, fisheries, veterinary, rural development, social welfare, PHC, SC and ST development, and ayurveda, homeopathy, education, public works	Some institutions and posts in the following depts. transferred to BP: agriculture, industries, rural development (including BDO), social welfare, SC and ST development, health (CHC, hospitals), ayurveda, homeopathy	Some institutions and posts in the following depts. Transferred to ZP: agriculture, animal husbandry, fisheries, minor irrigation, industries, rural development, education, cooperation, public works
Amounts received		annual average of Rs. 25 crore as grants during 1991-95; average income per GP of Rs. 6.5 lakhs during 1986-91.		

Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Kerala –Part II

	Gram Sabha	Gram Panchayat	Taluka Panchayat	Zilla Parishad
Legislation	1994	1994	1994	1994
Revenue sources	25% of CSS for poverty alleviation to be given to PRI;	85% of CFC grants; building tax; non-plan grants use to be decided by local body; tax on sale of immovable properties; increase license fees and land tax; profession tax	15% of CFC to be distributed among BP and ZP; non-plan grants use to be decided by local body	15% of CFC to be distributed among BP and ZP; non-plan grants use to be decided by local body
SFC report	1996	1996	1996	1996
Relationship with bureaucracy		President can take disciplinary action against officials under the control of GP	President can take disciplinary action against officials under the control of BP	President can take disciplinary action against officials under the control of ZP
Role of state government	Every PRI must have a secretary who is a government employee	Has power to remove/ disqualify GP office holders; dissolve GP and appoint parallel authorities	Has power to remove/ disqualify BP office holders; dissolve BP and appoint parallel authorities	Has power to remove/ disqualify ZP office holders; dissolve ZP and appoint parallel authorities
Accountability	GS has right to know about schemes in its area, to set norms for and identifying beneficiaries	GS has right to know about schemes in its area, to set norms for and identifying beneficiaries; audit examiner of the government	GS has right to know about schemes in its area, to set norms for and identifying beneficiaries; audit examiner of the government	GS has right to know about schemes in its area, to set norms for and identifying beneficiaries; audit examiner of the government

**Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Kerala –Part III**

	Gram Sabha	Gram Panchayat	Taluka Panchayat	Zilla Parishad
Legislation	1994	1994	1994	1994
Problems	State government <u>not acted</u> in response to SFC recommendations; no proper system for allocation of panchayat funds	Process of transfer of areas of responsibility is still under way; GS cannot recall its representative for non-performance.		

Source(s): Communication with Sanjay Mitra; Vijayanand (1997).

Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Madhya Pradesh – Part I

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
General: frequency of elections, eligibility, levels of government, and so on	Gram panchayat: five years By <u>direct election</u>	PS has a term of five years. By <u>direct election</u> , and <u>MLAs</u> from the area.	ZP has a term of five years. By <u>direct election</u> , and <u>MPs, MLAs</u> , from the area.
Number of members and local bodies	GS: All registered voters GP: 10-20 members (30,922) Elections: 1994 50-100 per member.	PS: 10-25 members (459) Elections: 1994 One member per 5,000	ZP: <35 (45) Elections: 1994 One member per 50,000.
Responsibility: Areas of substantive authority and/or responsibility, especially in health and education	Administration: Chairman, Standing Committees. Has a secretary to be appointed by the prescribed authority (state govt) – maintains records. Panchayat can appoint other staff if necessary. <i>Responsibilities: 29</i> items including:- <u>Health</u> : sanitation, construction and maintenance of sources of water and drains, regulating disposal of dead bodies, regulation of purchase and preservation of meat, prevention of contagious diseases, vaccination, family welfare.	Administration: President, Standing Committees, and CEO. CEO is appointed by the state government. The PS can also hire other staff and the state may deputize staff to it from its cadre. Responsibilities: Include any functions entrusted to it by the state directly, or indirectly for the central government (paid by the state government for these services).	Administration: President, Standing Committees. Secretary appointed by the state government (for maintaining records). Other officers can also be hired by the ZP. State may depute its own officers to the ZP. Responsibilities: Coordinate, control, and guide lower level panchayats. Coordinate plans and demand for grants from PS and GP and forward them to the state government. Secure the execution of plan and schemes common to two or more PS in the district.

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Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Madhya Pradesh – Part II

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
		Others include emergency relief, arranging cultural events, managing ferries, markets, and so on, as funds allow. Co-ordinates annual plans of GP.	Advise the state in development activities (family welfare etc.). Other functions assigned to it by the state government. Control over operation of sub-centers and PHC (ISS 1996). Maintain drinking water schemes.
	<u>Education</u> : construction and maintenance of buildings, sports, youth welfare, to spread literacy (organize non-formal education), distribute free text-books and uniforms, Education Guarantee Scheme, identify and appoint certain primary school teachers (shiksha karmis).	There is a standing committee for education. Co-ordinates plans of GP and forwards (along with its own plans) to the ZP.	Manage, maintain, and construct schools in rural areas up to higher secondary level.
	Also responsible for planning and implementing development programs – including identification of beneficiaries for various centrally sponsored schemes. Final ratification of identified beneficiaries by GS.	Nominate members to PRI judicial bodies for certain civil and revenue cases.	Control and supervision of DRDA and its schemes, in accordance with instructions issued by the state government. (ZP president is chairman of DRDA).
			There is a standing committee for education.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Madhya Pradesh – Part III

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
Reservation of seats	For SC, ST, women, and residual for OBC.	For SC, ST, OBC, and women.	For SC, ST, OBC (residual), and women.
Financing	<p>SFC report submitted in 7/96. Government sanctioned Rs. 165 crore for PRI in 1996.</p> <p><u>Taxes:</u> Property taxes on lands and buildings, lighting tax, tax on professions, market fees, fee on registration of cattle sales.</p> <p>Taxes on animals, bullock carts, bicycles, fees for use of rest houses, water tax, drainage, grazing fees, etc.</p>	<p>SFC report submitted in 7/96. Government sanctioned Rs. 165 crore for PRI in 1996.</p> <p><u>Taxes:</u> entertainment tax, fees for licenses or permissions granted, or for use of lands under its control.</p> <p>Grants/assignments from the government.</p>	<p>SFC report submitted in 7/96.</p> <p>Government sanctioned Rs. 165 crore for PRI in 1996.</p> <p>Grants/assignments from the government.</p> <p>Empowered to raise surcharge on land revenue and share in its proceeds.</p>
Financing	<p>Grants/assignments from the government.</p> <p><u>GP Fund:</u> All funds received form part of this fund. Utilized for development and other activities approved by the state government.</p>	<p><u>PS Fund:</u> Can be operated by CEO and PS president jointly for development activities, or other functions approved by the state government.</p>	
District Planning Committee	n.a.	n.a.	Has been constituted.

**Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Madhya Pradesh – Part IV**

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
Accountability	Elections, office-bearers can be removed or suspended for misconduct, regular meetings among members and GS. Independent audit organization under the state government to audit PRI accounts.	Elections, office-bearers can be removed or suspended for misconduct, regular meetings among members. Independent audit organization under the state government to audit PRI accounts.	Elections, office-bearers can be removed or suspended for misconduct, regular meetings among members. Independent audit organization under the state government to audit PRI accounts.
Control of bureaucracy/ higher levels of government	Office bearers can be removed by the state government (or designated officials) for misconduct in discharge of duties, or if actions injurious to public interest. The DC can suspend the resolutions of GP and even dissolve them. GP head to write confidential reports of employees at the village level. State government may put its officials under deputation to PRI institutions. It is empowered to regulate assessment, imposition, and collection of PRI taxes. It is empowered to order PRI to execute certain schemes and bye-laws.	Office bearers can be removed by the state government (or designated officials) for misconduct in discharge of duties, or if actions injurious to public interest. PS can review confidential reports. State government may put its officials under deputation to PRI institutions. It is empowered to regulate assessment, imposition, and collection of PRI taxes. It is empowered to order PRI to execute certain schemes and bye-laws.	Office bearers can be removed by the state government (or designated officials) for misconduct in discharge of duties, or if actions injurious to public interest. DC writes confidential report of CEO. Can review confidential reports. State government may put its officials under deputation to PRI institutions. It is empowered to regulate assessment, imposition, and collection of PRI taxes. It is empowered to order PRI to execute certain schemes and bye-laws.

Notes and Sources: World Bank (1997a); Mishra, Kumar, and Pal (1996); ISS (1995); personal communication with Sanjay Mitra.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
Maharashtra – Part I

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
General: frequency of elections, eligibility, levels of government, and so on	7-15 directly elected members (term of five years). Chairman of the cooperative society in the GP area is a coopted member. Gram sabha has all registered voters as members.	Directly elected members (two from each electoral ward); directly elected ZP members from the area, chairmen of co-operative societies in the sale and purchase of agricultural products and credit societies.	50-75 members, directly elected; chairmen of PS; chairmen of federal co-operative bodies.
Number of members and local bodies	(27,619)	(319)	(29)
Responsibil- ity: Areas of substantive authority and/or responsibil- ity, especially in health and education	<i>Gram Sabha:</i> Selection of beneficiaries for poverty alleviation programs; accounts and budget of GP are discussed in GS; approval of works under JRY must be approved by this body; discusses plans relating to social and economic development. <i>Gram Panchayat:</i> Execution of responsibilities is through committees. Main function is to select the schemes to be implemented, given resources, and to prioritize them. Budgets are forwarded to PS for approval.	Implements and executes programs entrusted to it by the ZP and its own. Approves the budgets of GP. Gram sewak helps identify beneficiaries. BDO is the administrative head and is assisted by extension officers of various departments.	Administration headed by CEO, from the Indian Administrative Service. The administration is broken down into 9 departments (e.g., health, education, DRDA), headed by respective government officers. Officers of Class I and II are on deputation from the government; Class III and IV are ZP employees. DRDA is independent of ZP except that CEO is chairman of DRDA.

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Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
Maharashtra – Part II

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
			Several subject committees (education, women and child welfare, water conservation and drinking). Each committee has two members with a thorough specialization in the subject at hand. Associated heads of department are secretaries of the committees.
Reservation of seats	Reservation for SC, ST, and Women. 27% reservation for backward classes.	Reservation for SC, ST, and Women. 27% reservation for backward classes	Reservation for SC, ST, and Women. 27% reservation for backward classes
Financing	SFC report submitted in 1/97. Various sources of tax and non-tax revenue.	SFC report submitted in 1/97.	SFC report submitted in 1/97. Sources of own revenue: water taxes and fees; pilgrim tax; special tax on land and building; license fee on brokers; market fees; fees on registration of animals for sale; cess on land revenue; and so on.
District Planning Committee	n.a.	n.a.	Has been constituted. Problem of reconciling this with the existing DPDC.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
Maharashtra – Part III

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
Relationship to bureaucracy/ higher levels of government		Employees of PS are not employees of the state government (High Court);	DPDC headed by the District Collector.

Notes and Sources: There are only nine (9) autonomous council areas described under the Indian Constitution (GOI, 1996, p.162). These comprise a very small area and cover only a small portion of the Indian population.

**Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Uttar Pradesh – Part I**

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies Kshetra Samitis	District level bodies Zilla Parishads
General: frequency of elections, eligibility, levels of government, and so on	Gram Sabha: Open to all registered voters; GP: (five year term) Members elected by the Gram sabha.	Term is five years. Directly elected members, heads of GP, MP and MLA from the area.	Term is five years, but can be extended by two years.
Number of local bodies	(58,605)	(901)	(68)
Responsibil- ity: Areas of substantive authority and/or responsibil- ity, especially in health and education	Gram Sabha: Discussion of accounts and budget for forthcoming year. Also considers half-yearly reports of activity by GP head. Promote adult education; identification of beneficiaries for implementation of development schemes. Gram Panchayat: 17 items including - drinking water, adult and informal education, library, family welfare, preparation of development plans. The state government may also assign certain programs to GPs.	Responsible primarily for administration of community development programs. Co-ordinates and supervises GPs. Duties span 15 items -- including drinking water, adult and informal education, library. Three Committees to be constituted.	Supervision of GP and Kshetra Samitis; 15 items as specified in the 1961 law, including: drinking water, adult and informal education, medical and sanitation, family welfare. ZP is expected to form five committees, including committees for education and public health.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as per State Legislation:
Uttar Pradesh – Part II

