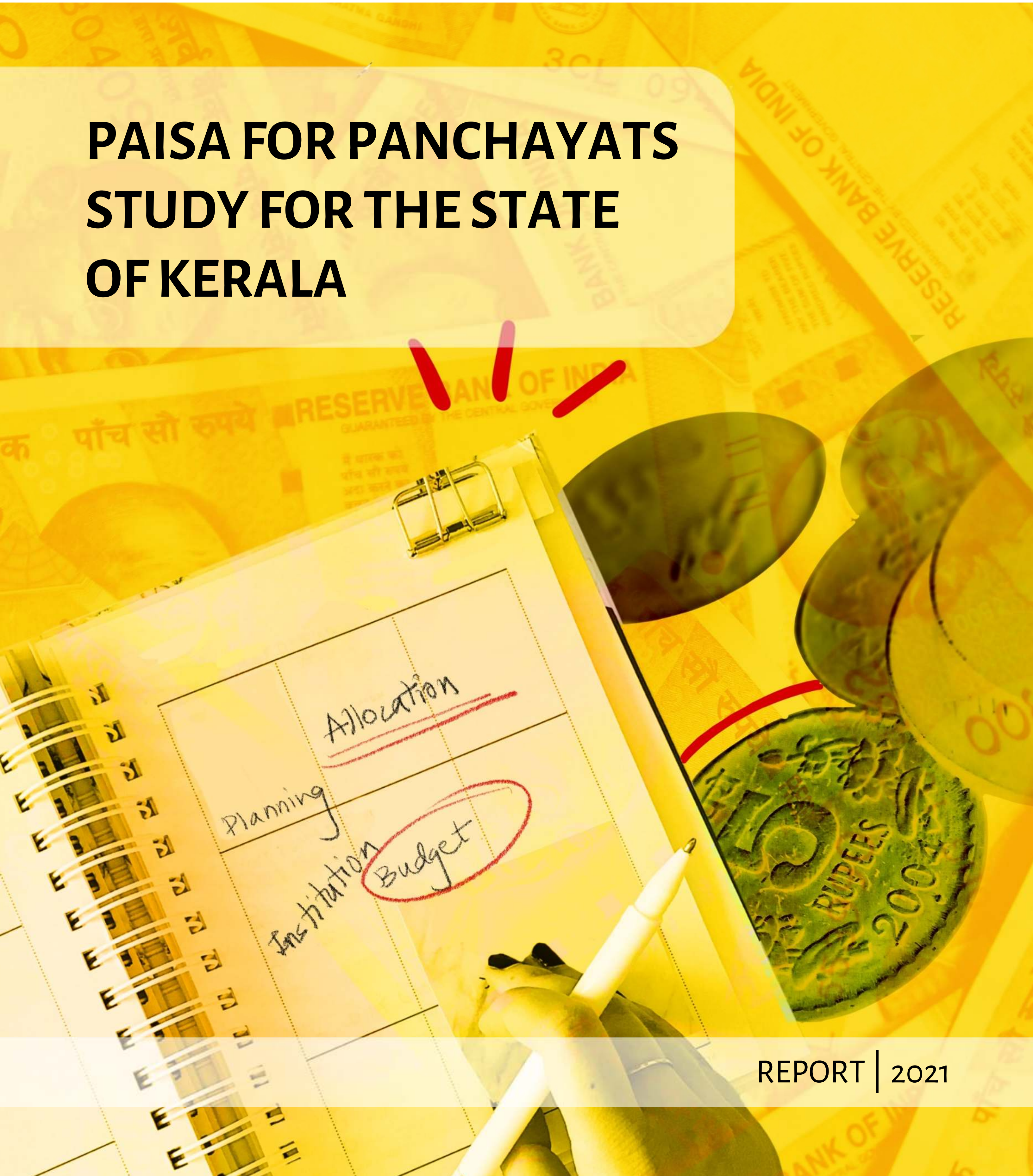
PAISA FOR PANCHAYATS STUDY FOR THE STATE OF KERALA



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1. Introduction

1.1. Theoretical Background and Karnataka Study

Democratic decentralisation has today become a widespread global governance phenomenon. The persuasiveness of the idea of decentralisation across both the developed and developing world can be attributed to three main perceived benefits: improved service delivery, greater public participation in governance and increased revenue mobilization. Those who advise caution on decentralisation point to the efficiency losses due to poor local capacity, the potential for increased corruption, and the reduced ability of central governments to implement macro-economic stabilization programmes (Bahl, 2002). However, given that several countries have moved past the rhetoric and are in the implementation phase, the discourse on decentralisation has moved from debating the relevance of it to identifying the conditions and implementation rules that result in effective governance through it.

Successful implementation of decentralisation requires that finance follows function. That is to say, the assignment of expenditure responsibility to local governments should precede the assignment of revenues. This is important, argues Bahl, since economically efficient assignment of revenues can only happen with a prior knowledge of expenditure mandates of the various levels of government. In practice though, transferred functions often do not translate to funded mandates. Quite often, we witness the phenomenon of functions being nominally devolved to lower governments, even as central governments and line ministries continue to exert significant control over implementation of functions at the first mile. This results in a parallel governance structure at the local level, with multiple entities other than LGs, such as line ministries and parastatals involved in first mile service provision and implementation.

In light of the above, the work done by Jamie Boex through the Local Public Sector Initiative (LPSI) is both relevant and critical. He stresses the need to focus on all public sector activities and expenditures at the local level (Boex & Yilmaz, 2010). This contrasts with existing studies which only focus on measuring the activities and expenditures of elected LGs. and generally leave out analysis of the expenditures of deconcentrated entities, and delegated agents of central governments and line ministries.

The PAISA (Planning, Allocations and Expenditures, Institutions Studies in Accountability) for Local Governments (LG) at Accountability Initiative (AI) was initiated to use the LPSI approach as a starting point to fill gaps in the understanding of decentralised public expenditure in the Indian context. The first study was conducted in Karnataka to evaluate the extent and efficacy of rural fiscal decentralisation by estimating the specific quantum of monies spent in the jurisdiction of Gram Panchayats (GPs) by all government entities and contrasting this with the money that the GPs actually receive and spend as local governments. This study was done across 30 GPs of Mulbagal Taluk, Kolar district, Karnataka in the Financial Year (FY) 2014-15.

One of the primary findings of the study was that 97 percent of the spending in a GP jurisdiction was made by entities other than the GP itself. What was alarming was that both elected GP representatives and citizens at large were oblivious of the nature and extent of these expenditures. The study opined that in such circumstances, LGs can hardly be expected to deliver on their electoral mandate if they have no control over the resources or any information regarding the resources invested in their jurisdiction by other entities, including deconcentrated arms of the State government, or other LG levels.

Most of the current literature on decentralisation in India focuses on the need for greater fiscal decentralisation and alignment of funds, functions and functionaries (or 3 Fs) (Oommen, 2006). However, over two decades later such advocacy has not yielded greater fiscal or/and functional decentralisation. The Devolution Index report 2012-13 states that over the twenty-one years preceding the report, India has only been successful in ensuring regular conduct of local body elections and reasonable improvement in the infrastructure and governance systems. The report states that the implementation of the operative core of the decentralisation, i.e. the devolution of 3Fs has fallen substantially short of the spirit of the constitutional amendments in many States.

Apart from addressing a critical gap in literature, the Karnataka study drew attention to the importance of fiscal transparency as a way of catalysing and better informing debates around the decentralisation processes. Instead of focusing only on strengthening fiscal decentralisation, so as to ensure that finance follows function, the PAISA for Panchayats research in Karnataka focused on the need for greater transparency in fund flows to the GP level stating that this amounted to a better advocacy strategy in two ways:

- State level bureaucrats are more inclined to agree with the overall need to increase fiscal transparency, rather than to engage with the argument that finance ought to follow function. For instance, treasury officials are more open to the idea of tracking and making expenditure details of all entities at the LG level publically available when this suggestion is made to further efficient fiscal management. They may be neutral to the idea of fiscal decentralisation.

- Making data available on the local public sector provides the elected government and citizens an important tool to hold to account the entities responsible for public service delivery and pursue a greater alignment of the 3Fs through political negotiation.

Based on the PAISA for Panchayats study findings, policy recommendations were drafted for policy reform on fiscal decentralisation in Karnataka. The Karnataka study suggested a need to apply its approach to more states. Dissemination of the Karnataka report findings to other states led us to choosing Kerala for two reasons. First, both administrative and political champions in Kerala were keen to champion this study. This is critical as any transparency related reform agenda can only be executed through state level functionaries. Second, Kerala has been a pioneer in democratic decentralisation, but the operational details of the Kerala approach is not quite the same as seen in Karnataka. The variation between the approach of both states to fiscal decentralisation, makes Kerala a unique case study.

1.2. Kerala Context

The 73rd and 74th Constitutional Amendment Acts of 1992 laid the foundation for institutionalised local self-government in India. It provided constitutional sanction for establishing three levels of elected LGs. In order to bring Kerala's system into conformity with the Constitution, the State legislature passed the Kerala Panchayat Raj Act in 1994.

Prior to this, Kerala lagged behind in the implementation of a robust LG system. Following the enactment of the Kerala Panchayat Raj act, the State made impressive strides to catalyse and institutionalise decentralised planning and governance. Powers and functions pertaining to 28 matters listed in the Eleventh schedule of the constitution were devolved upon the three levels of LGs along with institutions and officials.

In 1996, the Left Democratic Front (LDF) came to power and introduced the "people's plan campaign" (PPC) approach, aimed at strengthening democratic decentralisation by strengthening LGs to undertake participative planning and. The success of the Kalliasseri participative planning experiment of 1993, in which a comprehensive village development plan was prepared through the participation of neighbourhood groups and resource mapping, proved to be a decisive factor for the launch of the PPC (Isaac & Franke, 2002). Thirty five to forty percent of the state's ninth five year plan development resources was devolved to LG and local plans were to be prepared in all 1056 newly established Panchayats and municipalities. The emphasis was on increasing public participation in the planning and fiscal decision making process. The PPC was a huge success with thousands of people participating in Gram Sabhas (GS). (John & Chathukulam, 2003)

This "big bang" approach was accompanied by the constitution of the Committee for Decentralisation of Power in 1996. Popularly called the Sen Committee, it recommended radical institutional reforms and set up the legislative framework for functional, financial and administrative autonomy of LG. Following the subsidiarity principle, i.e., nothing should be done by a centralized authority that can be done as well by a local authority, the responsibilities and functions of each level of government were clearly defined to minimise overlap and repetition. The Sen Committee recommendations went deep into legislations and suggested amendments to the Kerala PR Act and 42 other Acts affecting line departments and parastatals, to remove legal hurdles that restricted the functional domain of the LGs (Oommen, 2006).

The first State Finance Commission (SFC) report came out in 1996 and laid down the principle that newly transferred responsibilities required matching funding from the state government. It also introduced the principle of formula based transfers for both plan and non-plan allocations, which ensures fairness and curtails political patronage. Subsequent Finance Commissions have been constituted every 5 years since then, and notably most of the recommendations of the SFCs have been adopted by the state government and implemented (Oommen, Vijayanand, & Roy, 2011). Thus, the state has devolved funds to match functions and made a large part of these funds untied. In addition, it has also ensured the certainty of fund availability by including the local self-government budget as a separate annexure within the state budget.

These measures put Kerala far ahead of other Indian states in the pursuit of democratic decentralisation. Nevertheless, a closer scrutiny of literature suggests that the story is not free from limitations. Based on an adapted version of the Vengroff and Salem model for measuring decentralisation a panel of nine experts rated Kerala a poor 2/5 due to the state's excessive focus on planning while ignoring implementation issues in the decentralisation process (John & Chathukulam, 2003)

Boex, Simatupang and Oommen report that the Kerala experience shows a lack of devolution on the recurrent side3 of the budget. This points to the fact that while functions have been transferred to LGs, administrative control of functionaries including payment of salaries continues under the purview of state line departments

(Boex & Simatupang, 2015, & Oommen, 2006). Furthermore, John & Chathukulam, point out that the claims of fiscal autonomy of the LGs is inaccurate since a sizable portion of the devolved funds are ring-fenced with many restrictions that detail how expenditures are to be incurred on state and central government schemes. (Chathukulam & John, 2002). In response, Mr. S. M. Vijayanand[1] observes that it is important to understand the actual dynamics of Kerala's devolution in action. The extent of devolution and the processes by which it is operationalised has constantly evolved, always following detailed discussions with local government elected representative associations and leaders. On occasions, as elaborated later in this report, local government associations and leaders have sought and acceded to control by the State Government over the nature of expenditures by LGs in order to ensure an element of standardisation. For example, on the extent of subsidies that LGs may give to beneficiaries of various programmes.

1.3. Scope of the Study

Given this background, a key priority is to ascertain the true extent of fiscal devolution from the union and the states to the Panchayats in Kerala. Most studies on fiscal decentralisation in Kerala have focused simply on Panchayat finances and expenditures. However, in practice, local level expenditures are often carried out by implementing entities other than local governments such as line departments and parastatals. This study attempts to bridge this gap in measuring the extent of fiscal decentralisation by

1. Tracing the state's commitment to devolution by analysing a time trend of intergovernmental transfers from the state and union government to the LGs;
2. Quantifying the extent of untied funds in the resource pool of funds available to the LGs;
3. Ascertaining whether functional transfers to PRIs have been accompanied with appropriate fiscal transfers, and consequently assess the extent of overlaps in functional responsibilities between PRIs and other implementing agencies at the local level.

The chapters in this report correspond to the three questions outlined above. Chapter 2 begins with detailing the Inter-Governmental Fund Transfer (IGFT) apparatus. It then looks at trends and shortfalls in IGFTs across three streams: General Purpose, Maintenance Funds, and Development Funds. Chapter 3 attempts to critically analyse the allocation and expenditure trends to quantify the degree of untied funds available to LGs. Chapter 4 shifts focus and assesses the extent to which functional transfers are accompanied by corresponding fiscal transfers

2. State Finance Commission Recommendations and Shortfall of Funds

Designing an efficient fiscal decentralization structure that matches funds to functions assigned to LGs is a challenging task. The structure has to be designed in such a way that it achieves vertical balance – enabling the relevant level of LG to meet its expenditure needs, as well as horizontal equalization by which resources are

[1] Former Chief Secretary, Government of Kerala, Former Secretary, Ministry of Panchayati Raj, Government of India. Formerly also Principal Secretary, Local Self Government Institutions (LSGI) and Principal Secretary Planning, Government of Kerala.

shared equitably among LGs at the same level, so as to address the diversity in the cost of provision of assigned services. The two primary methods of resource sharing between central and local governments are a) assigning revenue raising abilities to LGs and b) through revenue transfers from the central to LGs (Bahl and Linn 1994).

Transferring revenue raising ability to LGs in the form of giving tax autonomy, theoretically remains one of the most evolved forms of fiscal decentralization. Historically, in India, while LG levels such as the District and Intermediate Panchayats have little tax raising powers, Village Panchayats have been given substantial taxing powers (Shah 2006). However, the devolution of autonomy in taxation to LGs is constrained by several factors. Several major taxes are not suited for devolution for reasons such as the variability in and mobility of the tax base, the need for retaining sufficient central control over the public financing system and the possibility of higher tax administration costs at the local level. Nevertheless, a few tax and similar local financing handles such as property tax, user charges and license fees have been found to be suited to be transferred to LGs, along with powers to appropriate the proceeds for their use.

Given the limited elbow room given to LGs for raising revenues through local taxation and other own revenue sources, as also the higher transaction cost of service provision, intergovernmental fiscal transfers (IGFTs) continue to be a significant, if not predominant source of revenues that are essential for LGs to function. IGFTs may comprise of conditional transfers that can direct LG expenditure into areas that are beneficial for the country as a whole. For instance, spending on healthcare has not only a beneficial effect within the LG concerned, but also has a large positive externality that benefits society at large. Conditional transfers from the central government can offset the lack of incentive for LGs to spend their revenues on anything more than those services that immediately benefit their voters. Third, as the cost of centralised tax administration is more scale-efficient, it might be financially prudent for tax collection to be centralised and funds devolved through IGFTs rather than devolving tax autonomy to LGs (Bahl and Linn 1994).

The theoretical background described above is useful to critically evaluate Kerala's IGFT system, which in turn is expected to address the fiscal devolution goals of the 73rd and 74th Constitutional Amendment Acts 1993. We commence this evaluation by discussing in detail the IGFT design of Kerala. This is done by tracing the evolution of the IGFT rules, through examining State Finance Commission (SFC) Reports from 1992 to 2010 (till the 4th SFC) and the acceptance of their recommendations by the state government. We then analyse fiscal transfers to LGs from 2007-08 to 2015-16, in order to ascertain whether the recommendations of the SFCs as accepted by the Government were implemented.

2.1. SFC Recommendations

Constrained by the lack of information on the functions transferred to LGs, the first State Finance Commission (SFC-1) for Kerala did not map the precise expenditure needs of LGs. Its report (1996) primarily recommended measures to streamline and assign tax revenues to LGs. However, SFC-1 made some important conceptual contributions to the design of inter-governmental fund transfers (IGFTs):

- Recommended that newly transferred mandates to LGs must be matched by appropriate funding from the State

- Recommended a shift towards untied transfers by integrating several conditional grants-in-aid with small allocations into a single resource pool.
- Recommended that the State share a percentage of its own tax revenue (OTR) with LGs - a recommendation that was not accepted by the government.
- Introduced the concept of formula-based plan and non-plan transfers, which provided the foundation for the work of future SFCs in this direction.

SFC-2 was constituted by the Government of Kerala in 1999. Its 2001 report was a landmark one, in which it recommended measures that would lay down the foundations of Kerala's IGFT system. It recommended that the IGFT system could comprise of three fiscal transfer streams, namely, the General Purpose Fund, the Maintenance Fund, and the Plan Fund.

The General Purpose fund was recommended to be a pooling together of several conditional grants-in-aid to carry out 'traditional' LG functions, namely, street lighting, sanitation and drainage, water supply, solid and liquid waste management and to cover establishment costs. It was set at 3.5 per cent of the State's Own Tax Revenue$_{(t-2)}$[2](SOTR). The Maintenance Fund was envisioned to cover the costs of maintenance of pre-existing assets of LGs, assets newly transferred to LGs after the passing of the KPR Act[3] as well as assets created through plan assistance. Based on the database of assets at the LG level, SFC-2 recommended that 5.5 per cent of State's Own Tax Revenue$_{(t-2)}$ be earmarked as Maintenance Fund. Both the General Purpose and the Maintenance Fund were considered as non-plan fund streams and were linked to the state's own tax revenue, a shift away from the assigned taxes regime. The rationale was to enable LGs to benefit from the buoyancy of state tax revenue (State Finance Commission 2001).

The other major recommendation of SFC-2 was on the linking of the Plan grant to LGs, to the State Plan Outlay. Previously, plan funds were determined by the State Governments on an ad-hoc basis. SFC-2 recommended that at least one-third of the state plan outlay be devolved to LGs. The 35-40 per cent range of the proportion of plan grant recommended to be devolved to LGs, was arrived at after a needs assessment of the actual resources required for LGs to carry out their transferred functions. In addition, SFC-2 also laid out that all Central Finance Commission (CFC) Grants to LGs should be devolved over and above the other grants and that these transfers ought to be reserved for general purpose requirements.

The State Government accepted and implemented the SFC-2 recommendations with respect to General Purpose Funds and Maintenance Funds. With respect to Development funds, while the State Government notionally agreed to the linking of development funds to the state plan funds, it deferred the implementation of the recommendation that at least one-third of the state plan be devolved to the LGs, stating a need for further examination.

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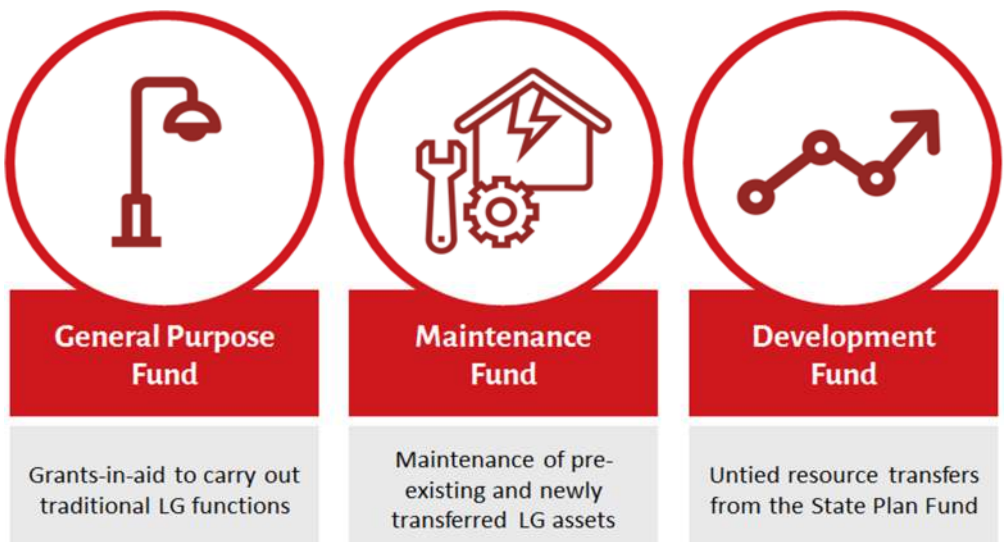
[2] (t-2) refers to 2 years preceding the current year, for which, audited accounts data is typically available.

[3] Chapter 15 of the Kerala Panchayat Raj Act 1994 lays down the powers, functions, duties and properties transferred to panchayats. Section 162A&B lists the subjects to be dealt by the Standing and Steering Committee in detail. Section 167,168 & 169 lays down the functions and institutions transferred to Panchayats. The Sen Committee recommendations (1996) further streamlined the institutions to be transferred to Panchayats in line with the functions and responsibilities vested with them. Assets transferred to PRIs include most institutions of public service in health, agriculture, animal husbandry, school education, social welfare poverty alleviation and welfare of SC/ST as well as village roads, street lights and community property.

The SFC-3 report was released against the backdrop of constrained state fiscal resources after the twelfth CFC recommendations. By then, Kerala had seen nearly a decade of participative planning, following its 'big bang' undertaking of the 'Peoples' Planning Campaign' in 1996. The planning process was reasonably well institutionalised and with that background in mind, the SFC-3, undertook a comprehensive data collection effort to understand the fiscal position of the LGs, in order to focus on consolidation and stabilization. The recommendations of SFC-3 departed from those of the previous SFCs on three critical points.

- The General Purpose and Maintenance Funds were de-linked from the State's Own Tax Revenue on a yearly basis. Instead, these were fixed respectively at 3.5 per cent and 5.5 per cent of SOTR of 2003-04, (for which accounts data was available), for FY 2005-06, the first year of operation of the recommendations. For subsequent years, SFC-3 recommended an annual pro-rata increase of 10 percent over the previous year's allocation, to offset inflation.
- Plan Grants were termed 'Development Funds' and moved from the plan to the non-plan stream.
- The total volume of fiscal transfers under all three streams was earmarked at 25 percent of the SOTR in 2003-04 for the fiscal FY 2005-06. Transfers for subsequent years were to be increased by 10 per cent annually, as mentioned earlier.

Figure 1: Fiscal Transfers to Local Governments



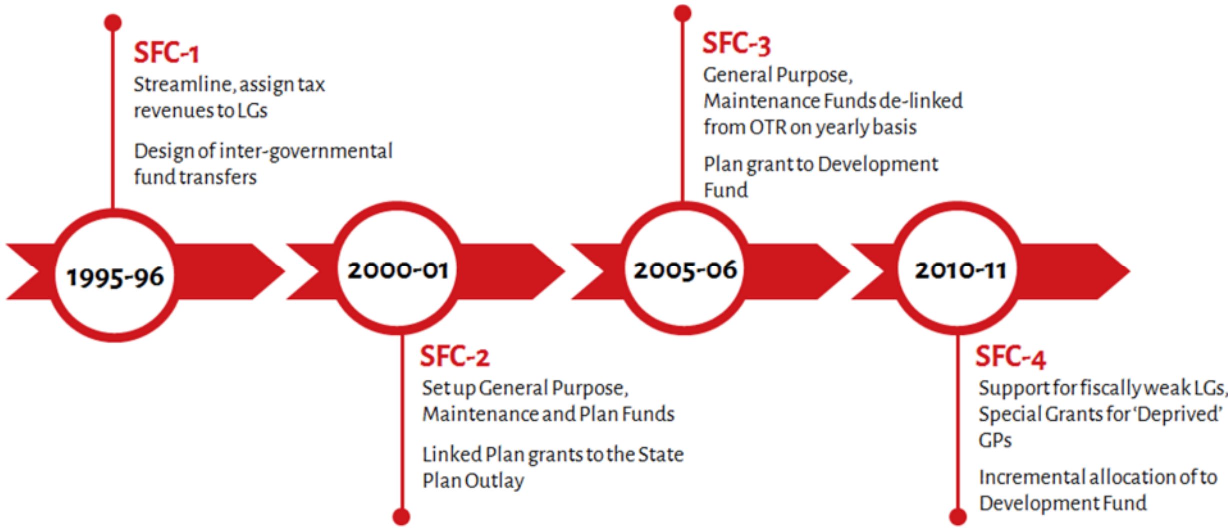
SFC-3 pointed out that a study of LG expenditure patterns revealed that unpredictable fund disbursements to them had resulted in each LG being saddled with large unspent fund outlays. It justified this departure from previous Finance Commission recommendations on the grounds that the new system would ensure predictability of fund availability to LGs. The recommendations regarding resource transfer were accepted by the State Government and implemented from FY 2006-07 till FY 2010-11. The State Government, during this period also institutionalised the practice of including 12th Central Finance Commission (CFC) grants to LGs as part of the state funds devolution to LGs, as long as there was no special directive from the centre preventing them from doing so (Third State Finance Commission Report 2005).

The IGFT system as envisaged by SFC-4 (2011) lists out two additional streams of vertical transfers apart from General purpose, Maintenance and Development funds: Support for Fiscally Weak LGs, and Special Grants for 'Deprived' Grama Panchayats. The General Purpose Fund was revised back to the SFC-2 norm of 3.5 per cent of state own tax revenue. However, while doing so, SFC-4 noted that the tariff for street lights and public water taps - a major expenditure from the General Purpose funds of LGs - had risen by almost 100 per cent and 300 per cent respectively. Over and above the use of General Purpose Funds to meet these expenditures, LGs were expected to pay the remainder from their own revenues. SFC-4, acknowledged that 300 GPs would be unable to raise sufficient own revenues to meet these mandatory expenses and recommended the provision of a lump sum of ₹25 crore under a new head, namely, Support for Fiscally Weak LGs Scheme.

SFC-4 critically analysed the effects of the approach adopted by SFC-3 and noted that in pursuing the goal of predictability, the SFC-3's recommendations of a flat increase of 10 percent every year had resulted in significant loss of allocations to LGs. This effect, it observed, was because of the arbitrarily fixed annual rate of increase of 10 per cent in the grant volume, which did not reflect the growth in the state's own tax revenue. SFC-4 recommended going back to the SFC-2 approach of determining the fund outlay as a proportion of the State Plan. Acknowledging the State's fiscal constraints, SFC-4 recommended a phased stepping up of the Maintenance Grant from 4.5 per cent of $SOTR_{(t-2)}$ in FY 2011-12, to 5 per cent in FY 2012-13 and 5.5 per cent from FY 2013-14 onward.

Again keeping in mind the State's fiscal constraints, SFC-4 recommended allotting 25 per cent of State Plan as the Development Fund in FY 2011-12, and then progressively increasing the percentage to 27.5 per cent in FY 2012-13, 28.5 per cent in FY 2013-14, 29.5 per cent in FY 2014-15 and finally reaching the desired level of 30 per cent from FY 2015-16 onwards. However, SFC-4 also allowed the above phased increase to be subject to the availability of "free plan outlay" at the state level, provided that the minimum allotment did not drop below 25 per cent of state plan in any year. Furthermore, SFC-4 also noted that the minimum 25 per cent state plan devolution would include the devolution from both the thirteenth and fourteenth CFC grant to LGs as well as the support from the World Bank. In taking this stand, it altered the SFC-2 position that all CFC grants would be reckoned to be over and above the SFC grants devolved to LGs. Taken in totality, the multiple recommendations of SFC-4 on the allocations reserved for the Development Plan, gave scope to the state to not only reduce revenue shares to the LGs to the minimum stipulation of 25 percent of the state plan, but also to substitute its own share within this devolved amount, with CFC grants and World Bank loan outlays.

Figure 2: Key Developments from the State Finance Commissions



2.2. Trends in Inter-governmental Fund Transfers

We have traced the release of General Purpose, Maintenance and Development funds over the ten years from FY 2007-08 to FY 2016-17. SFC-3 recommendations were implemented from FY 2007-08 to FY 2010-11 and SFC-4 recommendations, which were to be implemented from FY 2011-12 to FY 2015-16 have continued to be implemented in FY 2016-17 as well, since the SFC-5 report had not been accepted and made public by the Government.

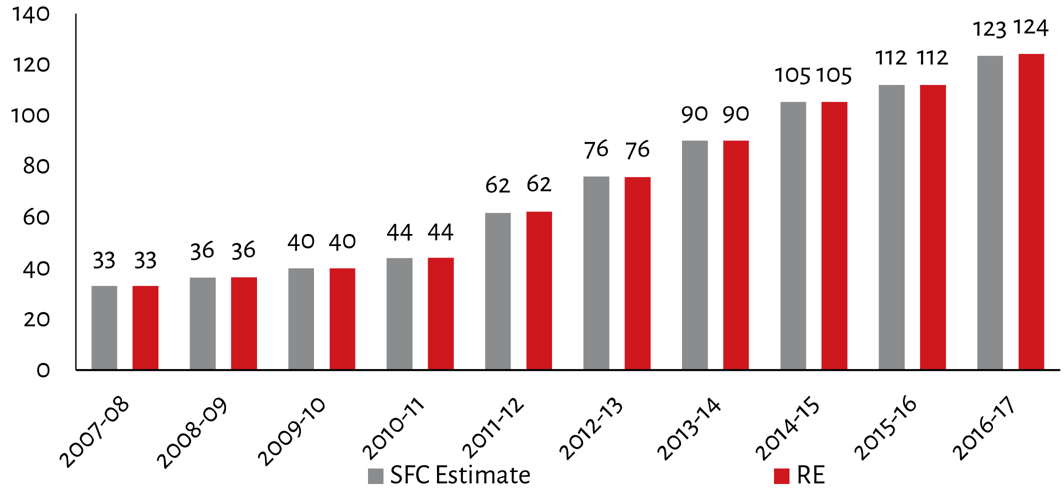
2.2.1 Trends in the releases of General Purpose Funds

General Purpose Funds were established in furtherance of the recommendations of SFC-2, as a grant to LGs for expenditure on traditional functions and to meet establishment costs. LGs are prohibited from using funds from other sources/grants for this purpose. SFC-3 recommended that General Purpose grants be fixed at ₹300 crore for FY 2006-07, with an annual 10 per cent increase over the previous year, for subsequent years.

Figure 1 shows that General Purpose funds released by the State Government by and large complied with the estimates recommended by SFC-3. In FY 2007-08, ₹330 crore was released, perfectly matching SFC-3 recommendations for that year. In subsequent years, releases exceeded SFC-3 estimates.

SFC-4 fixed the General Purpose fund outlay for 2011-12 at ₹617 crore based on its recommendation of going back to the SFC-2 approach of fixing the General Purpose funds at 3.5 percent of $SOTR_{(t-2)}$ years, for each year. The releases from FY 2011-12 to FY 2016-17 closely match SFC-4 estimates, sometimes exceeding the latter.

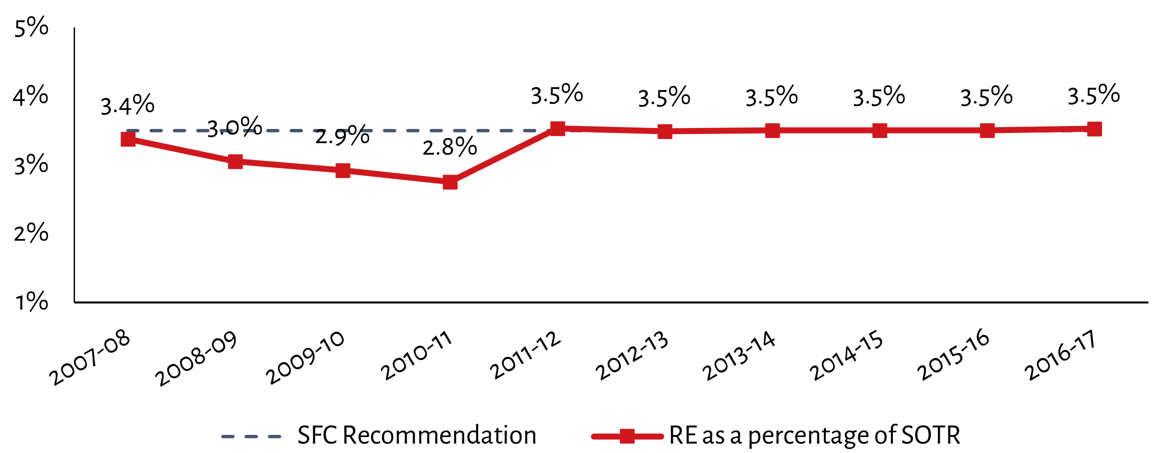
Figure 3: General Purpose Fund - Trends in RE against SFC Recommendation



However, as Figure 4 shows, the General Purpose funds as a percentage of SOTR, dipped from 3.37 per cent in 2007-08 to 2.75 per cent in 2011-12. Clearly, the predetermined 10 per cent annual increase of General Purpose Funds was an underestimation of the growth rate of the state's tax revenue and, consequently, LGs got progressively less percentage of SOTR under this head.

SFC-4 recommendations restored the status quo. General Purpose funds increased significantly and again touched a 3.5 percent of SOTR from FY 2011-12 to FY 2016-17. It is, however, most probable that the restoration of this percentage of SOTR was not sufficient to offset the extra burden on LGs due to increases in water and electricity tariffs. SFC-4 noted this increase, but, citing the financial position of the state, acknowledged that LGs would have to bear this burden through their own tax revenues.

Figure 4: General Purpose Funds as a Percentage of State's Own Tax Revenue



2.2.2 Trends in the releases of Maintenance Fund

The Maintenance Fund is given to LGs to meet maintenance costs of assets owned by them and those transferred to them in accordance with the KPR Act of 1994 (such as, schools, Krishi Bhavans, Primary and Community Health Centres and Anganwadis). SFC-2 established the Maintenance Fund at 5.5 per cent of SOTR. SFC-3 recommended that Rs.350 crore[4] be allocated in FY 2006-07 and that the fund be increased at 10 per cent annually for subsequent years SFC-4 recommended an allocation of ₹792 crore at 4.5 per cent of SOTR for 2011-12, 5 percent and 5.5 percent of SOTR in FY 2012-13 & FY 2013-14 respectively.

Figure 3 shows that releases vary from SFC recommendations. In FY 2007-08, the releases were ₹404.95 crore, a 5 per cent increase over the SFC-3 estimate of ₹385 crore. However, in the following years, releases were below SFC estimates; in FY 2008-09 by 6 per cent and in FY 2010-11 by a significant gap of 14 per cent.

In FY 2011-12 due to the implementation of SFC-4 recommendations, there was a significant jump of 62 per cent in the Maintenance grant releases. However, releases continued to be lower than SFC recommendations; by 10 per cent, 4.3 per cent and 6.75 per cent in FY 2011-12, FY 2012-13 and FY 2014-15, respectively. This was rectified in FY 2015-16 and FY 2016-17, when releases were at par with SFC-4 recommendations.

Figure 5: Maintenance Funds - Trends in RE against SFC estimate

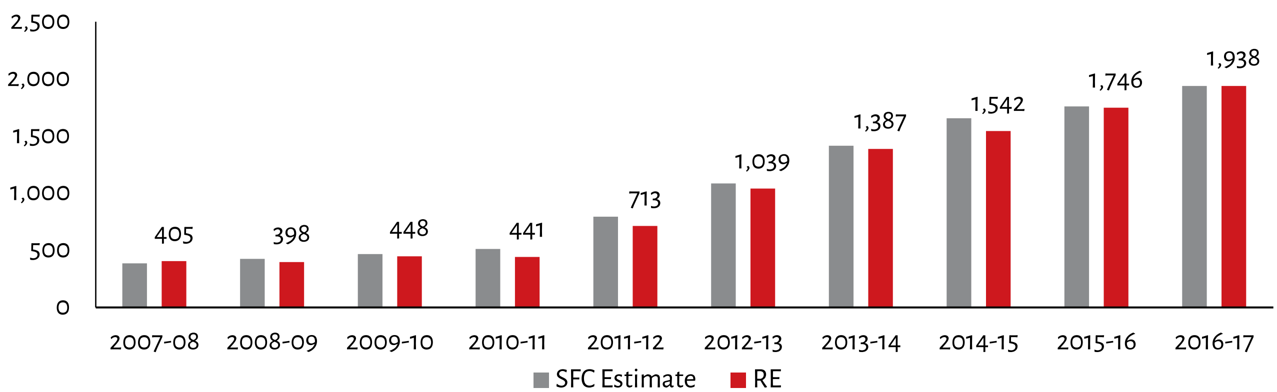
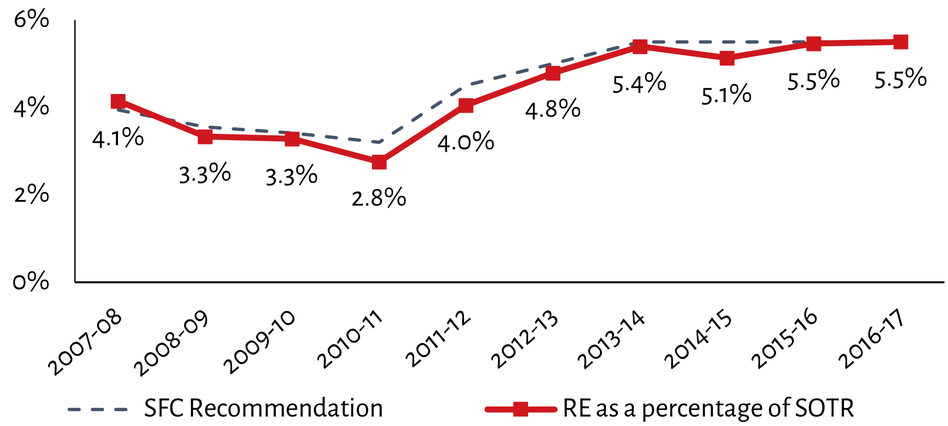


Figure 4 shows the Maintenance Fund releases as a percentage of the SOTR. If the 5.5 per cent of SOTR recommended by SFC-2 and reiterated by subsequent SFCs is taken to be the norm, SFC-3's approach of a flat yearly increase of 10 percent over the previous year's allocation resulted in a decline in Maintenance Funds as a percentage of SOTR from 4.1 per cent in FY 2007-08 to a low of 2.8 percent of SOTR in FY 2010-11.

From FY 2011-12 onwards, there has been a consistent increase in the percentage of SOTR released as Maintenance Funds. From 4 per cent in FY 2011-12, it increased to 4.8 per cent and 5.4 per cent in FY 2012-13 and FY 2013-14, respectively. Even though the percentage declined to 5.1 per cent in FY 2014-15, it bounced back and stabilised at 5.5 per cent in FY 2015-16 and FY 2016-17.

[4] 5.5 per cent of $SOTR_{(t-2)}$ for FY 2006-07

Figure 6: Maintenance Fund as a Percentage of SOTR$_{(t-2)}$



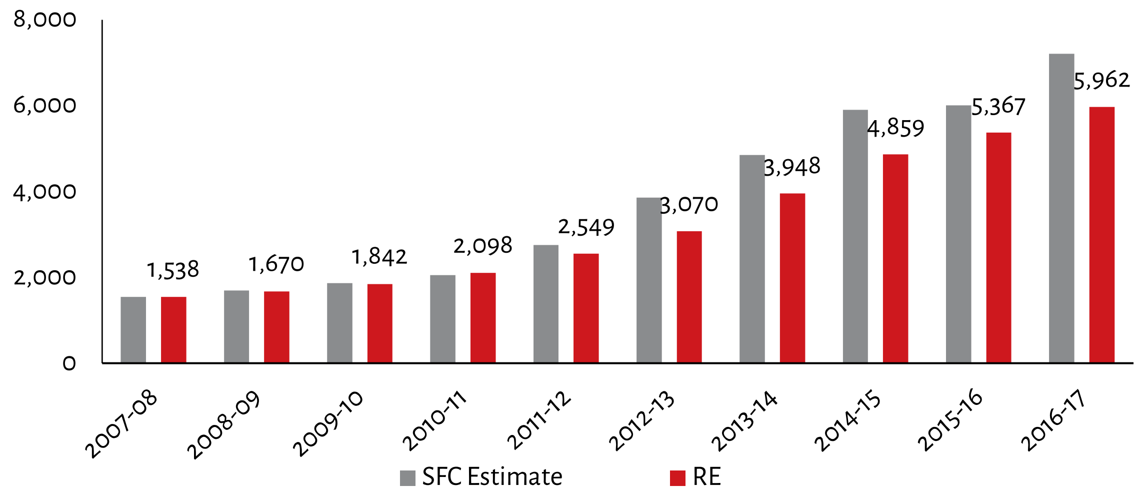
However, while the compliance with SFC-4 recommendations in FY 2015-16 and FY 2016-17 is noteworthy, the actual quantum of funds released at 5.5 percent of SOTR is still far below the expenditure needed for asset maintenance by LGs. For instance, the SFC recommended transfer for FY 2011-12 of ₹793 crore falls far short of the expenditure need of ₹2,477 crore as estimated based on the updated asset registers of LGs. Given this wide gap between expenditure needs for maintenance and the quantum of Maintenance Funds released, LGs are allowed to use up to 40 per cent of Development Funds, for Maintenance and Infrastructure purposes. The implications of this arrangement will be discussed later.

2.2.3 Trends in the releases of Development Funds

Development Funds are untied resource transfers from the State Plan Fund to LGs. In 1996, the State Government took the landmark decision to devolve 35-40 per cent of the state plan to be set aside for local planning, under the Peoples' Planning Campaign, based on the functions devolved upon LGs. SFC-2 recommended that one-third of the State plan ought to be devolved to LGs as the Development Fund. SFC-3 recommended a significant reduction in Development Fund transfer to ₹1,400 crore in FY 2006-07, to be increased by a flat 10 per cent over the previous year, for every subsequent year till FY 2010-11.

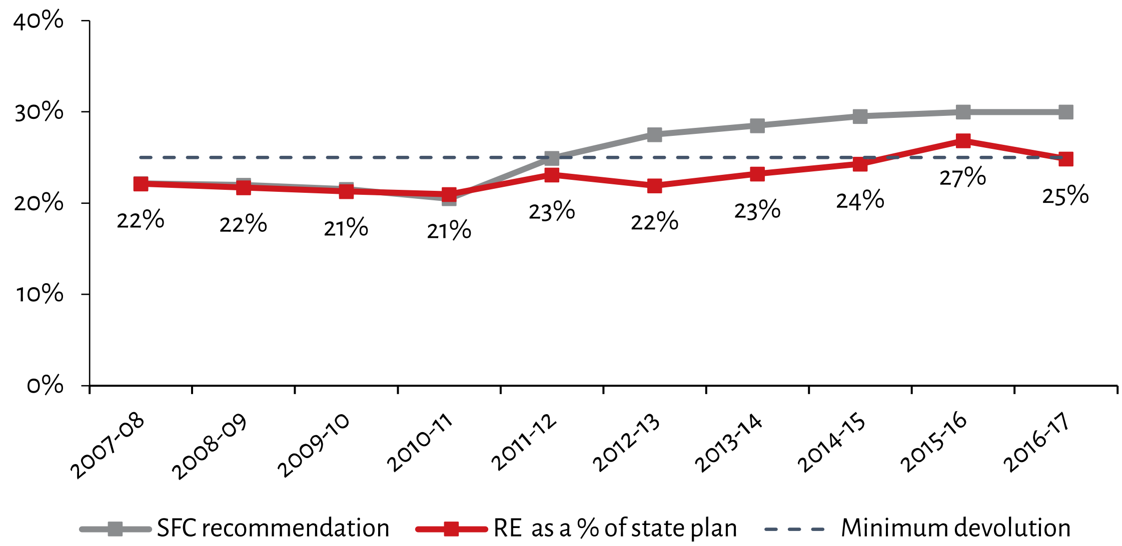
From FY 2007-08 to FY 2010-11, releases closely matched or exceeded SFC-3 recommendations (Figure 5). In FY 2011-12, there was a jump by 22 percent in the releases to ₹2549.42 crore. While this was commendable, it fell short of the SFC-4 recommendation of ₹2750 crore. The difference between SFC-4 recommendations and the actual release further accentuated in subsequent years, increasing to 20 per cent FY 2012-13 and then narrowing down to 18.5 per cent and 17.7 per cent in, in FY 2013-14 and FY 2014-15 respectively. In FY 2015-16 and FY 2016-17, the fund release was 10.5 percent and 17 per cent less than the sum recommended by SFC-4.

Figure 7: Development Funds - SFC Recommendation vs Fund Release



In contrast with the trends in the release of General Purpose Funds and Maintenance Funds, Development Funds as a percentage of State Plan has been markedly below the desired norm of one-third of the State Plan during the 10 year time frame of this study. During SFC-3 implementation, the amounts recommended and the funds released were consistently between 21-22 per cent of the State Plan. SFC-4 highlighted the extent of shortfall for LGs from the SFC-3 recommendations and revised the Development Fund percentage amounts to 25 per cent of the State plan in FY 2011-12 and 27.5 per cent, 28.5 per cent, 29.5 percent and 30 percent in the four following years. It also recommended that fund releases ought not to drop below 25 per cent of the State plan, a minimum devolution rate. However, Development Fund releases hover around 23 per cent from FY 2011-12 to FY 2014-15 (Figure 6). From FY 2015-16 to FY 2016-17, while the percentage of funds released increased to 27 per cent and 25 per cent respectively, they still fell short of the SFC recommended devolution rates of 29.5 percent and 30 per cent for these two years.

Figure 8: Development Fund as a Percentage of State Plan



When it comes to the release of funds, there have been consistent shortfalls in the releases of the different categories of funds during the ten year time frame that is the focus of our study. This covers the periods of currency of SFC-3 and SFC-4. While in the case of the General Purpose grant and the Maintenance grant, efforts have been made to close the gap between recommendations and releases, the same has not been the case with the Development grant. The worst shortfall in the decade under review was in FY 2012-13 (20 percent). Overall, in the decade, the cumulative shortfall has been around 12 percent. This has had an impact on the overall total releases against recommendations of the SFC with an average shortfall of 10.78 per cent.

In the next section, we examine the release and deployment of Development Funds in greater detail.

3. Development Funds Disaggregated

The untied fiscal resource transfer of Development funds, is the bedrock of Kerala's claim to be a champion of democratic decentralisation. Kerala has often drawn attention to its policy of committing at least one-third of the state's total plan to unconditional and untied Development Funds devolved to Panchayats. This chapter examines the strength of this claim in depth. It begins by unpacking the different sources that comprise the Development Funds and their implications. The next section analyses Development Funds allocation and expenditure in order to assess the extent of untied resources with LGs.

3.1. What Constitutes Development Funds?

SFC-2 recommended that the devolution of CFC grants would be over and above the one-third of the state plan recommended to be devolved as Development Fund. SFC-3 remained silent on whether CFC grants should remain exclusive from the Development Fund. However, SFC-4 recommended that 13th and 14th CFC grants could be devolved as part of the development fund and that CFC grants could be reckoned while meeting the recommendation of a minimum devolution of 25 percent of the State Plan. Figures 9 and 10 show the constituent sources of the Development Fund. In FY 2007-08 the Development Fund was entirely composed of State Plan funds. In subsequent years, however, the Development Fund has included revenues from other sources, such as CFC grants and World Bank assistance.

Figure 9: Development Fund Constitution – Budget Estimates

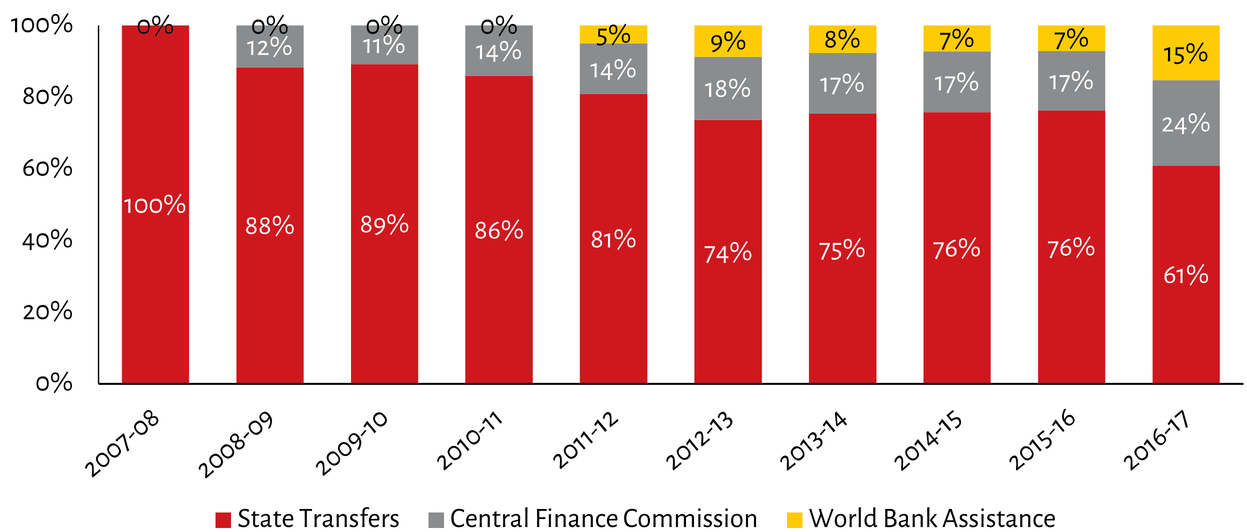
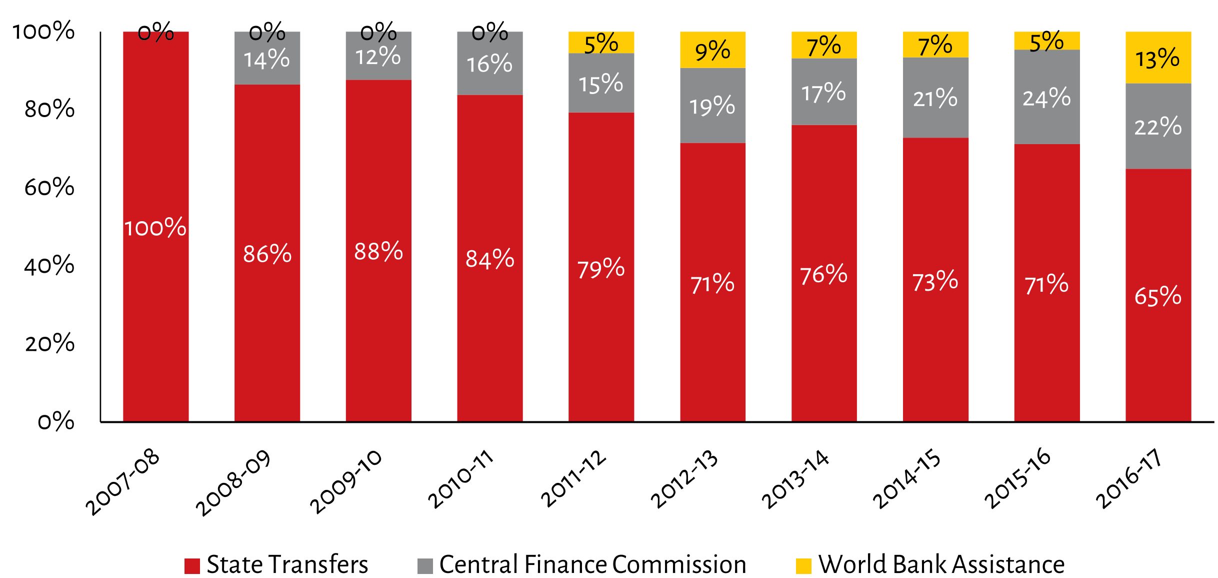


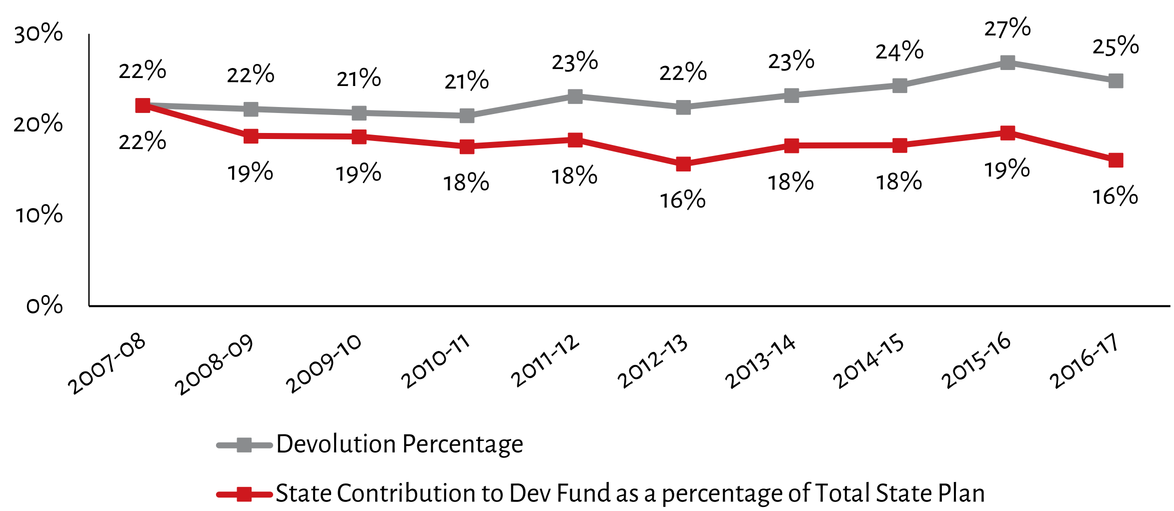
Figure 10: Development Fund Constitution – Revised Estimates



In FY 2008-09, CFC grants comprised 14 per cent of the Development Fund (Revised Estimates, RE) and this proportion steadily increased to comprise 22 per cent of the Development Fund in FY 2016-17 (RE). Similarly, the proportion of World Bank assistance rose from 5 per cent of Development Funds in FY 2011-12 to 13 per cent in FY 2016-17 (RE). Consequently, the share of State Plan funds in the Development Fund pool decreased from 86 per cent in FY 2008-09 to only 65 per cent in FY 2016-17. Over time then, State's own grants have been substituted by World Bank and CFC grants, in order to meet the commitment towards the release of development funds to the Panchayats. Even so, there have been shortfalls in the release of the latter, as explained above.

The net effect of subsuming part of the CFC grants into the Development Fund, is that it has eased the financial burden of enabling the State's political commitment to devolve sufficient funds to LGs. Thus, while the size of the State Plan has increased by 245 per cent from FY 2008-09 to FY 2016-17, the size of the State's own contribution to the Development Fund increased by 151 per cent only during the same period. (Figure 11). Even though the percentage of the Development Fund as a percentage of the State Plan touched the minimum level of 25 per cent as stipulated by SFC-4 in FY 2016-17, if the pass-through of CFC funds in the form of Development Funds are excluded, transfers from the State Plan fund was only 16 per cent.

Figure 11: State Contribution to Development Fund as a Percentage of Total State Plan



The increase in CFC funds as a share of the development fund pool has its implications. The period under study covers the currency period of CFC-12 (2007-08 to 2009-10), CFC-13 (2010-11 till 2014-15) as well as CFC-14 (2015-16 & 2016-17). While the recommendations for expenditure of grants went through subtle changes from CFC-12 to CFC-14, all three committees by and large recommended its utilisation for basic service delivery. These functions, in the Kerala case, fall into the buckets of traditional functions (which are to be covered by the General Purpose Grants) and maintenance functions (to be covered under Maintenance expenditures). The inclusion of this grant under the Development Fund mars the distinction between the different funds. It permits the use of Development Funds for the provision of basic services and carrying out civic functions. In effect, this reduces the funds available for the plan activities of LGs.

The next section examines how the development grant is being spent. This would throw light on the extent of untied funds available with LGs that can be considered truly devolved, and available to be spent on plan expenditures.

3.2. How is the Development Fund being spent?

Planning guidelines that affect development utilisation comprise of the following:

- Guidelines on special fund allocations for deprived communities
- Sector-specific guidelines establishing ceilings, floors and subsidy rates
- Guidelines on LG contribution to centrally sponsored schemes and state sponsored schemes.

With respect to giving more flexibility to LGs, our discussions with State officials reveal that ceilings on infrastructure expenditure were first imposed because LGs have a tendency to overspend on infrastructure. Data from the 14th FC shows that 90 per cent of the expenditure is on roads. Thus, ceilings on sector-wise expenditure have continued to operate. However, within the ceiling, LGs are free to undertake their own decisions. State officials also specified that while theoretically the State Government should be undertaking the higher-end functions such as human development, creating modern jobs, imparting training and so on, as the Government continues to carry out the same activities as LGs, such as housing and roads, there is a necessity for imposition of ceilings. Clearly, the concurrency of functions between the State and Local Governments, a phenomenon that is still not fully addressed in Kerala, does tend to erode the flexibility and independence of LGs.

From the 10th through the 12th Five Year Plans (FYP), the guidelines on special fund allocations for deprived communities have shown only slight variations. However, sector-specific guidelines have become less restrictive in an attempt to endow LGs with more autonomy. In the case of SCP and TSP, the mandate is for a minimum allocation and these are no ceilings. LGs can spend more if they wish. This trend has been further bolstered with the disappearance of mandates to LGs to keep aside development grant allocations as State contribution to CSSs. However, even though the stipulation for mandatory contribution to CSS schemes as mentioned in the 10th Plan guidelines was taken away and there are only oblique references on how to plan rather than how much to allocate, separate circulars are being sent to LGs to the effect that they must contribute to CSS schemes.

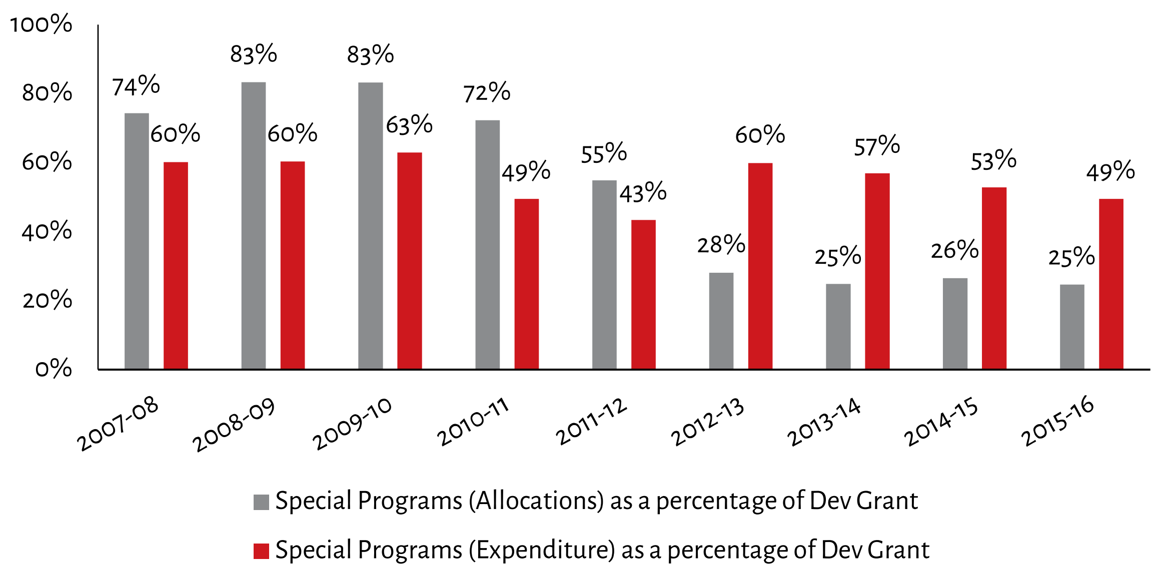
3.2.1 Local Government Contribution to Special Programmes

The period from FY 2007-08 till FY 2011-12 falls within the 11th FYP period, and that from FY 2012-13 onward, under the 12th FYP period. During the 11th FYP period, Special Programmes allocations fell from 74 per cent of the total Development Grant in FY 2007-08 to 55 per cent in FY 2011-12. In the 12th FYP period, these dropped considerably to 28 per cent in FY 2012-13 and remained consistently low at 25 per cent in FY 2015-16. This is reflective of the fact that 12th FYP guidelines sought to give more autonomy to LGs (Figure 12).

Expenditure on special programs however, presents a contrasting picture. During the 11th FYP period, expenditure constituted 60 per cent of the Development Fund in FY 2007-08 and came down to 43 per cent in FY 2011-12. There was no marked change during the 12th FYP period as well. Expenditure on special programs as a percentage of Development Funds was 60 per cent in FY 2012-13, against an allocation of 28 per cent, and decreased to 49 per cent in FY 2015-16 against an allocation of 25 per cent.

At first sight, the fact that expenditures toward special programmes have continued to be a high proportion of Development Funds in spite of mandated allocations having dropped, supports the conclusion that LGs find inherent value in such programmes and therefore voluntarily have continued them. However, a closer enquiry - including through qualitative field interviews - indicates that the trend apparent in the Planning Guidelines to give more planning autonomy to LGs is neutralised by other instructions issued throughout the annual financial year that force them to contribute towards Centrally Sponsored (CSS) and State Sponsored Schemes (SSS) as part of their contribution towards Special Programmes.

Figure 12: Special Programmes as a percentage of Development Grant



3.2.2 Local Government Contribution to CSS and SSS

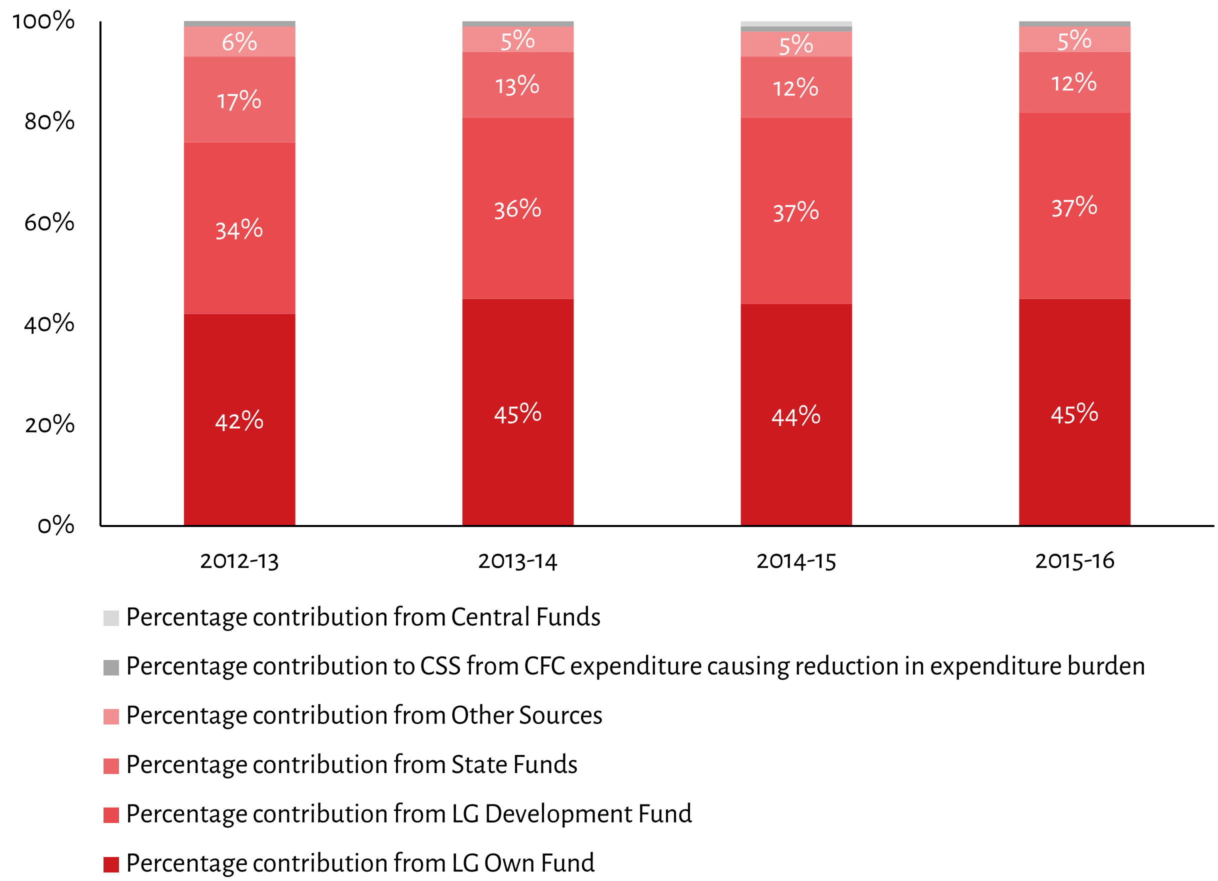
CSSs are specific-purpose grants to fund development schemes formulated at the central level. CSSs are implemented by State Governments and typically require a matching contribution to be made by the State, in order to draw and use centrally provided fund allocations. States may provide additional assistance from their own resources for CSSs at their discretion. In Kerala's case, most CSSs are funded in a 60:40 ratio between the Centre and the State. Figure 13 traces the allocations from state, central and local sources on all CSS schemes implemented locally, for the period from FY 2012-13 to FY 2015-16.[5]

As discussed earlier, the State Government devolves CFC grants to LGs as part of the state funds devolution to LGs. This reduces the burden on the overall funds available with the LGs and provides room for LGs to make contributions to CSS spending. This factor has also been taken into account in the present analysis.

[5] Data from 2007-08 till 2011-12 has been dropped as we were unable to verify data. IKM also responded to our queries that there is a high possibility of data input error since this was self-reported by LGs.

During the period from FY 2012-13 to FY 2015-16, the share of central funds in the allocation for CSS schemes was in a band between 42 per cent and 45 per cent. However, the state share of funds dropped from 17 per cent in FY 2012-13 to 12 per cent in FY 2015-16. In the same period, LG contribution from the Development Fund was in the range of 34 per cent (FY 2012-13) to 37 per cent (FY 2015-16). If one includes the contribution from LG own source funds to CSS schemes, LG contribution was 35 per cent in FY 2012-13 and 38 per cent in FY 2015-16.

Figure 13: CSS Allocation Breakup for all LGs - Share of Central, State and LG Funds



However, Figure 14 shows that expenditure under CSSs has been sluggish and significantly below the budgetary allocations in each year. In FY 2012-13, expenditure was only 30 per cent of the allocation and in FY 2015-16, only 27 per cent. On the other hand, even though expenditures overall on CSSs were low, the volume of LG shares to it continued to be high, resulting in LGs contributing a much higher percentage share to CSS expenditures as compared to the State. In FY 2012-13, the LG share was 67 per cent of total CSS expenditure against an allocation share of 34 per cent. By FY 2015-16, the LG share of total CSS expenditure increased to 74 per cent against an allocation share of 37 per cent. In contrast, as central and state releases towards CSS schemes in every year were much less than anticipated, the percentage share of these diminished to significantly low levels. In FY 2012-13, central contribution and state contribution to CSS total expenditure was 20 per cent and 2 per cent, respectively and in FY 2015-16, they dropped to 17 per cent and 1 per cent share of the total CSS expenditure respectively.

From a fiscal perspective, while the Centre strongly influences State expenditures through demanding State shares to CSSs, in this case, Kerala managed their commitments by passing on a part of the contributory burden to the LGs. Once allocations towards CSSs from the LGs were locked in, they were shouldering the expenditure responsibility for CSSs even as central and state releases towards CSSs did not materialise as anticipated.

Figure 14: CSS Expenditure - Share of Central, State and LG Funds

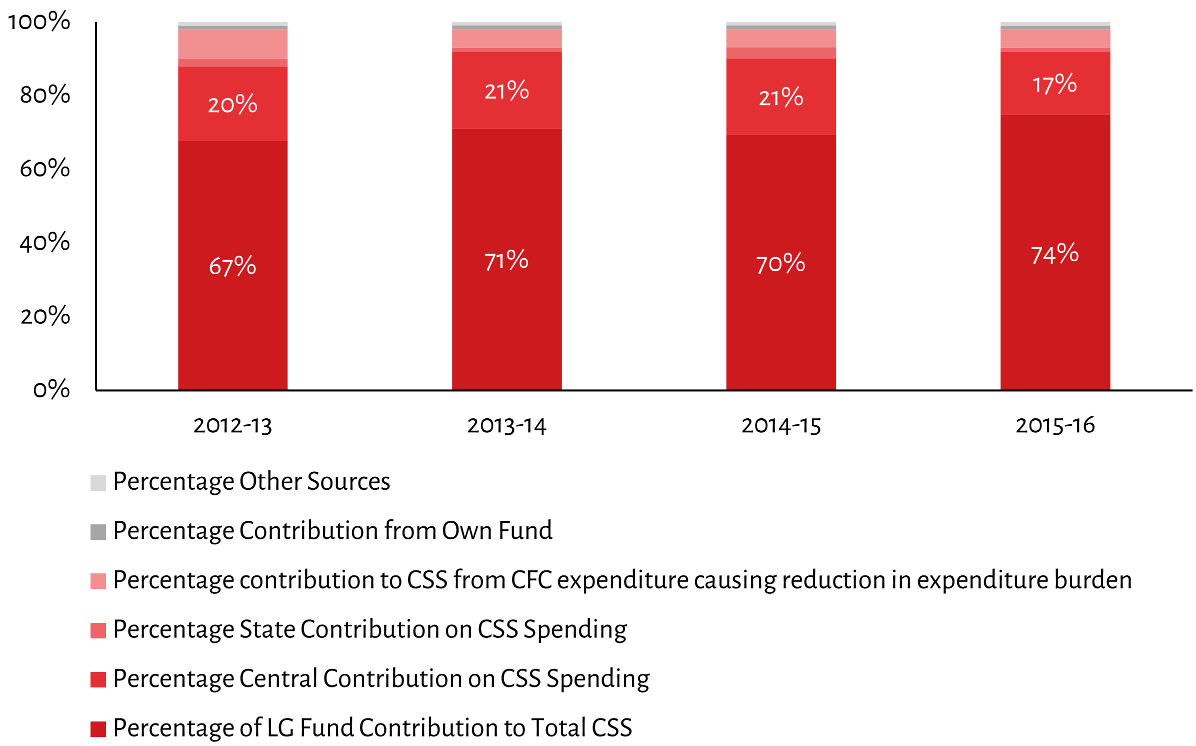
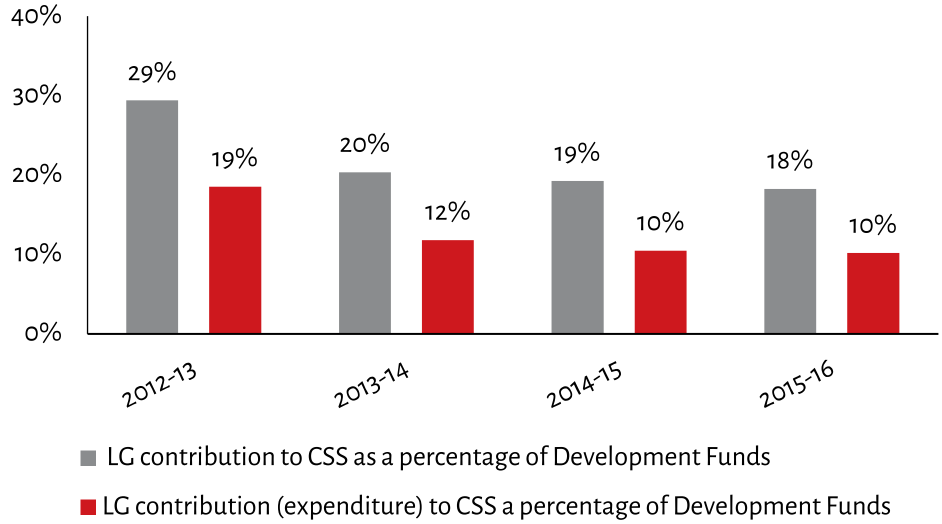


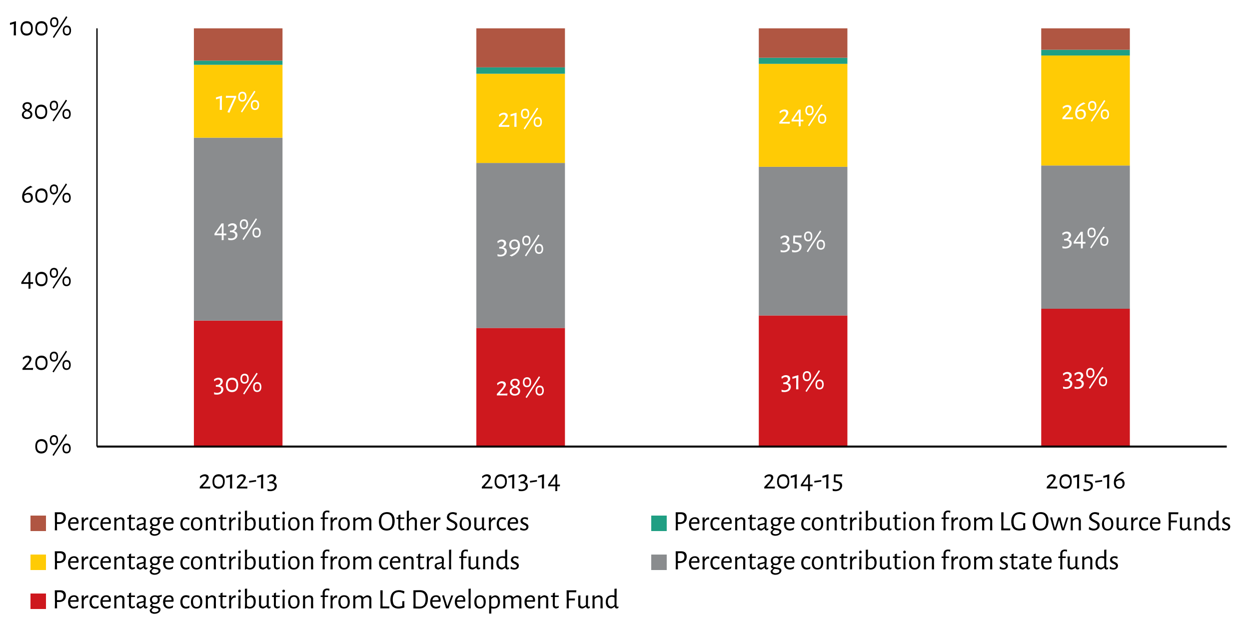
Figure 15 reveals the proportion of LG contributions to CSS schemes within the development fund. The Budget Estimate (BE) figures for CSS contributions funds as a percentage of Development Funds (excluding CFC grants) was 29 per cent in FY 2012-13 and declined to 18 per cent in FY 2015-16. In terms of expenditure, LG contribution, though much lower than allocations, was still at a significant 19 per cent of development funds in FY 2012-13, declining to 10 per cent in FY 2015-16.

Figure 15: LG Contribution to CSS as a percentage of Development Funds



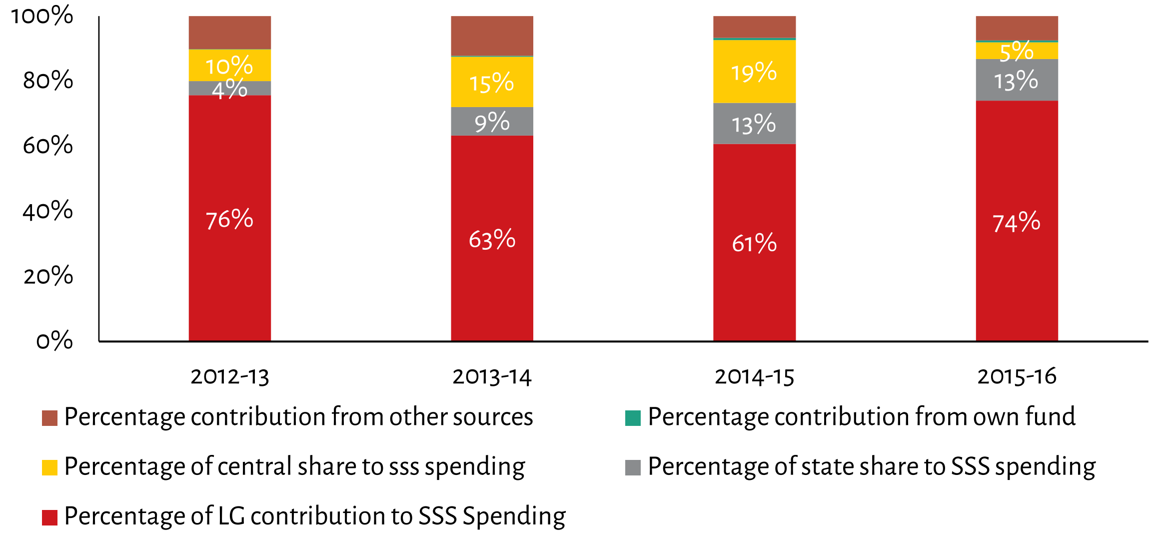
A similar pattern is seen in the proportion of LG contribution towards State Sponsored Schemes (SSS). The 12th FYP formulated 16 SSS schemes to be implemented by the LGs and mandated that they contribute financially. During FY 2012-13, LG development fund comprised 30 per cent contribution towards SSS which slightly rose to 33 per cent in 2015-16. The State took the lead in FY 2012-13, contributing a major share of 43 per cent of the SSS allocation. However, this came down to 34 per cent in FY 2015-16. To balance this, Central contribution rose from 17 per cent in FY 2012-13 to 26 per cent in FY 2015-16 (Figure 16).

Figure 16: SSS Allocation - State, Central and Local Government Share



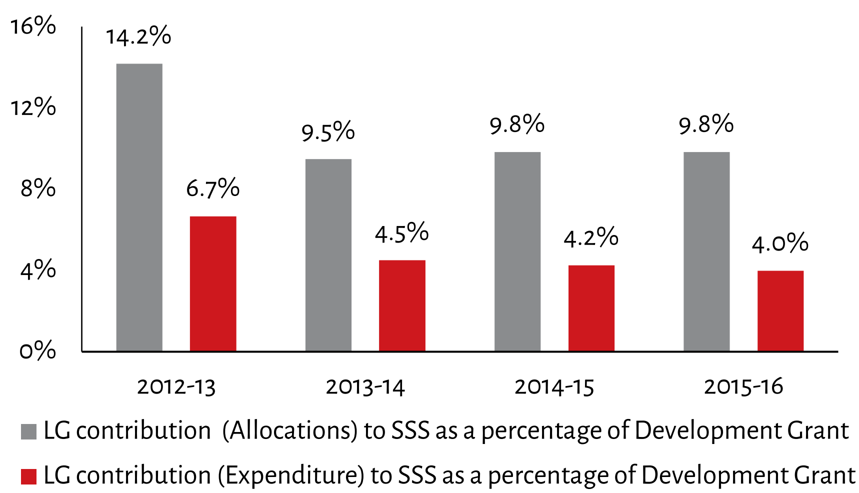
However, when it came to SSS expenditure, LGs contributed much more; 76 per cent in 2012-13 and 74 per cent in 2015-16. The corresponding state shares were 4 per cent and 13 per cent respectively and central shares, 10 per cent and 5 per cent respectively (Figure 17).

Figure 17: SSS Spending - Expenditure breakup for all LGs



The LG contribution from the Development Fund towards SSS allocations accounted for 14.2 per cent of total development funds released in FY 2012-1315. In FY 2015-16, this came down to 9.8 per cent. However, in terms of LG contributions to SSS expenditures, it was low at 4 per cent of development funds during that year, due to the low overall expenditure performance on SSS schemes. Low performance levels on SSS expenditure continued, just as in the case of CSSs. SSS expenditure was only 22 per cent of the allocations in FY 2012-13 and 17 per cent in FY 2015-16. Despite the low overall expenditure performance, LG contributions to expenditure over allocations was at a high 47 per cent in FY 2012-13 and 40 per cent in FY 2015-16 (Figure 18).

Figure 18: LG Contribution to SSS as a percentage of Development Grant



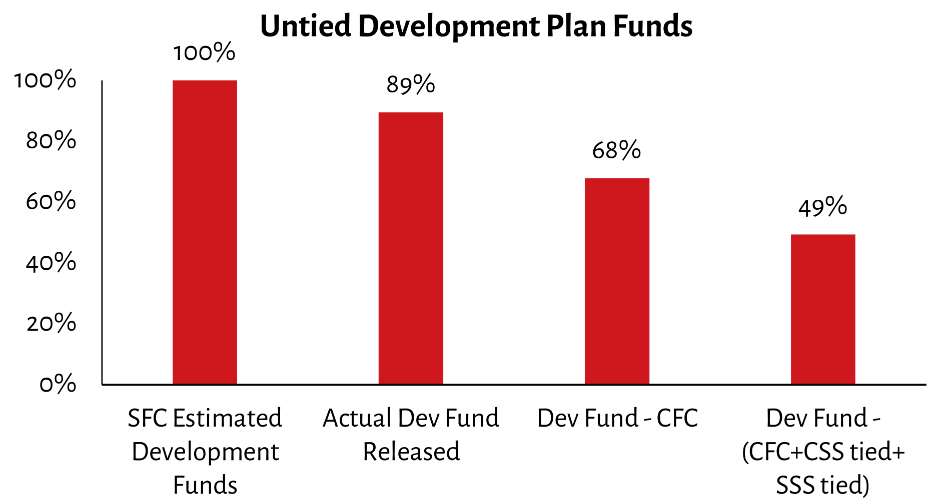
The above allocation and expenditure analysis reveals interesting features of Kerala's fiscal transfer system to LGs. The State has been grappling with balancing its political commitment to the LGs to devolve sufficient funds to it, with its desire to launch and implement its own programmes, while attempting to derive full value from CSSs offered by the Union Government. In this endeavour, the State has been juggling various fiscal resources of its own, as well as Central funds and funds devolved to LGs.

On the face of it, while the planning guidelines began to become more flexible from the 10th, through the 11th, to the 12th Plan, instructions issued outside the Planning Guidelines on a plethora of issues, compelled LGs to contribute to CSSs and SSSs, as also to additional subsidies that the State wished to give. This considerably restricted the expenditure flexibility of LGs. The ring-fencing of LG Development Funds through government orders instructing them to allocate funds on CSSs and SSSs, enabled the State to carry out its strategy of exercising greater control over LG expenditures without resulting in political repercussions. However, it is important to note that the imposition of such restrictions has not been a unilateral decision. Sometimes Local Government Associations have themselves sought controls from the government. A good example is with respect to subsidies for housing programmes. When the subject matter was devolved, in the first year of the peoples plan, no restrictions were imposed on LGs on the extent to which they could subsidise houses for the poor. Consequently, the pattern of giving subsidies was different across LGs. One LG might give Rs. one lakh per house and another only Rs. 27000. This became an issue as people began to make comparisons between LGs. It led to a collective decision after the municipal chairmen and Local Government associations were taken into confidence. A ceiling on the subsidies that LGs may give on housing was imposed. In principle, they can give lesser subsidies, but in practice, all LGs give the amount that is indicated as the ceiling.

While the combined LG contribution towards CSS and SSS allocations stood at 43 per cent of Development Fund in FY 2012-13, the diminished levels of 28 per cent in FY 2015-16 is still a significant proportion of funds locked into predetermined expenditure.[6] On an average, only 70 per cent of the Development Fund is available for local planning if CSS and SSS contributions are unlocked for flexible expenditure outside CSSs. Furthermore, this 70 per cent includes the CFC fund and is further constrained by plan allocations mandated in the Planning Guidelines. Figure 19 below presents a picture of the funds available for local planning based on allocations made in FY 2015-16. Hence, over the past decade under review, there has been a climate of restriction of the discretion given to LGs on how they may use “untied” funds.

[6] In real figures, 28 per cent of the Development Fund translates to ₹1302.5 crore

Figure 19: Untied Development Plan Funds



The next chapter analyses Kerala's extent of democratic decentralization from a different perspective. Legislative transfer of functions to the LGs need to be complemented by associated budgetary allocation. In other words, if the LGs have not been allocated funds to carry out a task transferred to them, then in real terms devolution is limited. We analyse the extent to which devolved tasks can be mapped on to devolved funds, to critically analyse actual devolution.

4. Mapping Function Allocated to Funds Devolved

Article 243G of the Constitution - titled 'Powers, Authority and Responsibilities of Panchayats' - is the operative provision that mandates functional assignments to the Panchayats. The provision is an elaborate one and its mandate is easier understood when deconstructed. Quite often, the true import of Article 243G is lost upon the lay reader and its ambit is restrictively read to mean that States are mandated to devolve the matters listed in the Eleventh Schedule. However, a more careful reading of the Article shows that the State has three broad areas where it can exercise its discretion. These are:

A. To 'endow' powers and authority, as may be necessary to enable Panchayats to function as institutions of self-government,
B. To 'devolve' of powers and responsibility relating to preparation of plans and implementation of schemes for economic development and social justice, subject to conditions
C. To 'entrust' schemes relating to matters, say for example, those stated in the Eleventh Schedule

Clearly, endowment and devolution have wider significance than mere entrustment; the last is only a process of engaging the Panchayats as agents to perform tasks.

However, even recognising that the State has the scope to endow and devolve far more power, authority and responsibilities to the Panchayats, the Eleventh Schedule does offer an illustrative list of matters, which States may use as a guide. It is, thus, not surprising that the laws through which States have "'endowed powers and responsibilities, devolved powers and authority, and entrusted the planning and implementation of schemes for economic development and social justice" vary widely from state to state.

Kerala's legal framework for endowment, devolution, and entrustment is contained in the Kerala Panchayat Raj Act (1994), along with its amendments (especially the Amendment Act 13, 1999). A mapping of the legislative functions devolved to the PRIs with the 29 matters listed in the Eleventh Schedule reveals that powers and responsibilities in respect of 21 matters have been devolved to District Panchayats, in 18 matters to Block Panchayats and in 26 matters to Gram Panchayats, through elaborate provisions contained in the Kerala Panchayat Raj Act (Raghunandan 2010). Kerala is thus generally regarded as a frontrunner amongst States that have established a strong system of democratic decentralisation in the country (Unnikrishnan 2015).

Rajaraman and Sinha (2007) in their study of functional devolution in four states argue that *de jure* functional transfers without associated budgetary provisions do not have much operational significance when considering the strength of a system of democratic decentralisation. They outline a methodology that maps devolved powers and responsibilities to budgetary allocations as laid down in the major heads of account in the budget, to identify and estimate the quantum of "devolvable expenditures". Devolved expenditures are identified and estimated through studying the budget line items contained in the local government budget under the corresponding major and minor heads. A comparison of the devolved expenditures with devolvable expenditures gives a quantified estimate of the functions devolved to Panchayats.