Categories	Village level bodies (Gram Sabha and Village Panchayats)	Intermediate level bodies Kshetra Samitis	District level bodies Zilla Parishads
Responsibility: Areas of substantive authority and/or responsibility, especially in health and education (continued)	GP expected to function via 4 committees, including an education committee. The panchayat secretary is the gram panchayat adhikari (a government functionary). He reports to his line department head – the Assistant Development Officer, (Panchayati Raj) at the block level..	BDO is the executive officer of the Kshetra Samiti. He is answerable to the state government. However, the chairperson of the Kshetra Samiti writes his annual confidential report and can award minor punishments such as a warning, or a censure. All employees draw their salary from the state.	DDO is the CEO of the ZP. Chairperson of ZP is empowered to give an assessment of his work. DRDA still independent.
Reservation of seats	Reservations for SC, ST, women and backward classes.	Reservations for SC, ST, women and backward classes.	
Financing	SFC report submitted on 12/97. Several taxes and fees; amounts transferred or assigned by the state government.	SFC report submitted on 12/97. Main sources of funds are grants and contributions by the state government.	SFC report submitted on 12/97. Mostly grants from government. There is also a Panchayati Raj Finance and Development Corporation (set in 1973) to give loans for appropriate schemes.
District Planning Committee	n.a.	n.a.	Not set up yet.

Notes and Sources: Personal communication with Sanjay Mitra.

TOTAL: GP (227,698); PS (5,906); ZP (474) as on 31.5. 98

**Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
West Bengal – Part I**

Categories	Village level bodies (Gram Sansad, Gram Sabha, and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
General: frequency of elections, eligibility, levels of government, and so on	Elections every five years (1993 and 1998); Gram sansad includes only registered voters who are members in a specific “ward” of the GP. Gram sabha includes all registered voters in the panchayat area. Gram panchayats have directly elected members as well as members of PS.	Elections every five years (1993 and 1998); Includes directly elected members (not more than three) from each panchayat area, heads of GP, MLA, MP, and members of ZP.	Elections every five years (1993 and 1998); Includes directly elected members (not more than three from any block), heads of PS, MLA and MP.
Number of members and local bodies	62,140 (3325) 7-25 directly elected members	9,516 (341)	664 (17)
Responsibility: Areas of substantive authority and/or responsibility, especially in health and education	<i>Gram sansad:</i> guides and advises the GP on schemes for economic development and social justice. It identifies schemes and potential beneficiaries. <i>Gram Sabha:</i> Deliberate upon resolutions of the Gram sansad and matters pertaining to the functioning of the GP. <i>GP:</i> To prepare a development plan for its 5-year term of office; prepare an annual plan for each year; implement schemes for economic development and social justice developed by it or entrusted to it.	Oversees activities of GPs. To prepare a development plan for its 5-year term of office; prepare an annual plan for each year. To co-ordinate and integrate the development plans and schemes prepared by GP, if required. Empowered to undertake schemes or give financial assistance in areas such as – public health and sanitation, establishment of hospitals and dispensaries, primary and secondary	Oversees activities of PS. To prepare a development plan for its 5-year term of office; prepare an annual plan for each year. To co-ordinate and integrate the development plans and schemes prepared by PS in the district.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
West Bengal – Part II

Categories	Village level bodies (Gram Sansad, Gram Sabha, and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
	<p>Obligatory duties of GP: sanitation, drainage, curative and preventive measures with respect to malaria, cholera, etc.; supply of safe drinking water, protection and maintenance of buildings entrusted to it, and several other functions including supervising village level workers such as chowkidars and gram panchayat “karmees”.</p> <p>GP could also be assigned functions by the state government relating to: primary, social, vocational, adult, or non-formal education; rural dispensaries, health centers and MCH centers; care of the destitute; women and child development; and others relating to land reform, agriculture and allied activities.</p>	<p>education, adult and non-formal education, women and child development, grants to any school within the block, and several other activities.</p>	<p>Empowered to undertake schemes or give financial assistance in areas such as – water supply, public health and sanitation including the establishment and maintenance of hospitals and dispensaries, primary and secondary education, adult and non-formal education, women and child development, grants to any school, establish scholarships within the state for furthering technical or other forms of education, etc.</p> <p>Implements several centrally sponsored and state schemes.</p>

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Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
West Bengal – Part III

Categories	Village level bodies (Gram Sansad, Gram Sabha, and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
	Other functions of GP include – filling up insanitary depressions; the disposal of unclaimed corpses and carcasses, the establishment of libraries and reading rooms.		
Reservation of seats	33% for SCs, STs, and women.	33% for SCs, STs, and women.	33% for SCs, STs, and women.
Financing	SFC report submitted in 7/96	SFC report submitted in 7/96	SFC report submitted in 7/96
	GP has access to tax on land and buildings. But most funds come from centrally sponsored schemes. 16% of all net tax proceeds of the state should be released to local bodies (not including matching grants for central schemes).	16% of all net tax proceeds of the state should be released to local bodies (not including matching grants for central schemes).	16% of all net tax proceeds of the state should be released to local bodies (not including matching grants for central schemes).
District Planning Committee	n.a.	n.a.	Has been constituted. Head of ZP is also chairperson of DPC. Other members include the DM, heads of panchayat samitis, MP, MLA, chairpersons of municipalities, state government officials and others with specialized knowledge.

Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
West Bengal – Part IV

Categories	Village level bodies (Gram Sansad, Gram Sabha, and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
Administrative structure	<p>Gram sansad can record its objections for improper implementation of schemes by the GP.</p> <p>The GP is assisted by a full-time secretary who is government appointed. Other personnel appointed by GP directly.</p> <p>District Council (a body of elected members and specialized state officers) has the authority to examine the accounts of GP.</p>	<p>Functions through 10 standing committees – among them, public health and environment; and education. Standing committees include government officials with specialized knowledge (officers of various line departments).</p> <p>BDO is the executive officer at the PS who is the administrative head. Extension officer (panchayats) acts as the secretary to the PS. The state government can also assign its officers to the PS.</p> <p>District Council (a body of elected members and specialized state officers) has the authority to examine the accounts of PS.</p>	<p>Functions through a set of standing committees (10) -- among them, public health and environment; and education.</p> <p>Standing committees include government officials with specialized knowledge (heads of various line departments).</p> <p>There is a coordination committee consisting of the ZP head and chairpersons of standing committees, and the executive officer of the ZP. The DM is the executive officer and exercises control over all other officers/employees of the ZP.</p>

**Table 9 (continued): Post-1992 Status of Rural Local Bodies as Per State Legislation:
West Bengal – Part V**

Categories	Village level bodies (Gram Sansad, Gram Sabha, and Village Panchayats)	Intermediate level bodies (Mandal/Block Panchayats/ Panchayat Samitis)	District level bodies Zilla Parishads
			A senior state officer is the secretary of the ZP. There is no post of planning officer. The president of ZP is the chairperson of DRDA.
			The confidential report of ZP staff is written by the executive officer of the ZP.
			District Council (a body of elected members and specialized state officers) has the authority to examine the accounts of ZP.

Notes and Sources: ISS(1995), World Bank (1997a), Sanjay Mitra (personal communication).

Despite these positive developments, it will be some time before decentralization can take deep roots in Indian states. States have been slow to devolve funds to local bodies, post-1992. Moreover, district planning bodies under the control of the rural panchayats have yet to be set up in most states. A troubling recent development is the emergence of district level societies composed of non-governmental organizations and government officials to undertake development activities funded by international organizations (Probe 1999). Although offering an alternative source of service delivery to the population, they have the potential of undermining the incipient move toward expanding the role of locally elected representatives in public provision of services.

3 Does Decentralization Work? Evidence from Rural India

In this section, we describe the data, present some important descriptive statistics, and discuss our regression results.

3.1 Data

The data used for the empirical analysis is primarily from a survey of human development indicators conducted by the National Council of Applied Economic Research in 1994.¹² The survey covered the rural areas of 15 major Indian states and the northeastern region of India. Its sampling frame included more than 95 percent of India's rural population. The survey, spread over 1,750 Indian villages covered 33,230 households.

The information collected by the survey falls into two main categories. The first category includes detailed household and individual level socioeconomic information on age, sex, religion, membership in scheduled castes and tribes, income, and land holdings. Detailed information was also collected on employment, earnings, utilization patterns of various health and educational facilities, health and educational status, and household expenditures in specific areas. The second category of information available is on community (village) level characteristics in the sample villages, obtained by means of a village schedule. These included information such as proximity to various types of schools, public and private; available health facilities, by type (sub-centers, primary health centers, community health centers, and hospitals); number of medical personnel and teachers in villages; type of facilities in school (whether water or toilet facility available); officially reported enrolment rates; various government programs operational during the survey period, and the presence of non-governmental organizations, parent-teacher associations, school management committees.

The household level survey data on health, education, and socioeconomic characteristics were aggregated at the village level and matched to survey information on community characteristics from the village schedule.¹³ We combined this with state-level data on local body elections during the last 30 years obtained from the Institute of Social Sciences (ISS 1995, 1996b, various years; Mathew 1995, Mishra, Kumar, and Pal (1996), and Sanjay Mitra (personal communication)), and data on elections to state legislatures (Aggarwal and Chowdhry 1998). For

¹² The survey was funded by the New Delhi office of the United Nations Development Programme (UNDP).

¹³ The number of village-level observations available for our econometric analysis is less than the actual number of villages surveyed. This is due to the fact that certain villages were omitted for lack of information on relevant characteristics, or because of obvious errors in the data.

purposes of comparison with our survey data, we also obtained independent information from other national level surveys on infant and child mortality rates, enrolment rates, literacy rates, average size of land holdings, health and education expenditures in rural areas (IIPS 1995; NCERT 1998; FAI 1998; Government of India 1997; *Sarveskshana*, various issues).

3.2 Descriptive Statistics

The survey data were used to construct indicators of health and educational status such as literacy rates, enrolment rates, infant and child mortality rates, availability of schools and medical facilities, prevalence of civil society organizations, income inequality.

Descriptive statistics for the relevant variables are presented in Tables 10a-10c. The enrolment rate measures the proportion of children in the age group from 6 to 12 years currently enrolled, and, therefore, is a “net” enrolment rate.¹⁴ In our sample, the enrolment rate ranges from a low of 53.8 percent in Bihar to a high of 98 percent for Kerala. The “survival rate (I-IV)” is the ratio of the number of students enrolled in class IV to the number of students enrolled in Class I. This survival rate reported in the table is from school records in the villages surveyed, and may be biased owing to well known problems with recording of such data (Probe Team 1999). In our sample, the rate varies from 0.35 for West Bengal to 1.06 for Kerala. The sample shows a wide disparity in the existence of parent-teacher associations (PTAs) across states. In Maharashtra, only 6 percent of the villages report the existence of PTAs, whereas for Kerala this figure is 95 percent. The average literacy figure in the sample is 47.4 percent with the literacy rate for males being almost twice that for females. Rajasthan, Bihar, Madhya Pradesh, and Uttar Pradesh (the so-called BIMARU) states have the lowest rates of literacy. Kerala has the highest, followed by Tamil Nadu and Himachal Pradesh. These numbers are comparable with state-level data on literacy rates in rural areas in the 1991 census (Table 10d).

In our sample, households spend about 2.4 percent of their incomes on average on their education, or about rupees 110 annually per capita.^{15,16} This is more than twice the figure reported for rural areas by the National Sample Survey (NSS) Organization for 1993-94 in Table 10d.¹⁷ However, the per capita education spending in states is highly correlated across the two sources of data, with a correlation coefficient of 0.88.

¹⁴ The gross enrolment rate at the primary school level is simply the number of children enrolled in classes I through V, divided by the total children in the age-groups 6-12 years. The net enrolment rate is the number of children in the age-group 6-12 years currently enrolled in school.

¹⁵ The figure of 8.7 percent for Himachal Pradesh appears to be an outlier.

¹⁶ The per capita estimate is obtained by dividing the average household expenditure in Table 10a by the average sample household size of 5.9.

¹⁷ This could be explained by the complicated weighting procedure that NSS uses to construct its state- and national-level estimates (personal communication with Mr. S.S. Shukla, NSS).