Using the methodology recommended by Rajaraman and Sinha, we attempted to analyse the true extent of functional transfers to the Panchayats by estimating the budgetary transfer of funds to the PRIs for FY 2015-16, estimated by the actual expenditure figures for that year. This was done through a four step process:

- Matters listed in the Eleventh schedule were mapped to the major and minor heads of the State budget.
- The different components of the Kerala state budget were analysed.
- An estimation was made of the "devolvable expenditures"
- The actual extent of sector-wise functional devolution was estimated

The next few sections discuss these steps in more depth. Section 4.1 estimates 'devolvable allocation' by mapping devolved function to the State budget heads. Section 4.2 looks at demand grants from the Kerala state budget to estimate which of these expenses are actually devolved. The next section builds on the first two to analyse the extent to which functional transfer is accompanied by associated fiscal devolution. The penultimate section looks at the degree of actual devolution in certain sectors.

4.1. Mapping of Eleventh Schedule Subjects to Budget Heads

Table 1 maps the matters listed in the Eleventh Schedule to the equivalent budget heads listed in the State Budget. Apart from the four digit major budget heads that are uniformly used across states, the Kerala State budget has some more heads as it has devolved more functions to its PRIs compared to other states. As is evident from Table 1, it is possible to map some subjects directly to four digit major heads. In some cases, a combination of matters align to a single major head, (example, Social Forestry and Minor Forest Produce) whilst in others, a single subject is mapped across various major heads (example: Health and Sanitation maps to 3 budget heads that cover rural health services – allopathy, other systems of medicine and public health). Furthermore, some matters pertain only to some sub-heads within major heads (example: 'Rural housing' maps only to the rural housing component of the major head, 2216 – Housing).

Table 1: Matters Listed in Eleventh Schedule with Respective Budget Codes

No.	11th Schedule matter	Four digit budget head	Head description	Sub-head	Constituent Item description	Devolution status as per KPR Act
1	Agriculture, including agriculture extension	2401	Crop Husbandry	-	-	Devolved to GP, BP & DP
2	Land Improvement, land consolidation, soil conservation	2402	Soil and water conservation	-	-	Devolved to GP,BP & DP
3	Minor Irrigation, water management and watershed development	2702	Minor Irrigation	-	-	Devolved to GP,BP & DP
		2245	Relief for natural calamities	01	Drought	
4	Animal husbandry, dairy, poultry	2403	Animal Husbandry	-	-	Devolved to GP,BP & DP
		2404	Dairy Development	-	-	Devolved to GP,BP & DP
5	Fisheries	2405	Fisheries	-	-	Yes – functions devolved to GP,BP & DP
6	Social forestry, farm forestry	2406	Forestry & wildlife	01	Forestry	Devolved to GP
7	Minor Forest Produce					Not devolved
8 & 9	Small scale industries & Khadi, village industries	2851	Village and small industries	-	-	Devolved to GP & BP
10	Rural Housing	2216	Housing	03	Rural housing	Devolved to GP,BP & DP
11	Drinking water	2215	Water supply and sanitation	01	Water supply	Devolved to GP & DP
12	Fuel and fodder	2403	Animal husbandry	107	Fodder and feed development	Devolved only to GP
13	Roads, culverts bridges, ferries and waterways	3054	Roads and bridges	04	District and other roads	Devolved to GP,BP & DP

No.	11th Schedule matter	Four digit budget head	Head description	Sub-head	Constituent Item description	Devolution status as per KPR Act
14	Rural electrification, electricity distribution	2801	Power	-	-	Devolved to GP
15	Non-conventional energy sources	2810	New and Renewable energy	-	-	Devolved to GP,BP & DP
16	Poverty alleviation programmes	2501	Special programmes for rural development	-	-	Devolved to GP,BP & DP
		2515	Other rural development programmes	-	-	
		2505	Rural Employment	-	-	
17	Education – primary and secondary	2202	General Education	01	Elementary education	Devolved to GP & DP
				02	Secondary education	
18	Technical training and vocational education	2203	Technical Education	-	-	Devolved to BP & DP
19	Adult and non- formal education	2202	General Education	04	Adult Education	Not devolved to any level
20	Libraries	2205	Arts and Culture	105	Public Libraries	Devolved to GP
21	Cultural Activities	2205	Arts and Culture	-	-	Devolved to GP & DP
22	Markets and Fairs	2205	Arts and Culture	-	-	Devolved to GP
23	Health and Sanitation	2210	Medical and public health	03	Rural health services – allopathy	Devolved to GP,BP & DP
				04	Rural health services – other	

No.	11th Schedule matter	Four digit budget head	Head description	Sub-head	Constituent Item description	Devolution status as per KPR Act
					systems of medicine	
				06	Public health	
24	Family Welfare	2211	Family welfare	-	-	Devolved to GP
25	Women and child development	2236	Nutrition	02	Distribution of nutrition	Devolved to GP & BP level
26	Social Welfare	2235	Social security and welfare	02	Social Welfare	Devolved to GP,BP & DP
				60	Other social security programme	
27	Welfare of weaker sections, SC/ST	2225	Welfare of SC, ST, OBC	01	SC welfare	SC & ST development devolved to GP, BP & DP
				02	ST welfare	
28	Public distribution systems	2408	Food, storage and warehousing	-	-	Functions of supervision and complaint redressal devolved to GP
29	Maintenance of community assets	NA		-	-	Devolved to GP

This section provides us with an estimate of 'devolvable' allocation by mapping the different budget heads to functional devolution under the Eleventh Schedule. The next section looks at demand for grants in Kerala's budget to reach an estimation of actually 'devolved' funds.

4.2. Kerala Budget Demand for Grants

In the Kerala State Budget, funds are allocated to Panchayats through 2 different streams. The first stream comprises the funds under the four digit major head 3604, under which SFC recommended funds - namely, the General Purpose, Maintenance and Development grants - are allocated and transferred to different levels of Panchayats. While the General Purpose and Maintenance grants are classified as Non Plan grants, the Development grant is a Plan grant. All three grants may be considered as 'devolved funds' to PRIs. The second stream of allocations to Panchayats, termed 'Plan B' funds, consist of Plan allocations for CSSs and SSSs entrusted to the Panchayats for implementation. Demands for grants under this stream are presented in the state budget under the relevant four digit major head, with the unique sub-head code indicating the level of Panchayat to which funds have been allotted.

For instance, the state share of funds for the implementation of the erstwhile Indira Awaas Yojana (IAY)[7] scheme is presented in the State Budget under *2501-01-197-48-2* head of account. '2501' indicates the major head for rural development, '01' is the sub-major head of integrated rural development programme, '197' indicates assistance given to Block Panchayats and '48' indicates Block Grants for CSS schemes. This demand is once again reflected in the PRI budget book (Appendix IV of the State Budget) where it is presented under *2501-01-197-48-97* head of account. The '97' minor head indicates the purpose of the demand for implementation of Indira Awas Yojana. As the responsibility for 'provision of housing' has been devolved to the Panchayats, one observes that the corresponding funds for implementation of housing schemes have been transferred from the state to the Panchayats, through the State budget document and its Appendix IV . This system of budgetary allocation of funds to Panchayats is adopted across all major revenue heads and recorded as block assistance to the Panchayat concerned under Appendix IV.

Thus, functional decentralisation is backed by quantifiable financial allocations through several such demands pertaining to the 29 matters in the Eleventh Schedule to carry out the responsibilities devolved to Panchayats. Table 3 presents a summary of expenditures for FY 2015-16 across the major heads mapped to the matters listed under the Eleventh Schedule.

Table 2: Summary of Expenditures across Major Heads Mapped to Eleventh Schedule Matters

Major Head	Description	Allocation under 198 – village Panchayat ₹ in crores	Allocation under 197 – Block Panchayat ₹ in crores	Allocation under 196 – District Panchayat ₹ in crores
Productive Sector				
2401	Crop Husbandry	12.03	0.00	0.00

[7] Now Pradhan Mantri Awas Yojna

Major Head	Description	Allocation under 198 – village Panchayat ₹ in crores	Allocation under 197 – Block Panchayat ₹ in crores	Allocation under 196 – District Panchayat ₹ in crores
2402	Soil conservation	0.00	0.00	.045
2403	Animal Husbandry	0.00	0.00	0.01
Poverty Alleviation				
2501	Special Programs for Rural Development	120.00	222.76	16.00
2515	Other Rural Development Programmes	3.00	7.00	7.18
Services				
2202	General Education	181.24	0.00	82.05
2210	Medical and Public Health	0.18	0.60	0.00
Social Welfare				
2235	Social Security and Welfare	1704.79	0.64	12.38
2225	Welfare of Scheduled Castes/ Scheduled Tribes/ Other Backward Classes and Minorities	0.93	240.69	0.00

With the previous two sections, we arrive at an estimate of the allocations which should be devolved ('devolvable allocation') according to the Eleventh Schedule and the funds that are devolved to LGs. This next section analyses these two points to see the percentage of devolvable funds that are actually devolved.

4.3. Devolvable Expenditures

Using the Rajaraman-Sinha approach, we next attempted to ascertain the 'devolvable expenditure'. We compared total allocations with 'devolvable allocations' and then 'devolvable allocations' with 'devolved allocations'. Then comes expenditure analysis. Hence, if *'A'* is the total allocation, *'B'* is the devolvable allocation, *'C'* is the devolved allocation and *'D'* is the expenditure of the devolved allocation. Thus:

(A - B) x 100 / A = Percentage of allocation that is not devolved
(B - C) x 100 / B = Percentage of allocation that is devolvable, but not devolve
(C - D) x 100 / C = Percentage of allocation devolved but not spent

Each major head refers to a broad functional domain and it, in turn, consists of numerous minor heads and subheads that address different activities pertaining to that functional domain. Thus not all allocations under a major head are devolvable to Panchayats in their entirety; some may pertain to those activities that the State may opt to retain with itself, for whatever reason; say, that it possesses the specialised skills to execute these, or that the Panchayats may not have the capacities or scale to perform these efficiently.

Following the mapping of the matters listed in the Eleventh schedule to the relevant four-digit major heads (see Table 2), we further explored the minor heads under each major head, to judge from their titles whether they could be considered as 'devolvable', based upon our earlier analysis of the assignment of functions to the Panchayats through the KPR Act and relevant orders'Devolvable allocations' thus were an estimation of the allocations that in our judgment were to be devolved to the Panchayats in order to ensure full alignment with the functions assigned to the latter, but where expenditure of such allocations were still carried out by the State Government despite the activity being devolved to the Panchayats. An assessment of the percentage of devolvable expenditure over total expenditure under each budget head gives a quantifiable estimate of the extent of functional devolution in Kerala.

Table 4 below presents a summary of devolvable demands as a percentage of total demands under each major head. The next column contains the percentage of funds that are devolvable but have not been devolved. There is plenty of variation across sectors on the extent of devolvable demands under each major head and there is further variation on how much of those demands have been devolved to LGs. Column 4 clearly indicates the extent of funds that have been devolved according to functions under each major head. Among the major heads in the productive sector, animal husbandry, and soil and water conservation have a high level of devolvable demands as a percentage of total demands at 57 and 100 percent, respectively. None of these devolvable demands, in the case of animal husbandry has been devolved to the Panchayats. In contrast, all of the devolvable allocations of the soil and water conservation allocation has been devolved to LGs. Carrying this exercise further, we discovered that 43 per cent of demands under all 29 major heads combined constitutes devolvable allocations. Of these, 75 percent of demands are yet to be devolved to PRIs.

Table 3: Devolvable Demands and Percentage of Devolvable Funds not Devolved

Major Head	Description	Devolvable demands as a percentage of total demands	Percentage of devolvable funds that are not devolved
2702	Minor Irrigation	34	100
2403	Animal Husbandry	57	100
2404	Dairy Development	30	100
2405	Fisheries	18	100

Major Head	Description	Devolvable demands as a percentage of total demands	Percentage of devolvable funds that are not devolved
2406	Forestry & wildlife	3	100
2851	Village and small industries	31	100
2215	Water supply and sanitation	10	100
2505	Rural Employment	100	100
2202 – 02	Secondary Education	34	100
2203	Technical Education	5	100
2202 – 04	Adult Education	83	100
2205	Arts and Culture	0	100
2210 - 03	Rural Health Services - Allopathy	59	100
2210 – 04	Rural Health Services –Other Systems of Medicine	90	100
2210 - 06	Public Health	10	100
2211	Family welfare	90	100
2401	Crop Husbandry	27	97
2515	Other rural development programmes	55	97
2225 - 02	Welfare of ST	72	92
2202 - 01	Primary Education	34	86
2225 – 01	Welfare of SC	75	80
2245	Relief for natural calamities	0	NA
2235	Social security and welfare	82	54
2402	Soil and water conservation	100	0
2501	Special programmes for rural development	100	0
2216	Housing	0	NA
3054	Roads and bridges	0	NA
2801	Power	0	NA
2236	Nutrition (Women and Child Development)	0	NA
2408	Food, storage and warehousing	0	NA

An important caveat to bear in mind while analysing the extent to which devolvable allocations are devolved, is that Kerala Panchayats can apply the substantial allocations of Block Development grants that they receive to the planning and execution of local programmes pertaining to the devolved sectors To arrive at the extent of expenditure in each of the devolved sectors, one will need to aggregate sectoral expenditures incurred from both specific-purpose grants spent by Panchayats as an agency of the government, and that incurred by them from the un-tied development fund devolved to them. Thus, the analysis of the extent of fiscal devolution detailed in Table 8 pertains only to the programmatic funds of departments.

Further, we found that the nature of the expenditures from the untied development fund and the sectors to which they pertain are recorded only at a voucher-level. Thus, sector-wise aggregation of development fund utilisation would require a detailed voucher wise analysis of expenditure, which is beyond the scope of this study. Thus, while the estimate of devolvable demands in the total allocations under each major head is a good indicator of the extent to which the state continues to plan and spend on functions devolved to PRIs, it does not take into account the expenditures that the Panchayats may incur towards each of the devolved matters, from their development funds.

Detailed results of our analysis of devolvable and devolved expenditures in some key sectors in which Panchayats have important roles and responsibilities to perform, are as discussed in the following sections.

4.4. Sector-wise Trends in Devolvable and Devolved Allocations

4.4.1 Productive Sector

Agriculture and allied activities constitute the productive sector. The KPR Act functionally devolves significant powers and responsibilities under the productive sector to PRIs at different levels. For instance in agriculture, the functions transferred to PRIs cover crop production, training and extension to management of farms and Krishi Bhavans. The Panchayat-level Nodal Office of the Agriculture Department has also been transferred to Gram Panchayats.

Despite such extensive *de jure* devolution, the *de facto* fiscal devolution status is relatively low. We estimate that 45 percent of Plan allocations and 5 percent of Non-Plan demands under the crop husbandry major head are devolvable to PRIs. However, 97 percent of these devolvable demands have not been devolved. While the institutions and functionaries of the agriculture department have been devolved to the PRIs paper over the KPR Act, a significant portion of plan funding is not devolved to PRIs. About 28 per cent of the devolvable allocations pertain to CSS schemes, indicating that a substantial portion of the non-devolved component comprises state schemes.

We estimate that 38 percent and 92 percent of Plan and Non Plan allocations, respectively, of the animal husbandry sector are devolvable. However, none of these allocations are devolved. Over 50 percent of the non-plan 'non-devolved' funds comprise salaries for staff in animal husbandry hospitals and dispensaries, which are transferred to PRIs. However, the state still dispenses salaries for such transferred staff. Dual control over staff persists which reduces the authority of the PRIs over personnel. In the case of dairy development, the block-level officers alone are transferred functionaries of the PRIs. Thus, the devolvable expenditures under non-plan are low at 7 per cent. 63 per cent of the devolvable expenditure (but not devolved) under Plan schemes is expenditure on the milk-shed development programme.

Table 4: Devolvable and Devolved Allocations under the Productive Sector

Productive Sector		Devolvable Allocations as a Percentage of Total Demands		Devolvable Allocation but not Devolved (%)	Of Column 3, Devolvable Allocation on CSS Schemes (%)
Code	Description	Plan	Non-Plan		
2401	Crop Husbandry	45	5	97	28
2402	Soil and Water Conservation	0	0	50	0
2702	Minor Irrigation	98	22	100	2
2403	Animal Husbandry	38	92	100	7
2404	Dairy Development	39	7	100	0
2405	Fisheries	45	12	100	30
2406	Forestry & Wildlife	18	1	100	74

4.4.2 Poverty Alleviation

Kerala has considered anti-poverty as a theme that underpins the participatory planning process, from the inception of its current planning strategies following the peoples' planning campaign in the late nineties. In anti poverty planning, there may be both schematic interventions, where government funding programmes are used for anti- poverty action within the guidelines of the programmes, as also community based interventions that depend upon non-monetary actions, such as interventions by civil society, public voluntarism and so on. Furthermore, the Panchayats could well spend their own funds to devise their special anti-poverty interventions, with little or no contribution from Government schemes.

The poverty alleviation sector comprises schemes implemented by the Rural Development Department. It Allocations are classified under 3 major heads - 2501 and 2515 (programmes on rural development), and 2505 (rural employment). The last pertains to the Block Development Officer, a state functionary transferred to the PRIs who is in charge of implementing these schemes.

The major head 2501 (special programmes for rural development) is the most devolved, with all schemes having been transferred to PRIs under the Plan B fund categories. However, the devolution status of the major heads 2515 and 2505 is very low. Under 2515, 61 percent of plan funds are estimated to be devolvable. 57 percent of this expenditure is on sanitation schemes, which continue to be implemented by parastatal agencies despite being functionally devolved to PRIs. 49 per cent of non-plan expenditure under 2515 is devolvable as a significant portion of this goes towards payment of salaries to DRDA functionaries at the district level who have been transferred to the District Panchayat. The devolvable expenditure under 2505 – rural employment, almost entirely consists of allocations for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). This scheme is implemented by the parallel block level office of MGNREGS, though PRIs are involved in beneficiary selection.

Table 5: Devolvable and Devolved Allocations under Poverty Alleviation

Poverty Alleviation		Devolvable Allocations as a Percentage of Total Demands		Devolvable Allocation but not Devolved (%)	Of Column 3, Devolvable Allocation on CSS Schemes (%)
Code	Description	Plan	Non-Plan		
2501	Special Programmes for Rural Development	100	NA	0	100
2515	Other Rural Development Programmes	61	49	87	47
2505	Rural Employment	100	NA	100	100

4.4.3 Service Sector

Allocations on general education – primary and secondary, and rural health services have been grouped together under the services sector.

In the General Education domain, all primary, higher secondary, vocational and technical schools have been transferred to the PRIs according to the KPR Act. PRIs have been entrusted with the responsibility of management and infrastructure provision in these schools. Correspondingly, all headmasters, teachers and staff of schools, as well as district level officers are functionaries who have been transferred to PRIs at various levels. However, the 38 per cent devolvable allocations, with 86 percent of it not devolved, in the Non Plan component of 2202-01 and 2202-02 indicates the lack of PRI control over functionaries. This almost entirely constitutes allocations on the salary of teachers and staff of government schools. 2 percent of this allocation also includes demands for the Mid-day meal scheme, which is a central sector scheme.

Similarly, under the Health and Sanitation department, all rural medical institutions such as sub-centres, primary health centres (PHC), Community Health Centre (CHC) as well as District and Taluk hospitals have been transferred to PRIs. Staff and health officers have also been accordingly transferred. However, under 2210-03 – rural health services (allopathy), there is a high percentage (61 per cent) of allocations under non-plan components that are devolvable but not devolved to Panchayats. In addition to salaries of staff, this expenditure also includes maintenance and office expenses of health institutions that have been formally transferred to PRIs. Under 2210-04 – rural health services (other systems of medicine) on the other hand, the allocations for payment of salaries of staff of rural dispensaries (57 per cent) are devolvable and have been devolved to PRIs through the Plan B stream. However, devolvable allocations on the plan side of this budget head is high at 91 percent and primarily constitutes allocations for modernisation and upgrading of district and taluk level dispensaries. None of this is devolved.

Table 6: Devolvable and Devolved Allocations under the Service Sector

Service Sector		Devolvable Allocations as a Percentage of Total Demands		Devolvable Allocation but not Devolved (%)	Of Column 3, Devolvable Allocation on CSS Schemes (%)
Code	Description	Plan	Non-Plan		
2202-01	General Education-Primary Education	0	38	86	2
2202-02	General Education-Secondary Education	0	36	100	0
2203	Technical and Vocational Education	17	0	100	0
2202-04	Adult and non-formal education	83	0	100	0
2210-03	Rural Health Services-Allopathy	0	61	100	0
2210-04	Rural Health Services-Other Systems of Medicine	91	57	100	0
2210-06	Public Health	87	100	100	75

4.4.4 Social Welfare

Functions under the social welfare sector probably constitute the most devolved category of functions after the productive sector, under the KPR act. Many critical functions and responsibilities covering the welfare of children and women, old-aged and mentally challenged populations, destitute groups and pertaining to the welfare of Scheduled Castes (SCs) and Scheduled Tribes (STs) have also been transferred to PRIs. The selection of beneficiaries for social sector support is carried out entirely by the Panchayats and Municipalities, while the expenditure incurred on this account is met by the Government. As is evident from table 7 below, the state keeps for itself large chunks of the budgeted allocations for these functions.

The 2211 head primarily comprises allocations on nutrition for children in Anganwadis; 97 per cent are allocations towards the ICDS. Allocations under this scheme have not been transferred to the GPs, even though the running and maintenance of Anganwadis is a crucial function at that level.

Under the 2235-02, the social security and welfare budget head,15 per cent of the plan component is for the CSS scheme for Supplementary Nutrition Programme, which is devolved to GPs. Of this, 48 per cent demands have not been devolved to PRIs. At the same time, 96 per cent of the non-plan components of this budget head are devolvable and most of it has indeed been devolved to PRIs through Plan B funds.
The 2225 budget head on welfare of SCs and STs has the most devolvable allocations on both the Plan and Non Plan side. The state retains most of the functions though the GPs are involved in the identification of beneficiaries. Allocations on various welfare schemes on education (scholarships to students and incentives

to parents), health (grants for specific diseases and conditions) as well land distribution schemes, assistance to marriage of SC/ST girls are all routed through the state machinery and not transferred through PRIs as per the KPR Act. The State retains control over executing these functions, ostensibly to prevent political patronage at the local level through these schemes. However, given that PRIs are entitled to formulate schemes in this regard, this presents a potential problem for planning at the PRI level. Often, the State Department and the PRIs offer the same scholarship or assistance for the same purpose but at differing rates. The existence of parallel schemes offered is frequently cited as a reason for the low expenditure levels at the PRI level.

Table 7: Devolvable and Devolved Allocations under Social Welfare

Social Welfare		Devolvable Allocations as a Percentage of Total Demands		Devolvable Allocation but not Devolved (%)	Of Column 3, Devolvable Allocation on CSS Schemes (%)
Code	Description	Plan	Non-Plan		
2211	Family Welfare	87	100	100	75
2235-02	Social Security and Welfare	15	96	5	4
2223-01	Welfare of Scheduled Castes	84	49	82	4
2225-02	Welfare of Scheduled Tribes	78	58	93	7

5. Public Expenditure in Sampled Gram Panchayats

Public expenditure at the local level takes place through several parallel government structures, namely, the state line departments, parastatals and Panchayati Raj Institutions (PRIs). A key aim of this study is to measure the public expenditure within the jurisdiction of a GP in order to provide several insights. In the previous chapters, we have looked at the degree of untied funds that LGs have access to. In this chapter, we do a deep dive into GPs' expenditure to understand the autonomy that LGs enjoy to plan their funds and the extent to which they are responsive to local needs. Second, the study allows us to develop a budget envelope of the LG across parallel government entities. This sheds light on the extent of control that LGs have over all the expenditures within their jurisdictional area.

In Chapter 3, our analysis of Kerala's approach to fiscal devolution revealed that Panchayat spending reflected State government-imposed conditions on how they ought to spend their devolved funds. Kerala's approach of giving block grants with broad conditionalities - a unique one compared to that of other States - necessitates a different approach when analysing expenditures at the GP level. One cannot assume that all expenditures under any head of account for transferring grants to the Panchayats (whether specific purpose or otherwise) will be used for the stated purpose alone. In Kerala, as a significant proportion of grants are given as general purpose grants, one needs to analyse the expenditures at the voucher level under each head of account through which funds are devolved to the Panchayats. This chapter, therefore, focuses on voucher-level expenditure analysis of a sample of PRIs to understand expenditure patterns.

Given the objectives of the study, judgment sampling with multiple elimination points has been used for choosing the study district and the block. The objective of the sampling process was to choose two districts that lay on opposite ends of a spectrum of factors. The determining factors were: economic progress - as captured through GDP per capita; variation in composition of SC and ST population; and, disparity in the geographical profile. Given the limitations of time for the study, the average area of each GP, and the interconnected institutional structure, our research focused on one block in each of the selected two districts. All the GPs within the selected blocks were included in the study purview.

At the district level, GDP levels, total population and geographical profile were additional criteria. From a total of 14 districts, the sample districts chosen were Thrissur and Wayanad. At the block level, percentages of rural population, agricultural labourers, and unemployed workers were taken as factors in selecting blocks. Further, at both levels of selection, percentages of SC and ST were taken into account. Pazhayannur block from Thrissur district and Panamaram block from Wayanad district were selected. The research covered all the GPs within these two blocks. Panamaram has five GPs - Panamaram, Mullankolly, Pulpally Poothadi and Kaniyambetta. Pazhayannur consists of six GPs - Pazhayannur, Chelakkara, Thiruvilvamala, Vallathol Nagar, Kondazhi and Panjal. The details of the sampling methodology and the rationale for the elimination points is provided in Appendix 1.

5.1. Expenditure Analysis

This section presents analysis on the voucher-level expenditure data collected from Sulekha – the local plan monitoring website of the Kerala Government, and Sankhya – the account maintenance website of the Kerala Government for GP accounts. Efforts were made to collect authentic data from these sources and checking with the accounting sources. However, discussions with senior officers revealed that the quality of the data may not be entirely reliable particularly when it comes to recording expenditures at the sub-head and minor head levels. This is because codes and other classifications provided by the Information Kerala Mission, which has developed the accounting software, may not be applied uniformly by all Gram Panchayat accounts maintenance personnel. Therefore, there is a possibility that expenditures may be misclassified whilst accounting.

5.1.1 Per capita Expenditure

Pazhayannur block in Thrissur has a high concentration of SC population but a miniscule ST population. Panamaram block in Wayanad, on the other hand, has a high ST population and a relatively lower SC population. The quantum of funds devolved under the corresponding stream reflect this variation.

Table 8 summarizes the per capita expenditure of all the sample gram Panchayats in the Pazhayannur block. Village-wise population data from the 2011 census has been used to estimate per capita expenditure. In Pazhayannur, the average per capita expenditure across GPs is Rs. 1752. The average across General and SCP funds is also in the same range - at Rs. 1747 for General funds and Rs. 1794 for SCP funds. The per capita allocation under TSP is Rs. 932. This low level of TSP funds received by GPs in Pazhayannur block is reflective of the low proportion of ST population in the block.

There is some variation in per capita expenditure across the different GPs of Pazhayannur. The total average per capita expenditure in Vallathol Nagar is Rs. 1398 INR, as compared with a block average of Rs. 1752. However, a stark variation in SCP per capita expenditure is seen. This stood at Rs. 2714 as compared to the general sector per capita expenditure of only Rs. 1258. Pazhayannur GP, on the other hand, has an average per capita at Rs. 2111, higher than the block level average of Rs. 1752. The per capita expenditure for both general sector and SCP funds is higher than the block level per capita expenditure.

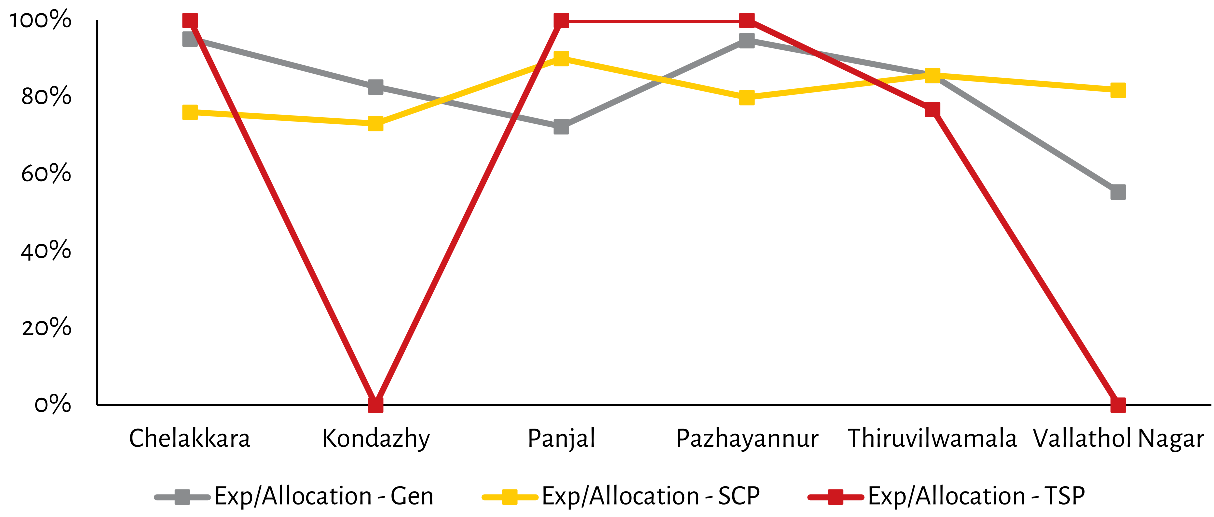
Table 8: Per Capita Expenditure in GPs of Pazhayannur block, Thrissur district

Category	Chelakkara	Kondazhy	Panjal	Pazhayannur	Thiruvilwamala	Vallathol Nagar	Average per capita expenditure
General	1777.91	1373.8	1615.53	2130.06	2076.18	1257.68	1746.66
SCP	1320.50	1673.86	1806.47	2070.22	1647.84	2714.26	1794.46
TSP	2119.55	0.00	1923.07	718.97	768.57	0.00	931.60
Total	1712.45	1422.61	1643.64	2110.66	1980.41	1397.68	1752.04

The variation in per capita expenditure is due to varying expenditure performance across funds and GPs. Higher fund utilisation results in higher per capita expenditure. General sector fund utilization is above 80 per cent in all GPs, except Panjal and Vallathol Nagar. In Vallathol Nagar GP, only 55 per cent of general sector funds have been utilised in FY 2015-16. This explains the low per capita expenditure on the general sector in Vallathol Nagar. On the other hand, in Pazhayannur GP 95 per cent of general sector funds have been utilised. As a result, the per capita expenditure in Pazhayannur is higher than the block average. A similar pattern can be observed in SCP funds as well.

Pazhayannur GP has a better fund utilisation across all three streams of funds among the other GPs in the block. This reflects in its average per capita expenditure at Rs. 2,111, the highest in Pazhayannur block. Figure 20 below details the percentage of expenditure over allocations for the GPs in Pazhayannur Block.

Figure 20: Expenditure performance of GPs in Pazhayannur Block, Thrissur



In Panamaram block in Wayanad, the average per capita expenditure across all GPs is Rs. 2146 INR. Pulpally GP, having been identified as a vulnerable GP, is entitled to more funds from the state. This is reflected in its markedly higher per capita expenditure as compared to the average.

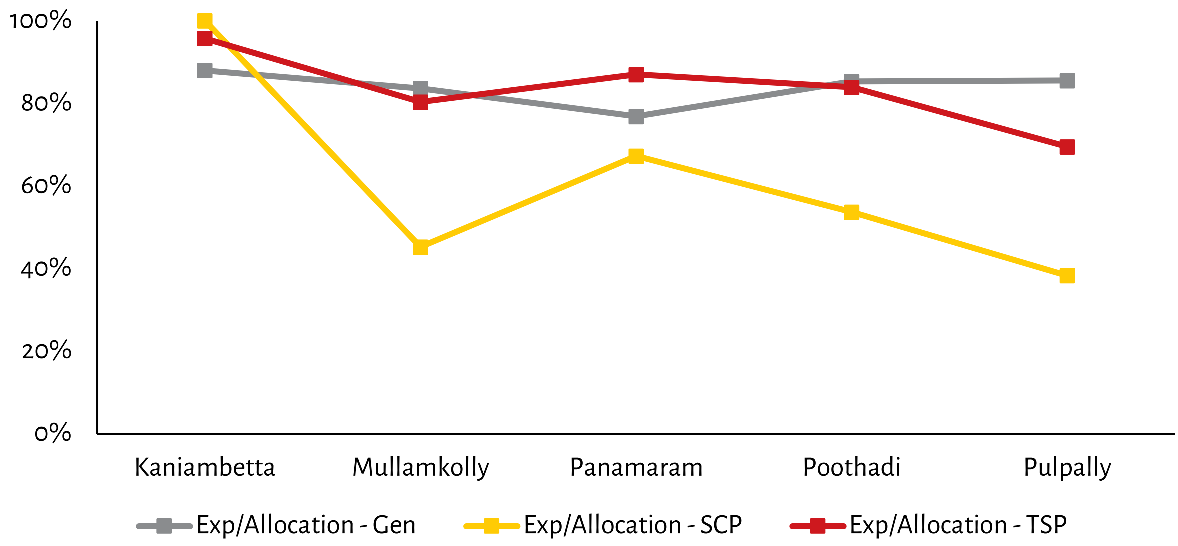
Panamaram GP has the second highest per capita expenditure across both general sector and TSP funds at Rs. 2457 and Rs. 2245, respectively. Kaniyambetta has the lowest per capita expenditure in this block. At Rs. 923, this is over Rs. 1000 rupees lower than the average per capita expenditure of the block.

Table 9: Per Capita Expenditure in GPs of Panamaram block, Wayanad district

Category	Kaniyambetta	Mullankolly	Panamaram	Poothadi	Pulpally	Average Per capita Expenditure
General	803.42	2443.82	2456.77	2177.33	2952.33	2168.94
SCP	1249.59	572.96	1474.81	1805.38	1505.87	1235.23
TSP	1371.02	2492.80	2244.68	2220.01	2714.97	2191.47
Total	923.26	2345.23	2385.24	2177.02	2859.66	2145.99

Fund utilisation is above 80 per cent in all GPs across general sector and TSP funds, with the exception of TSP funds for Pulpally GP. SFC 4 has identified that the ST population in this GP are among the most vulnerable in the state and, hence, recommended higher fund allocation to this GP. However, a relatively lower fund utilisation of 70 per cent may indicate deeper institutional problems. Kaniyambetta GP has the highest expenditure performance at 90 per cent among all GPs in Panamaram block. Despite this, Kaniyambetta GP has one of the lowest per capita expenditures.

Figure 21: Expenditure performance of GPs in Panamaram Block, Wayanad



It is interesting to note that the per capita expenditure and fund utilisation analysis in both blocks reveal that the GPs that are the headquarters of the block - namely, Pazhayannur GP and Panamaram GP - have significantly higher fund utilisation rates as compared with other GPs in the block. This also results in higher per capita expenditures in these GPs. It may point to proximity to the block office being a factor that facilitates better fiscal performance, probably because of the easier obtaining of administrative and technical sanctions from authorities such as the BDO and the PWD, located at the block headquarters.

5.1.2 Overlaps in Schemes and Expenditures

One of the possible questions for investigation while carrying out analysis of the expenditure at the GP level is to check whether the Gram Panchayat is duplicating an action that any higher level of government – namely, the block or district Panchayat, or the State government – is undertaking. In this regard, one of the more precise questions is whether the decentralised system is running schemes parallel to those of the State government.

In the Paisa for Panchayats study for Karnataka, this line of investigation was pursued by comparing the line items (schemes) that are contained in the District Sector (and implemented by the Panchayats) with the line items pertaining to that department contained in the State Sector budget. This comparison revealed significant parallelisation, largely through the undesirable phenomenon of 'mirror' heads of accounts. These are heads and sub-heads of accounts created in the State Sector budget which have names identical to those that are contained in the District Sector. Funds are placed in these State Sector heads of accounts rather than in the identical head contained in the District Sector, thus enabling the State departments to run schemes in parallel with the Panchayats.

In Kerala, this undesirable practice, in the same form that it exists in Karnataka, is ruled out because departmental schemes are not devolved to LGs in the first place at the same scale that they are transferred in Karnataka. On the other hand, Kerala has followed a practice where largely untied funds are given to the Panchayats with flexibility given to them how to apply these funds to various programmes. Thus, Panchayats, if it makes sense to them, are free to contribute funds to an action that the State has taken up – for example, giving an additional subsidy to what the State provides to any particular beneficiary.

Can we gather information on parallel schemes? The question is whether the data that we have collected could be used for this level of analysis. However, in this regard, the task of obtaining such data would necessitate studying each expenditure voucher of the Panchayats, and then analysing whether they are associated with any scheme that is implemented by the State. This analysis may also turn out to be unreliable, because it has been explained to us by State authorities that the Panchayats often misclassify expenditures at the level of the minor heads; in such cases, the association with a State scheme derived from a study of misclassified vouchers may be misleading. For that reason, we have not examined the issue any further, and we flag it as an area of future study. If voucher classifications of the Panchayats are reliable and consistent, they could be analysed to examine the extent to which Panchayat expenditures align with State expenditures. It would be particularly useful to analyse expenditure in the primary sector given that departments such as Agriculture operate multiple schemes.[8]

Despite the paucity of data noted above, we explored the possibility of identifying parallel schemes being run intra- and inter-sectorally at the Panchayat level. To do so, we looked at the scheme-level expenditure data from the sample Panchayats to find overlaps. This exercise was performed for the following sectors: i) within the Agriculture sector, ii) across SC, ST, and Social Welfare Sector, and iii) across the Dairy and Animal Husbandry sector. Even using a broad approach to identify mirroring or overlap, there was little evidence of it at the Panchayat level. We have listed down the potential overlap across expenditure heads in both the sample panchayats in Table 10 and
Table *11*.

Table 10: Potential Overlaps in Schemes within the Agriculture Sector

Expenditure Head	Head Description
2401-00-103-93-04-01	Production and Distribution of Quality Coconut Seedlings and Centralised Seed Collection in Departmental Nurseries - Tour TA
2401-00-103-99-01	Production and Distribution of Improved Seeds - Salaries
2401-00-108-96-04-01	Production of TXD Hybrid Coconut Seedling (CSS 50%) - Tour TA
2401-00-108-98-04-01	Development of Coconut - Tour TA
2401-00-113-83	Agro-Service Centres and Service Delivery
4401-00-113-98	Setting Up of Agro Service Centres
2401-00-105-86-04-01*	Establishment of Modern Laboratories - Tour TA
4401-00-107-97*	Establishment of Modern Laboratories

** Included here because even though they are probably the same scheme, the expenditure head is different, possibly due to misclassification*

[8] Ideally, proper coordination between Panchayat and State expenditure may be ensured if there is a separate support plan for each farmer, which integrates all the funding streams for her benefit, instead of confusing them with multiple schemes. This would be the best way to solve the problem of stagnating agricultural production.

Table 11. Potential Overlaps in Schemes across SC, ST, and Social Welfare Sector

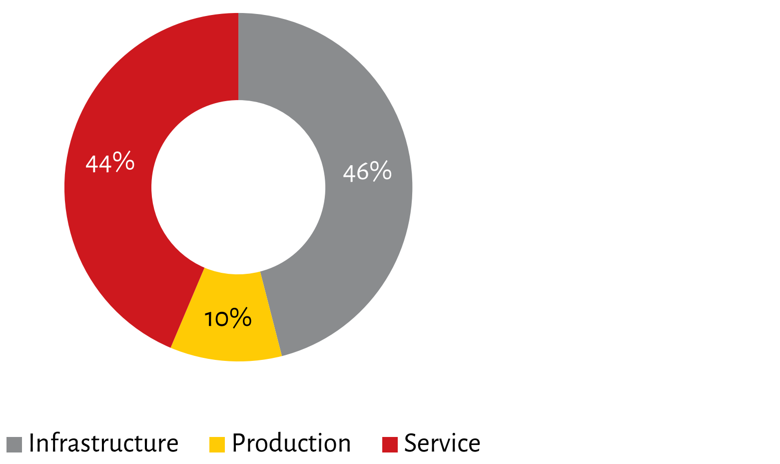
Expenditure Head	Head Description
Wayanad	
2225-01-283-89	House to Houseless Families (from SC Expenditure)
2225-01-283-86	Land to Landless Families for Construction of Houses (One time ACA) (from SC expenditure)
Thrissur	
2225-02-283-89	House to Houseless (from ST Schemes)
2225-01-283-87	Land to Landless Families for Construction of Houses (from SC schemes)

As can be seen, we have adopted a broad definition while classifying schemes as overlapping. Despite this approach, the two sample Panchayats, where there is a multiplicity of initiatives and programmes taken up by the department and the Panchayats, showed little evidence of overlapping schemes and expenditures.

5.2. Sector-wise expenditure analysis

Development fund expenditure is broadly categorised into three major sectors: productive, infrastructure and services. Planning guidelines released by the State Planning Department have set limits on what percentage of the development funds may be spent on which sector. The 12th Planning Guidelines have set an upper limit of 40 per cent of general sector development funds that may be spent on infrastructure. Previously set minimum and maximum limits for expenditure on various sectors have been removed in an attempt to give greater flexibility to GPs to plan their funds. Figure 22 gives the sector-wise percentages of expenditure of the GPs in Pazhayannur Block.

Figure 22: Sector-wise expenditure in Pazhayannur Block



- In FY 2015-16, 46 per cent of all available development funds were spent on the infrastructure sector, 44 per cent on service and 10 per cent on the productive Sector in Pazhayannur block in Thrissur.

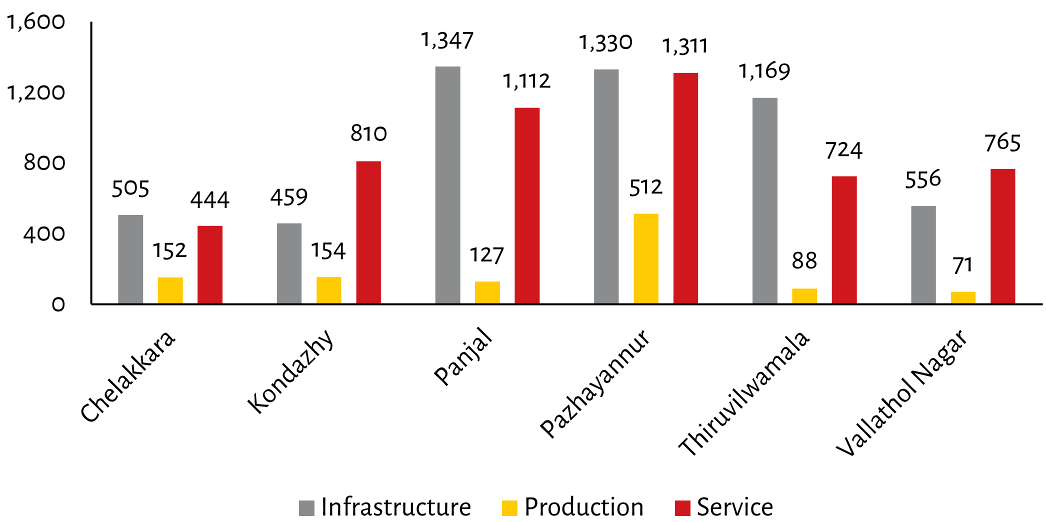
- There is some variation among the GPs in the priorities given to the different sectors. However, all GPs, except Kondazhi, have a minimum of 40 per cent expenditure on the infrastructure sector. Kondazhi GP spent 32 per cent of its development funds on this sector.

- Similarly, all GPs with the exception of Thiruvilvamala have spent a minimum of 40 per cent of their development funds on the service sector. Thiruvilvamala spent 37 per cent of its expenditure on this sector.

- Pazhayannur GP spent as much as 16 per cent of its funds on the productive sector. Chelakkara and Kondazhi are other GPs that spent in excess of 10 per cent on the productive sector in FY 2015-16. However, Thiruvilvamala GP spent only 4 per cent of its funds on the productive sector. Vallathol Nagar and Panjal GPs also spent only 5 per cent on this sector.

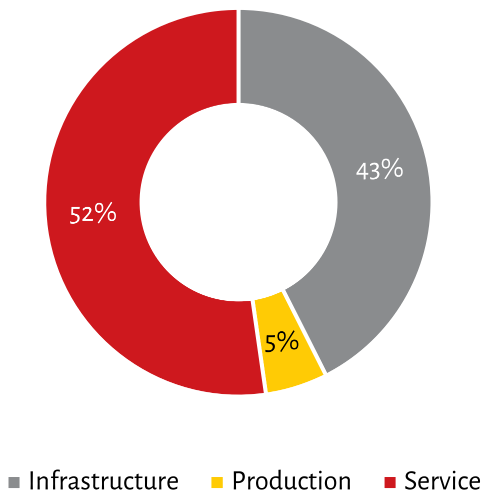
- The expenditure pattern is not necessarily reflective of the agricultural population in each of the GPs. Vallathol Nagar has only 9 per cent of its working population involved in agriculture, and this could explain its low productive sector expenditure. However, Panjal and Thiruvilvamala GPs have 15 per cent and 19 per cent of their working population involved in agriculture, respectively. This is closer to Pazhayannur GP's agricultural population of 21 per cent. While Pazhayannur GP spent 16 per cent on the productive sector, Panjal and Thiruvilvamala GPs spent only 5 per cent and 4 per cent, respectively.

Figure 23: Sector wise per-capita expenditure in Gram Panchayats in Pazhayannur Block



- In Panamaram block in Wayanad, 52 per cent of development funds were spent on the service sector in FY 2015-16. 43 per cent of total development fund expenditure was devoted to the infrastructure sector and only 5 per cent to the productive sector (as depicted below).

Figure 24: Sector-wise Expenditure in Panamaram Block



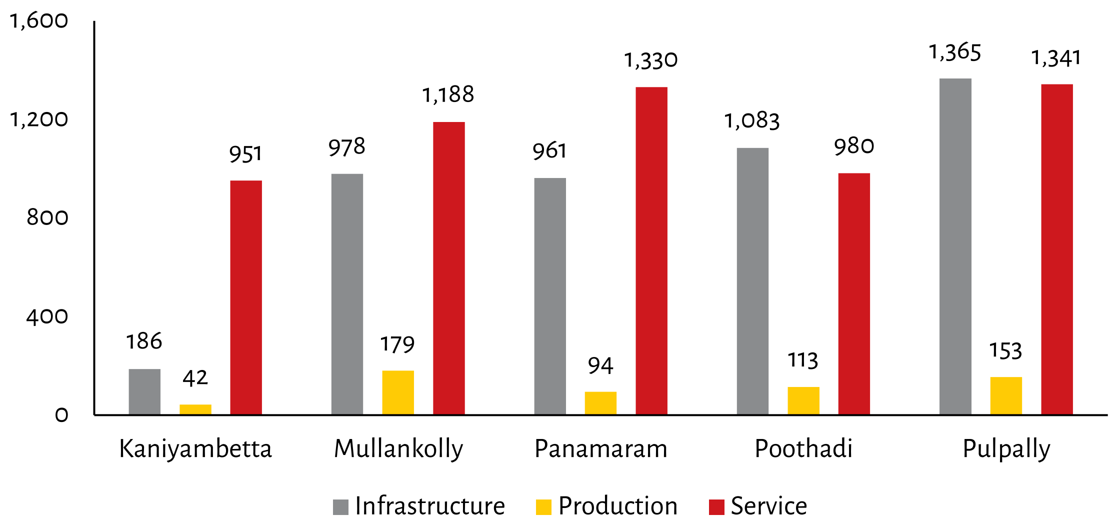
- Unlike Pazhayannur, in Panamaram block in Wayanad, the variation in sector-wise expenditure across GPs as a percentage of their total development expenditure is low, with the exception of Kaniyambetta GP.

- All GPs, excluding Kaniyambetta, have spent between 40-50 per cent of their development funds on the infrastructure sector in the FY 2015-16. Kaniyambetta GP, however, spent only 16 per cent of its development funds on the infrastructure sector.
- Similarly, in the service sector, while Kaniyambetta GP recorded an expenditure of 81 per cent, the other 4 GPs spent between 45-51 per cent.

- Productive sector spending was the lowest - with an average 5 per cent expenditure out of total development funds. All GPs, with the exception of Mullankolly, spent between 4-5 per cent in this sector in FY 2015-16. Mullankolly GP, however, recorded a higher expenditure of 8 per cent out of total development fund expenditure.

- This variation in productive sector expenditure is likely reflective of the population of the GPs. Mullankolly GP has the highest percentage of agricultural labourers and cultivators - at 51 per cent of the working population - and, as a result, spends 8 per cent of its development funds on the productive sector. Kaniyambetta and Panamaram GPs, on the other hand, have only 28 per cent and 38 per cent of their working population involved in agriculture, respectively. Consequently, these GPs record the lowest productive sector expenditure at 4 per cent (as shown in the figure below).

Figure 25: Sector-wise per-capita expenditure in GPs in Panamaram Block



In addition to the above analysis, the Annexure presents a deep-dive into the voucher level production sector spending of the GPs.

5.3. Variation in expenditure across GPs

The current section builds on the analysis from the previous one to construct a variability scale to assess the heterogeneity in expenditure across GPs. It should be noted that our analysis does not comment on whether expenditures of GPs in various sectors are appropriate. While spending may be categorized as high or low, we are unable to determine if the expenditure decisions were in line with local needs.

A key question for this study is whether Panchayats are being ring-fenced into state-driven expenditures. The focus is, therefore, to determine whether there is regimentation, or variation. In Chapter 3, we briefly saw how the state was issuing directives through the financial year and through the Planning Guidelines that set constraints on how Panchayats plan and spend their 'untied' money. If Panchayats show a large degree of variation in their expenditure pattern, then that would suggest that Panchayats are exercising a degree of freedom in their priorities. On the other hand, if all Panchayats show a similar kind of percentage of expenditure for certain kinds of investments, one may infer that they are being compelled into regimented expenditures by higher authorities, either overtly or covertly.

Our 11 sampled GPs were spread across two blocks in two districts with varied geographical location and economic priorities. Hence, we postulate that a locally-driven plan of a GP in Pazhayannur block in Thrissur would be reasonably different from that of a GP in the hills of the Panamaram block in Wayanad. If there is significant variation in the choice of projects and expenditure on different items, then we may reason that democratic decentralisation is at play. To measure the extent of variation of expenditure items in the GP, we have constructed a variation scale that ranks expenditure items ranging from 1 to 5. Variation scale at 1 indicates that the expenditure group is unique or is seen in only a few GPs in our sample. This would indicate an expenditure reflective of a locally developed plan. The other end of the scale at 5 would indicate that the expenditure group is something that all GPs are investing in. While this could be reflective of common local needs, it may be indicative of regimented spending.

Since project choice variation would reflect in the items on which expenditure has been incurred in each GP, we first grouped the voucher level expenditure items in each of GPs into expenditure groups within each sector. We analysed the expenditure items of 8 major sub-sectors cutting across the productive, service and infrastructure sector. These were: Agriculture, Animal Husbandry and Dairy, Housing, Education, Health, Social Security and Welfare, Nutrition, and Transport. For each GP, the percentage of expenditure on an expenditure group within each sub-sector was calculated.

To ascertain the extent of variation of the percentage of expenditure on each expenditure group by the GPs, the coefficient of variation was calculated for the basket of GP expenditures on different expenditure groups. The higher the coefficient of variation, the higher it was ranked on the variation scale. We have provided the
example of expenditure on Health in the Pazhayannur and Panamaram blocks to delineate the methodology.

Table 10 below shows the percentage of expenditure on each sector broken down by the variation scale. As we saw earlier, a ranking of 1 indicates high variation in expenditure among the GPs and a ranking of 5 indicates uniformity in expenditures across the GPs. In the agriculture sector, 61 per cent of all expenditure across 11 GPs in Pazhayannur and Panamaram was ranked 4, indicating a high level of uniformity. 9 per cent of agriculture expenditure was on projects that were unique to the GPs. Of the total expenditure in these 11 GPs, 64.48 per cent was spent on expenditure items ranked 4 & 5 on the variation scale, while only 10.73 per cent of all expenditure was on items ranked 2 & 3 on the variation scale.

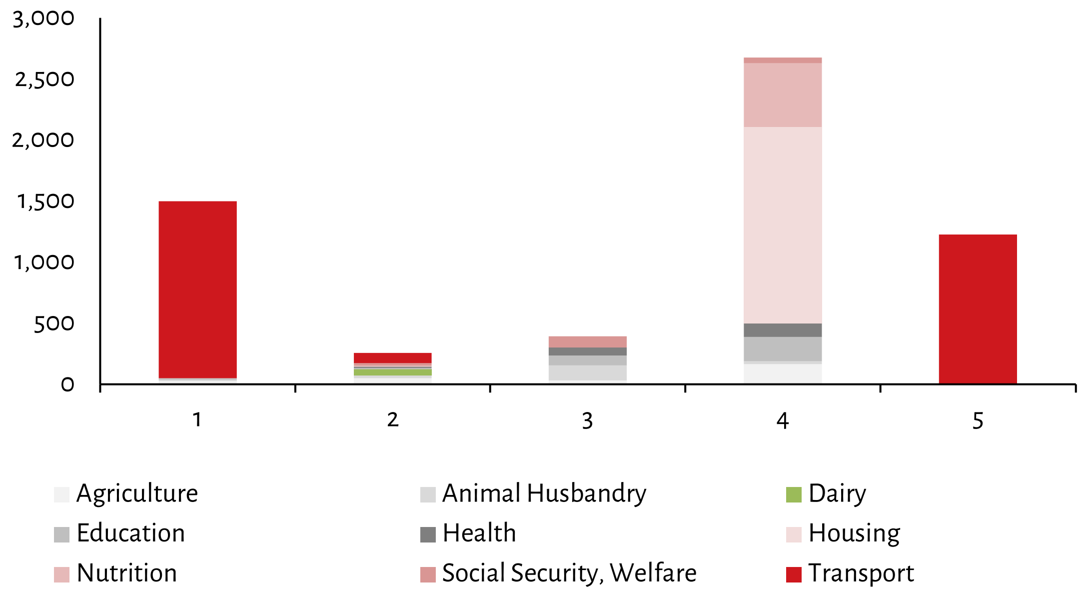
Table 11: Variation in Expenditure Categories across GPs

Sector	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
Agriculture	9.35%	17.92%	11.58%	61.16%	0.00%
Animal Husbandry	5.41%	13.59%	68.41%	12.59%	0.00%
Dairy	0.00%	100.00%	0.00%	0.00%	0.00%
Education	4.31%	4.09%	26.41%	65.19%	0.00%
Health	0.00%	5.55%	34.63%	59.82%	0.00%
Housing	0.00%	0.00%	0.00%	100.00%	0.00%
Nutrition	0.00%	1.36%	0.00%	98.64%	0.00%
Social Security, Welfare	0.00%	13.78%	57.60%	28.62%	0.00%
Transport	52.59%	3.02%	0.00%	0.00%	44.39%
Grand Total	**24.79%**	**4.24%**	**6.49%**	**44.22%**	**20.26%**

All expenditure under variation rank 5 is on Roads, in the transport sector. This represents a major expenditure item across all the 11 GPs in our sample. Under rank 4, there are several expenditure items on different sectors. In the agriculture sector, all the expenditure tagged under rank 4 is on paddy, which includes schemes on distribution of seeds and manure and fertilizers for paddy cultivation. In the Animal Husbandry sector, the expenditure ranked 4 is actually maintenance of veterinary dispensaries and hospitals, which is committed expenditure and which is not likely to show variation over years. 65 per cent of Education expenditure is ranked 4 on the variation scale. Of this 61 per cent is expenditure tagged as 'Education related activities' that includes subsidies given by the Panchayats on purchase of laptops, books, uniform and bags to different categories of children. The other 39 per cent represents Panchayat contribution to Sarva Shiksha Abhiyan (SSA), which all Panchayats have been directed to make up for the state share of SSA.

In Health, the 60 per cent expenditure ranked 4 covers expenditure on 'Pain and Palliative Care' and 'Maintenance and running of Ayurveda hospitals and dispensaries'. All expenditure under housing has been tagged under scale 4. Of this, nearly 80 per cent is Panchayat contribution to Indira Awas Yojana and the rest is on loan repayment to EMS housing scheme – a state scheme. Similarly, nearly all of Nutrition expenditure has also been tagged under rank 4. Of this, 56 per cent is expenditure on Supplementary Nutrition Programme and 42 percentage is on Anganwadi maintenance. Under Social Security and Welfare, only 29 per cent expenditure has been tagged rank 4. This constitutes schemes for the welfare of differently-abled persons (refer to Figure 26).

Figure 26: Variation in expenditure items across GPs



Care was taken to select Districts and GPs which were different from each other across several factors including geography, social composition, and economic development. It is, thus, reasonable to assume that there would be variation in local priorities and needs. If the LGs have independence in allocating resources and setting priorities, then this variation would be reflected in the spending as well. However, as we can see from the variation scale, most of the spending is uniform across GPs and sectors.

Overall, we estimate that the flexibility given to Panchayats through Kerala's model of democratic decentralisation, has been eroding steadily over the years. This could be attributed to several reasons, the most important of which are that the planning guidelines and the circulars issued outside of them throughout the year – a practice that has gained vogue in recent times – drive Panchayats to concentrate their expenditures on the same things, particularly towards CSSs. Clearly, CSSs, however laudable their intentions to address common issues of concern, have a restricting and magnetising effect on Panchayat expenditures, which are drawn into the cycle of making a part contribution, never to withdraw.

The other reason for a high level of regimentation in Panchayat expenditures, is the practice of the Panchayats contributing towards the maintenance of transferred institutions. Once again, this is driven by circulars and instructions. Line departments now rely on Panchayats to meet the maintenance commitments of their institutions transferred to the latter. At the same time, the Line Departments retain predominant control over the staff that work in these transferred institutions – even though Panchayats have been delegated some level of control and supervision over them.

In the next section, we develop a sector-wise budget envelope. A budget envelope outlines the expenditure of line departments and LGs across different sectors. This helps us assess the control LGs have over expenditures within their jurisdictions.

5.4. Calculation of Budget Envelope

In the previous section, we looked at expenditures incurred by the Village, Block and District levels and identified major trends and patterns of expenditure across GPs. In the process, we also constructed the 'local government budget envelope', i.e. the amount spent by all LG levels in each of the sample GPs. However, given that GPs are the 'first mile' of governance, all expenditures incurred by any department of the state government or its parastatals are implemented within the geographical jurisdiction of a GP. In this chapter, we look at the local expenditures by entities other than the LGs. As described in Chapter 4, the state continues to implement several schemes which not only lie within the functional domain of Panchayats, but also are spent in the jurisdictions of each GP.

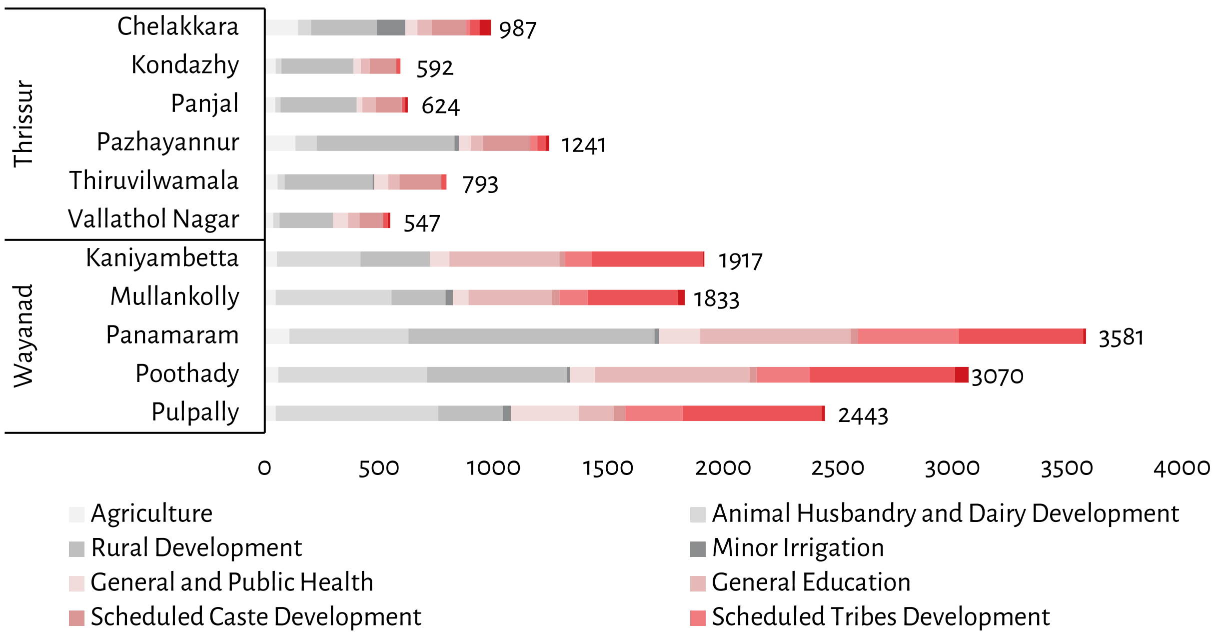
Even though implementation of government schemes through different entities takes place within the jurisdiction of a GP, and GPs in turn are significantly impacted by this spending, they are largely unaware of the designs of schemes, the planning process that underlies these and the expenditures incurred as a result. This leaves us with a crucial transparency and accountability question: can the public know with reasonable certainty the extent of funds the state government intends to spend through various channels, within the geographic jurisdiction of a GP?

We have constructed budget envelopes across GPs and across sectors through an assessment of all the expenditures incurred by the state line departments and its parastatals that fall within the functional domain of the PRIs. This enables us to compare Panchayat and State expenditures at a GP level for the functions transferred to GPs and helps quantify the extent of functional overlap. Further disaggregation for the GP-level budget envelopes is provided in Appendix 2 and sector-wise budget envelopes are provided in Appendix 3.

5.4.1 Overall Expenditure of Sample GPs

By combining the LG, parastatals, and line department expenditure in different sectors, we were able to construct a GP-wise budget envelope. This provides us with a comparison of expenditures across different sectors within the GPs and across the GPs.

Figure 27: Total Budget Envelope for Sample GPs



As we can see from Figure 27, there is significant variation in the overall expenditure of different GPs. In general, GPs in Wayanad district spent significantly more than those in Thrissur, despite having a much lower population. Within districts as well, there seems to be variation in overall expenditure. In Thrissur district, Pazhatannur spent more than Kondazy and Vallathol Nagar GPs combined. Similarly, in Wayanad district, Panamaram GP spent significantly more than Kaniyambetta and Mullankolly.

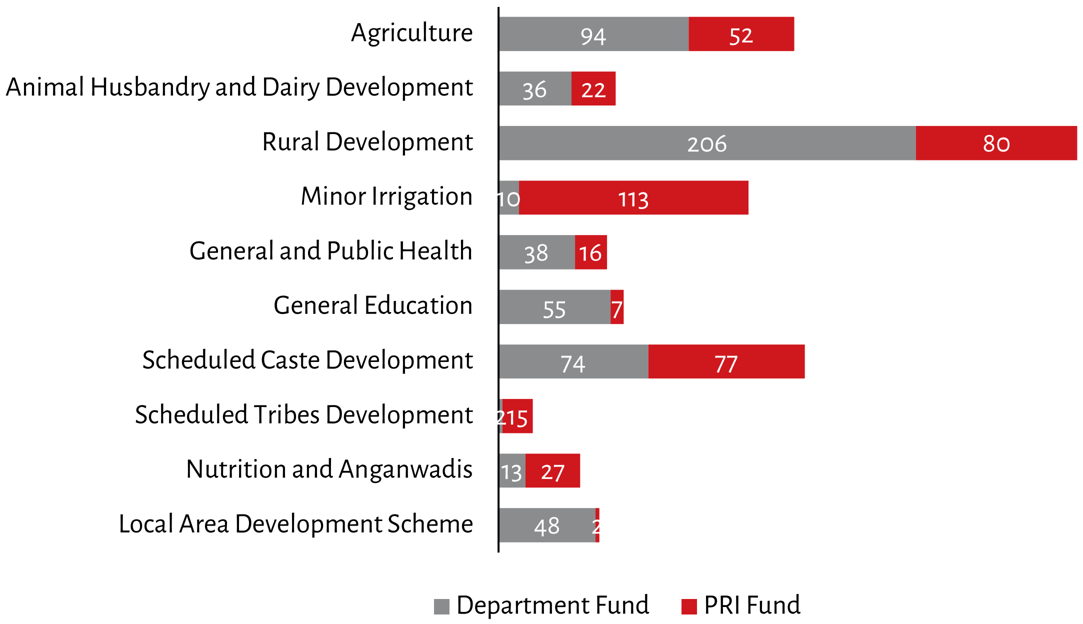
In Thrissur district, there seems to be some convergence on priorities. Across GPs, the highest percentage of expenditure has been devoted to Rural Development followed by Scheduled Castes Development. On the other end, Scheduled Tribes Development has seen the lowest percentage spent in all GPs with the exception of Pazhayannur GP, where it was the second lowest.

In Wayanad district, there is more variation in expenditure profile across GPs. Panamaram GP spent almost 30 per cent of its total expenditure on Rural Development, while Mullankolly and Pulpally GPs spent their largest share on Animal Husbandry and Dairy Development.

Deep-dive into Chelakkara GP's Budget Envelope

This box outlines the method for calculation of the budget envelope at the GP level, considering Chelakkara GP as an example. As seen in the figure below, Chelakkara GP spent close to 30 per cent of its total expenditure on Rural Development. The second highest share, of Scheduled Caste Development, was almost half at 15 per cent.

Figure 28: Budget Envelope - Chelakkara GP, Thrissur



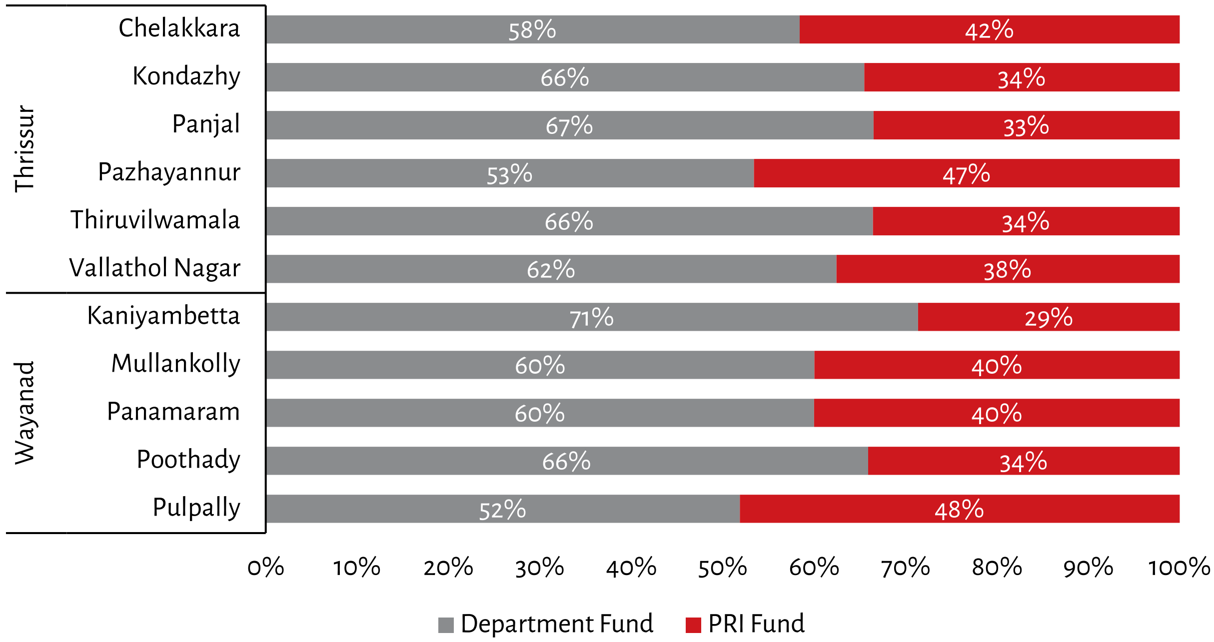
A large share (72 per cent) of the expenditure in Rural Development comes from the line department and parastatal sources. In Agriculture, Rural Development, and General and Public Health sectors a majority of the fund comes from the Department. Even in the Scheduled Castes Development, and Nutrition and Anganwadis sector, the expenditure from non-LG sources is significant at 49 and 33 per cent, respectively.

Across sectors, 58 per cent of the total expenditure of Chelakkara GP comes from line departments. This suggests that in matters that fall under the jurisdiction of the LGs, line departments and other parastatal bodies continue to exert significant influence.

5.4.2 GP-wise Share of PRI and Department Funds

Across GPs, on average, departments seem to exercise more financial independence than LGs. In Thrissur district, 63 per cent of the expenditure was through line departments. Similarly, in Wayanad district, the share of line departments in total GP expenditure was 60 per cent.

Figure 29: Break-up of Budget Envelope between PRI and Department Funds



6. Conclusion

Kerala's inter-governmental fiscal transfer system has been generally regarded as the furthest evolved model of fiscal decentralisation to rural local governments in India. The consistent adherence to devolving a much larger percentage of the State's devolvable revenues to the Panchayats, the flexible guidelines that enable Panchayats to spend the money for projects of their choice and the steady emphasis on participatory planning is more advanced as compared with the rudimentary and perfunctory compliance to the provisions of the 73rd amendment to the Constitution seen in other States. This fiscal architecture, coupled with a strong and wide-ranging legal framework that devolves functions to the Panchayats and a democratic culture of open discussion and engagement between different levels of government places Kerala higher than most states in its commitment to democratic decentralisation.

However, our study indicates that Kerala is struggling to keep up to this reputation that it has acquired. Kerala now juggles with various fiscal streams to endeavour to stick to its commitments on the proportion of funds that are devolved to LGs. On the question of expenditure flexibility, Kerala's system shows evidence of strain. Over the decades, conditions and limits on expenditures have not been relaxed but they continue in various permutations and combinations.

Yet it is remarkable that in a state where the political space is vigorously contested, where coalition governments have been the norm and no elected state government has been able to hang on to power for more than one term at a time, the conditions, restrictions and limits on functional and fiscal decentralisation have remained largely non-controversial. By and large there is a consensus across political party representatives of different parties within Panchayat associations, about the path that the State takes on democratic devolution. Whatever may be the political complexion of the government of the day, there is adherence to a practice of consultation and consensus-building before policies on allocations, guidelines, processes and expenditure controls are put into play on democratic governance. Broadly, we conclude that from our study of these patterns, that fiscal decentralisation has been stagnant.

However, from a process perspective, a great gain from the fiscal route adopted by Kerala is that it has been instrumental in forging a harmonious relationship between line departments and the Panchayats. Typically, the cross cutting experience across states has been that both regard the other with a level of distrust. However, in Kerala, the Second Finance Commission, whilst determining the fiscal envelope to be devolved to the Panchayats, pooled the Maintenance Funds from all departments, increased this allocation and devolved the same to the Panchayats as Maintenance Grants. Under normal circumstances, such a strategy would have led to stiff resistance from the departments – yet, this was done in a manner so as to catalyse a positive relationship between the departments and Panchayats. The consensus was that the Panchayats would maintain the assets of the departments that were transferred to them by utilising the Maintenance Funds as a kind of tied commitment. This is just one illustration of the way in which Kerala has managed to move forward, even as it harmonised conflicting claims on the money that is the focus of fiscal decentralisation.

The implication of this study for Kerala and similar State of a comparable size and state of development, the current level of fiscal and administrative devolution may represent a stable state equilibrium. There could be reforms on the margin; for example, our suggestion that an expenditure information network that places in the public domain the allocations and expenditures incurred at various levels of the government would be beneficial to all inter-governmental systems regardless of the extent of fiscal decentralisation However, having said that, one does not envisage, unless there is a radical political change, that Kerala would go beyond this current model of devolution, where: (a) fiscal devolution comprises 25-30 per cent of the devolvable pool, (b) expenditure controls that are evolved through consensus and (c) there is little administrative devolution, such as giving direct control over the staff to the Panchayats. They may tinker along the edges of this model but it seems unlikely that Kerala will embark on another big bang devolution exercise in the foreseeable future.

There is yet another factor that fortifies our conclusion that the political, administrative and fiscal future for Kerala is one of greater inter-governmental cooperation and networking, rather than to adopt a model of classical devolution. A report commissioned by the State Planning Board of Kerala, highlights some of these aspects that, we believe, would drive Kerala more in the direction of a greater networked governance, which may strictly not follow the pattern of classical devolution. Some of the points made in this report are as follows[9]:

"Kerala's settlement pattern is unique; comprising for the most part a continuous spread of habitation. After a slowdown during 1991-2001, the percentage of urban population in the state has grown rapidly during 2001-2011 (from 25.96% in 2001 to 47.72% in 2011). Kerala in now the third most urbanised state in the country after Goa and Tamil Nadu and is reckoned by the 2011 census to be the fastest urbanising State in the country. Census 2011 has witnessed a steep increase in the number of census towns, over the 2001 Census. The number of urban agglomerations has progressively risen from 9 in 1981 to 19 in 2011, and these account for 91 percent of Kerala's towns and 93.74 per cent of the urban population. Yet, many urban areas in Kerala, particularly the areas of continuous habitation alongside most arterial roads in the State, are still Gram Panchayats in their legal status."

Yet, *"Urbanisation has not been accompanied by a formal re-configuring of rural local governments (Grama Panchayats) into Municipalities, or City Corporations. While on the one hand urbanised structures offer greater*

[9] Report of the Working Group on Urban Issues; State Planning Board, Government of Kerala, December 2016.

opportunities for economies of scale due to agglomeration, the Panchayat system offers greater opportunity for public participation as compared to the Constitutional design for urban areas. Thus, the change of status of Panchayats to Municipalities has the potential of rob citizens of platforms of participation, without replacing them with an equally potent constitutionally mandated equivalent."

"Furthermore, urbanization is not only a spatial process, but a social and economic one as well. The nature of Grama Panchayaths, while still formally rural governments, is turning urban equally due to the waning of small scale production and distress in agriculture, leading to decline in agricultural incomes. Thus, Kerala is urbanising even without the drift of rural people to urban centres."

These urban areas *"face unprecedented threats from unsustainable consumption and production patterns, loss of biodiversity, pressure on ecosystems, pollution and increased vulnerability to natural and man-made disasters and climate change and its related risks. Kerala's natural environment and biodiversity has been under severe stress, largely due to urbanisation. Wetlands, coastal areas, forests and hill regions have been particularly affected and these are all sensitive and delicate environments. Low density urban sprawls are devastating local micro-environments."*

"While Kerala has a commendable record of erasing forms of severe discrimination that were a sorry feature of its past, lingering discrimination continues, particularly against the poor, tribal people and women. While poverty has reduced overall, a new form of more severe poverty is emerging, that of the aged, the destitute, the physically and mentally challenged. As society has become more prosperous, the remaining poor are worse off. Besides, a new feature that has emerged, particularly in the last decade, of large scale migration from other States to do the jobs that Keralites do not seem to want to do. This has led to the establishment of large settlements and enclaves of migrants, and the informal mushrooming of services especially for them."

"Kerala's economy has been for at least three decades, strongly consumerist and service oriented. There are no large industries of note in Kerala of the same scale as elsewhere, and there are not likely to be any, given the high values of land across both rural and urban areas and the strong antipathy to large scale land acquisition. Agriculture, in spite of the success of decentralised efforts, has grown at a slow proportion and Kerala still remains a net importer of food. Kerala's income is still supported to a more significant proportion than in other states by international remittance incomes, yet there is a growing feeling that the largesse of the past may not be forthcoming in the future. This has led to a strong growth in private real estate development, as Keralites abroad invest their savings in building retirement or holiday homes in the State. While these dot the main cities, for the time being many of them lie vacant, even as there is a perceived shortage of housing for the poor. The potential for industrial development in the future is more towards IT industries, given Kerala's large pool of educated and skilled manpower. However, the success of such efforts are dependent upon the global demand and supply position and Kerala will also have to contend with competition from other centres in India for its share in the IT business."

All the above features of the social, spatial and economic evolution of Kerala calls for the delivery of networked services, with decentralisation of service delivery harmonised with greater cooperation and coordination to ensure that there are no wide area negative externalities when individual local governments act entirely in their self-interest. That imperative, we believe, will temper the future evolution of democratic decentralisation policy in the State.

However, even attaining the current level of Kerala's devolution would bring wide benefits to other states which are far behind Kerala in terms of fiscal and administrative decentralisation. Therefore, we believe that this study is useful from two perspectives. First, we hold up the mirror to Kerala, enabling the state to introspect and determine the next stage of evolution of democratic decentralisation. Second, this deep-dive into Kerala's fiscal decentralisation would hopefully be is useful for other states to chalk out their own mid-term strategies to strengthen democratic decentralisation, by building an appropriate fiscal architecture.

Appendix 1: Sampling Methodology

At the district level, GDP levels, total population and geographical profile were additional criteria. From a total of 14 districts, the sample districts chosen were Thrissur and Wayanad. The rationale for this has been laid out in Table 1 below. At the block level, percentages of rural population, agricultural labourers, and unemployed workers were taken as factors in selecting blocks. Further, at both levels of selection, percentages of SC and ST were taken into account. Pazhayannur block from Thrissur district and Panamaram block from Wayanad district were selected. The rationale is explained in detail below.

Table 12: Criteria for Selection of Districts

Criteria	Thrissur	Wayanad	Data Source
GDP (2013-14)	Second-highest GDP at constant prices, with a constant growth rate in 2013-14	Lowest GDP at constant prices, with a constant growth rate in 2013-14	Annual Economic Review, State Planning Board, Kerala
SC Population Percentage	11 percent of Kerala's total (highest in the state)	1 percent of Kerala's total (lowest in the state)	2011 Census
ST Population Percentage	2 percent of Kerala's total (second-lowest in the state)	31 per cent of Kerala's total (highest in the state)	2011 Census
Total Population	One of the districts with high population density	Lowest population and population density in Kerala	2011 Census
Geographical Profile	Primarily plain land with a coastal belt	Primarily a hilly forest area	Internet research, maps and field visit
Project Convenience	Project partner and field associates based out of Thrissur	*NA*	*NA*

Choice of Blocks

The objective was to choose one block from each district. Kerala's State Finance Commission provides grants based on two factors - namely, population, and distribution of SCs and STs in the LG jurisdiction. Population was accounted for in the first selection criteria (total population above the median was also considered in the first stage). With this consideration, the following process of elimination was adopted:

1. As the study is based on PRIs, the first set of blocks were arrived at by eliminating blocks with lower than median rural population as a percentage of total population.

2. For the SC and ST population, blocks with proportions higher and lower than the median blocks were picked. However, these were not the only data points that were considered. Data points reflective of the economy, demographic profile and PRI performance were used as well. These factors included:

    a. **Economic Factors:** GDP data was not available at a block level. Employment was used as an indicator to describe the economic profile of the block. The relevant variables were:

i. Greater and lower than the median percentage of main and marginal workers in agriculture to total working population in agriculture in the district
ii. Greater and lower than the median percentage of main and marginal workers in industry to total working population in industry in the district
iii. Greater and lower than the median percentage of main and marginal workers in other jobs to the total working population in other jobs in the district.
iv. Greater and lower than the median percentage of unemployed workers in other jobs to total unemployed workers in the district

b. **Social Factors:** In Kerala, Panchayats and local communities together invest in social and cultural institutions (such as libraries, sports clubs and recreation centres). As these reflect the 'higher' needs of people, it was used as a proxy for indicating economic and social development. The variables included were:
   i. Higher and lower than the median percentage of Anganwadis and Balawadis in the block to the total in the district
   ii. Higher and lower than the median percentage of libraries, sports and cultural centres in the block to the total in the district

c. **PRI performance:** Ability to generate own source revenues (OSR) was used to judge the LGs' ability to be self-reliant and have a buoyant tax base. The variable used was greater and lower than the median percentage of OSR to the total in the district

3. A final list of blocks with the following characteristics was arrived at: high rural population, high SC/ST population, high dependence on agriculture, high unemployment, fewer number of social and cultural institutions and low own source income of GPs.

The requisite secondary data was obtained from the Statistics Department of Kerala. A field check was carried out to verify the data points, and make a final choice for the sample blocks. The verification was done by conducting field visits to the chosen block Panchayats. Questions were posed to block Panchayat President or Secretary, Anganwadi Supervisor, primary school headmaster, librarian and sports/cultural center facilitator. Observations of the state of facilities in these places and in the GPs we visited in these blocks were also noted.

The table below summarises the rationale for the selection of the block Panchayats.

Table 13: Criteria for Selection of Blocks

Criteria	Pazhayannur block, Thrissur district	Panamaram block, Wayanad district	Data Source
Rural population as a percentage of total population	74 per cent - highest in Thrissur	All blocks entirely rural	2011 Census
SC population out of total population	17 per cent - highest in Thrissur	24 per cent - highest in Wayanad	2011 Census
ST population out of total population	0.34 percent - 0.9 percentage points above the median	5 per cent - second-highest in Wayanad	2011 Census
Percentage of population involved in agriculture	26 per cent - highest in Thrissur	61 per cent - highest in Wayanad	2011 Census
Share of unemployed population in the district	13 per cent - third-highest in Thrissur	16 per cent - second-lowest in Wayanad	2011 Census
Distance from District Collectorate	44.7 kms - farthest in Thrissur	22 kms - second-closest in Wayanad	Internet research, maps and field visit

Panamaram block in Wayanad and Pazhayannur in Thrissur were selected for the field study. The research covered all the GPs within these two blocks.

Appendix 2: Budget Envelope for Gram Panchayats

The research team undertook a field data collection process to collect details on the GP-wise allocations and expenditures of ten departments. Our analysis covers all the schemes implemented by these departments. This section provides the GP-wise budget envelopes for the ten sectors, with a disaggregation between expenditures carried out through the PRI and relevant line department funds.

Agriculture

Schemes Implemented

The table below traces the schemes implemented by the Agriculture Department, which fall within the functional domain of PRIs. The methodology used to identify such schemes has already been dealt with in detail in Chapter 4.

Table 14: Schemes Implemented in the Agriculture Sector

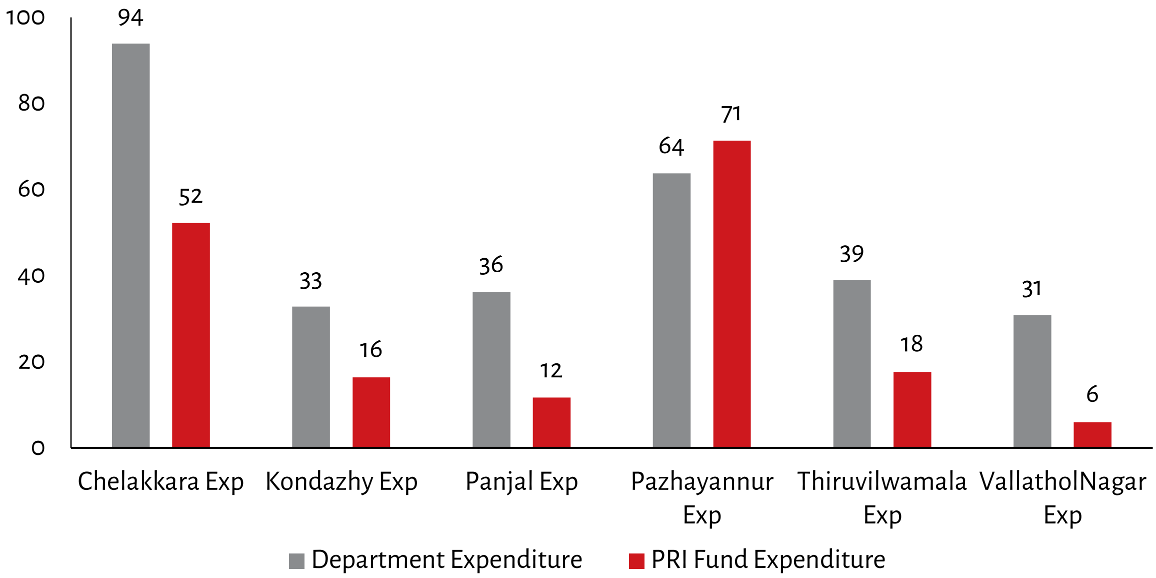
Head of Account	Plan/Non Plan	Scheme Name	Attribution Rationale
2401-00-102-90	Plan	Promotion of Group Farming for Augmenting Rice Production	GP-wise beneficiary details available
2401-00-102-93	Non Plan	Production and Distribution of Quality Coconut Seedlings and Centralised Seed Collection in Departmental Nurseries	Cultivable Land Area
2401-00-103-99	Non Plan	Production and Distribution of Improved Seeds	Cultivable Land Area
2401-00-104-91	Plan	Augmenting Production of Planting Materials Through Departmental Farms	Cultivable Land Area
2401-00-104-99	Non Plan	Composite Farms	Cultivable Land Area
2401-00-109-72	Plan	National Mission on Agricultural Extension and Technology	Cultivable Land Area
2401-00-109-80	Plan	Strengthening of Agricultural Extension	Number of Farmers
2401-00-119-85	Plan	Vegetable Promotion through Department of Agriculture	GP Level Data Available
2401-00-119-86	Plan	State Horticulture Mission	GP Level Data Available

- For some schemes that are primarily beneficiary oriented, it is possible to trace GP level expenditure data through the claims submitted to the treasury.
- For farming oriented schemes that sought to expand the area under cultivation, expenditure attribution to GPs was based on the percentage of cultivable land area for each GP. This data was collected from the respective Krishi Bhavans of each GP.
- For extension and training oriented schemes in which farmers participated, expenditure was attributed based on the number of farmers in each GP, which was also collected from Krishi Bhavans.

GP-wise Budget Envelope

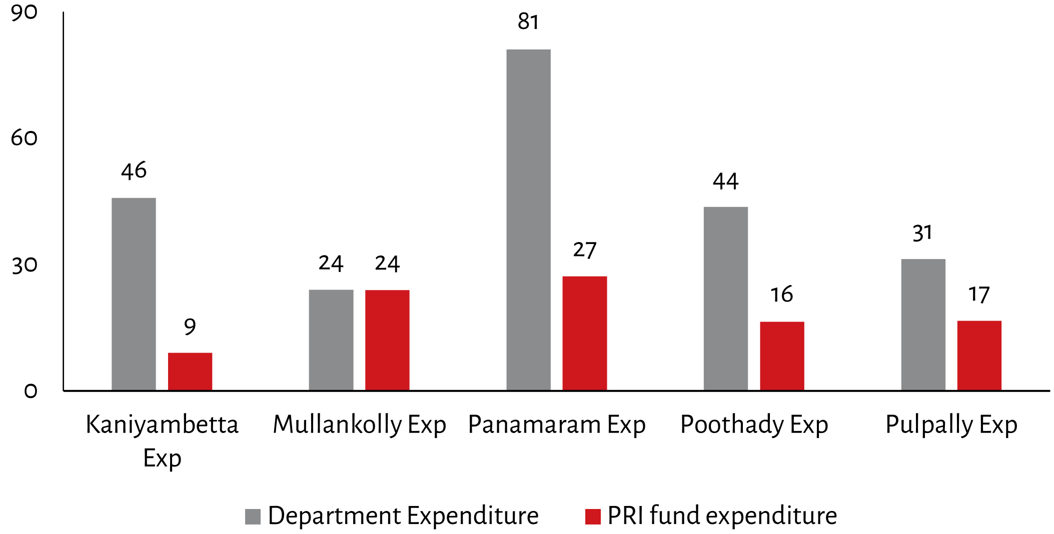
- In Pazhayannur block in Thrissur, 62 per cent of all sectoral expenditure on agriculture within the functional domain of PRIs is spent by the state government through its departmental agencies.
- There is variation within individual GPs however. Notably in Pazhayannur GP, PRI sectoral expenditure on agriculture is higher than departmental expenditure and constitutes 53 per cent of total agriculture expenditure.