From Table 10b, we note that the sample households spend a significant proportion of their incomes, 5.4 percent, or annually about rupees 250 per capita, on health care. These numbers range from 1.8 percent in Karnataka to over 9 percent West Bengal. Here too, the estimated per capita spending for Himachal Pradesh is higher than in other states although the difference is less striking than for spending on education.¹⁸ In comparison, the NSS estimates suggest an all-India annual per capita spending on health of about rupees 180, and 5.3 percent as a proportion of total spending. The correlation coefficient of per capita health spending in states between the NCAER and NSS data is 0.55.

Table 10a: Summary Statistics (means) – Education

	Net Enrol- ment Rate (%)	Survival Rate (I-IV) (%)	Village with PTAs (%)	HH Exp on Edu- cation (Rupees)	HH Edu Exp as a Propor- tion of Total HH Inc (%)	Adult Literacy (%)	Female Adult Literacy (%)	Male Adult Literacy (%)
Andhra Pradesh	75.0	58	32.3	384	1.5	43.3	30.1	54.6
Bihar	53.8	47	15.4	503	2.2	35.5	19.5	49.7
Gujarat	76.1	82	9.4	530	1.7	54.5	39.6	68.3
Haryana	74.2	85	57.5	1106	3.0	46.1	24.4	64.5
Himachal Pradesh	90.9	93	60.9	2060	8.7	59.4	44.4	74.1
Karnataka	73.1	66	35.9	699	2.4	48.0	34.6	60.3
Kerala	97.6	106	94.6	995	2.7	87.3	83.9	91.0
Maharashtra	57.2	82	5.8	505	1.6	50.9	34.9	66.6
Madhya Pradesh	80.9	83	80.3	359	1.5	36.6	17.5	53.5
Orissa	66.8	90	39.3	382	2.4	45.1	30.0	59.6
Punjab	82.2	90	80.0	1180	2.9	54.6	44.4	64.5
Rajasthan	57.1	46	26.0	717	2.8	31.7	10.2	51.0
Tamil Nadu	80.3	90	90.8	409	1.7	59.8	46.6	72.6
Uttar Pradesh	60.3	50	17.0	587	2.2	38.7	18.7	55.3
West Bengal	61.8	35	16.2	494	2.8	52.0	40.0	62.7
Aggregate	70.5	66	36.6	648	2.4	47.4	31.7	61.6

Source: Authors estimates.

¹⁸ Here, it is the number from Karnataka that appears to be troublesome.

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The infant and child mortality rates presented in Table 10b are somewhat different from the standard definition. As calculated, they are the ratio of all children ever born to the women in the NCAER sample who died before age 1 (or 5) to all live births, for the same set of women. This is obviously not the ideal procedure, but given the nature of the sample, it is not possible to come up with a better measure. The average infant mortality rate (IMR) is 78 per 1,000 live births with the female IMR being a little higher than that for males. The IMR ranges from 26 for Kerala to 117 for Madhya Pradesh. The child (under 5) mortality rate shows similar patterns.

These estimates are comparable to the state-level IMR estimates from the National Family Health Survey of 1992-93, provided in Table 10d.

Table 10b: Summary Statistics (means)– Health

	Avg HH Exp on Health (Rupees)	HH Health Exp as a Proport- ion of Total HH Inc (%)	Total IMR	Female IMR	Male IMR	Total under 5 IMR	Male under 5 IMR	Female under 5 IMR
Andhra Pradesh	1795	6.7	66.6	67.5	69.1	90.6	92.5	94.4
Bihar	1606	7.2	66.3	67.1	66.5	114.8	107.3	128.5
Gujarat	1117	3.3	54.4	48.7	60.6	71.5	73.6	70.7
Haryana	1595	3.8	60.3	63.9	57.7	96.9	82.7	113.7
Himachal Pradesh	2454	11.3	71.7	64.8	78.5	103.0	104.8	101.2
Karnataka	560	1.8	50.7	48.2	51.6	68.7	67.9	68.3
Kerala	1343	3.7	25.8	24.0	26.3	38.7	38.4	37.1
Maharashtra	1470	3.9	75.7	77.3	73.9	103.7	100.2	108.1
Madhya Pradesh	1285	5.9	117.4	129.1	107.9	153.2	139.7	170.1
Orissa	804	4.8	97.3	83.8	109.8	128.0	138.5	117.6
Punjab	2410	6.5	66.2	65.4	69.5	89.2	87.9	94.2
Rajasthan	2084	7.9	104.6	115.0	95.3	136.5	126.3	148.3
Tamil Nadu	2134	7.4	81.4	71.5	93.9	104.5	112.5	99.2
Uttar Pradesh	1504	5.9	89.0	97.2	82.5	129.6	117.5	143.7
West Bengal	1645	9.3	98.6	97.5	99.5	129.7	129.3	129.7
Aggregate	1485	5.4	77.7	79.6	76.9	107.5	103.1	114.2

Note: All Infant Mortality Rate (IMR) values are per 1000 live births.

Source: Authors estimates.

The average annual income per household ranges from rupees 17,300 in Orissa to about rupees 40,000 in Haryana (Table 10c). The sample average is rupees 27,130 per household (or about rupees 4,600 per capita). This is somewhat higher than the per capita expenditure reported by the NSS for the same period of rupees 3,370 (Table 10d). The per capita size of land holding was 3.1 acres in the NCAER sample, in comparison to the national average of 3.8 acres reported in Table 10d. We also constructed the coefficient of variation of income and land-ownership as indicators of economic inequality in the villages. Although in Table 10c we have presented these variables at the state level, it is probably more meaningful for our purposes at the village level and it is at this level that it is used in the regression analysis.

Table 10c: Summary Statistics (means)– General

	Villages with NGO (percent)	Avg HH Income (Rupees)	Land Holding per HH (acres)	Income Inequality Measure*
Andhra Pradesh	21.2	26137	2.3	0.79
Bihar	2.6	21175	1.9	0.72
Gujarat	9.1	34085	4.8	0.91
Haryana	7.8	40014	2.9	0.81
Himachal Pradesh	6.4	23699	2.5	0.73
Karnataka	11.1	27969	3.8	0.88
Kerala	8.0	36796	1.1	0.77
Maharashtra	34.4	24658	4.5	0.89
Madhya Pradesh	8.8	30499	4.5	0.80
Orissa	9.7	17279	2.3	0.81
Punjab	12.9	35345	2.5	0.75
Rajasthan	4.7	25682	5.6	0.87
Tamil Nadu	14.5	24861	1.1	0.80
Uttar Pradesh	1.4	26003	2.7	0.69
West Bengal	6.4	18298	1.2	0.58
Aggregate	10.6	27128	3.1	0.80

Source: Authors estimates.