Figure 30: Agriculture Budget Envelope – Thrissur



- In Panamaram block in Wayanad, 71 per cent of agriculture spending within the functional domain of PRIs was spent by the state agricultural department in the FY 2015-16.
- In Panamaram GP, it was notably high at 75 per cent of agriculture spending.

Figure 31: Agriculture Budget Envelope – Wayanad



Animal Husbandry and Dairy Development

Schemes Implemented

The following table presents the schemes that are implemented through the state line animal husbandry department funds that fall within the functional ambit of PRIs in the Animal Husbandry Sector.

Table 15: Schemes Implemented by the State Animal Husbandry Line Department

Head of Account	Plan/Non Plan	Scheme Name
2403-00-103-84	Plan	Backyard Poultry Development Project
2403-00-101-71	Plan	Doorstep and Domiciliary Veterinary Service
2403-00-101-69	Plan	Livestock Health and Disease Control Programme
2403-00-101-97	Non Plan	Strengthening and Reorganization of Veterinary Hospitals
2403-00-109-96	Plan	Veterinary Extension
2403-00-102-96	Non Plan	Expansion of Cross Breeding Facilities
2403-00-101-98	Non Plan	Hospitals and Dispensaries
2403-00-102-99	Non Plan	Intensive Cattle Development Projects

The table below presents the schemes that fall within the functional domain of PRIs, but are implemented by the dairy development department. GP level data for all schemes could be traced through a voucher analysis of all expenditures.

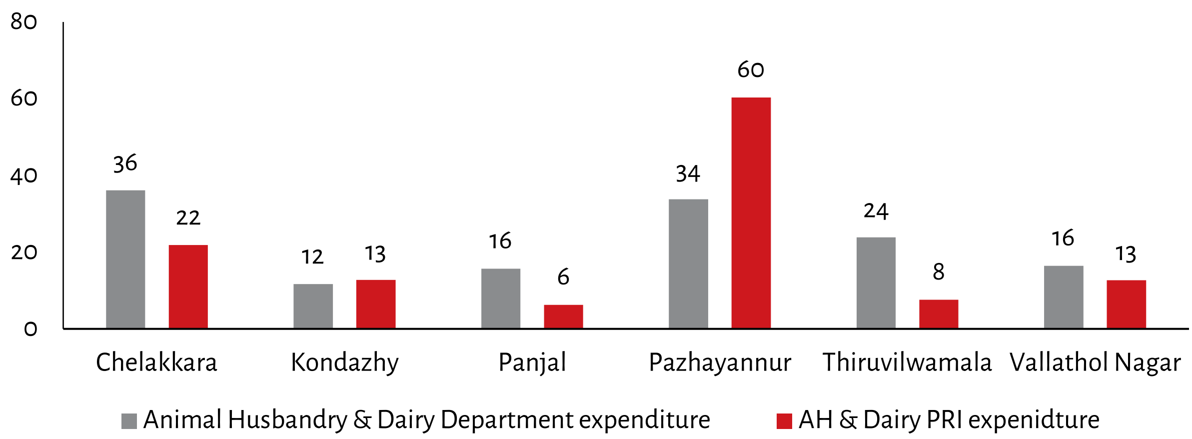
Table 16: Schemes in the Functional Domain of PRIs in Animal Husbandry and Dairy Development

Head of Account	Plan/Non Plan	Scheme Name	Attribution Rationale
2404-00-109-93	Plan	Commercial Dairy Milk and Milk Shed Development Programme (New Scheme)	GP-level data obtained through voucher analysis
2404-00-102-96	Plan	Rural Dairy Extension and Advisory Service	GP-level data obtained through voucher analysis

GP-wise Budget Envelope

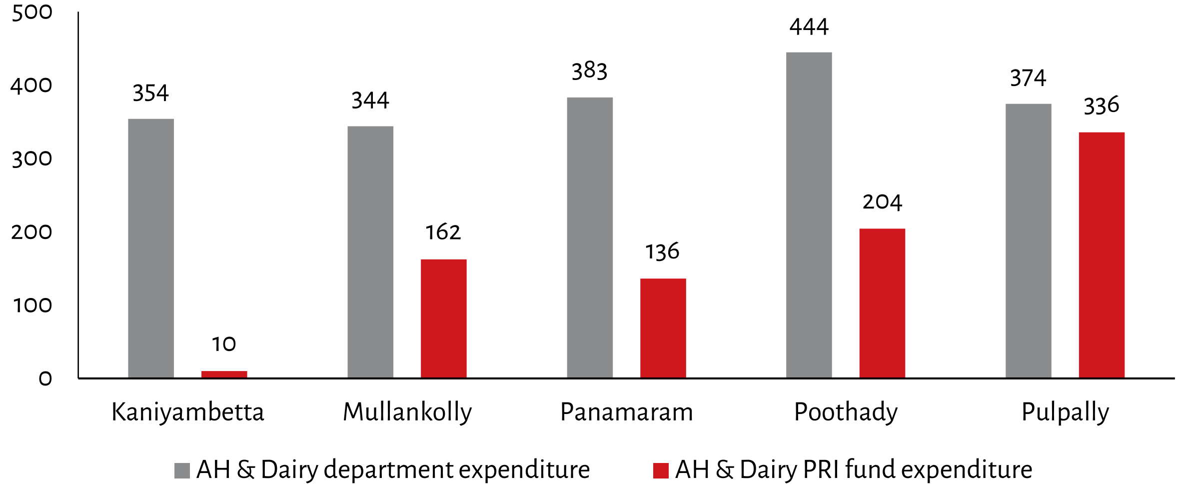
- In the Pazhayannur block in FY 2015-16, 53 per cent of animal husbandry and dairy expenditure within the functional domain of PRIs was spent by the state line department. 73 per cent of department expenditure is salaries towards staff and veterinary doctors - who are transfer functionaries of Panchayats - and the management of veterinary hospitals.
- Other plan fund schemes, such as the Backyard Poultry Development Project, overlap with schemes implemented by the Panchayats.
- In Pazhayannur GP however, the PRI expenditure on animal husbandry and dairy is higher than the line department expenditure.

Figure 32: Animal Husbandry and Dairy Budget Envelope – Thrissur



- In Panamaram block in Wayanad, in FY 2015-16, State Department expenditure constituted 69 per cent of all expenditures on animal husbandry and dairy activities within the block. PRI expenditures constituted only 31 per cent of it.
- There are wide variations within the GPs in the block, with PRI expenditures constituting 47 per cent of animal husbandry and dairy activities in Pulpally GP, while in Kaniyambetta GP it constituted only 3 per cent.

Figure 33: Animal Husbandry and Dairy Budget Envelope – Wayanad



Rural Development

Schemes Implemented

The table below specifies the schemes implemented by the RD department which fall within the ambit of PRI function. It is to be noted that the erstwhile IAY scheme has not been included here since implementation of IAY is by the PRIs, and the state and central shares for the scheme are also transferred to the PRIs.

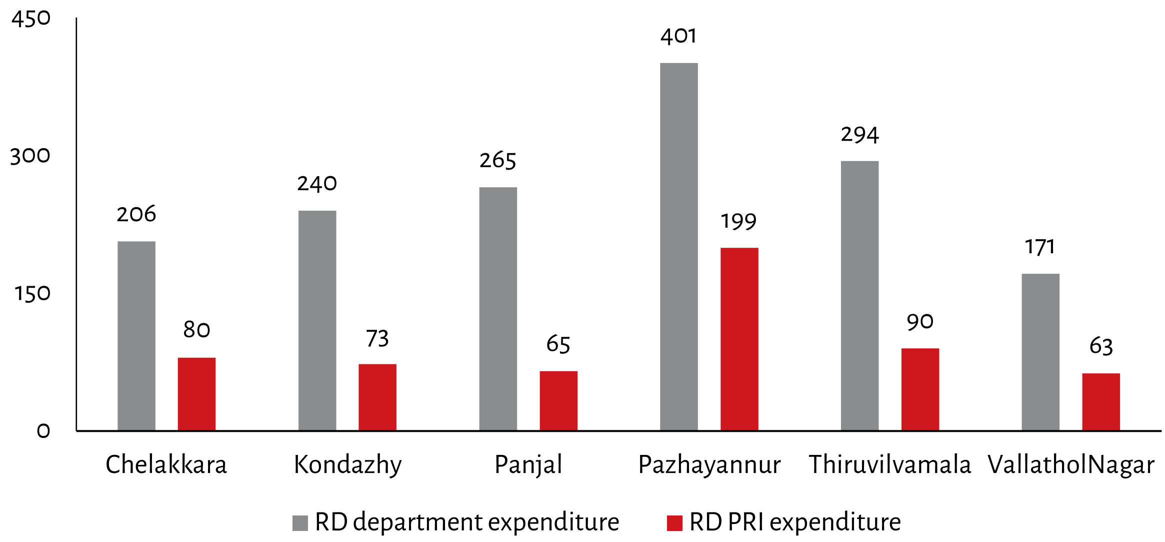
Table 17: Schemes Implemented in the Rural Development Sector

Head Account	Scheme Name	Attribution Rationale
2505-02-101-99	Mahatma Gandhi National Rural Employment Guarantee Scheme	GP-wise data available
2515-0-101-68	Suchitwa Keralam	Expenditure attributed to GP in which work was undertaken

GP-wise Budget Envelope

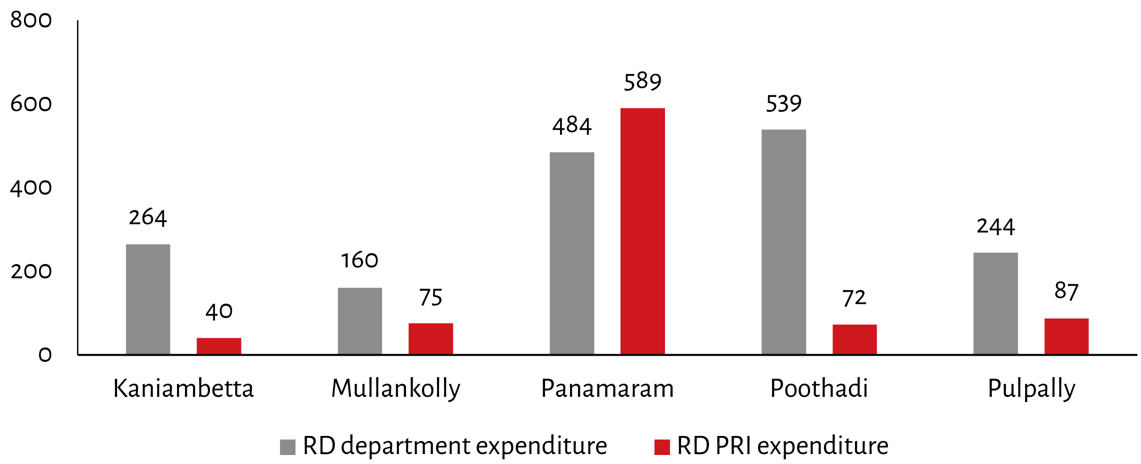
- In Pazhayannur in FY 2015-16, only 27 per cent of expenditures on rural development functions transferred to PRIs were spent by the PRIs. The rest was spent by various state and parastatal agencies. The department spending is high due to the MGNREGS scheme, which is implemented by the MGNREGS parastatals and not through the PRIs. Though Section 13 (1) of the NREGA says that the Panchayats shall be the principal authorities for planning and implementation of the Rural Employment Guarantee, we found that a separate MGNREGS block office implements the MGNERGS under the supervision of the BDO. The funds for this programme are not routed through the Block Panchayat. It is neither recorded in Appendix 4 of the budget, nor in the voucher level expenditures of the Block Panchayat.
- PRI expenditures include expenditures on Housing which is primarily a contribution to IAY and other sanitation works. The TSC and the Suchitwa Keralam Scheme funds are not routed through the Panchayats.

Figure 34: Rural Development – Budget Envelope – Thrissur



- In the Panamaram block in Wayanad, the PRI expenditure on RD functions constitutes 44 per cent of all expenditures. 66 per cent expenditure is spent by agencies other than the PRIs.
- However, there is wide variation among the individual GPs. PRI expenditures in Poothadi and Kaniambetta GPs constitute only 12 per cent and 13 per cent, respectively. On the other hand, in Panamaram GP PRI expenditures constitute 55 per cent of the total budget envelope for rural development.

Figure 35: Rural Development – Budget Envelope – Wayanad



Minor Irrigation

Schemes Implemented

Data was collected from the divisional and sub-divisional office for works implemented within the sample GPs. There are no specific schemes implemented through this department. They are independent irrigation related small-scale construction works.

Table 18: Schemes Implemented in the Minor Irrigation Sector

Head Account	Scheme Name	Attribution Rationale
2702-01-800-94	Minor Irrigation Projects - Maintenance	Location of implemented projects
2702-03-101-98	Maintenance of Irrigation Scheme under XIII finance commission award	Location of implemented projects
4702-0-101-84	Priority works under minor irrigation	Location of implemented projects

GP-wise Budget Envelope

- All minor irrigation functions have been completely transferred to the PRIs under the KPR Act. Hence, any scheme retained by the State Department under minor irrigation overlaps with the PRI functional space.
- 87 per cent of all minor irrigation activities are spent by the state department. PRI expenditures in Pazhayannur block in Thrissur accounted for only 13 per cent of minor irrigation expenditures in FY 2015-16.
- Similarly, in Panamaram block in Wayanad, department fund expenditure constituted 87 per cent of the total minor irrigation budget envelope.

Figure 36: Minor Irrigation – Budget Envelope – Thrissur

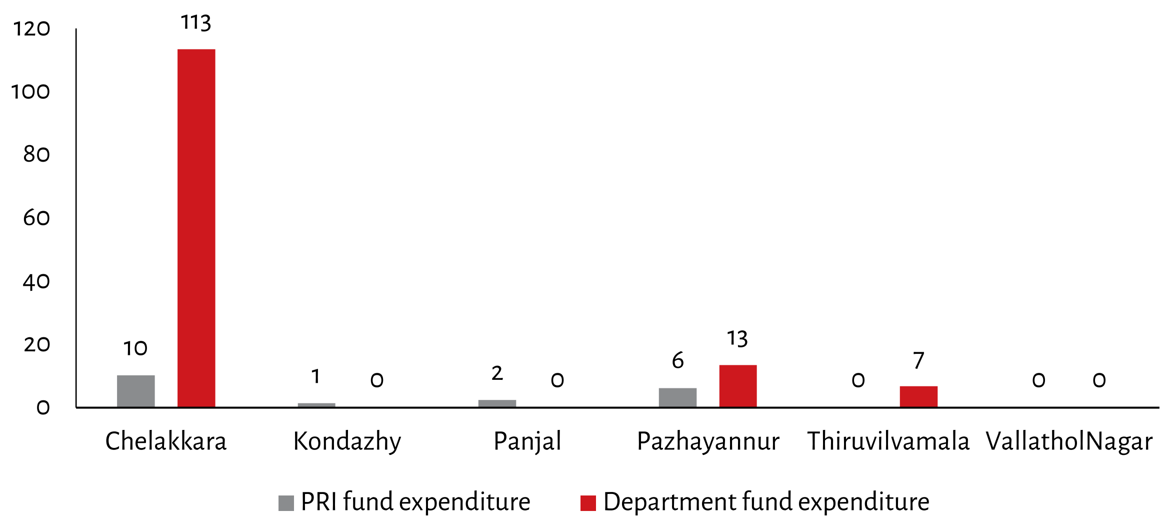
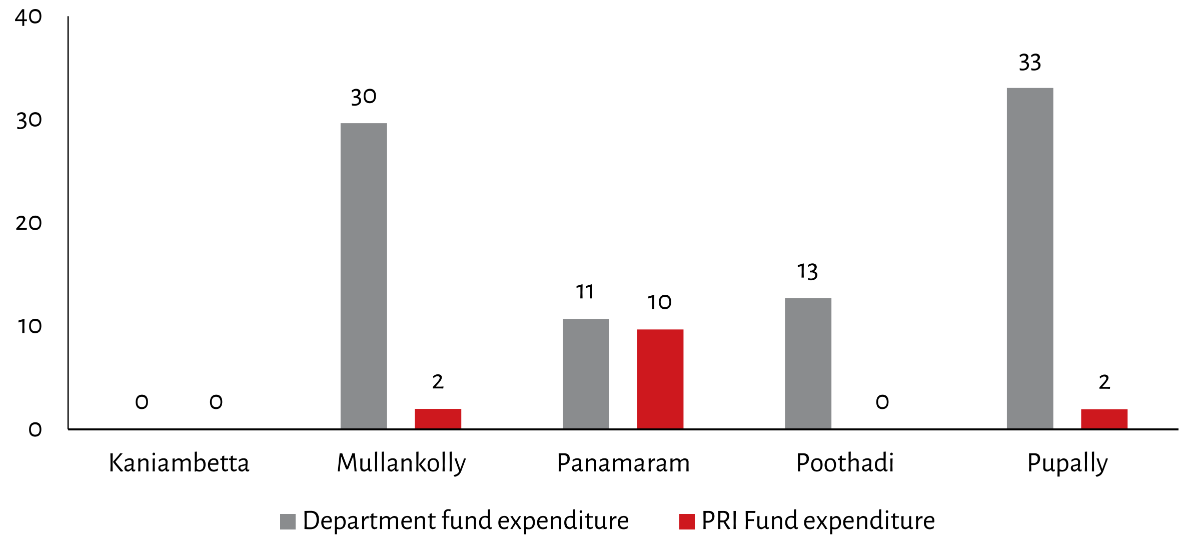


Figure 37: Minor Irrigation – Budget Envelope – Wayanad



Health

Schemes Implemented

The table outlines the schemes implemented within the general and public health sector.

Table 19: Schemes Implemented in the Health Sector

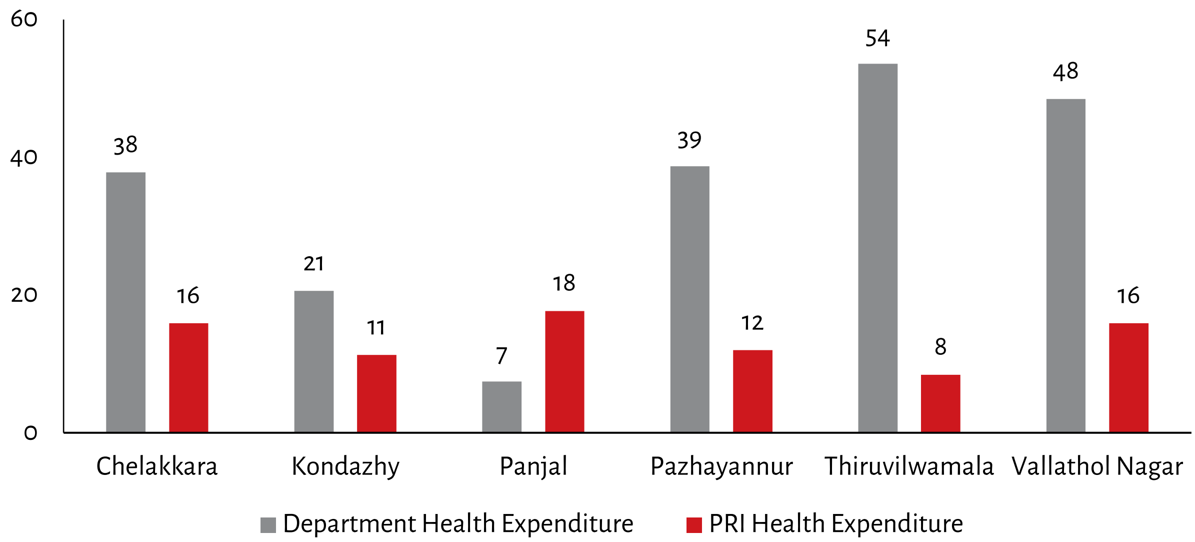
Head Account	Plan/Non Plan	Scheme Name	Attribution Rationale
2210-06-101-41	Plan	Cancer Care Programme	Attributed to GP in which health institution is located
2210-06-101-38	Plan	Control of Water Borne Diseases	Attributed to GP in which health institution is located
2210-06-101-29	Plan	National Health Mission	Attributed to GP in which health institution is located
2210-06-101-45	Plan	Prevention of Non-communicable diseases	Attributed to GP in which health institution is located
2211-00-101-99	Plan	Subcentres (100 per cent CSS)	Attributed to GP in which health institution is located
2210-06-101-80	Non Plan	Development of Primary Health Centres	Attributed to GP in which health institution is located

Head Account	Plan/Non Plan	Scheme Name	Attribution Rationale
2210-06-101-98	Non Plan	Malaria Eradication	Attributed to GP in which health institution is located
2210-03-103-99	Non Plan	Primary Health Units and Health Centres	Attributed to GP in which health institution is located
2211-00-101-96	Non Plan	Rural Family Welfare Centres and Postpartum Centres (Block PHCs)	Attributed to GP in which health institution is located

GP-Wise Budget Envelope

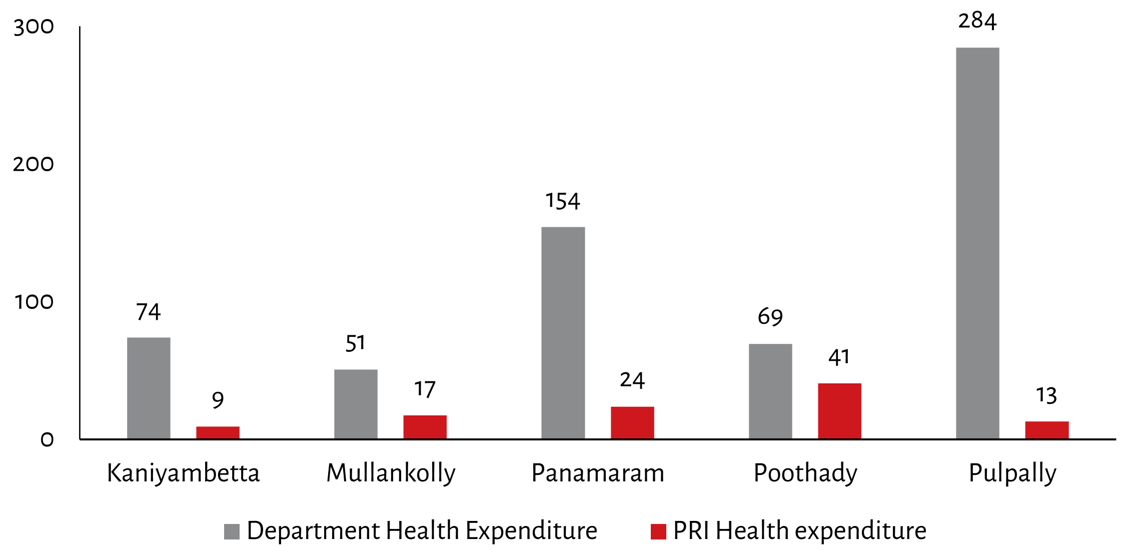
- In the Pazhayannur block in Thrissur, 72 per cent of the general and public health budget envelope consists of department spending. 32 per cent of department spending is on salaries and wage costs for health institutions and functionaries transferred to the Panchayats.
- Panjal GP is the only exception, in which 70 per cent of expenditure was PRI expenditure and department expenditure only amounted to 30 per cent.

Figure 38: General and Public Health – Budget Envelope – Thrissur



- In the Panamaram block in Wayanad, department expenditures comprised 86 per cent of all general and public health functions transferred to the PRIs. Pulpally GP has the starkest variation, with department expenditures constituting 96 per cent of all health expenditures and PRIs account for only 4 per cent of health spending.

Figure 39: General and Public Health – Budget Envelope – Wayanad



Education

Schemes Implemented

The table below lists the schemes implemented with the sample Panchayat area that falls within the functional ambit of PRIs.

Table 20: Schemes Implemented in the Education Sector

Head Account	Plan/Non Plan	Scheme Names	Attribution Rationale
2202-01-112-91	Plan	Mid-Day Meal (100 per cent CSS)	Expenditure attributed to GP in which school is located
2202-01-111-99	Plan	Sarva Shiksha Abhiyan (SSA)	Expenditure attributed to GP in which school is located
2202-01-102-98	Non Plan	Maintenance Grant	Data not available school-wise. Hence, expenditure attributed to GPs based on number of primary schools in each GP
2202-01-112-93	Non Plan	Mid-Day Meals to Primary School Pupils - Salaries	Expenditure attributed to GP in which school is located
2202-02-052-99	Non Plan	Supply of Furniture to Departmental Secondary Schools	Data not available school-wise. Hence, expenditure attributed to GPs based on number

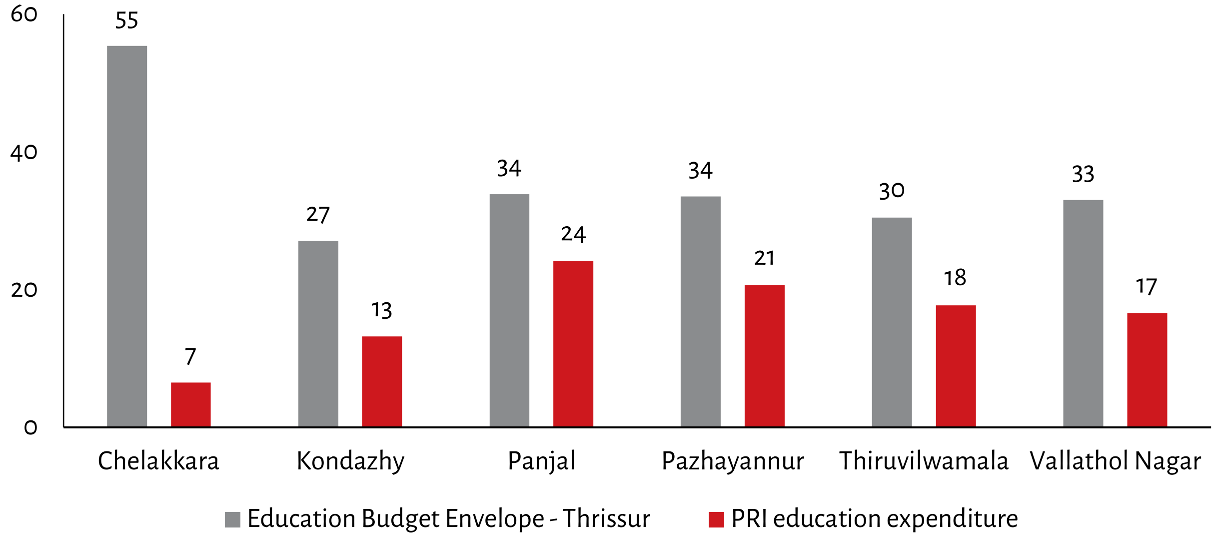
Head Account	Plan/Non Plan	Scheme Names	Attribution Rationale
			of primary schools in each GP
2202-01-101-98	Non Plan	Upper Primary Schools	Expenditure attributed to GP in which school is located
2202-02-109-65	Plan	Rashtriya Madhyamik Shiksha Abhiyan - RMSA (Integrated - 75 per cent CSS)	Expenditure attributed to GP in which school is located
2202-02-052-98	Non Plan	Improvement of Library and Laboratory Facilities in Departmental High Schools	Data not available school-wise. Hence, expenditure attributed to GPs based on number of primary schools in each GP
2202-01-101-99	Non Plan	Lower Primary Schools	Expenditure attributed to GP in which school is located
2202-02-110-98	Non Plan	Maintenance	Expenditure attributed to GP in which school is located
2202-02-109-99	Non Plan	Secondary Schools	Data not available school-wise. Hence, expenditure attributed to GPs based on number of primary schools in each GP

The Education Department does not maintain data GP-wise. Student beneficiary details were not exhaustively available for most schemes and those that do exist also do not record the GP to which the student belongs. As a result, expenditures were attributed to GPs in two ways. For the schemes where school-wise data was available, expenditure was attributed to the GP in which the school was located. For the other schemes that did not maintain any location data, expenditures were attributed to GPs through a weightage based on the number of primary or secondary schools, as appropriate, in each GP.

GP-wise Budget Envelope

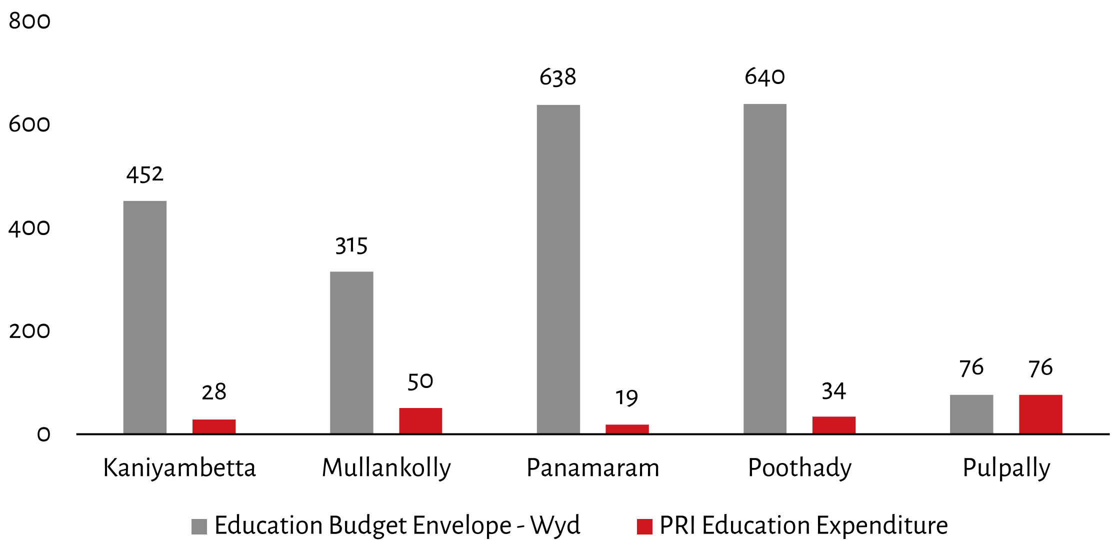
- In the Pazhayannur block in Thrissur, of the general education budget envelope, 68 per cent was spent through the education line department. This also includes expenditures through SSA and RMSA – the 2 central schemes which are implemented through parastatals.
- While most of the GPs follow a similar trend, Chelakkara GP is an exception since department expenditures account for 89 per cent of all education expenditure within the ambit of Panchayats and GP only accounts for 11 per cent.

Figure 40: General Education – Budget Envelope – Thrissur



- In Panamaram block in Wayanad, the Education Department spends 91 per cent of the general education budget envelope that falls in the functional domain of PRIs. Salaries makeup 68 per cent of this department expenditure.

Figure 41: General Education – Budget Envelope – Wayanad



Scheduled Castes Development

Schemes Implemented

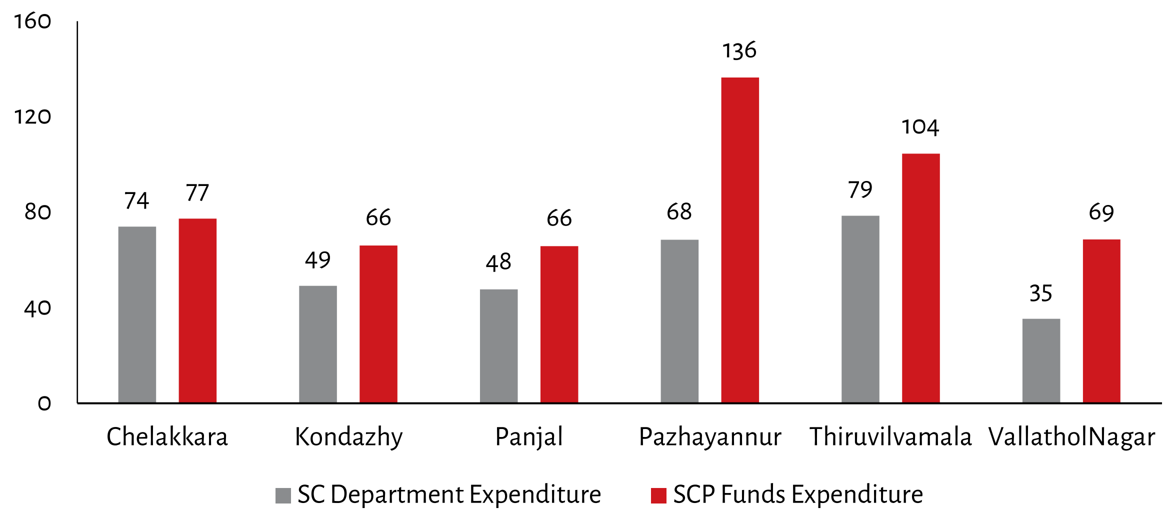
Table 21: Schemes Implemented in the Scheduled Castes Development Sector

Head Account	Plan/Non Plan	Scheme Name	Attribution Rationale
2225-01-277-57	Plan	Assistance for Education of SC Students (several scholarship schemes)	Expenditure attributed to GP in which school is located
2225-01-277-59	Plan	Prematric Scholarship for SC Students Studying in Classes 9 & 10	Expenditure attributed to GP in which school is located
2225-01-277-99-12	Non Plan	Pre-Matriculation Studies Scholarships and Stipends - Lumpsum Grant	Expenditure attributed to GP in which school is located
2225-01-283-89	Plan	House to Homeless Families	GP-wise beneficiary details available
2225-01-283-86	Plan	Land to Landless Families for Construction of Houses (One time ACA)	GP-wise beneficiary details available
2225-01-283-87	Plan	Land to Landless Families for Construction of Houses	GP-wise beneficiary details available
2225-01-277-57-34	Plan	Assistance for Education of SC Students - Vision 2013	GP-wise beneficiary details available
2225-01-102-97	Plan	Financial Assistance for Marriage of SC Girls	GP-wise beneficiary details available
2225-01-102-99	Plan	Development Programme for the Vulnerable Communities	GP-wise beneficiary details available

GP-wise Budget Envelope

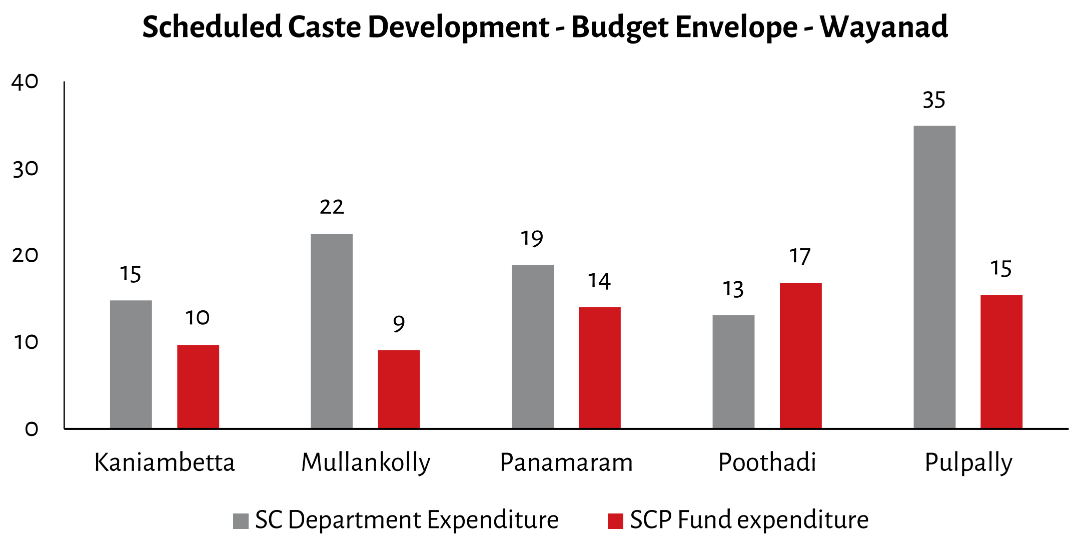
- The budget envelope covers all expenditures spent by GP from their SCP funds as well as the expenditures incurred by the state line department for the welfare of SCs that fall within the ambit of PRI functions.
- In the Pazhayannur block in Thrissur, 41 per cent of all expenditures on SC welfare schemes are spent by the line department. The pattern is similar in all the GPs with the exception of Pazhayannur and Vallathol Nagar GPs, in which line department expenditure accounts for only 33 per cent and 34 per cent of funds spent on SC welfare, respectively.

Figure 42: Scheduled Castes Development – Budget Envelope – Thrissur



- In Panamaram block in Wayanad, the total expenditure on SC welfare is ₹1.68 crore as compared to ₹8.71 crore spent in Pazhayannur in Thrissur. Of this, 62 per cent constitutes expenditure incurred by the state line department on schemes that fall within the functional ambit of PRIs.

Figure 43: Scheduled Castes Development – Budget Envelope – Wayanad



Scheduled Tribes Development

Schemes Implemented

Table below lists schemes that are implemented by the ST development department that overlap with the functions of PRIs.

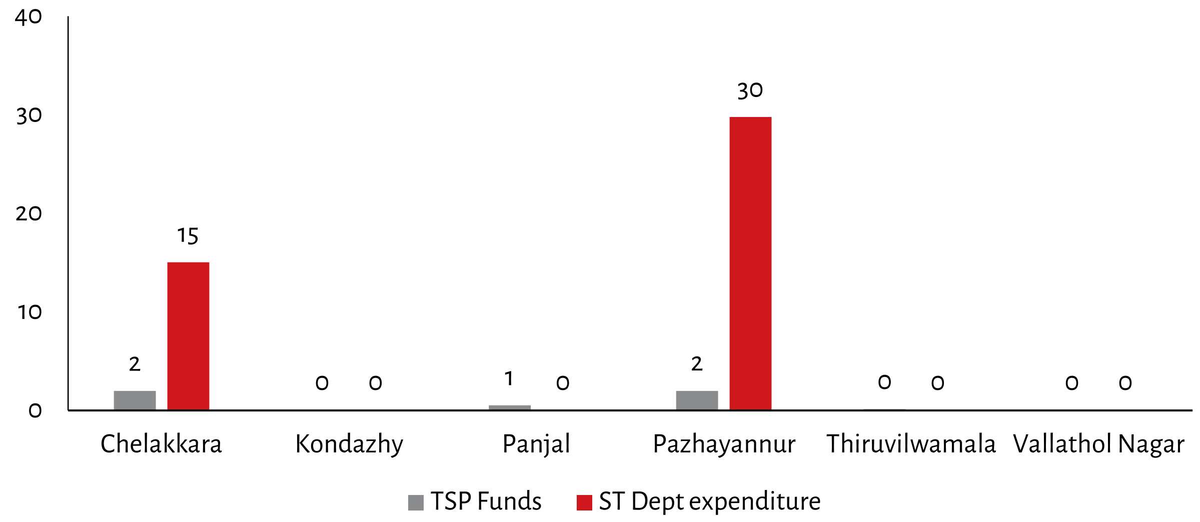
Table 22: Schemes Implemented in the Scheduled Tribes Development Sector

Head of Account	Plan/Non Plan	Schemes Name	Attribution Rationale
2225-02-102-86	Plan	Special programme for Adiyas, Paniyas, Primitive groups and Tribes living in forest	GP-wise beneficiary details available
2225-02-102-92	Plan	Food Support Programme	GP-wise beneficiary details available
2225-02-102-94	Plan	Assistance for marriage of ST girls	GP-wise beneficiary details available
2225-02-102-93	Plan	Critical Gap Filling Scheme (Corpus Fund)	GP-wise beneficiary details available
2225-02-277-35	Plan	Promotion of education among scheduled tribes	GP-wise beneficiary details available
2225-02-277-37	Plan	Pre-matric scholarship for ST students studying in classes 9,10 (100 per cent css)	GP in which school is located
2225-02-277-40-04	Plan	Assistance to Orphans	GP-wise beneficiary details available
2225-02-277-40-02	Plan	Ayyankali Scholarship	GP-wise beneficiary details available
2225-02-277-40-01	Plan	Special Incentive to Brilliant students	GP-wise beneficiary details available
2225-02-277-91	Plan	Incentive to Parents of Tribal Students	GP-wise beneficiary details available
2225-02-277-99-12	Non Plan	Pre-matriculation studies scholarship and stipends	GP in which school is located
2225-02-277-94	Non Plan	Tribal Hostels	GP in which school is located
2225-02-283-89	Plan	House to Houseless	GP-wise beneficiary details available

GP-wise Budget Envelope

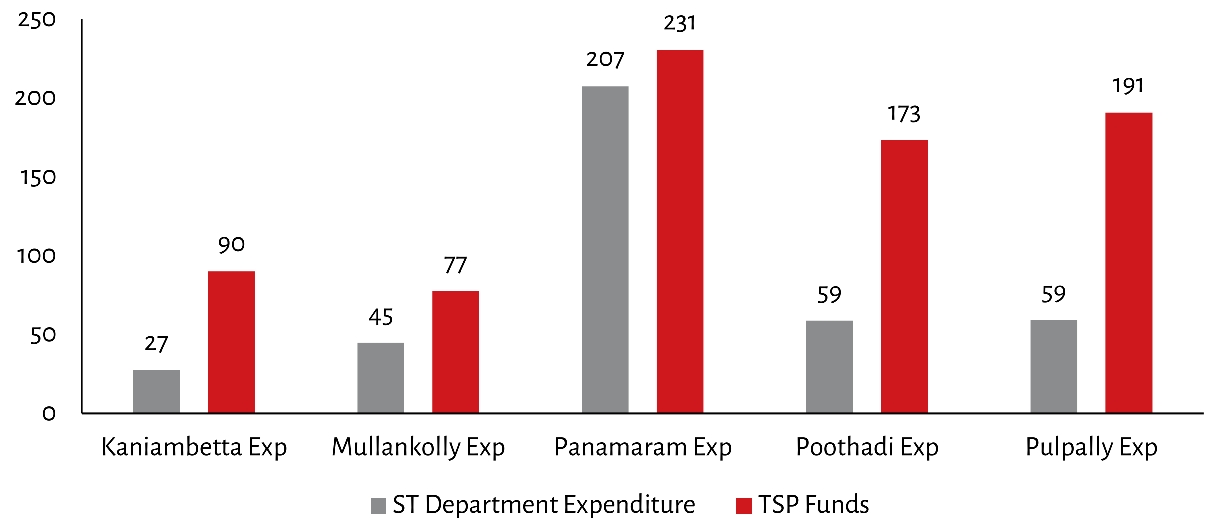
- Pazhayannur block in Thrissur has low expenditure on ST welfare due to its low ST population. Three GPs register zero expenditure for FY 2015-16 under ST welfare for both TSP funds as well as department funds.
- However, the line department still accounts for 90 per cent of the ₹49.2 lakh spent on ST welfare for the FY 2015-16.

Figure 44: Scheduled Tribes Development – Budget Envelope – Thrissur



- In Panamaram block in Wayanad, a combined ₹11.59 crore was spent on ST welfare schemes in FY 2015-16. Of this, ST department expenditure accounted for only 34 per cent of the total with the rest coming from the TSP funds allocated to each of the GPs.

Figure 45: Scheduled Tribes Development – Budget Envelope – Wayanad



Social Justice

Schemes Implemented

The Social Justice Department in Kerala addresses the welfare concerns of vulnerable groups of the society particularly children, differently abled populations and senior citizens. Given that almost all functions of this department have been devolved to PRIs, the department primarily exists only as an implementation unit of the Centrally Sponsored Scheme – Integrated Child Development Services (ICDS). The ICDS Society has a State Project Director, and each district has an Assistant Director. At the block level, the Child Development

Project Officer (CDPO) acts as the implementation officer. The CDPO oversees the running of Anganwadis, and other nutrition-related schemes involving the Anganwadi worker.

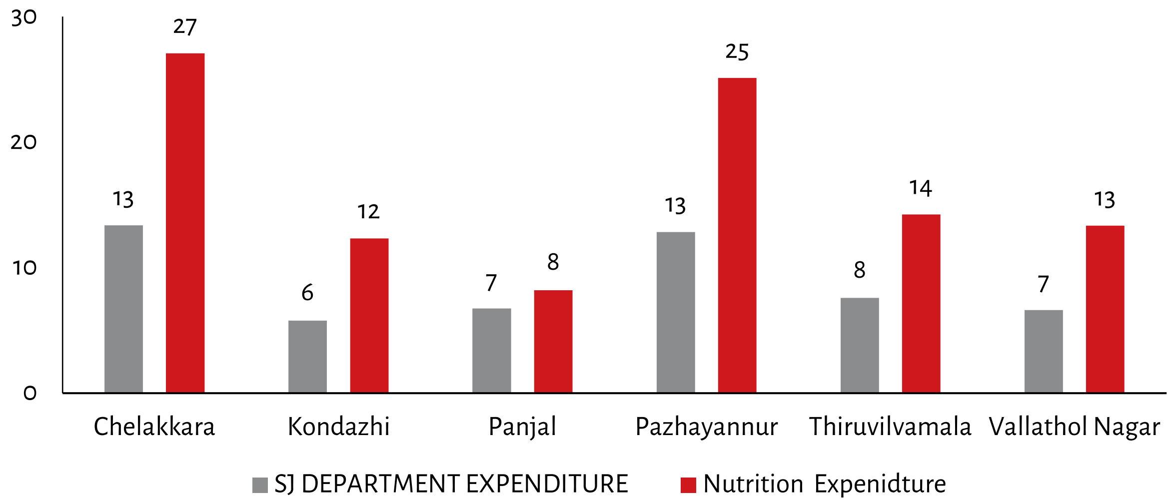
In both Pazhayannur in Thrissur and Panamaram in Wayanad, data was collected from the block level CDPO office. According to ICDS norms, there is to be an Anganwadi center or AWC for every 400-500 people. As a result, every GP has several Anganwadis. Expenditure was attributed to GPs weighted by the number of Anganwadis in each GP.

Supplementary Nutrition Programme (SNP), is the only component of the ICDS scheme that overlaps with PRI functions that have not been devolved. Since Anganwadi workers and helpers are not transferred functionaries of the PRIs, their salaries have not been considered for the analysis.

GP-wise Budget Envelope

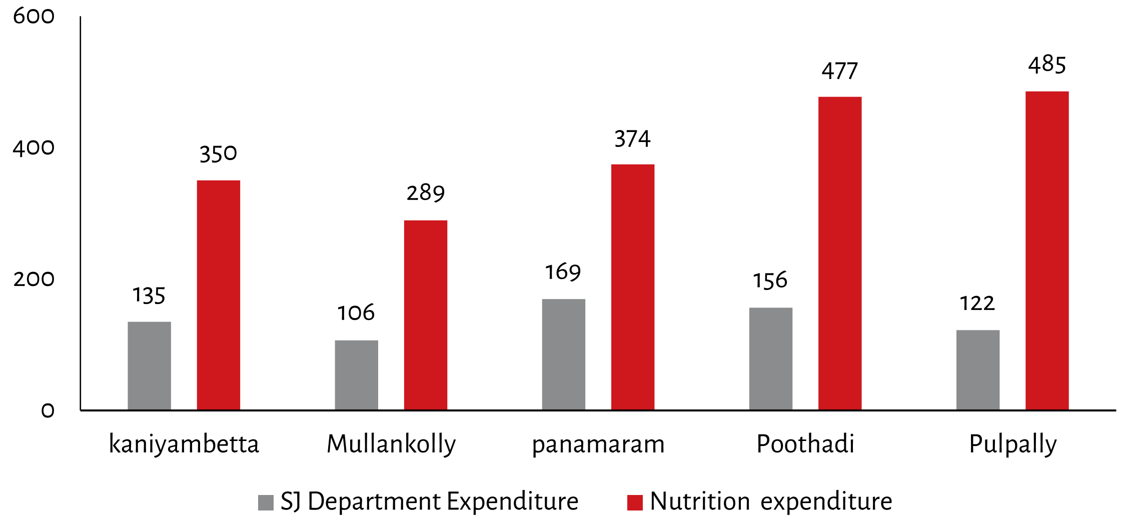
- Line department expenditure on SNP accounts for 35 per cent of all nutrition expenditure within the Pazhayannur block in Thrissur.

Figure 46: Nutrition and Anganwadis – Budget Envelope – Thrissur



- Similarly, ICDS Society expenditure on nutrition accounts for only 26 per cent in Panamaram block in Wayanad. The major chunk of nutrition expenditure is footed by the PRIs.

Figure 47: Nutrition and Anganwadis – Budget Envelope – Wayanad

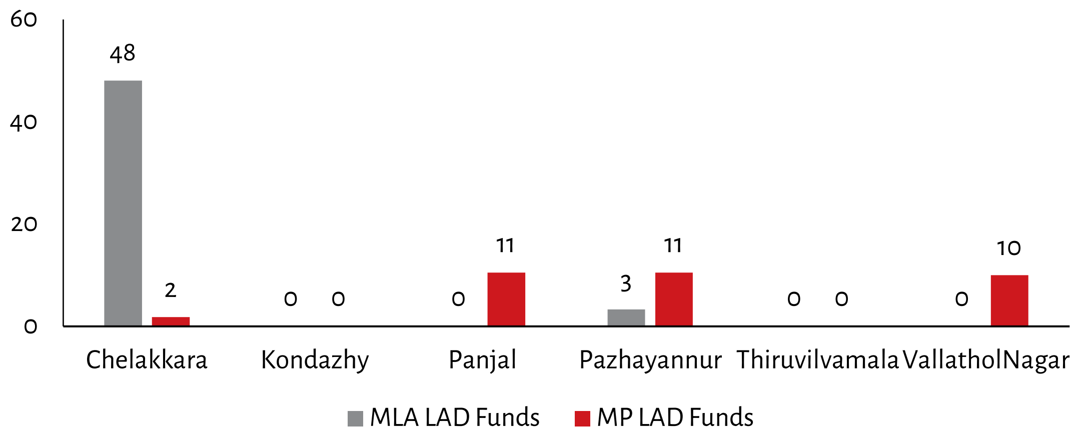


Local Area Development Scheme (LADS)

This scheme allows Member of Parliament (MP) and Member of Legislative Assemblies (MLA) to undertake developmental activities in their constituencies. The activities undertaken through these funds fall within the functional ambit of the PRIs. Hence, we have collected data on funds spent on developmental activities through MPLAD and MLALAD funds in Thrissur and Wayanad. The constituencies of MPs and MLAs do not overlap with the GP area. As a result, we have only considered funds spent on developmental activities within our sample Panchayats and not the entire amount. Moreover, several activities that were approved at the beginning of the financial year have either not been completed or been discontinued due to various reasons. Therefore, we have only considered funds spent on completed works as of March 2017.

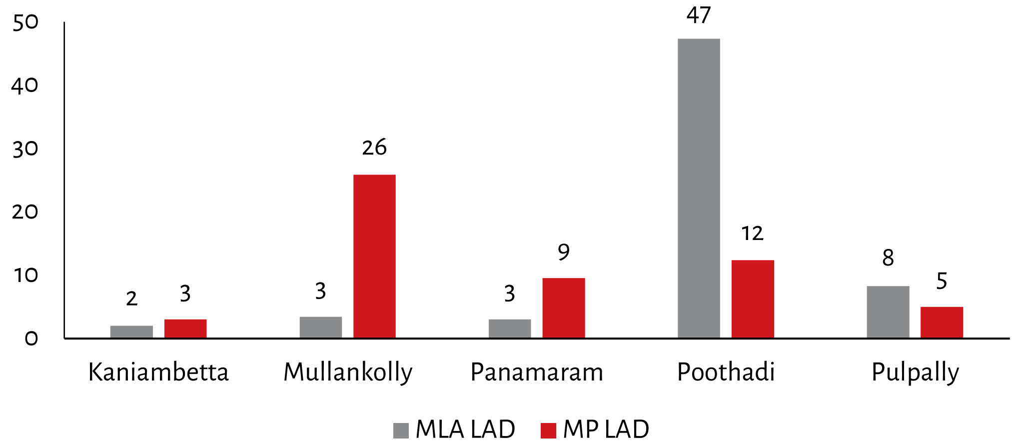
- A total of ₹51.3 lakh and ₹32.7 lakh were spent in Pazhayannur block in Thrissur from the MLALAD and MPLAD fund, respectively. 94 per cent of MLALAD funds were spent in Chelakkara GP. The GP-wise expenditure on MPLAD and MLALAD funds for Pazhayannur block in Thrissur is provided below.

Figure 48: Local Area Development Funds – Budget Envelope – Thrissur



- A total of ₹64 lakh and ₹56 lakh were spent in Panamaram block in Wayanad from the MLALAD and MPLAD funds, respectively. The figure below shows GP-wise funds spent in Panamaram block.

Figure 49: Local Area Development Funds – Budget Envelope – Wayanad



Appendix 3: Sector-wise Expenditure Analysis for Gram Panchayats

This section takes a deep-dive into sector-wise voucher level expenditure of the GPs. The sectors covered are the productive sector, services sector, social welfare and social security, and infrastructure section.

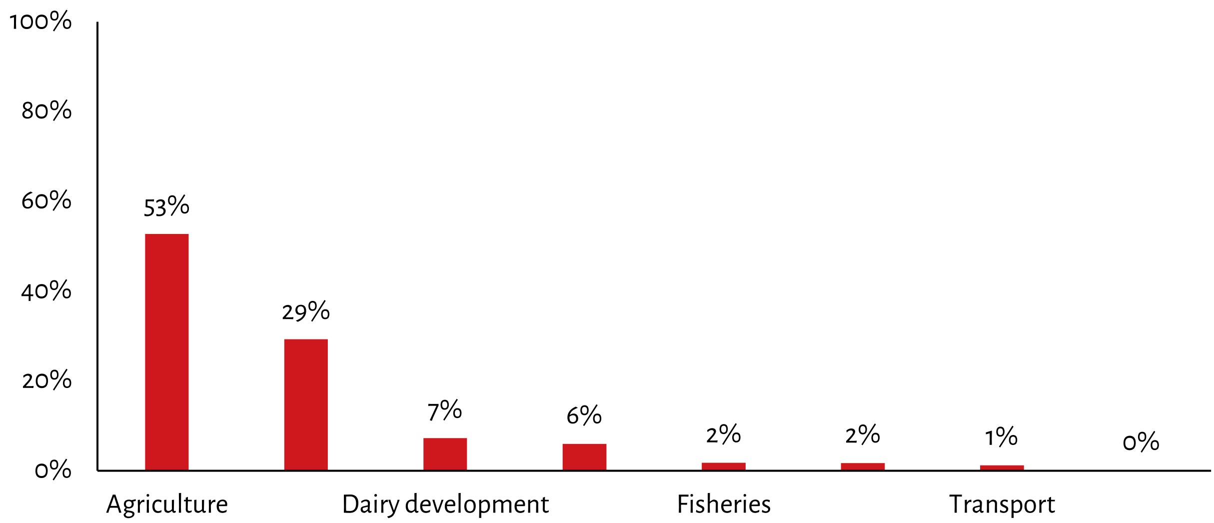
Productive Sector

Subjects transferred to GPs in the Productive sector are as follows:

1. Agriculture including agriculture extension
2. Soil conservation
3. Minor irrigation, water management and watershed development
4. Animal Husbandry - Dairy development and Poultry
5. Fisheries
6. Social Forestry and Farm Forestry
7. Small Scale industries ,including food processing industry

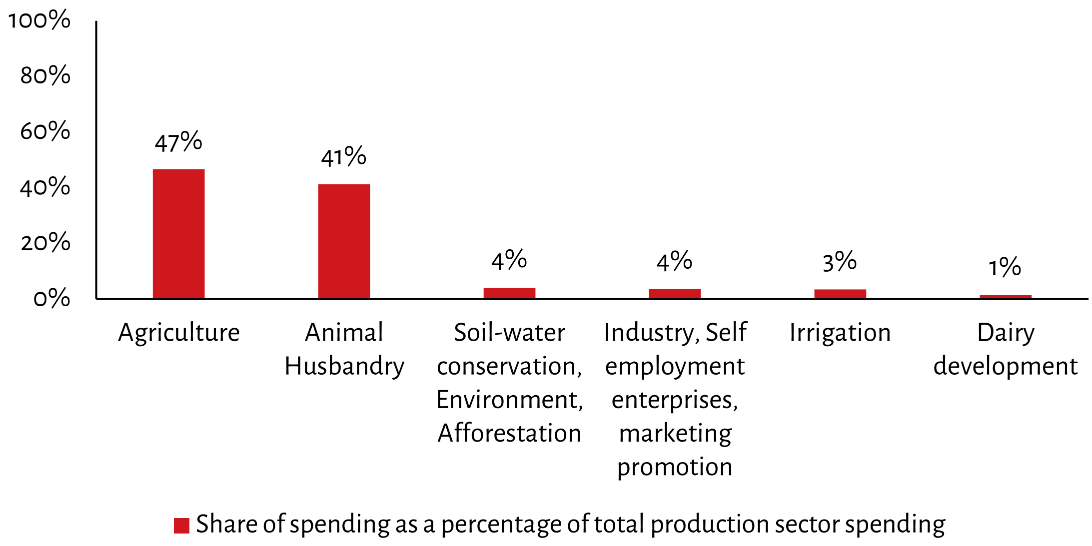
A break-up of the productive sector expenditure in the sample Panchayats in Pazhayannur Block, Thrissur district is presented in the figure below.

Figure 50: Share of spending as a percentage of total production sector spending - Pazhayannur Block



- As evident from the graph above, in FY 2015-16, 53 per cent of all productive sector expenditure is on Agriculture. Animal Husbandry - which includes Poultry and Dairy Development - make up for 29 per cent and 7 per cent of productive sector expenditure in Pazhayannur BP, respectively.

Figure 51: Share of spending as a percentage of total production sector spending - Panamaram Block

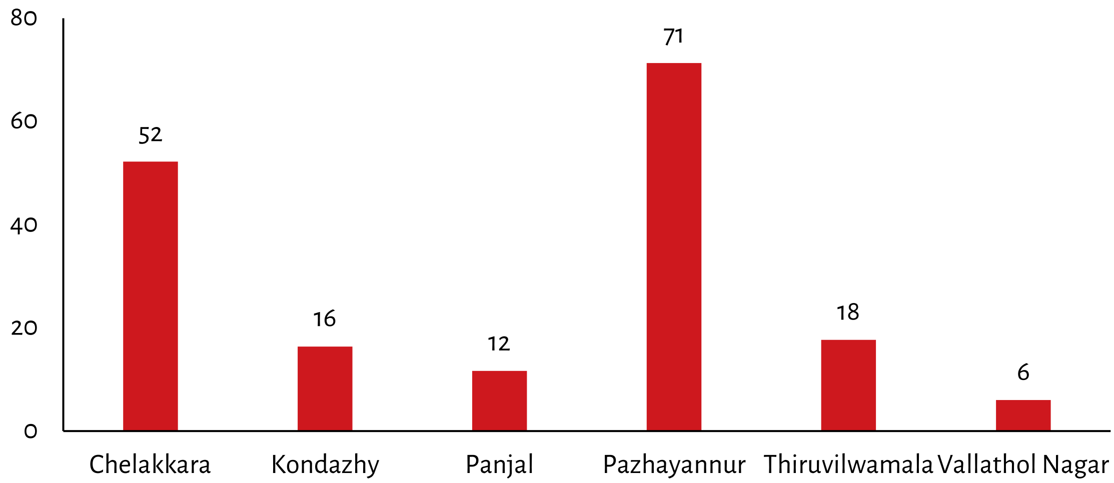


- In Panamaram block in Wayanad, while agriculture continues to be the major category under productive sector spending with 47 per cent of total productive sector spending, Animal Husbandry is equally prominent-- it accounts for 41 per cent of total productive sector spending. Dairy development, in contrast, accounts for only 1 per cent of the productive sector spending.
- Soil and water conservation schemes and afforestation programmes in Panamaram block have a larger percentage of expenditure at 4 percent compared to less than 1 per cent in Thrissur. This reflects expenditure based on local needs since Wayanad has a hilly and forest terrain.

Deep dive into Agriculture Spending

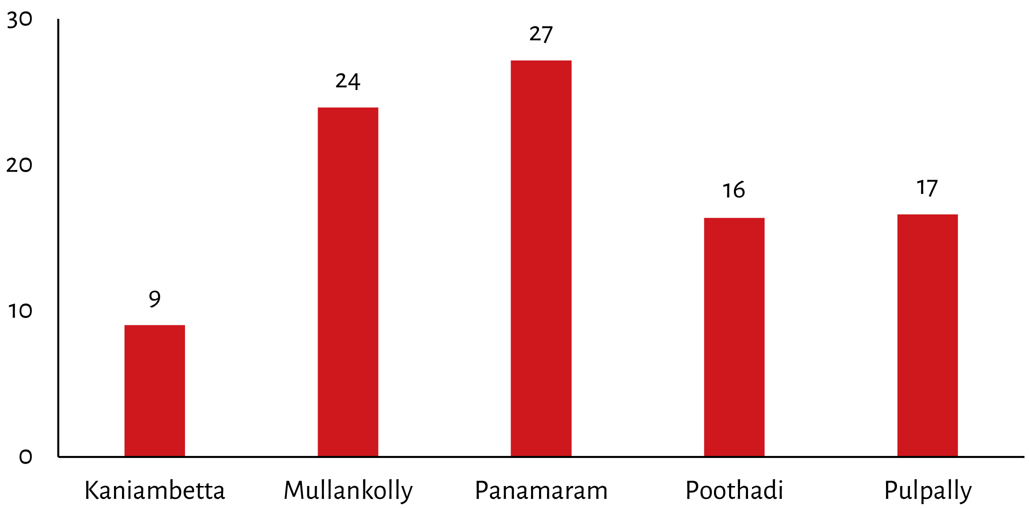
- In Pazhayannur block, GP development fund expenditure on agriculture is the highest in Pazhayannur GP at ₹71.33 lakh. Chelakkara comes second with an expenditure of ₹52.21 lakh in FY 2015-16. The other 4 GPs have an expenditure of less than 20 lakhs on agriculture, with Vallathol Nagar GP's expenditure being particularly low at ₹5.98 lakh.

Figure 52: GP-wise spending on Agriculture in Pazhayannur BP



- Similarly, in Panamaram BP in Wayanad, GP development fund expenditure on agriculture is the highest in Panamaram GP at ₹27.13 lakh. Agriculture expenditure in Mullankolly GP comes a close second with ₹23.9 lakh.

Figure 53: GP-wise agriculture spending in Panamaram Block

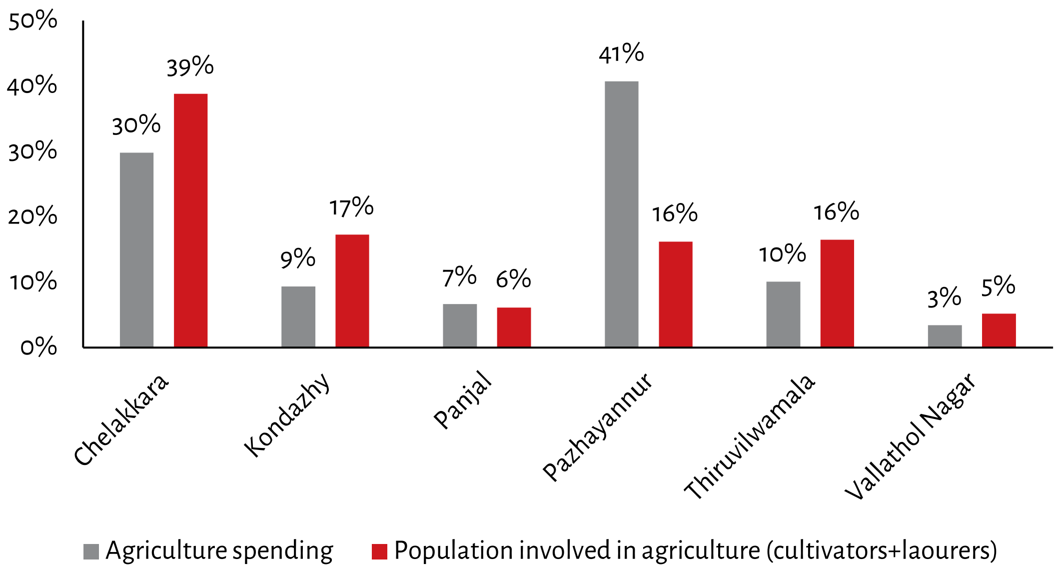


- The next figure presents a comparison of GP level spending on agriculture vis-à-vis the agriculture population concentration in each GP. The agriculture population includes cultivators as well as agricultural labourers at the GP level as given in Census 2011.
- Chelakkara GP has the highest percentage of agricultural population in the block. 39 per cent of all agricultural labourers and cultivators in Pazhayannur block are concentrated in Chelakkara. At the same time, Chelakkara GP accounts for 30 percent of the GP level agricultural spending in the entire block.
- Kondazhi, Pazhayannur and Thiruvilvamala GPs share an equal percentage of agricultural population at 17 per cent, 16 per cent and 16 per cent, respectively, of the agricultural population of the block. 41 per

cent of all agriculture spending in the block was concentrated in Pazhayannur GP in FY 2015-16 even though it accounts for only 16 percent of the agriculture population. This is 11 percentage points higher than Chelakkara GP's agriculture spending. Kondazhy and Thiruvilvamala, with an agricultural population similar to that of Pazhayannur GP, account for only 9 and 10 percent of the agricultural spending respectively.

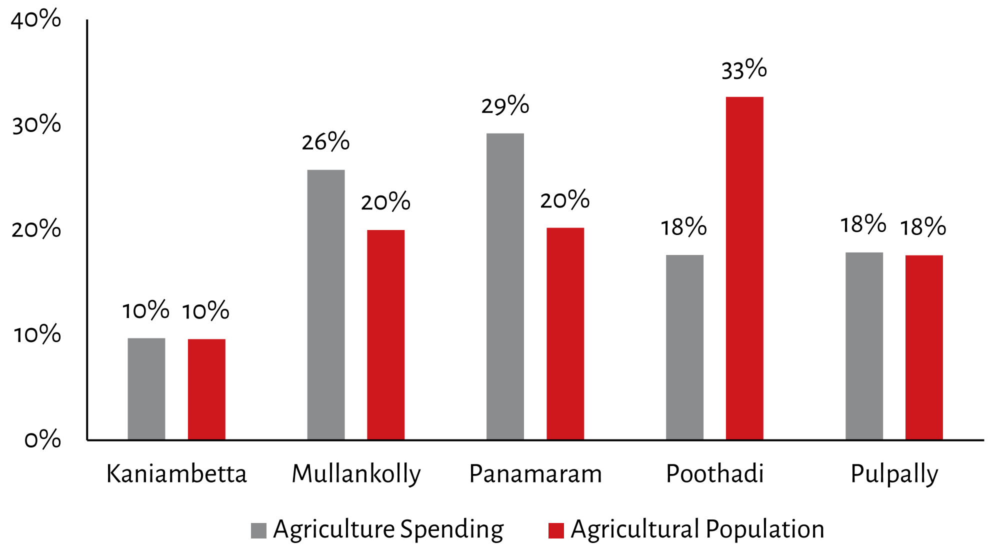
- Panjal and Vallathol Nagar GP - with an agricultural population of 6 per cent and 5 per cent account - for 7 per cent and 3 percent of total GP level agricultural spending in the block.

Figure 54: Pazhayannur GP with 16 per cent agricultural population has spent 41 per cent of agriculture expenditure in the block



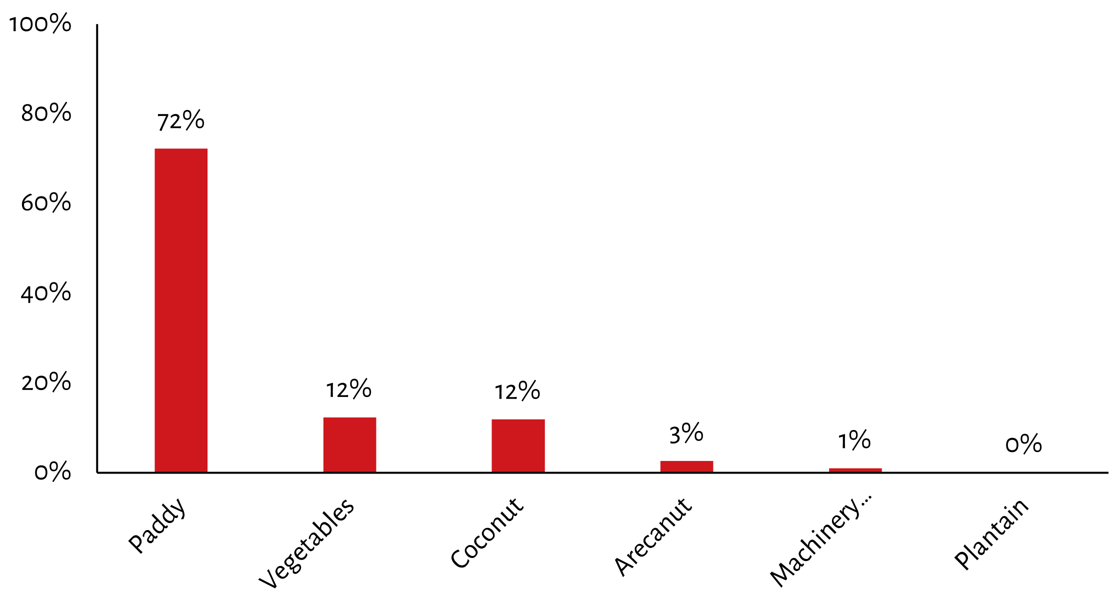
- A comparison of GP level agricultural spending with agricultural population in the sample block in Wayanad reveals an analogous trend. Poothadi GP has the highest agricultural population at 33 per cent. However, it accounts for only 18 per cent of agricultural spending in the block.
- On the other hand, Panamaram GP with a 20 per cent share of the agriculture population in the block accounts for 29 per cent of all agriculture spending in the block. Similarly, Mullankolly GP which also has a 20 per cent share of the agriculture population of the block accounts for 26 per cent of agriculture spending.

Figure 55: Panamaram GP with only 20 per cent agricultural population accounts for 29 per cent of agricultural spending in the block



- 72 per cent of GP level agricultural spending in Pazhayannur block is on paddy cultivation. The expenditure covers costs for distribution of seeds, manure and subsidising labour charges.
- The second major agricultural spending is on vegetable promotion. This includes expenditure for distribution of grow-bags to households in order to promote homestead farming, which is a new initiative of the Kerala state.

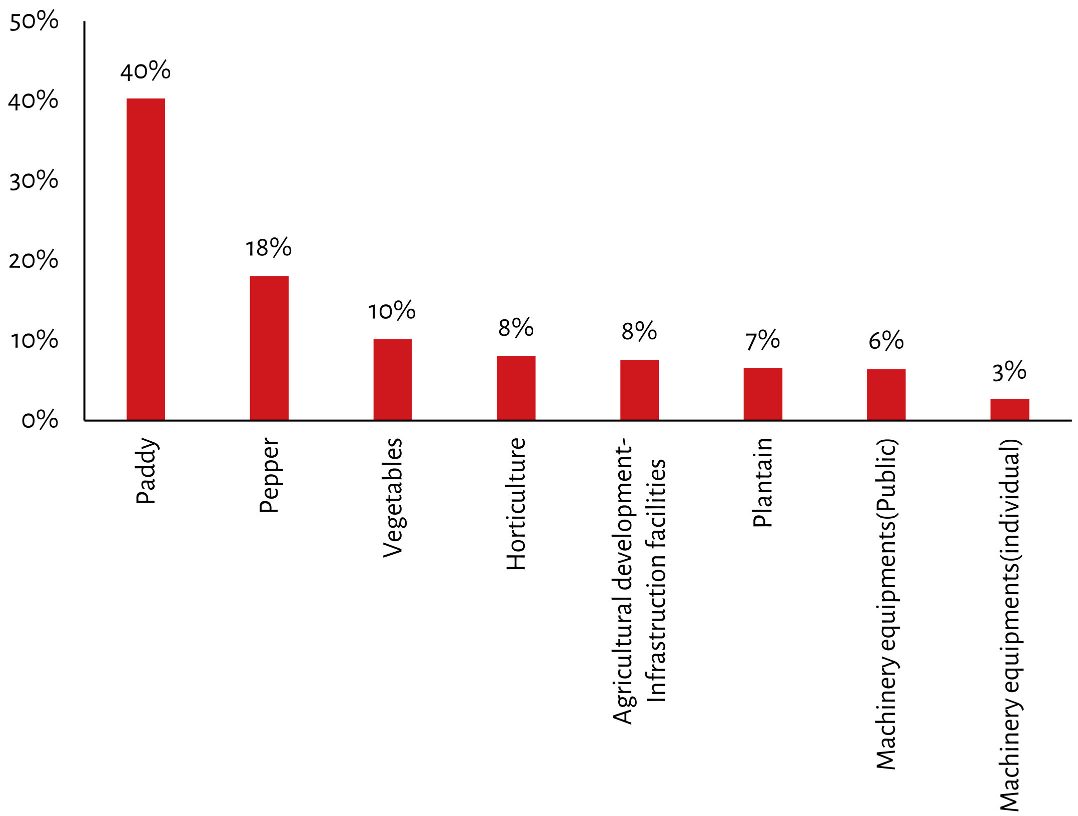
Figure 56: 72 per cent of agriculture spending at GP level is on Paddy cultivation



- Paddy cultivation accounts for the most funds in Panamaram block in Wayanad as well. However, it only accounts for 40 per cent of agriculture spending in the block, in contrast with the 72 per cent share of expenditure in Thrissur.

- Pepper cultivation is also an important area, accounting for 18 per cent of the total agriculture spending in Panamaram block.
- Vegetable cultivation and horticulture promotion receive a similar thrust with 10 per cent and 8 per cent of total agriculture spending, respectively.
- In contrast to Pazhayannur, Panamaram block also has recorded expenditure on farm mechanisation and infrastructure provision for agriculture. Together these account for 17 per cent of total agriculture spending.

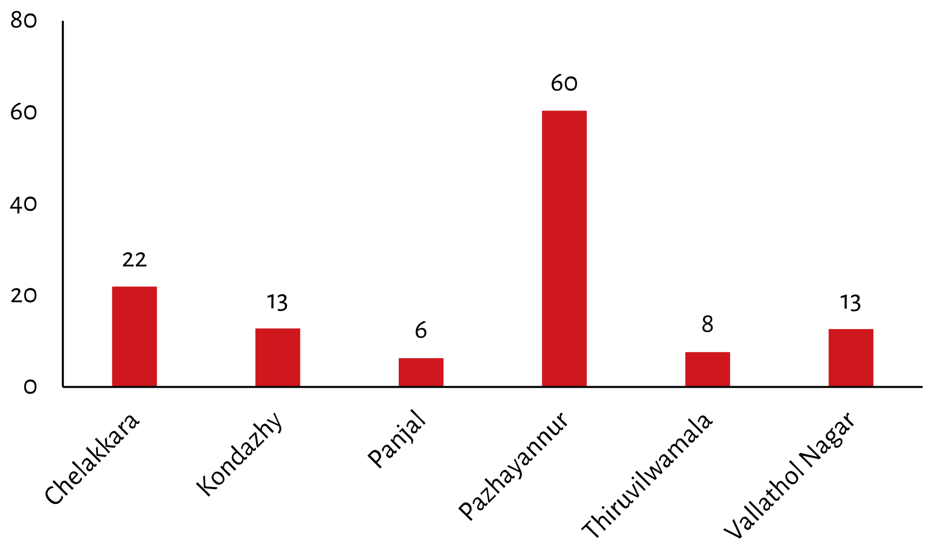
Figure 57: 40 per cent of agriculture spending is on paddy cultivation in Panamaram GP



Deep-dive into Animal Husbandry Spending

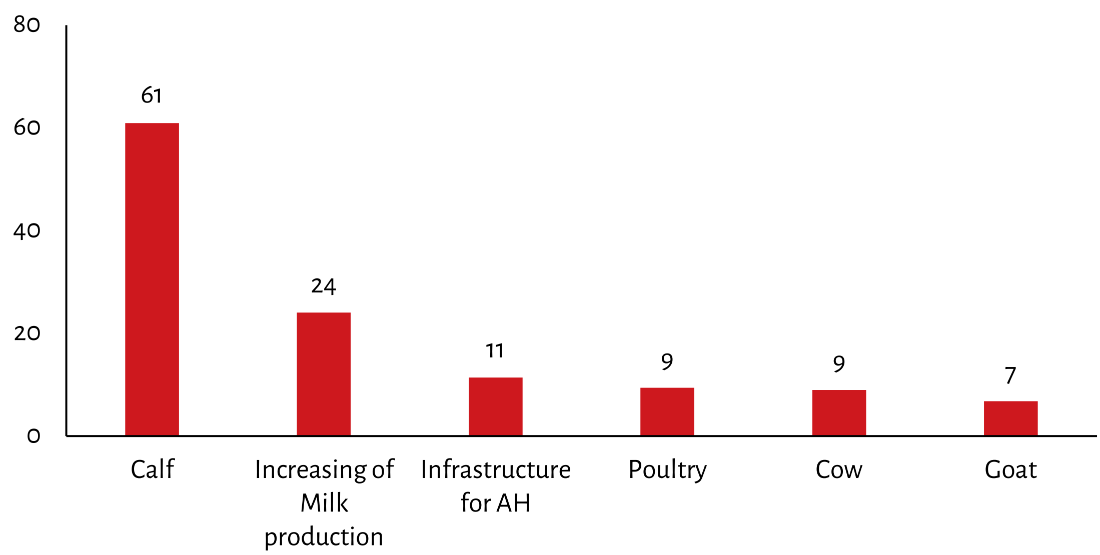
- Expenditure on animal husbandry and dairy development have been combined together for the analysis as there is considerable overlap in the schemes under the 2 categories.
- Pazhayannur GP has the highest expenditure on animal husbandry in the block; in FY 2015-16, Pazhayannur GP spent ₹60.29 lakh. This accounts for 50 per cent of all GP level expenditure on animal husbandry in Pazhayannur block.
- Chelakkara GP, which is similar in population size to Pazhayannur GP, however, had spent only ₹21.85 lakh in FY 2015-16 on animal husbandry. This accounts for only 18 per cent of the total GP level expenditure on animal husbandry in Pazhayannur block.

Figure 58: GP-wise Animal Husbandry Spending in Pazhayannur block



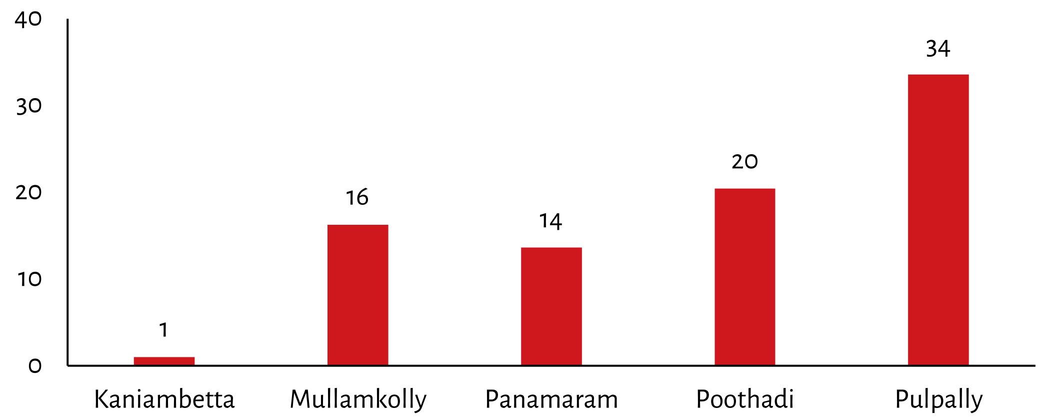
- Expenditure towards calves constitutes the biggest spending under animal husbandry. At ₹60.29 lakh, it accounts for 50 per cent of the animal husbandry expenditure. The voucher items categorised under 'Calf', 'Cow' and 'Increasing Milk Production' can be combined together since they overlap. As a result, the expenditure on these accounts for 77 per cent of all animal husbandry expenditure.
- Further, a breakdown of voucher level details under the 3 categories mentioned above reveals that 95 per cent of all expenditures on these is GP spending on cattle feed subsidy given to dairy farmers under the Special Livestock Breeding Programme (SLBP), a major state scheme.
- 9 per cent had been spent on infrastructure for animal husbandry. All of this money is spent on medicine purchase and maintenance of veterinary hospitals.

Figure 59: Major expenditure items under Animal Husbandry & Dairy - Pazhayannur Block



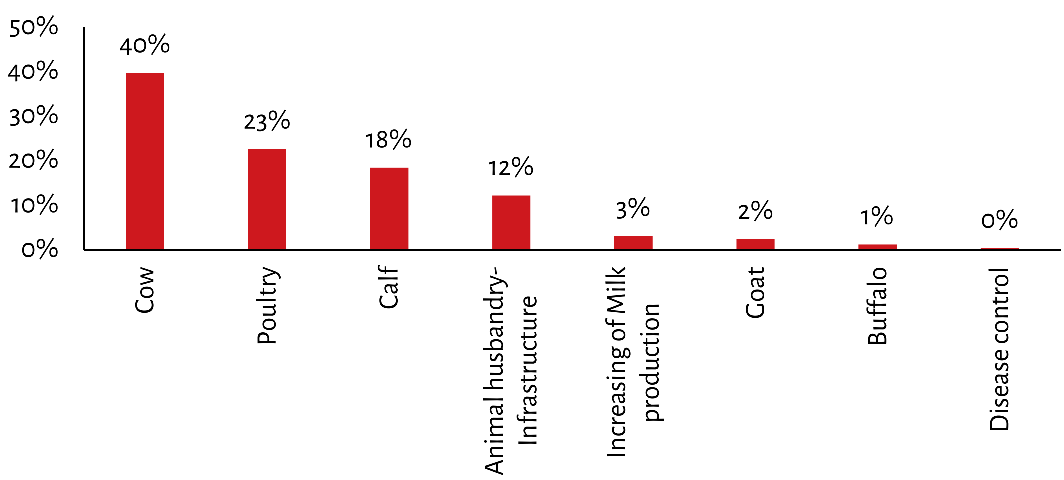
- In Panamaram block in Wayanad, Pulpally GP recorded the highest expenditure on animal husbandry at ₹33.56 lakh. This accounts for 40 per cent of all GP level animal husbandry expenditure in the sample block.

Figure 60: GP-wise Animal Husbandry Spending in Panamaram Block



- Of the various activities under animal husbandry, expenditure is the highest on dairy activities. Expenditure categorised under 'Cow', 'Calf', 'Buffalo' and 'Increasing Milk Production' can be grouped together for analysis since there is extensive overlap between these labels in Panamaram as well. As a result, the expenditure on dairy constitutes 62 per cent of all expenditure on animal husbandry activities in Panamaram block.
- Of the expenditure on dairy, 46 per cent of it goes towards the SLBP scheme. Other expenditure items include, construction of cattle shed and ksheera sagaram – the highly successful local milk production scheme that is being spearheaded by Kudumbashree.
- In Panamaram, the animal husbandry expenditure under the infrastructure category echoes that in Pazhayannur. It constitutes spending on purchase of medicines and maintenance of veterinary hospitals. At 12 per cent or ₹10.34 lakh, it is the third highest expenditure category.

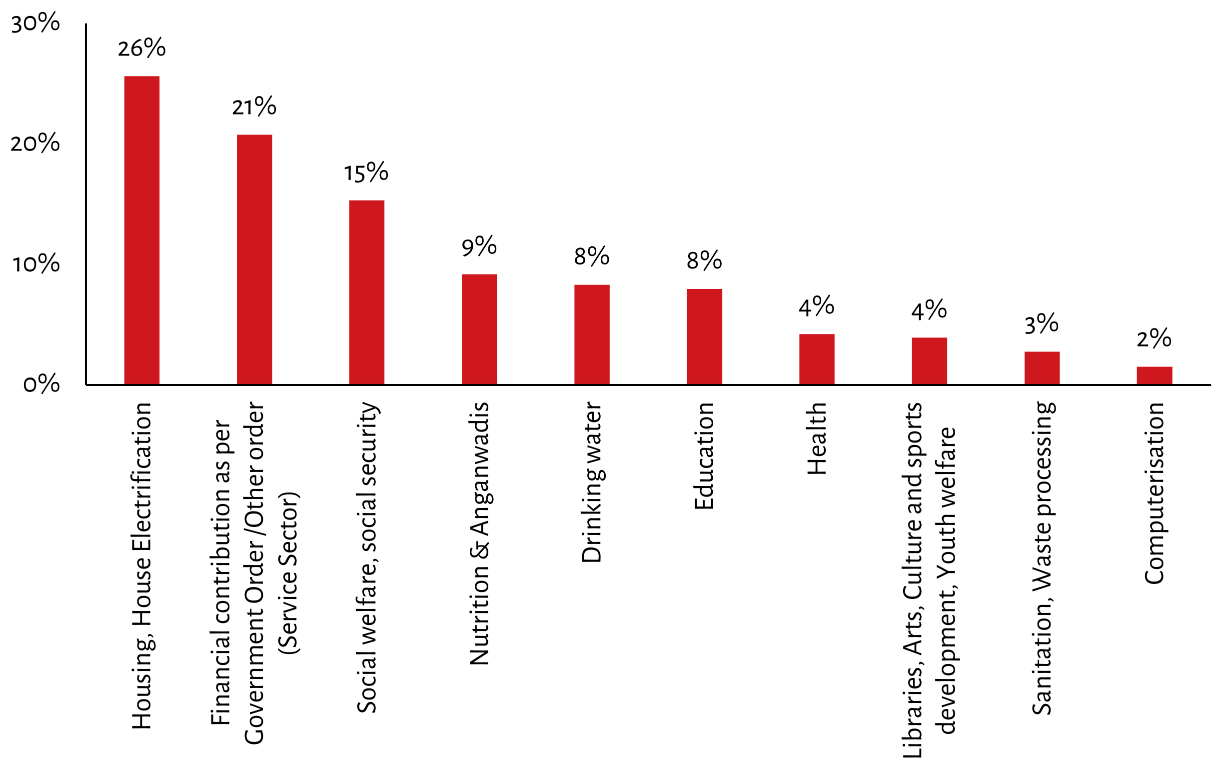
Figure 61: Major expenditure items under Animal Husbandry in Panamaram Block



Services Sector

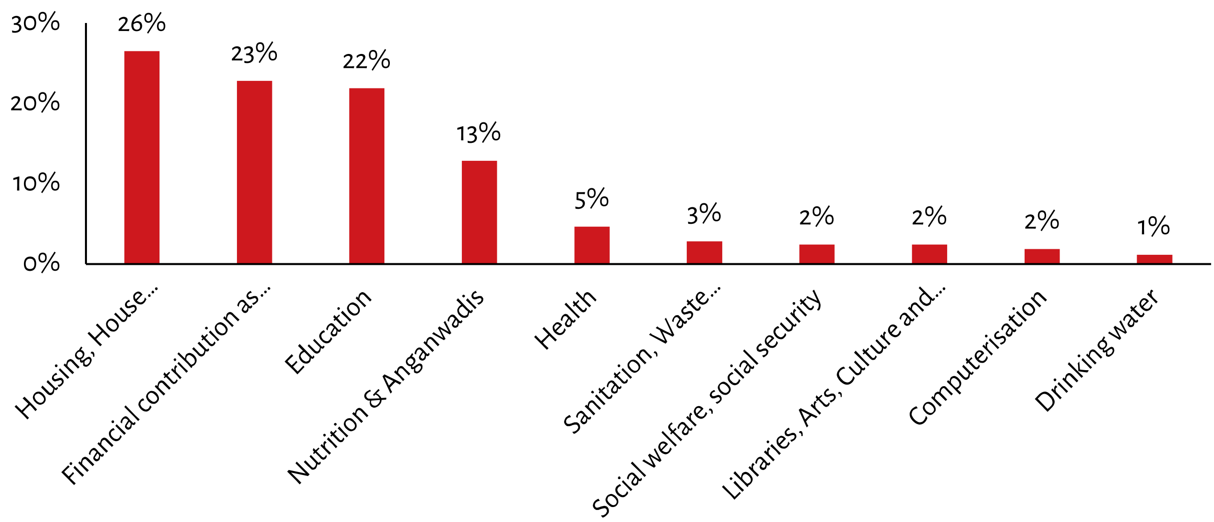
- This section delves into the trends in the Services sector expenditure in our sample Panchayats. At 44 per cent of all development fund expenditure in Pazhayannur block, and 52 per cent of all development expenditure in Panamaram, this sector presents the largest chunk of development fund expenditure of Panchayats.
- In Pazhayannur BP in Thrissur, a total of ₹2005.4 lakh was spent on the Services sector across GP, BP & DP levels in the FY 2015-16.
- A break-up of the category-wise expenditure in the sample Panchayats in Thrissur reveals that 26 per cent of Services sector expenditure across the three Panchayat levels was spent on Housing and House Electrification. 21 percent of funds are tagged under the category 'Financial Contribution as per government order'. This refers to government mandated Panchayat contribution to schemes devised by the state government or central schemes. A voucher level analysis of this category reveals that 99 per cent of all expenditure under 'Financial Contribution as per government order' also constitutes expenditure on housing. Thus, in effect, of the total services sector expenditure, 47 per cent is spent housing and house electrification.
- 15 percent of Services sector funds were spent on social welfare and social security, and 9 per cent on Nutrition and Anganwadis.
- PRI expenditure on education and health - under which major institutions have been transferred - are relatively low, at only 8 percent and 4 percent of service sector expenditure in Pazhayannur BP, respectively.