Notes: * Inequality measure = (standard deviation of X) / (Mean X)
where, X = Household Income.

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The percentage of villages with civil society organizations such as non-governmental organizations is also indicated in Table 10c. The percentage of villages with any non-governmental organization present ranges from 1.4 percent in Uttar Pradesh to 34.4 percent in Maharashtra. For India as a whole, about 10.6 percent of the sample villages reported the presence of some type of non-governmental organization.

Table 10d: Socioeconomic characteristics of the rural Indian population, by State

	Per Capita Exp. (Rs.)	Male Literacy Rate (%)	Female Literacy Rate (%)	Per Capita Exp. Educ- ation (Rs.)	Per Capita Exp. Health (Rs.)	Land Holding (acres)	Gross Enrol- ment Rate (I-V)	Infant Mortal -ity Rate
Andhra Pradesh	2891	43.8	23.0	29.3	241.3	3.9	75.9	72
Bihar	2284	47.7	20.1	36.7	103.7	2.1	63.1	94
Gujarat	3118	66.4	41.5	23.9	139.9	7.2	74.7	70
Haryana	4230	68.2	32.4	112.1	262.4	6.0	66.8	80
Himachal Pradesh	-	76.3	52.7	-	-	3.0	94.7	56
Karnataka	2963	54.6	31.3	26.6	157.8	5.3	66.1	68
Kerala	4114	88.9	82.9	116.9	253.2	0.8	100.0	29
Maharashtra	3020	68.5	40.6	35.4	203.9	5.5	73.4	61
Madhya Pradesh	2665	50.2	20.0	27.4	163.0	6.5	65.3	93
Orissa	2555	53.5	27.5	42.5	119.9	3.3	59.5	117
Punjab	3910	56.4	43.5	117.5	357.0	8.9	65.7	57
Rajasthan	3162	47.8	13.4	34.2	168.0	10.2	61.9	73
Tamil Nadu	2746	65.2	39.3	45.7	186.5	2.3	91.0	71
Uttar Pradesh	3907	52.5	22.0	53.6	228.5	2.2	54.6	-
West Bengal	2897	60.2	36.0	68.4	177.7	2.2	50.6	77
All India	3372	57.0	31.5	48.0	180.0	3.8	81.9	85

Notes & Sources:

Per Capita Expenditure (rural annual) – 1993-94 (Sarvekshana 1996).

Male & Female Literacy Rate (rural) – 1991 (Government of India 1997).

Per Capita Expenditure on Education & Health (rural annual) – 1993-94 (Sarvekshana 1996).

Infant Mortality Rate (IMR, rural) – 1993 (IIPS 1995).

Land Holding (all India) – refers to operational land holdings for 1990-91, (Fertilizer Association of India 1998).

Enrolment Rate (all India) – (NCERT1998).

3.3 Empirical Model

The main goal of our analysis is to obtain a consistent estimate of β_1 in the context of the following empirical model:

$$(1) \quad Q_{ij} = \beta_0 + \beta_1 DC_{ij} + \delta X_{ij} + \epsilon_{ij},$$

Where:

Q is an indicator of the availability and quality of public services in health and education;

DC is an indicator of the level of decentralization-political, financial, and administrative-that exists in public service delivery in health and education;

X is a vector of all other variables that can also influence Q ;

ϵ_{ij} are error terms, assumed to be independently and identically distributed over 'i' and 'j' with mean zero;

β_0 , β_1 , and δ are parameters to be estimated; and

The subscript 'i' refers to villages and 'j' to states, ($i = 1, \dots, V$; $j = 1, \dots, S$).

We used health and education outcome indicators such as village-level school enrolment, infant and child mortality rates estimated from the NCAER survey data as the dependent variables in our empirical analysis.¹⁹ The use of these indicators is justified because improved access to good quality public services is obviously a key input in influencing health and education outcomes, as has already been recognized by researchers in the field (see, for example, Dreze and Gazdar 1996; Gupta, Verhoeven, and Tiongson 1999; King and Ozler 1998; Murthi, Guio, and Dreze 1996, Musgrove 1996). Although easy to work with, the use of enrolment and infant mortality rates as dependent variables in the empirical analysis makes the interpretation of the coefficients a little tricky, as the dependent variable may be directly affected by variables in addition to their effecting the delivery of public services. For example, NGOs and other civil society organizations can often influence the quality of public services by advocacy efforts and education programs. They may also, however, provide subsidized services directly (Robinson and White 1997).

3.4 Enrolment status

The enrolment rate of primary school age children is likely to be positively influenced by several factors, some raising the demand for schooling, and others affecting the supply and quality of schooling. Factors that are likely to directly increase enrolment rate via increased demand for schooling include socioeconomic status, the level of parental interest in educating their children (investing time and money on children's education, their participation in parent-teacher associations, and female literacy), the opportunity cost of schooling and simply better

¹⁹ Although not presented here, we also undertook limited analyses using availability of schools/health facilities, and number of public personnel per village in health and education as our dependent variables.

access to quality schooling, where in terms of infrastructure, curricula, and teachers (World Bank 1997b).

The increased availability of schooling (taken to mean teachers, teaching, infrastructure, and curricula) depends on a number of factors. Positive levels of government spending is obviously one such (Gupta, Verhoeven, and Tiongson 1999; World Bank 1997b). Also important is the distance of the village from urban centers and transport, since that is often crucial in determining whether schools (public or private) are able to attract high quality teachers, and the regularity of their attendance once they join (Dreze and Gazdar 1996; Sharma 1999). Civil society groups such as non-governmental organizations and other community-based groups such as parent-teacher associations can promote the quality of schooling by enforcing better accountability among teachers and officials of the department of education (see, however, Probe Team 1999; World Bank 1997b). They may also provide some of the schooling directly (Robinson and White 1997). Due to their credibility among the population with which they work, civil society organizations also have the potential of directly influencing the demand for enrolment through house-to-house campaigns (Probe Team 1999).