Figure 62: 26 per cent of all service sector expenditure in Pazhayannur Block is on housing



- In Panamaram block in Wayanad, a total sum of ₹2998.3 lakh was spent on the Services sector in FY 2015-16. This is almost ₹1000 lakh higher than the expenditure in Pazhayannur despite the 2 blocks having a similar population size. Of the total service sector expenditure, 26 percent of it was spent on housing and house electrification. 23 percent of funds were tagged under the 'Financial contribution as per government orders' category. Voucher level analysis reveals that 83 per cent of expenditure tagged under 'Financial Contribution as per government orders' is spent on housing. Thus, a total of 46 per cent of service sector expenditure was spent on housing.
- The second major expenditure in the Panamaram block was on education. Unlike in Pazhayannur in Thrissur, where only 8 per cent expenditure was recorded against Education, in Wayanad, 22 percent of Services sector expenditure was on Education.
- 13 per cent of the Services sector funds were spent on nutrition and Angawadis, and 5 per cent on health.

Figure 63: 26 per cent of all service sector expenditure in Panamaram block is on housing

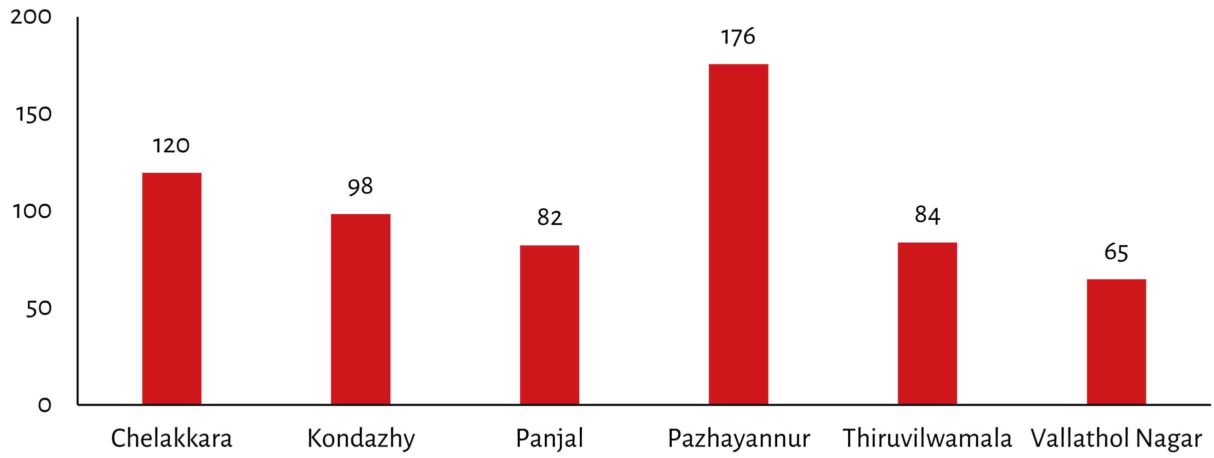


Deep-dive into Housing and House Electrification

Pazhayannur

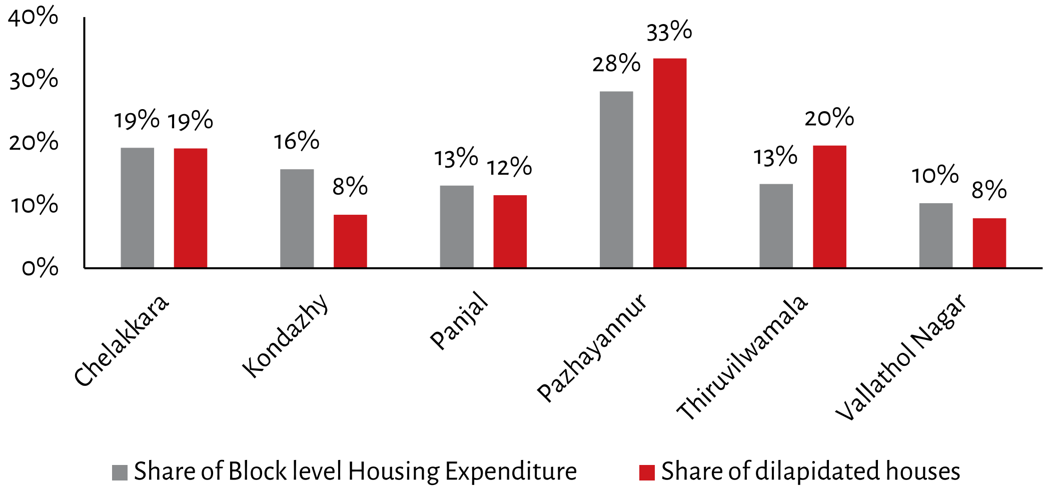
- For the voucher level analysis of Housing and House Electrification expenditure, we have taken all spending under the category of both Housing and House electrification as well as housing expenditure under 'Financial Contribution as per government orders'.
- In Pazhayannur block, Pazhayannur GP had the most spending on housing at ₹175.71 lakh. This is nearly 32 per cent more than the next highest GP expenditure which is in Chelakkara GP, at ₹119.59 lakh.
- Vallathol Nagar recorded the lowest GP expenditure on housing at ₹64.63 lakh.
- In addition to this, Pazhayannur BP spent a sum of ₹247.9 lakh at block Panchayat contribution to Housing schemes in the FY 2015-16.

Figure 64: Pazhayannur GP records highest housing expenditure at ₹175.5 lakh



- The next figure gives a comparison of GP level share of block housing expenditure vis-à-vis each GP's share of dilapidated houses in the block. Census 2011 data has been used for village level numbers of dilapidated houses, which has been aggregated together to form GP wise numbers of dilapidated houses.
- GP wise housing expenditure closely reflects housing needs estimated through the number of dilapidated houses. Pazhayannur GP has the highest share of dilapidated houses in the block at 33 per cent. Consequently, Pazhayannur GP also accounts for the largest share of housing expenditure at 28 per cent. Similarly, Chelakkara, Panjal and ValladholNagar GP's housing expenditure also closely reflects housing needs.
- Kondazhy GP, however, has only an 8 per cent share of dilapidated houses in the block. However, it accounts for 16 per cent of housing expenditure. On the other hand, Thiruvilwamala GP accounts for 20 percent of dilapidated houses in the block but accounts for only 13 per cent share of housing expenditure in the block.

Figure 65: GP-wise Housing Expenditure closely reflects housing need

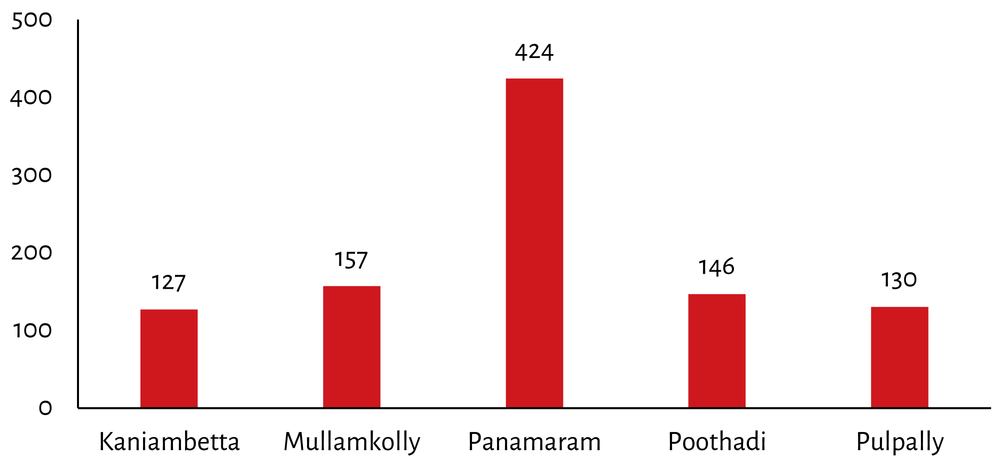


- All expenditure on Housing almost entirely consists of expenditure on CSS and state schemes. PRI contribution to CSS or state housing schemes accounts for 87 per cent of total housing expenditure.
- Furthermore, most of the contribution is towards the erstwhile Indira Awaas Yojana – a CSS scheme. 55 per cent of housing expenditure is PRI contribution to IAY and 32 per cent is towards state formulated housing schemes – primarily the EMS housing scheme.

Panamaram

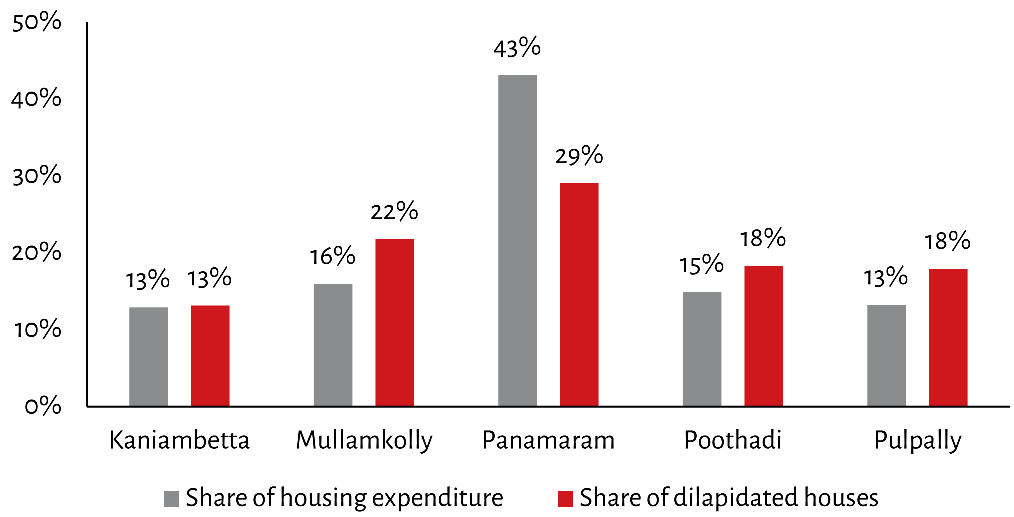
- Combined expenditure of all the GPs in Panamaram block in Wayanad amounts to ₹984 lakh. Of this, Panamaram GP alone accounts for ₹424.13 lakh or 43 per cent of all GP wise housing expenditure in the block.
- This is followed by Mullankolly and Poothadi GPs, which spent ₹156.67 lakh and ₹146.43 lakh respectively. Kaniyambettta GP spent the lowest at ₹126.72 lakh.
- In addition, Panamaram BP spent a sum of ₹258.3 lakh as block Panchayat contribution to housing expenditure. District Panchayat did not record any expenditure on housing.

Figure 66: Panamaram GP spent 43 per cent of housing expenditure in the block



- An analysis of GP wise housing expenditure vis-à-vis housing needs estimated through share of dilapidated houses reveals that Panamaram GP accounts for a disproportionately large share of housing expenditure. While Panamaram GP had a 29 per cent share of dilapidated houses, it accounted for 43 per cent of housing expenditure in the block.
- As a result, 3 other GPs, Mullankolly, Poothadi and Pulpalli account for lower housing expenditure share. Mullankolly accounted for 22 per cent share of dilapidated houses in the block, but only has a 16 per cent housing expenditure share. Similarly, Pulpally accounted for 18 per cent share of dilapidated houses in the block but only spent 13 per cent of housing expenditure in the block.
- Kaniayambetta and Poothadi GPs had fared better with their housing expenditure closely reflecting housing need.

Figure 67: Panamaram GP accounts for a disproportionately large share of housing expenditure in the block



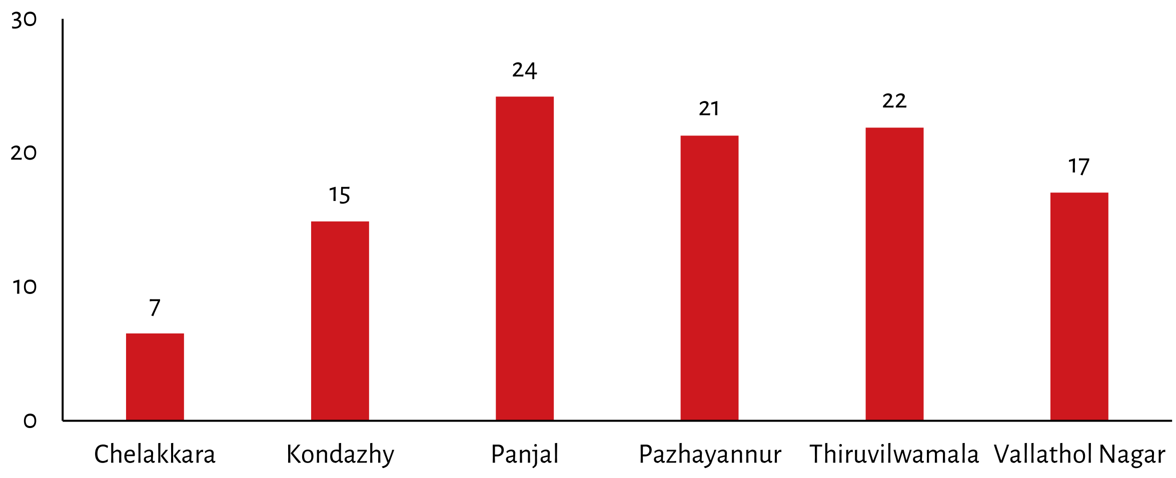
- 74 per cent of housing expenditure in Panamaram block is constituted by expenditure on CSS and state schemes. While CSS schemes once again form the largest chunk with 53 per cent being spent on it, state formulated schemes account for 21 per cent of housing expenditure.
- The other 36 per cent of housing expenditure is spent on a miscellany of Panchayat level schemes on land purchase for house construction, house maintenance or reconstruction and wiring and electrification of houses.

Deep-dive into Education

Pazhayannur

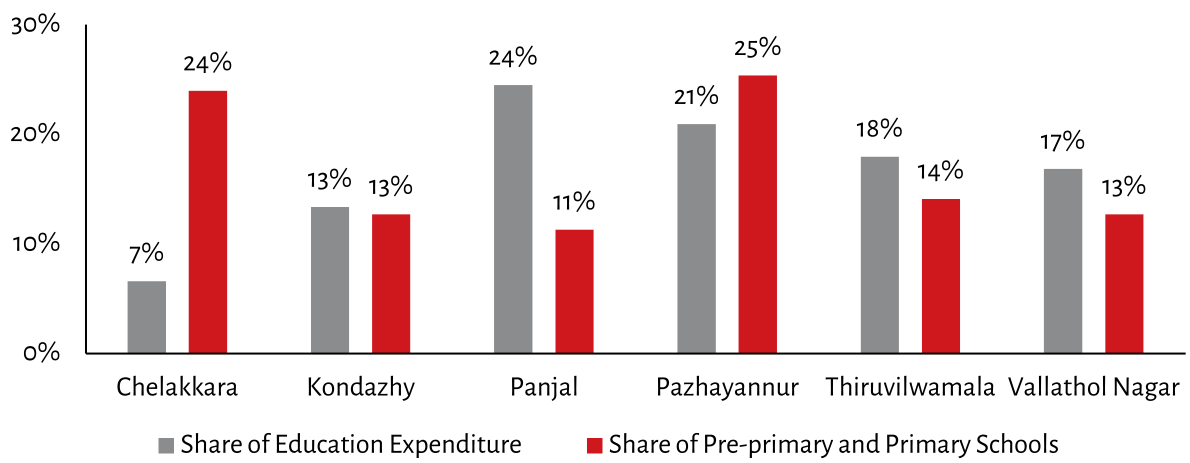
- Expenditure on primary, secondary, higher secondary, vocational education as well as continuing literacy have been combined together for the analysis on Education expenditure. In Pazhayannur block in FY 2015-16, this amounted to a total sum of ₹159.3 lakh combining GP, BP and DP expenditure. This constitutes only 8 per cent of total service sector expenditure in Pazhayannur block.
- Within the Pazhayannur block, Panjal GP accounted for the most education expenditure at ₹24.18 lakh. Thiruvilvamala GP and Pazhayannur GP spent ₹21.86 lakh and ₹21.27 lakh, respectively.
- Kondazhy GP and Chelakkara GP occupied the lower end of the spending spectrum with an expenditure of ₹14.87 lakh and ₹6.50 lakh, respectively.
- Pazhayannur block Panchayat, though not burdened with managing schools, also incurs expenditure on education. In FY 2015-16 Pazhayannur block Panchayat spent a sum of ₹5.8 lakh on continuing education and other education related activities.
- District Panchayat has been charged with managing secondary and higher secondary schools, as well as vocational higher secondary schools. In FY 2015-16, Thrissur District Panchayat spent a sum of ₹47.29 lakh in Pazhayannur block. This constitutes 30 per cent of PRI expenditure on education in Pazhayannur block.

Figure 68: Panjal GP accounted for the maximum GP level Education expenditure in Pazhayannur Block



- The figure below gives an estimation of GP-wise need in the education sector based on the number of pre-primary and primary schools in each GP. The GP level education expenditure is then compared against the need. Since GP functions in education is primarily management of pre-primary and primary schools, the share of government pre-primary and primary schools in each GP serves as a good indicator of 'need'.
- The analysis below reveals mixed findings. While Pazhayannur GP and Chelakkara GP have the highest share of pre-primary and primary schools at 25 per cent and 24 per cent, respectively, the share of their expenditure on education varied widely. Pazhayannur GP accounted for 21 per cent of education expenditure in Pazhayannur block. However, Chelakkara GP with a similar share of schools, accounted for a much lower 7 per cent share in education expenditure in the block.
- On the other hand, Panjal GP, Thiruvilvamala GP, and Vallathol Nagar GP accounted for a larger share of education expenditure vis-à-vis their need based on the share of pre-primary and primary schools.

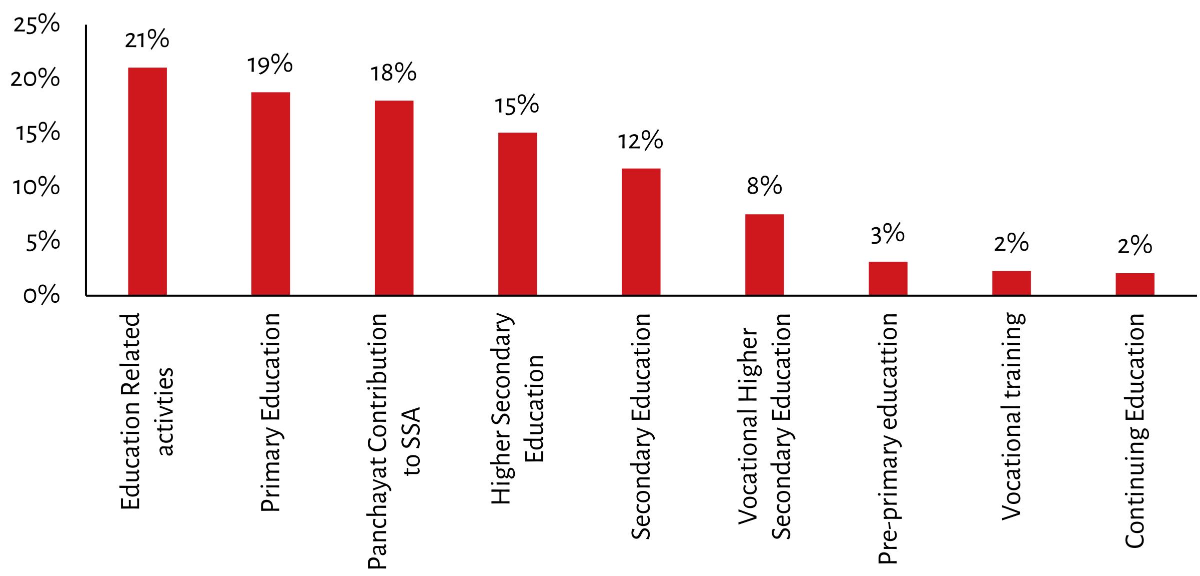
Figure 69: GP Expenditure on education vis-a-vis need



- Education expenditure is recorded across several major activities. The category of 'Education Related Activities' accounts for the maximum expenditure at 21 per cent of all PRI education expenditure. This category includes a miscellany of expenses such as provision of uniforms, laptops and bicycles to students in need. These schemes are formulated by the PRIs.

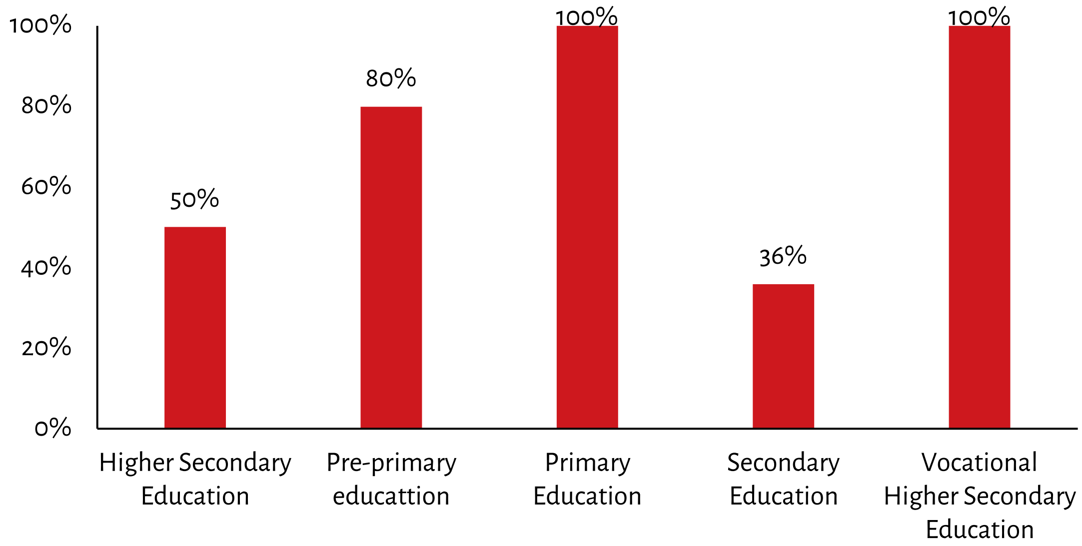
- Panchayat contribution to Sarva Shiksha Abhiyan (SSA) accounts for 18 per cent of all PRI education expenditure in the block. Overall, 20 per cent of PRI education expenditure in FY 2015-16 in Pazhayannur block was towards contribution to state or CSS schemes.
- Primary education, higher secondary, secondary and vocational higher secondary education account for a combined 54 per cent of all PRI expenditure.

Figure 70: Major expenditure items under education spending in Pahayannur Block



- As discussed earlier, schools have been transferred to Panchayats and management of school institutions is a major Panchayat function. Hence, expenditure on maintenance and upkeep of schools is a primary Panchayat expenditure. According to the SFC rules and guidelines, maintenance funds are to be utilised for the purpose of maintenance of all transferred institutions. However, as we saw in chapter 2, maintenance funds transferred to Panchayats have not kept pace with the rising cost of maintenance needs. As a result, Panchayats have been increasingly using Development Funds for the purpose of maintenance and regular upkeep of transferred institutions.
- The graph below shows the percentage of funds of each of the categories of primary, secondary, higher secondary and vocational higher secondary that have been spent on maintenance of schools. 40 per cent of all PRI education expenditure in Pazhayannur block was spent on maintenance of schools in the FY 2015-16.

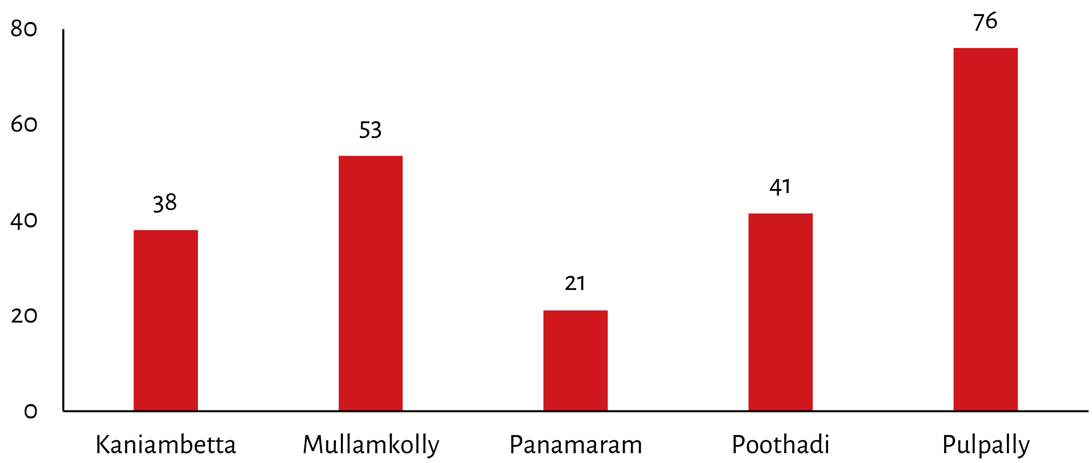
Figure 71: Maintenance expenditure as a percentage of total education expenditure



Panamaram

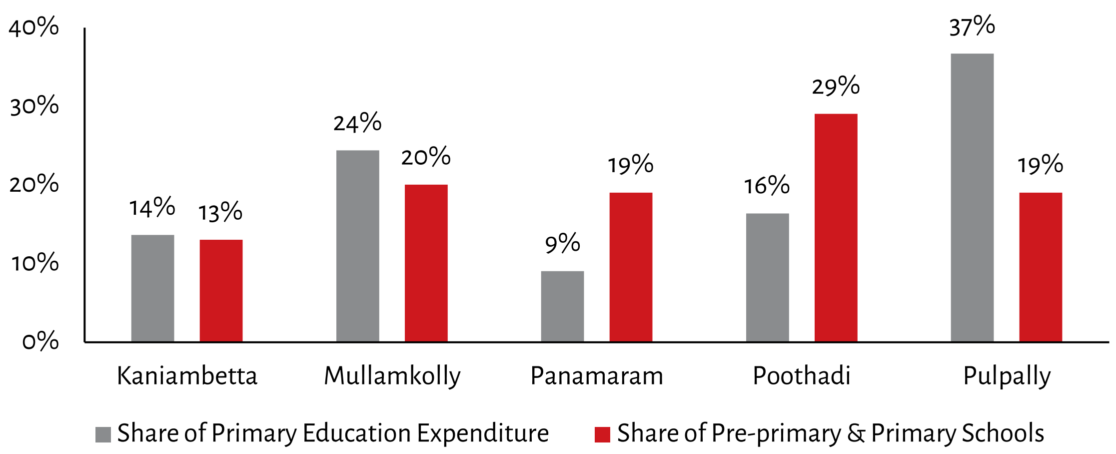
- In FY 2015-16, the combined expenditure on Education, Vocational Education and Continuing Education categories across GP, BP, & DP in Panamaram block stood at ₹655.3 lakh. The absolute expenditure is 4 times more than the education expenditure in Pazhayannur block in Thrissur.
- Within the Panamaram block, a comparison of the GP-wise expenditures reveals that Pulpally GP recorded the highest expenditure at ₹76.04 lakh. Mullankolly GP and Poothadi GP spent ₹53.47 lakh and ₹41.42 lakh, respectively.
- Panamaram GP, recorded the lowest education expenditure at ₹21.10 lakh, much lower than the education expenditure recorded by other GPs.
- Panamaram BP spent a sum of ₹26.9 lakh on Education Related Activities in the FY 2015-16. In addition, Wayanad District Panchayat spent a sum of ₹398.5 lakh on schools in Panamaram block. This constitutes 61 per cent of all PRI education expenditure in Panamaram block in FY 2015-16.

Figure 72: Pulpally GP recorded the highest education expenditure in Panamaram Block



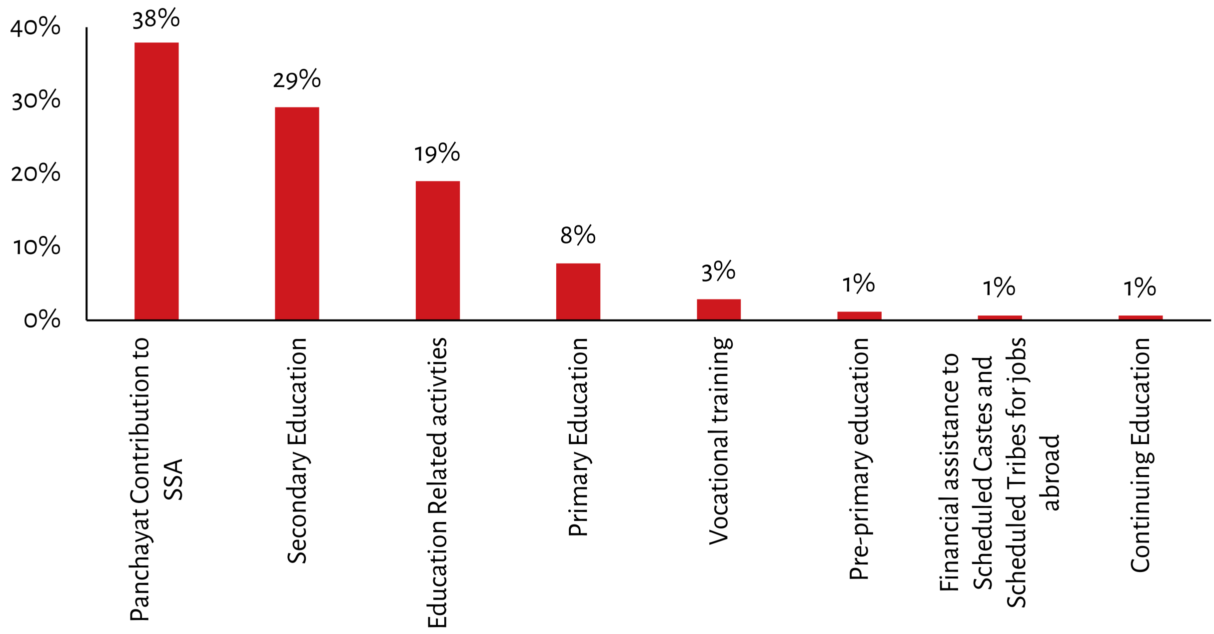
- The next figure presents a comparison of the GP-wise expenditure on primary and pre-primary schools vis-à-vis each GP's share of primary and pre-primary schools. Pulpally GP which recorded the highest GP level expenditure in the block, accounts for 37 per cent of the education expenditure. However, such a large share of expenditure is not reflective of need, since Pulpally GP had only 19 per cent share of pre-primary and primary schools.
- Similarly, Mullankolly GP with a 20 per cent share of pre-primary and primary schools, accounted for 24 per cent share of expenditure. On the other hand, Poothadi GP and Panamaram GP which had a 29 per cent and 19 per cent share of pre-primary and primary schools accounted for only 16 per cent and 9 per cent share of GP expenditure on education in Panamaram block, respectively.

Figure 73: Pulpally GP accounts for 37 per cent of Primary Education Expenditure in Panamram Block



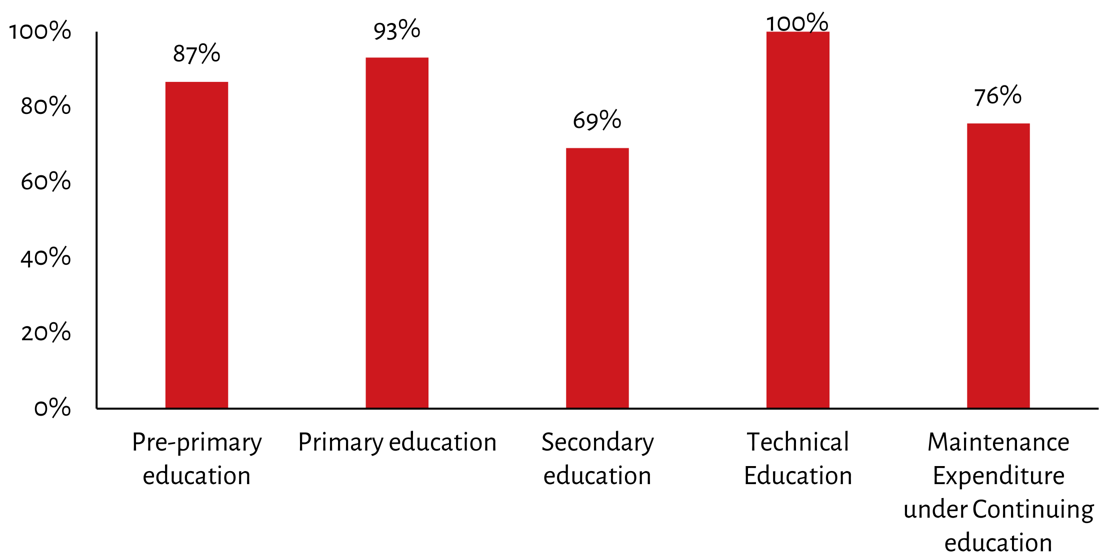
- Expenditure on education includes several categories. The major expenses are towards PRI contribution to SSA, Education related activities, primary, secondary and pre-primary education and Continuing education.
- PRI contribution to SSA was the biggest expense in FY 2015-16 accounting for 38 per cent of all PRI education expenditure in Panamaram block. 58 per cent of all PRI education expenditure in Panamaram block in Wayanad was on CSS schemes. This consisted of PRI contributions towards both SSA and RMSA.
- Expenditure on secondary, primary, pre-primary and vocational training combined accounted for 41 per cent of education expenditure in Panamaram.
- While higher secondary education accounted for 15 percent of education expenditure in Pazhayannur block in Thrissur, there was barely any expenditure against higher secondary education in Panamaram block. With 38 percent expenditure on SSA and 8 per cent expenditure on primary education, the focus in Panamaram block clearly appears to be on primary education.
- 19 per cent of education expenditure was spent on education related activities which included Panchayat formulated schemes for the provision of meals to students, bicycles, sports kits, uniforms and school bags to students.

Figure 74: PRI contribution to SSA accounts for 38 per cent of all education expenditure in Panamaram Block



- Further, 29 per cent of all PRI education expenditure was on maintenance and regular upkeep of schools. The graph below presents the composition of maintenance expenditure across different categories.

Figure 75: Maintenance Expenditure within Education Expenditure in Panamaram block



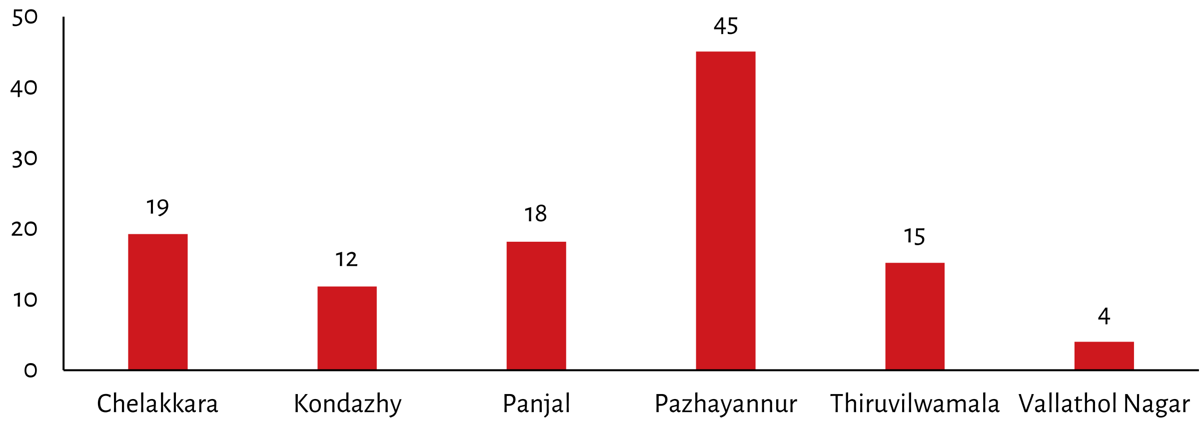
Deep-dive into Social Welfare and Social Security

Pazhayannur

- The expenditure of ₹306.7 lakh on social welfare and social security accounted for 15 per cent of all Services sector expenditure in Pazhayannur block in Thrissur in the FY 2015-16.
- Of this, ₹113.4 lakh were spent from GP funds, ₹13.8 lakh from BP funds and ₹179.45 lakh from DP funds.

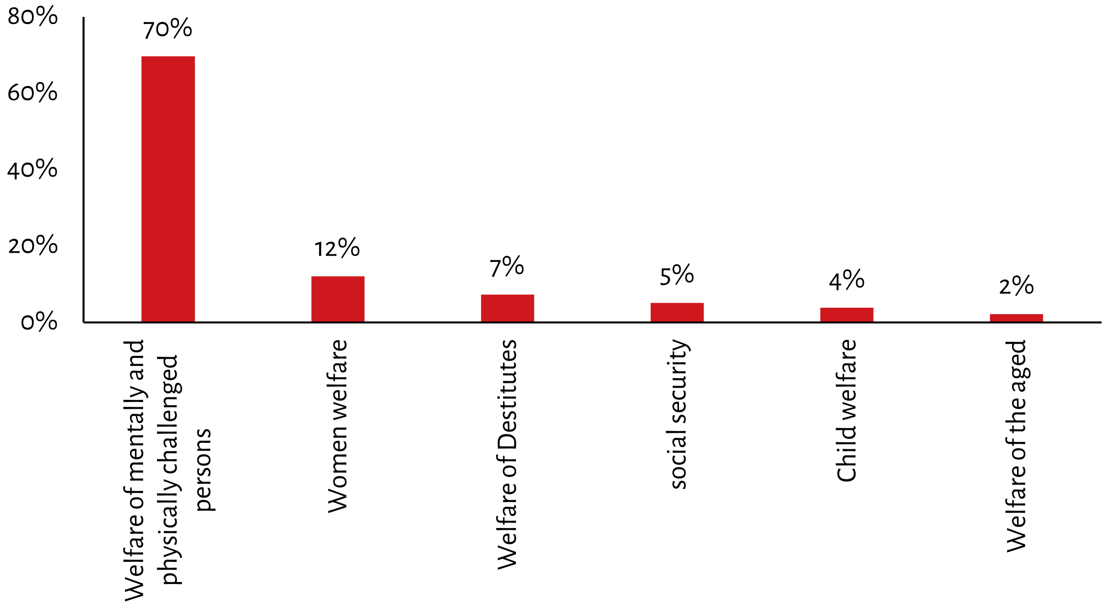
- Within the Pazhayannur block, Pazhayannur GP recorded the maximum expenditure on social welfare and social security at ₹45.03 lakh.
- Vallathol Nagar GP recorded the lowest social welfare expenditure at only ₹4 lakh. This is remarkably lower than the other GPs within the Pazhayannur block.
- Given the nature of expense under this category, it is not possible to accurately estimate GP wise need using indicato₹

Figure 76: Social welfare and social security expenditure



- The next figure presents the major expenses under the category of Social Welfare and Social Security. Welfare of the mentally and physically challenged persons accounts for a significant 70 per cent of all PRI expenditure on social welfare and social security. Nearly 91 per cent of expenditure on welfare of mentally and physically challenged persons comes from BP and DP funds. The expenditure in this category consists of Panchayat formulated schemes for the provision of tricycle, motorised vehicles for the different abled, and scholarships for the physically and mentally vulnerable students.
- Women's welfare constitutes the second highest expenditure category under social welfare. 12 per cent was spent by the PRI's on women welfare in Pazhayannur block. This was spent entirely by the GPs. The entire amount was spent on providing financial assistance to marriage of poor SC girls. The same scheme was implemented in 3 GPs in Pazhayannur.
- Welfare of destitute groups constitutes the next highest expenditure category with a 7 per cent share of social welfare expenditure. This amount was spent entirely by GPs. The funds were spent as a Panchayat contribution to the ASRAYA programme– an integrated programme targeting the food, shelter and medical needs of the most destitute populations of the state. Even though the scheme was envisioned at the state level, PRIs are entrusted with the responsibility of formulating local plans for this programme and implementing them.
- Social welfare and social security expenditure in the Pazhayannur block does not include any contribution to the implementation of CSS schemes. However, it overlaps with some state schemes such as financial assistance for the marriage of poor girls and assistance given to BUDS schools.