3.5 Infant and child mortality

Factors influencing IMR and child mortality rates include access to health facilities and personnel, the socioeconomic status of households whether measured in terms of education, income and/or caste position, and clean drinking water and sanitation facilities (Murthi, Guio, and Dreze 1996; Musgrove 1996, World Bank 1995b, 1996b). As in the case of schooling, non-governmental organizations have the potential to improve the quality and quantity of health services, either by directly providing the service, or by increasing accountability of public sector providers through advocacy and other action (Robinson and White 1997).

3.6 The role of decentralization in influencing enrolment rates and child mortality

The general message from the theoretical literature is as follows. Decentralization of service provision will benefit the target population and the quality/quantity of service, provided, of course, that local governments take decisions that are in the best interests of their target population and are not prone to capture by the local elite. The idea is that locally accountable governments are most likely to target money where it is needed and also to monitor effectively the performance of public service providers under their control (Bardhan and Mookherjee 1998; Oates 1990). However, these benefits may often be diluted by the existence of socially and economically powerful groups in the village, who are often able to influence the electoral process, and the economic benefits that accrue with such influence (Datta 1998; Mathew 1995; Mathew and Nayak 1996, Prudh'homme 1995).

Most of the theoretical literature focuses on fiscal or expenditure decentralization from the standpoint of effectiveness of service delivery, but this requires the existence of political decentralization as a precondition. Indeed, the level of political decentralization—in the sense of regularly elected local bodies, may be quite crucial in influencing service delivery. (Dubey 1975; Mathew 1995; Mathew and Nayak 1996; Mavlankar 1998). Moreover, it is likely that even without any expenditure and fiscal control, *panchayats* may still exercise an influence over higher levels of elected bodies and other decision makers by their representation of popular support, although there is only anecdotal support for this point.²⁰

3.7 Choice of variables

As noted above, the ultimate outcome of education and health depends on both the quantity and quality of services provided. In our empirical analysis, which is carried out at the level of the village, we treat the quantity variables as predetermined and focus on the quality of the outcome. Controlling for the availability of facilities, average household income, a measure of income inequality, and other socioeconomic indicators such as the rate of female adult literacy and the proportion of village population belonging to scheduled castes and tribes, we attempt to understand how civil society organizations and indicators of decentralization affect enrolment and child mortality rates.

In our models, the inequality variable is introduced primarily to capture the role of village-level economic differences in influencing the efficacy of public delivery programs (i.e., via capture of public resources by local elite), although it may also be capturing poverty. The presence or absence of a government primary school (or medical facilities) in the village is our indicator of the quantity of government schools available.²¹ The distance to the nearest bus stop was used as an indicator of proximity to urban areas which, in turn, is likely to affect the quality of teachers (and medical personnel) available, whether in the public or private sectors, and the regularity of their attendance.²² Indicator variables for any type of non-governmental organization present in the village and the presence of PTAs were used as participation/civil society measures. Finally, in separate models, we used the average annual frequency of local body elections in different Indian states during the last three decades, and dummy variables for states that are “known” to have made advancements toward decentralization during 1970-94 (the

²⁰ One of the authors (Ajay Mahal) while conducting a study in Rajasthan recently, noted that during elections to the state legislature, the various state-level ministers arrived regularly to meet the village head who, in turn, asked for various favors.

²¹ We also experimented with other formulations, including looking at the number of years a school had been in existence in a particular village, whether a village had a school within one kilometer, the average number of teachers in the village school, and so on. However, the results were not significantly affected and so are not reported here.

²² Indeed, equation (1) can be interpreted as a reduced form of a system of equations where there is a private market in education with the demand for private school enrolment being the residual left over after “free” public facilities have been utilized fully. Thus, the relevant explanatory variables on the right hand side would include factors that influence the cost of providing facilities and teachers—with distance from urban areas being an important determinant.

year of the NCAER survey) as our proxies for decentralization.²³ Kerala, which started relatively late compared to the others was excluded in one of the specifications of the dummy variable for decentralization.

3.8 Regression Results

For the enrolment rate, we estimated four different models. The results are presented in Table 11a. For model 1, all signs are in accordance with our priors. Average household income (logarithm) and the share of education expenditure in income have a strong positive impact on the enrolment rate, whereas income inequality has a negative effect. This result is robust to different specifications of the model. Female literacy rates are positively linked to enrolment. The coefficient for the availability of government primary schools has the expected positive sign, but is not statistically distinguishable from zero in any of the specifications. This is probably because primary schools are available in most villages and there is not much variation in this variable. Not surprisingly, the coefficient for distance from the nearest bus stop is negatively correlated with enrolment and is significant in all specifications. Given that almost every village has a school, this comes the closest to capturing the absence of quality and attendance problems among teachers that have been noted in the literature. The coefficient for civil society organizations (NGOs) has the expected positive sign and is significant. PTA, which is a participation/democratization variable has the expected positive sign and is statistically significant, a result that is common to all specifications. Enrolment rates appear to be negatively correlated with the proportion of the village population that is SC and ST (scheduled castes and scheduled tribes) although the coefficient is not statistically significant.

²³ These states are Gujarat, Karnataka, Kerala, Maharashtra, and West Bengal.

Table 11a: Regression Models (Education)

Regressors	Dependent Variable : Net Enrolment Rate Per 100 (6-12yrs)			
	Model 1	Model 2	Model 3	Model 4
Constant	3.64 (10.88)	2.70 (10.88)	3.21 (10.88)	6.20 (10.92)
Log of Average Household Income	5.05 (1.11)	5.16 (1.11)	5.09 (1.11)	3.91 (1.14)
Share of education in household expenditure	167.68 (22.42)	170.93 (22.65)	169.41 (22.83)	160.45 (22.27)
Income inequality measure	-2.93 (1.41)	-3.11 (1.41)	-2.97 (1.41)	-2.81 (1.41)
Female adult literacy rate	50.26 (2.18)	49.69 (2.18)	49.78 (2.35)	51.87 (2.20)
Existence of NGOs	2.18 (1.32)	2.00 (1.33)	2.12 (1.33)	1.88 (1.31)
Distance from nearest bus-stop	-0.95 (0.27)	-0.91 (0.27)	-0.93 (0.27)	-0.94 (0.27)
Presence of Government Primary School	1.41 (1.41)	1.00 (1.45)	1.37 (1.41)	0.14 (1.45)
Existence of PTAs	3.07 (0.94)	3.05 (0.94)	3.06 (0.94)	3.40 (0.94)
Share of SC/ST population	-0.31 (0.19)	-0.31 (0.19)	-0.31 (0.19)	-0.36 (0.19)
Decentralization Dummy			0.59 (1.03)	
Decentralization Dummy (without Kerala)		1.49 (1.04)		
Election frequency				58.64 (14.11)
R-Squared	0.401	0.402	0.401	0.402
Number of Observations	1598	1598	1598	1598

Note: Standard errors corrected for heteroskedasticity reported in parentheses.

In Models 2 and 3, we introduce a second participation variable: indicator variables for states with a history of administrative and expenditure decentralization. The indicator variables have the expected positive sign but remain statistically not significant at the 5 percent level. Only if Kerala is excluded from the dummy does the coefficient increase in value, and becomes significant at the 10 percent level.

In Model 4, we introduce the annual frequency of elections as an indicator of democratization. In this specification, the coefficient on election frequency is statistically significant—villages with more regular elections are likely to experience better enrolment rates. In this specification, the coefficient for NGOs becomes insignificant at the 5 percent level, but does not change much in its magnitude.

We estimate similar models for child (under-5) mortality.²⁴ These results are presented in Table 11b. Again, the robust results are that the logarithm of the average income level and the female adult literacy have a positive impact on child mortality, whereas income inequality and distance from bus stops increase child mortality. The presence of NGOs has the expected sign (with the effect of reducing child mortality), but becomes significant (at the 10 percent level) only when election frequency is introduced in the model specification. The presence of medical personnel has a beneficial effect on child mortality as well. Both the decentralization dummies have the expected sign and are statistically significant. However, the election frequency variable now becomes statistically insignificant, and moreover takes the “wrong” sign. Although villages with higher SC and ST populations have higher child mortality rates, the coefficient is mostly indistinguishable from zero.

²⁴ To take account of water and sanitation facilities available to villages, we also tested specifications that included a proxy for government water and sanitation programs in villages. However, the coefficient was statistically insignificant.

Table 11b: Regression Models (Health)

Regressors	Dependent Variable : Total Under 5 Mortality Rate (per 1000 live births)			
	Model 1	Model 2	Model 3	Model 4
Constant	0.30 (0.04)	0.32 (0.04)	0.32 (0.04)	0.31 (0.04)
Log of average household income	-0.018 (0.004)	-0.019 (0.004)	-0.019 (0.004)	-0.019 (0.004)
Income inequality measure	0.016 (0.006)	0.017 (0.006)	0.018 (0.006)	0.016 (0.006)
Female adult literacy rate	-0.085 (0.008)	-0.073 (0.009)	-0.081 (0.008)	-0.083 (0.008)
Existence of NGOs	-0.010 (0.006)	-0.008 (0.006)	-0.008 (0.006)	-0.011 (0.006)
Presence of government health care center	-0.0001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)
Medical personnel (other than doctors) per village	-0.002 (0.001)	-0.002 (0.001)	-0.003 (0.001)	-0.002 (0.001)
Share of SC/ST population	0.0002 (0.001)	0.0002 (0.0008)	0.0002 (0.0008)	0.0001 (0.0007)
Distance to bus stop	0.003 (0.001)	0.002 (0.001)	0.002 (0.001)	0.003 (0.001)
Decentralization Dummy		-0.018 (0.004)		
Decentralization Dummy (without Kerala)			-0.013 (0.004)	
Election frequency				0.058 (0.040)
R-Squared	0.12	0.13	0.13	0.12
Number of Observations	1527	1527	1527	1527

Note: Standard errors corrected for heteroskedasticity reported in parentheses.
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A troubling aspect of the child mortality regressions is the low R^2 that we observe, ranging between 0.12 and 0.13. We believe this to be primarily a result of the manner in which the child and infant mortality rates were calculated from the survey data (see data section).

4 Summary and Conclusions

The paper had two main objectives. The first was to trace the progress to date of the process of decentralization in public services provision in India. The second was to examine the hypothesis that decentralization in the system of public service delivery in primary health care and education services will lead to improved outcomes for the rural Indian population.

The discussion established that in the period before 1992, barring a few states such as Maharashtra, Gujarat and, to some extent West Bengal and Karnataka, there was little movement toward decentralization. Rural local bodies functioned primarily as program executing agents for government line departments, with little control over finances, administration, or the pattern of expenditure. The only decentralization that existed was in the importance of state governments vis-a-vis the center. Since the 1992 constitutional amendments significant progress has taken place in the form of the passing of conformity legislation by state governments, the setting up of State Finance Commissions to examine the distribution of resources from states to local bodies, and in some states, such as Madhya Pradesh and Kerala, an accelerated move toward providing planning and expenditure responsibilities to the *panchayats*. However, this is still early days, and it will be while before any firm conclusions about the sustainability of these efforts can be known with a degree of certainty.

The paper used data from the 1994 NCAER survey to test the hypothesis that increased decentralization/democratization positively influences enrolment rates and child mortality once the influence of socioeconomic circumstances, civil society organizations, the problem of capture of local bodies by elite groups, and so on were controlled for. Our main empirical findings are that indicators of democratization and public participation, such as frequency of elections, presence of non-governmental organizations, parent-teacher associations, and indicator variables for decentralized states generally have the expected positive effects, although these are not always statistically indistinguishable from zero.

Further work is obviously needed on the discovery of better measures of decentralization and civil society participation. One obvious next step is to look at data on turnover among successful candidates in state-level elections, as greater turnover may well indicate a political class rising from the grass-roots and, hence, greater democratization in terms of power sharing and decision making. Another obvious next step is to carry out case studies in states with varying experience with decentralization, such as Madhya Pradesh, Maharashtra, and Uttar Pradesh.

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