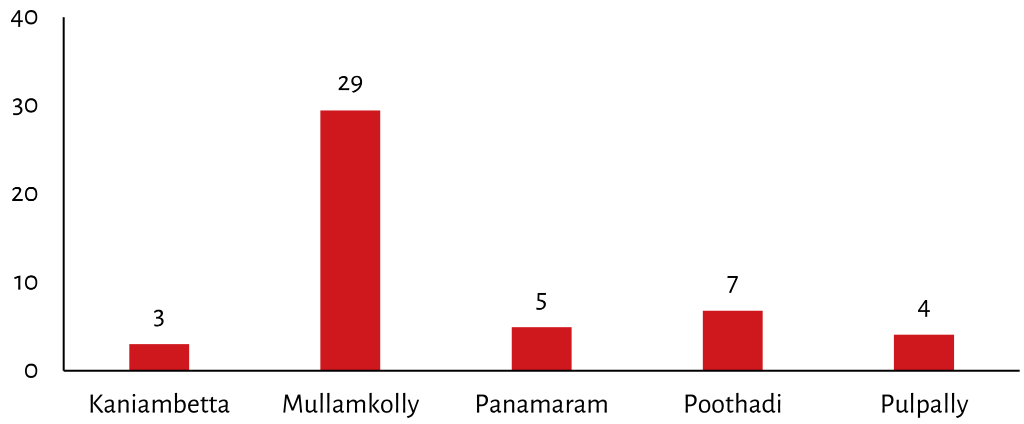
Figure 77: Welfare of mentally and physically challenged persons constitutes the major expenditure under Social Welfare Expenditure in Pazhayannur



Panamaram

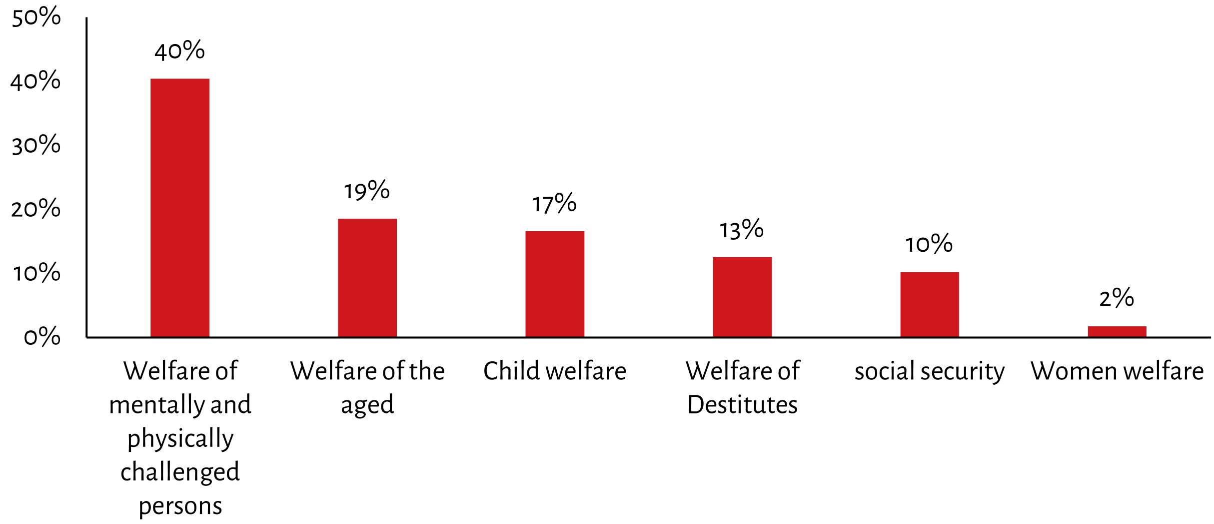
- Panamaram block in Wayanad has a low social welfare and social security expenditure compared to Pazhayannur block. In FY 2015-16, the total sum of expenditure in this category only amounted to ₹71.8 lakh, which was merely 2 per cent of total PRI expenditure on the Services sector in the block.
- Of this, 67 per cent or ₹48.2 lakh were spent by the GPs in the block, ₹23.5 lakh were spent by the Panamaram block Panchayat and only ₹8.8 lakh spent by the Wayanad District Panchayat.
- Within the Panamaram block, Mullankolly GP accounted for ₹29.45 lakh or 61 per cent of GP expenditure on social welfare and social security within Panamaram block. Poothadi GP spent ₹6.81 lakh whereas all the other GPs spent less than ₹5 lakh on the sector. Mullankolly GP had a considerably larger share of expenditure in this sector due to its contribution towards the construction of a new Block Resource Centre.

Figure 78: Mullankolly accounted for 61 per cent of GP expenditure on social welfare and social security in Panamaram block



- The figure below presents the major expenses under the social welfare category in Panamaram block. 40 per cent or ₹29 lakh were on the welfare of mentally and physically challenged persons. Contrary to the Pazhayannur block in Thrissur, the expense is nearly 90 per cent constituted by GP expenditure. The remaining 10 per cent comes from BP funds. The schemes under this expenditure category, however, are similar to those in Pazhayannur. It consists of tricycles, computers and scholarships for the differently abled.
- The second highest expenditure category in the social welfare sector is the welfare of the aged. Expenditure on this almost entirely consists of BP & DP funds. The expenses here include contribution towards Pakal Veedu, a unique scheme for the elderly in Kerala, which provides a space for the elderly to meet and spend the day together. While this scheme is not unique to Panamaram and is popular all over Kerala, it is not implemented in Pazhayannur in Thrissur.
- Child welfare constitutes the third highest expenditure category under social welfare. Expenditure on this is entirely by Mullankolly GP on the construction of a new Block Resource Centre.
- 35 per cent of social welfare expenditure is spent on the maintenance of social welfare institutions transferred to the District Panchayats. It is important to note that this expenditure is being spent out of the DP's development fund and not its maintenance fund.
- 16 per cent of social welfare expenditure was spent on state led social welfare schemes such as ASRAYA and Pakal Veedu. Further, some schemes such as financial assistance for the marriage of poor SC girls also overlaps with SC department schemes implemented by the state government.

Figure 79: 40 per cent of social welfare expenditure in Panamaram block is spent on the welfare of mentally and physically challenged persons

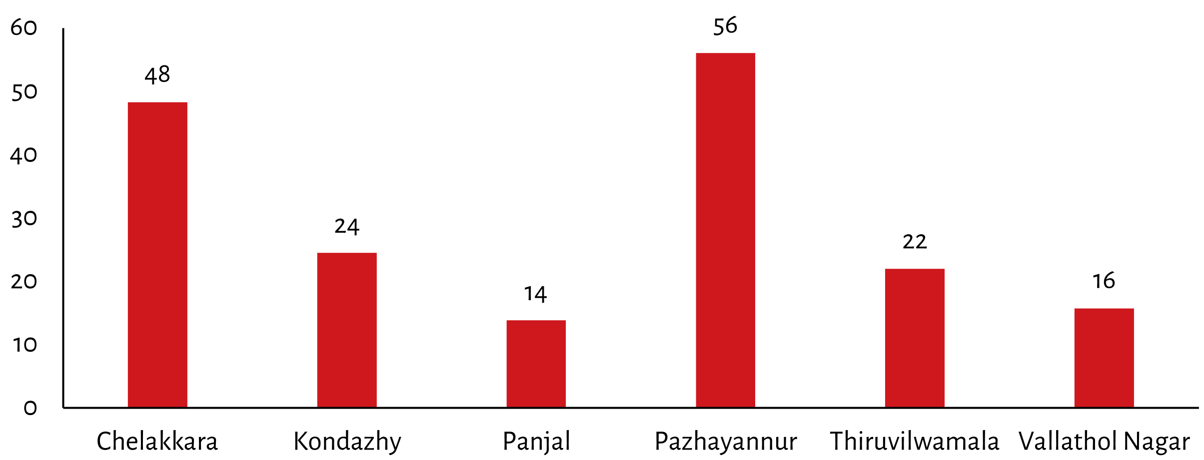


Deep dive into Nutrition and Anganwadis

Pazhayannur

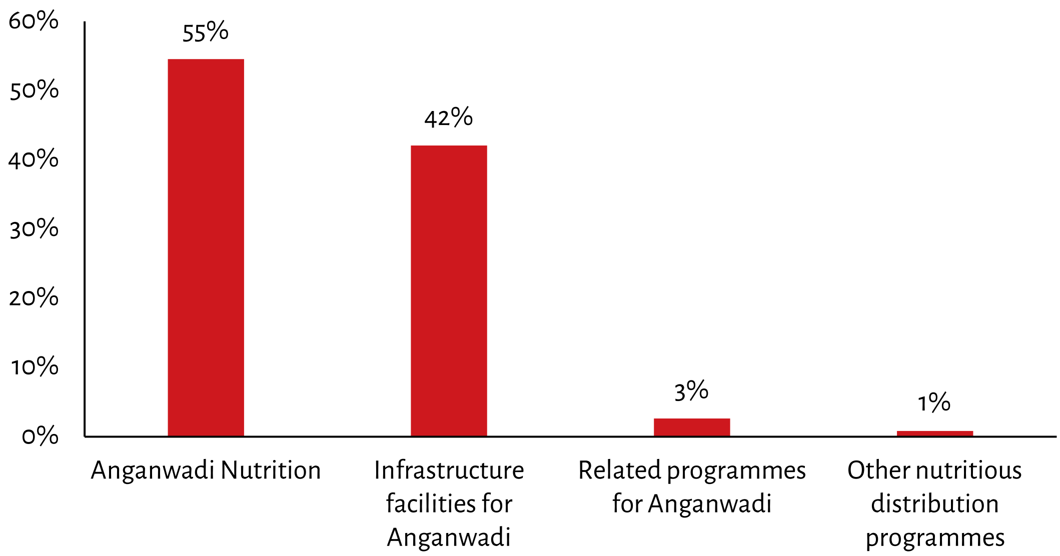
- Expenditure on the nutrition and Anganwadis category accounted for 9 per cent of all PRI expenditure on service sector in Pazhayannur block in FY 2015-16. This translates to a sum of ₹183.79 lakh.
- Of this, GP funds constituted 98 per cent or ₹180.25 lakh of the total PRI expenditure on Nutrition and Anganwadis. BP funds constituted a mere ₹3.54 lakh and DP did not contribute any funds towards this sector.
- Of all the GP funds within the Pazhayannur block, Pazhayannur GP spent ₹56.04 lakh and Chelakkara GP spent ₹48.27 lakh. This constitutes 31 per cent and 27 per cent, respectively, of GP funds spent within the block.
- The 4 GPs apart from Pazhayannur and Chelakkara together account for only a 42 per cent share of the GP fund expenditure on nutrition and Anganwadis.

Figure 80: Pazhayannur GP spent 31 per cent of block level expenditure on Anganwadis and Nutrition



- The below figure presents the major expenditure items under nutrition and Anganwadis. There are three major expenditure items under this category: infrastructure facilities for Anganwadis, Anganwadi nutrition, and other nutrition programmes.
- 55 per cent of PRI expenditure under this category is on Anganwadi nutrition. 98 per cent of this expenditure or ₹98.17 lakh consists of GP contribution towards the implementation of the Supplementary Nutrition Programme (SNP) in Anganwadis. SNP is a subsidiary scheme of the Integrated Child Development Services (ICDS) scheme of the Central government. The cost of implementation of the SNP is to be shared between the state and the centre in a 50:50 ratio. However, voucher level expenditure details of PRIs do not show any state contribution to this scheme. Furthermore, of the ₹98.17 lakh spent, only ₹17.74 lakh or 18 per cent comes from the central share of the CSS scheme. GPs have spent the remaining 82 per cent of funds required for the implementation of this programme.
- 42 per cent of GP spending on infrastructure facilities for Anganwadis constitutes the second highest expenditure under this category. According to the 12th Five Year Planning Guidelines, all GPs are mandated to provide for the construction and maintenance of Anganwadis from the development plan funds. This expenditure category reflects the same, with all the expenditure going towards the construction, electrification and maintenance of Anganwadis.

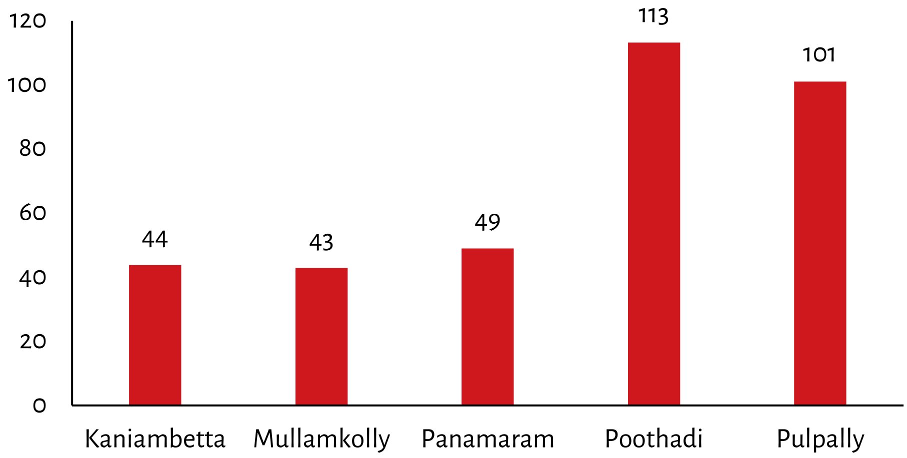
Figure 81: Anganwadi Nutrition constitutes 55 per cent of PRI expenditure on Anganwadis and nutrition in Pazhayannur Block



Panamaram

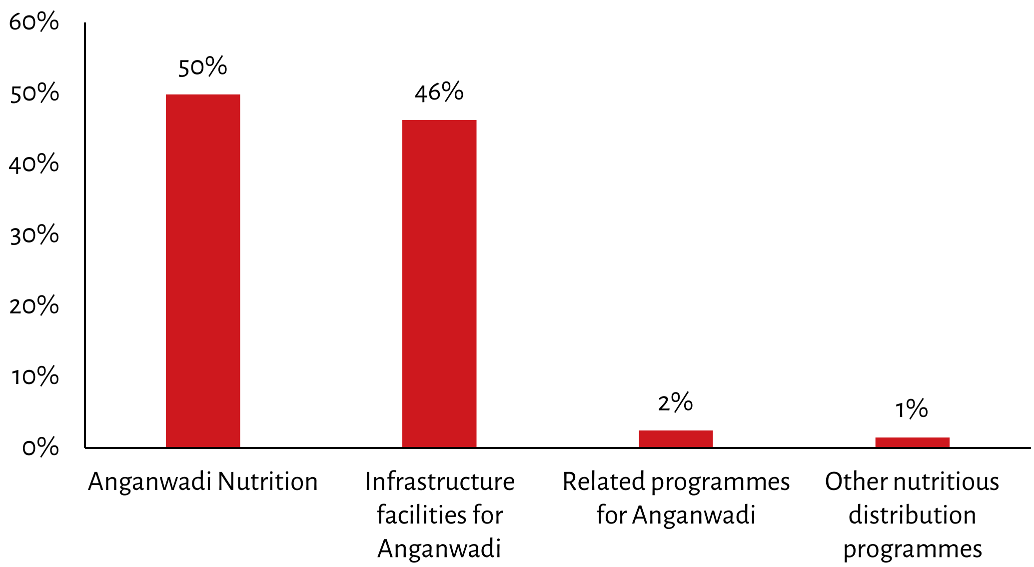
- Nutrition and Anganwadi expenditure constitutes 13 per cent of total PRI expenditure on the Services sector in Panamaram block in Wayanad in the FY 2015-16. This translates to ₹385.06 lakh, which is twice that of the expenditure for Nutrition in Anganwadi in Pazhayannur block in Thrissur.
- Of this, GP funds constitute 91 per cent of the funds. Block Panchayat spent a sum of ₹7.84 lakh and the District Panchayat fund contribution adds up to ₹27.65 lakh, i.e. 7.1 per cent of the total funds.
- Of the GP funds spent within Panamaram block, Poothadi GP constitutes a 32 per cent share of GP fund expenditure and Pulpally GP constitutes a 29 per cent share of GP fund expenditure.

Figure 82: Poothadi spent 32 per cent of the GP fund expenditure on Panamaram block



- Anganwadi nutrition is the biggest category of nutrition and Anganwadi expenditure in Panamaram as well. At ₹191.86 lakh, it constitutes 50 per cent of the funds for nutrition and Anganwadi in Panamaram block. This fund has been entirely used for the implementation of the SNP. According to the voucher level expenditure data of PRIs, of the total funds spent on this project, only ₹15.16 lakh comes from the central share for the CSS scheme. There is no allocation made by the state for the implementation of this programme, and PRIs have been mandated to completely take over the implementation of this programme.
- 46 per cent or ₹178 lakh has been spent on providing infrastructure facilities for Anganwadis. This is another mandatory responsibility of PRIs. Unlike Pazhayannur, in Panamaram, funds for infrastructure facilities of anganwadis are shared by GP, BP and DP. While GP funds account for 80 per cent of Anganwadi infrastructure spending, the remaining 20 per cent funds are shared between Panamaram BP & Wayanad DP.

Figure 83: Anganwadi nutrition accounts for 50 per cent of all PRI expenditure on Anganwadis and Nutrition

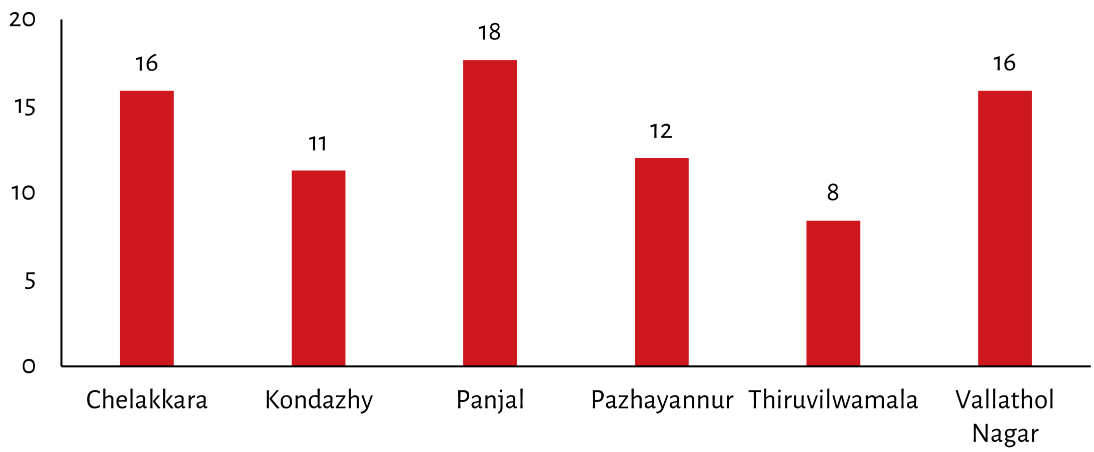


Deep-dive into Health

Pazhayannur

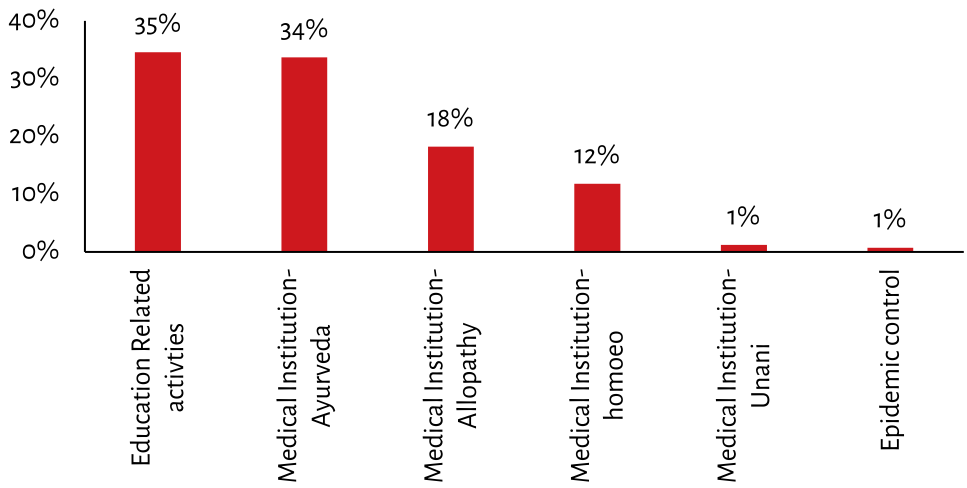
- Health expenditure is Pazhayannur block in FY 2015-16 was ₹84.3 lakh and constitutes only 4 per cent of the Services sector expenditure in the block.
- GP funds constitute 96 per cent of this expenditure amounting to ₹81.02 lakh. BP funds for health constitute only ₹3.2 lakh. While the Thrissur District Panchayat is in charge of maintenance of several district level hospitals, since these institutions do not fall within the Pazhayannur block, DP funds for health has not been included in the Health expenditure for the block.
- Of the GP funds of ₹81.02 lakh, Panjal GP spent the highest share at ₹17.65 lakh. Vallathol Nagar and Chelakkara GPs spent an identical ₹15.87 lakh, accounting for a combined 40 per cent share of total GP fund expenditure. Thiruvilvamala GP spent the lowest at ₹8.38 lakh, accounting for 10 per cent share of GP fund expenditure in Pazhayannur block.

Figure 84: Panjal GP accunts for 20 per cent of GP fund expenditure in Pazhayannur block



- The figure below presents the major activities under the health category. This includes both GP funds as well as BP funds. The primary expenditure is tagged under 'Education Related Activities' under health. This constitutes 35 per cent of all health sector activities. Pain and palliative care is the main activity undertaken by the GPs in this category. This is once again an activity mandated for PRIs by the state government. It constitutes nearly 92 per cent of the expenditure under 'Education Related Activities'.
- A combined 62 per cent of PRI funds for health were spent on purchase of medicines and repair work for medical institutions of Ayurveda, Allopathy and Indian systems of medicine.
- A sum of ₹58,931 was spent on epidemic control for mosquito control and fever clinic. Given that prevention and control of communicable diseases is a primary PRI function, only 1 per cent of health expenditure constituted epidemic control.
- A sum of ₹1.1 lakh was spent on implementation and strengthening of the National Health Programme. Thus, contributions to CSS schemes cost only 1 per cent of PRI health expenditure.

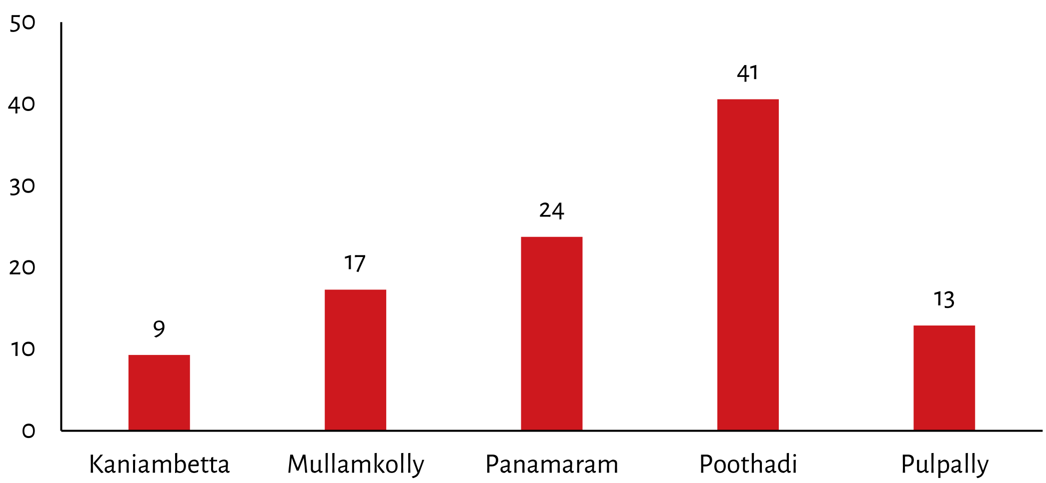
Figure 85: 32 per cent of PRI Health expenditure is on pain and palliative care



Panamaram

- PRI health expenditure in Panamaram block in Wayanad in the FY 2015-16 was ₹138.89 lakh. This constitutes 5 per cent of the service sector expenditure in Panamaram block.
- Expenditure from GP funds constitute 75 per cent of all PRI health expenditure and amounts to a sum of ₹103.60 lakh. BP funds constitute the rest of the expenditure at ₹35.29 lakh. Since DP funds for health do not cover any medical institution that fall within the Panamaram block area, DP funds have not been included within the PRI expenditure on health in Panamaram block.
- The graph below shows the GP wise expenditure on health. Poothadi GP constitutes the maximum share of GP fund expenditure with a 39 per cent share at ₹40.54 lakh. This is followed by Panamaram GP which spent a 23 per cent share of GP funds, and Mulankolly GP which spent a 17 per cent share. Kaniyambetta GP spent the lowest at ₹9.25 lakh.

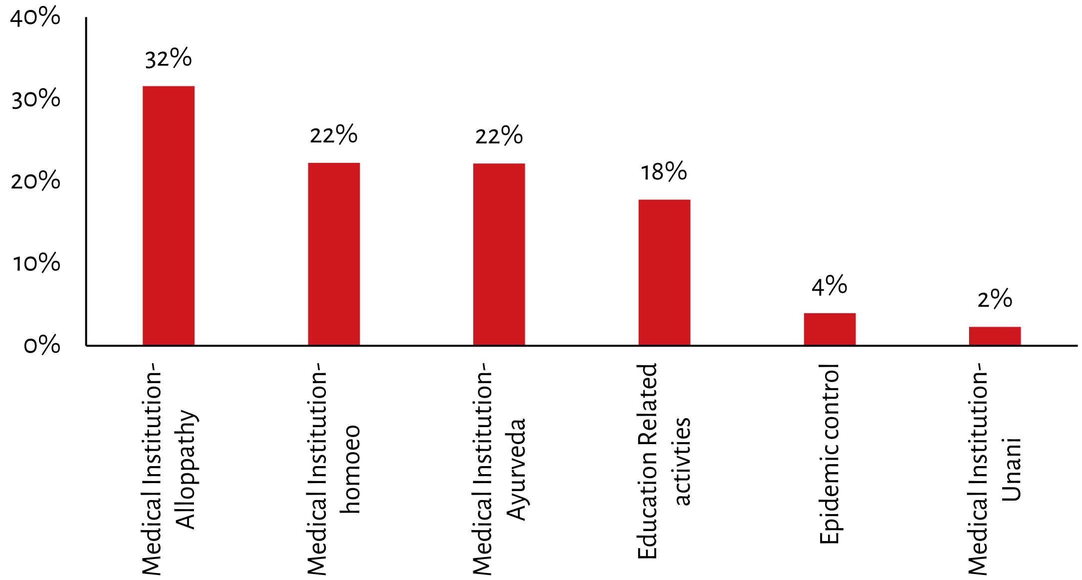
Figure 86: Poothadi GP constitutes a 39 per cent share of all expenditure within Panamaram Block



- Unlike Pazhayannur in Thrissur, pain and palliative care spending only constitutes 17 per cent of total PRI health expenditure, while in Pazhayannur this was the largest expenditure category at 32 per cent.

- The largest expenditure share in PRI health expenditure in Panamaram was on maintenance and medicine purchase of allopathic institutions. At ₹43.87 lakh, this category constitutes 32 per cent of total PRI health expenditure. Maintenance and medicine purchase expenses in Homeo and Ayurveda institutions contribute 44 per cent of health expenditure.
- Apart from running medical dispensaries, prevention of communicable diseases is the major health function of PRIs. At ₹5.49 lakh, only 4 per cent of health expenditure was spent on epidemic control.

Figure 87: Maintenance of medical institutions and medicine purchase constitutes 76 per cent of PRI health expenditure



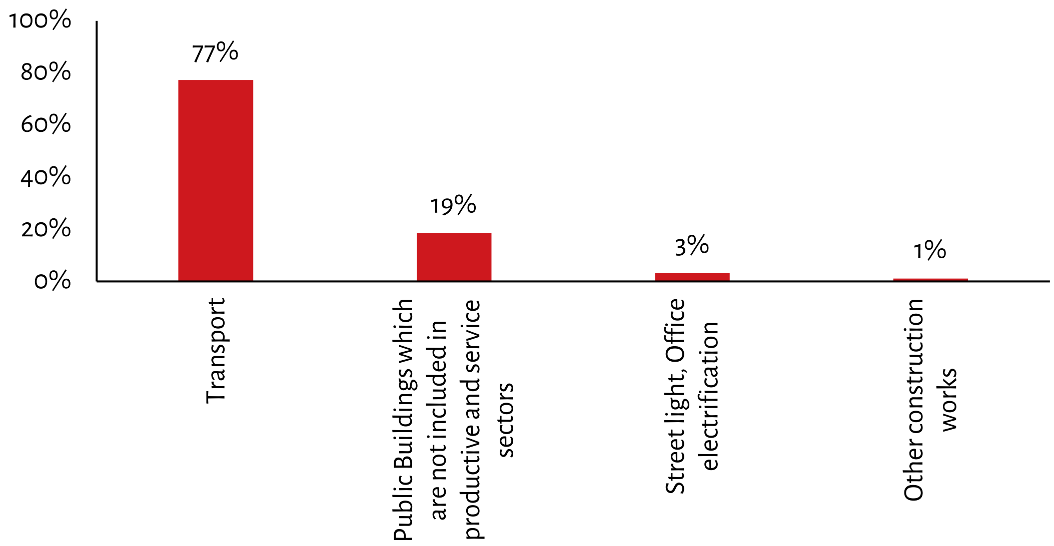
Infrastructure Sector

42 per cent of development funds in Pazhayannur in Thrissur and 39 per cent of development funds in Panamaram in Wayanad were spent on the infrastructure sector in the FY 2015-16. In Pazhayannur block in Thrissur, the amount spent on the infrastructure sector summed up to ₹1768.71 lakh. In Panamaram block in Wayanad, the infrastructure spending across GP, BP & DP funds amounted to ₹2058.36 lakh.

Pazhayannur

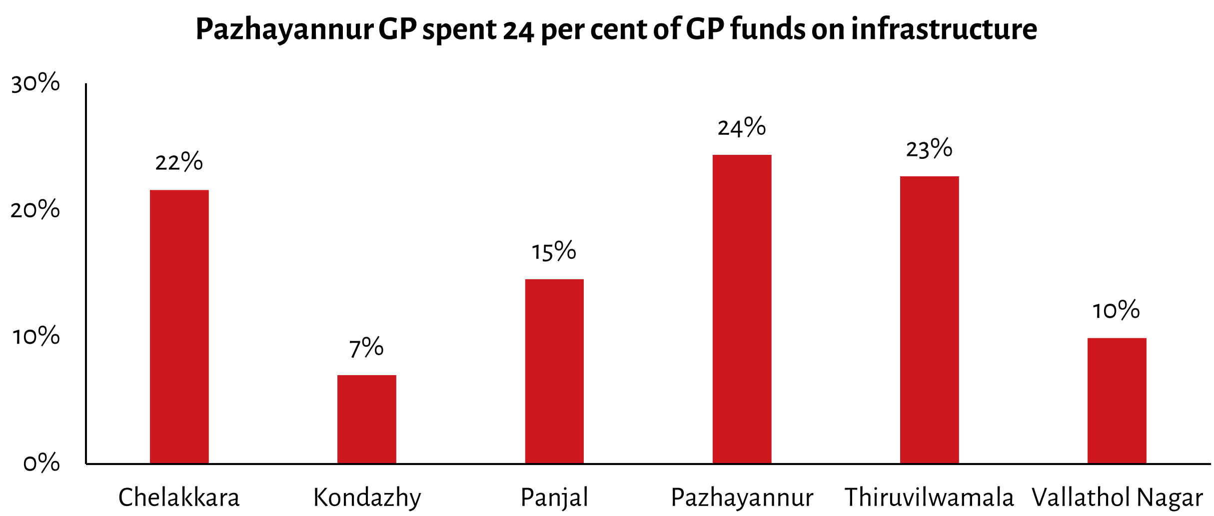
- Of the total funds spent on this sector, GP funds account for 83 per cent or a sum of ₹1472.75 lakh. BP funds constitute 13 per cent of infrastructure spending at ₹237.79 lakh. DP fund expenditure within the Pazhayannur block area constitutes 3 per cent or ₹58.16 lakh.
- Major expenditure categories under the infrastructure sector are transport, spending on public buildings which are not included in Productive and Services sectors, street lights and electrification, and other constructions.
- The graph below shows that 77 per cent of infrastructure expenditure, amounting to a sum of ₹1365.67 lakh was spent on roads and accounts for the highest expenditure under the infrastructure sector.
- 19 per cent of infrastructure funds, or a sum of ₹328.23 lakh, is spent on public buildings not included under Productive or Services sectors, Street light, electrification and other construction works, account for 4 per cent of spending under the infrastructure sector in Pazhayannur block.

Figure 88: Expenditure on transport accounts for 77 per cent of expenditure under infrastructure sector



- Within the category of expenditure on transport, roads constitutes 96 per cent of it. Expenditure on bridges, footpaths and culverts combined together constitutes the rest of the transport expenditure.
- At ₹1311.73 lakh, expenditure on roads constitutes the single largest expenditure recorded at the Pazhayannur block level across the productive, infrastructure and services sector. This accounts for 31 per cent of all development plan expenditure in Pazhayannur block.
- This is significant considering that all GPs receive a dedicated maintenance of roads grant for the purpose of maintenance and construction of roads within the GP area. In FY 2015-16, the 6 GPs within Pazhayannur block area received a combined sum of ₹555.94 lakh under this.
- The next figure presents the GP-wise expenditure of infrastructure funds. Pazhayannur, Thiruvilvamala and Chelakkara GPs spent a combined 69 per cent of GP funds on infrastructure within the Pazhayannur block.

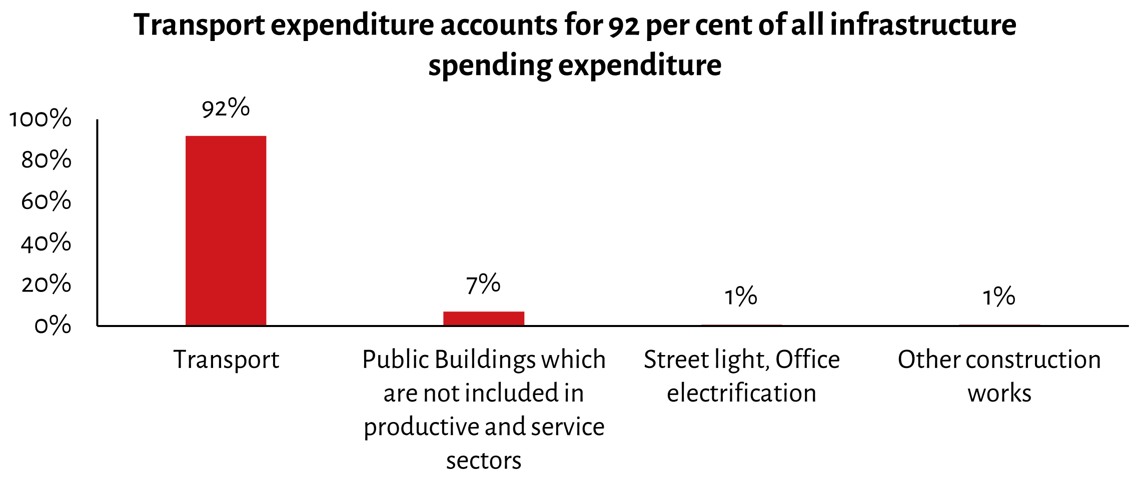
Figure 89: Pazhayannur GP spent 24 per cent of GP funds on infrastructure



Panamaram

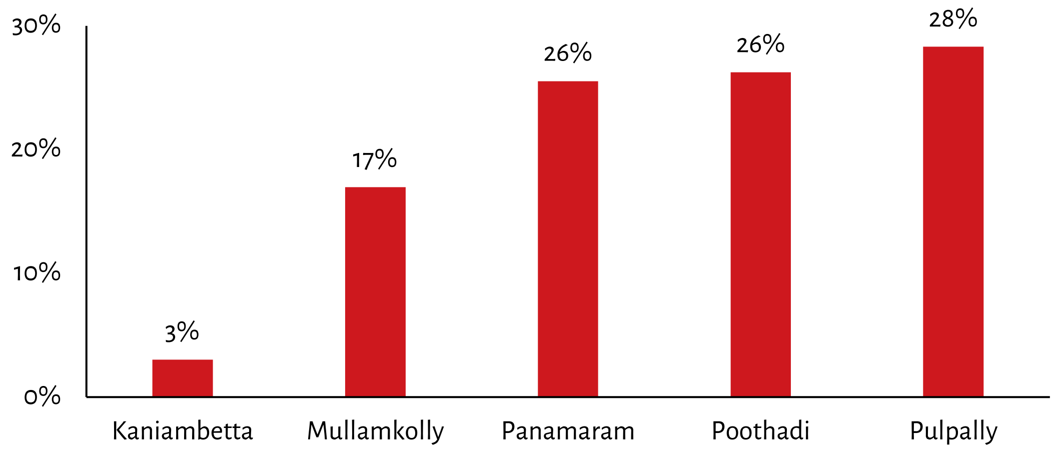
- The infrastructure spending story in Panamaram block in Wayanad is very similar to that of the spending pattern in Pazhayannur in Thrissur. Of the infrastructure spending in the Panamaram block, GP funds account for 80 per cent of the expenditure. BP funds accounts for 14 per cent and DP funds for infrastructure projects within the Panamaram block area accounts for 6 per cent of the total infrastructure spending.
- The major expenditure categories under the infrastructure sector are the same as Pazhayannur, with expenditure on transport accounting for 92 per cent of all infrastructure expenditure. This is much higher than the 77 per cent transport category spending in Pazhayannur. The next highest expenditure is on public buildings not included within Productive and Services sectors, at 7 per cent of infrastructure spending.

Figure 90: Transport expenditure accounts for 92 per cent of all infrastructure spending expenditure



- Within the category of transport, expenditure on roads makes up 92 per cent of all expenditure. Expenditure on footpaths, bridges and culverts makes up the rest of the 8 per cent expenditure.
- Once again in Panamaram, at ₹1743.44 lakh, expenditure on roads makes up 33 per cent of all development funds expenditure within Panamaram block including all GP, BP and DP funds.
- Panchayats in Panamaram block also receive dedicated funds for the maintenance of roads funds. In FY 2015-16, the combined sum of this for the 5 GPs within Panamaram block was ₹757.59 lakh.
- The below figure presents a GP-wise expenditure of GP funds for infrastructure spending. Pulpally GP accounts for the maximum expenditure at 28 per cent of infrastructure spending at the block. Poothadi and Panamaram GPs each account for 26 per cent of the spending. Kaniyambetta GP however accounts for only 3 per cent of infrastructure expenditure.

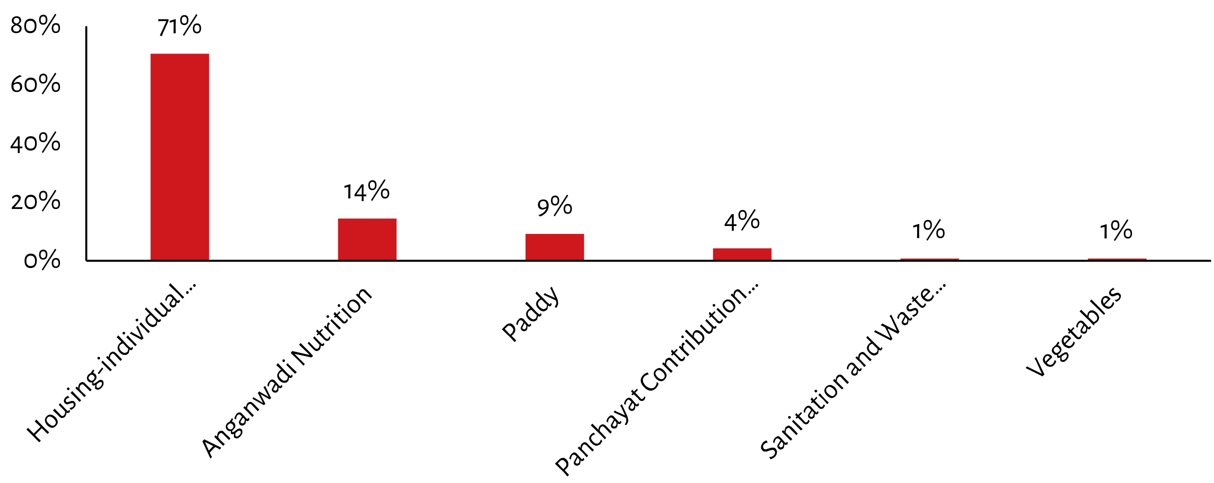
Figure 91: Pulpally GP spent 28 per cent of all GP funds on infrastructure in Panamaram block



CSS Expenditure of LGs

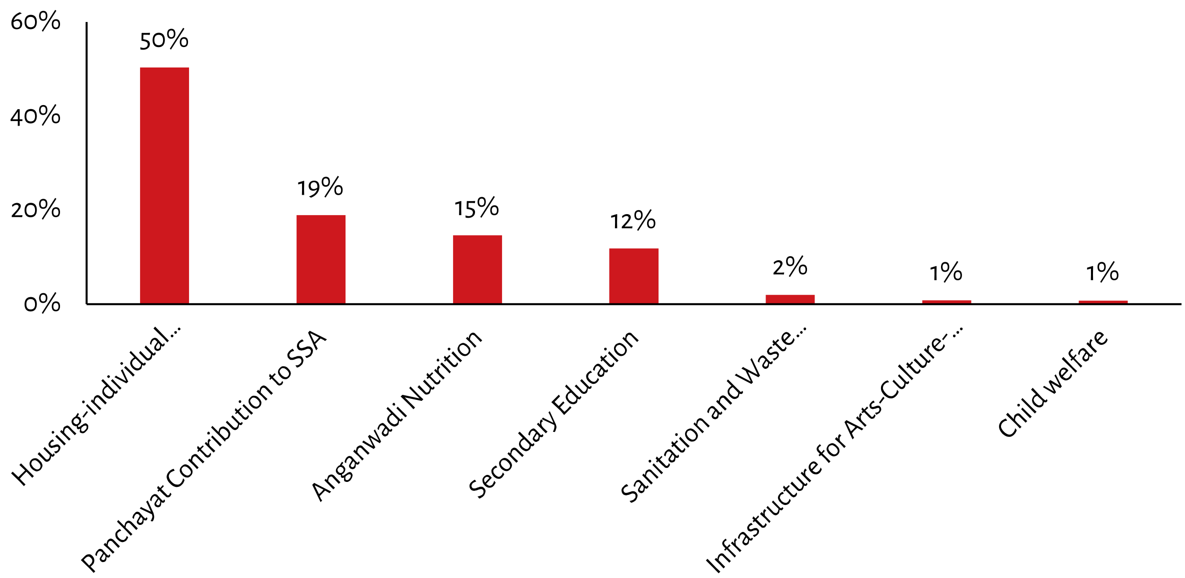
- Kerala government's Sulekha Plan Monitoring software tags each voucher level expenditure to a CSS expenditure. Based on this data, of the development fund expenditure in Pazhayannur block in Thrissur, only 3 per cent is spent on the implementation of CSS schemes. This 3 per cent is constituted primarily of Indira Awas Yojana at ₹47.73 lakh, and expenditure on ICDS at ₹78.25 lakh.
- However, on closer scrutiny and voucher level analysis, it was revealed that several line items that recorded CSS expenditure were tagged under the null code, and not under the appropriate CSS code.
- If the above vouchers which were actually spent on CSSs, but recorded under the null code were accounted for, 16 per cent of all development plan expenditure within the Pazhayannur block was spent on the implementation of CSS schemes. This amounted to a sum of ₹686.25 lakh spent on the implementation of CSS schemes.
- The next figure shows the major CSS expenditure items. 71 per cent or ₹484.26 lakh was spent on the IAY housing scheme. 14 per cent or ₹98.14 lakh was spent on the SNP of ICDS for Anganwadi nutrition. The other major CSS schemes included the Integrated Paddy Development Project and Panchayat contribution to SSA.

Figure 92: Share of CSS Spending by Local Bodies



- Similarly in Panamaram in Wayanad, the Sulekha reported CSS expenditure was only 9 per cent of total development plan fund expenditure in the block. However, voucher level analysis revealed that as much as 25 per cent or ₹1314.23 lakh was spent on the implementation of CSS schemes.
- Graph below reveals major expenditure items under CSS spending by PRIs in Panamaram. Unlike Pazhayannur, expenditure on the IAY housing scheme constitutes only 50 per cent of CSS spending, though it remains the largest category.
- Panchayat contribution to SSA and RMSA in Panamaram is high, at 19 per cent or ₹248.26 lakh and 12 per cent or ₹155.20 lakh, respectively.
- 15 per cent of CSS spending goes into the SNP component of ICDS.

Figure 93: Housing contributed 50 per cent of CSS expenditure by PRIs in Panamaram



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