

## **Part II**

### **Framework for analysis**

Redistribution of authority, responsibility and financial resources to different levels through decentralization has been a subject at the centre of discourse ever since India attained independence. The vastness and complexities of the nation arising from geographic, topographic, linguistic, religious, ethnic, cultural and economic diversities underscored the need to promote a form of governance that would enable decision-making at area level with different degrees of freedom in respect of defined functions. Conceptually, the term decentralization is interpreted in a variety of ways – political, administrative, fiscal and market or economic decentralization.

2. Analytically at a substantive level the understanding of decentralization and the extent to which a level or an agency is permitted to prescribe the output and outcome of any development program or scheme and the extent to which restrictions applies on the means by which ends are to be achieved is often at variance to subjective beliefs that policy makers hold<sup>1</sup>. This disjunction in the subjective beliefs and objective assessment arises from the absence of a framework that can effectively reconcile and act upon the concepts and the practice of the decentralization process. The challenge for policy makers is: how do we reconcile the conceptual to the operational?

3. Decentralization is an endeavor in which people at the bottom level of any administrative structure are able to participate and involve in the process of decision making. Operationally in the process of decentralization authority and responsibility of major government functions are transferred to the States, local governments, private sector, or civil society. Structurally it involves the level in terms of area, processes – political, administrative, financial – and agencies, both in public sphere and private. Essential to this is the importance of collecting and analyzing information and acting on them at the most appropriate level, and through a process that enables an objective assessment by the actors (agencies) at the decision making level to take informed choices. For example, does the Centre have all the information it requires in decision making on aspects that pertains to village panchayats in a hill area? Besides, collecting information in all its dimensions has a

cost that can be substantial. Even if it assumed that it can be done, as in the present times with the help of information technology tools, does the agency taking the decision have the capacity to assimilate and absorb all the information for proper appreciation and application?

4. How do we define the correct level for the purposes of transferring authority and functions? In India, the constitution itself has demarcated in the Seventh Schedule the legislative powers and functions into three lists. List I pertains to the subjects of the Union, List II enumerates the subjects belonging to the States and List III is a category called the Concurrent List which details the subjects on which both the Union and the States would have jurisdiction, and in the event of conflicting legislation, the law passed by the Union parliament would prevail. While the Union government and the State governments have prescribed Constitutional role, powers and duties, at the State level, there is further administratively defined jurisdictions of divisions, districts, blocks/taluks/sub-divisions. The 73<sup>th</sup> and 74<sup>th</sup> Constitutional amendments further created panchayats and municipalities with defined role and functions but circumscribed by laws enacted by the State legislatures on powers and functions to be exercised by the local governments.

5. With the area levels determined by law of the land, the diversities and complexities across them lead to information gaps and introduce uncertainties. Decentralized decision making therefore becomes a tool to address this gap. It is also true that great degree of inter-relationships exist between the various activities over all the areas and between levels. A centralized decision making is advocated to enable a better appreciation of these inter-relationships and to foster well-integrated and consistent decisions. On the other hand, it is argued in favour of decentralisation that the flow of information will have to be enormous and the cost of such information could be such that it will out-weigh the advantages of efficiency in taking centralized decisions. The issue, therefore, is to what extent there can be a trade-off between the consistency sought through centralised decision making and inefficiencies as well as greater cost in collecting information for such a decision making process? In other words, what is the alternative to the “one-size-fits-all” programmes and schemes imposed on lower levels of government, whether by the Central or State governments?

6. The trade-off, in the context of decentralization, has to be analyzed in terms of the level, processes and agencies that are part of the objective to be achieved. What are the issues that can help us analyze and the assess the choices we have in terms of choosing between a centralized approach or a more decentralized dispensation?

7. At the Central and State level , for example, a set of questions in respect of CSS may be a relevant starting point. These are:

(A) CSS that should squarely be in States' domain
(B) CSS that should be in States' domain but for reasons of externality and equalization need to be kept in the Union fiscal space, the distribution of which will be jointly decided by the Union and the States.
C) CSS to be kept with the Union to take care of the special problems of the States. For example special problems of NE region and specific grants through CSS/ACA.
(D) CSS that should squarely be a part of the Union function.
(E) Can some state sector schemes be unbundled and the central sector schemes consolidated to enable greater flexibility and autonomy to local governments in the implementation?

8. Even at the level of the States, the questions that needs to be asked is : whether the decisions which ought to be exercised at a lower level are being exercised at a higher level in the hierarchy? Some examples of such issues are:

- i. Can there be a clear activity mapping based on comparative advantage in implementing expenditures and devolution of functions to the districts/municipalities/panchayats based thereon;
  - a. Programmes/schemes which do not have extra- district implications;
  - b. Programmes/schemes which have extra-district but intra-state implications;
  - c. Programmes/schemes requiring supplementary effort at district level due to national and state activity and vice versa.
- ii. What are the appropriate revenue handles that can be provided to lower formations?

- iii. How can the local governments be guided to undertake reforms in their tax systems, particularly taxes on land and property and can they be devolved to them for retention?
- iv. What can be done for building capacity of local governments to enable them to raise resources and provide public services efficiently?
- v. What can be done to build an up to date information system comprising of fiscal, demographic, geographical and economic data for the village, block and district panchayat jurisdictions?

9. For proper appreciation of the inter-connections and inter-relationships between levels and agencies, a holistic approach is required to go beyond just procedural fixes that do not confer decision-making powers with accountability to the most appropriate level. The activities implicit in arriving at solutions for each one of the above issues can be broadly summarized as follows in a framework to guide policy making and to test the delegation and decontrols that may be necessary for taking decisions to maximise public welfare. These can be at the level of the area, in the processes involved and for different agents and institutions in the hierarchy.

I. Information Feeding:

- a. Basic data for analysis
- b. Appraisal of ongoing effort
- c. Frame of development (proposed or being adopted)
- d. Schemes (suggested or being accepted)
- e. React to suggested schemes.

II. Agent for Implementation

- a. Receive intimation of schemes,
- b. Adopt prescribed procedures (for tenders, audit, etc.)
- c. Use resources given and execute scheme
- d. Report compliance.

III. Delegated Planning:

- a. Receive the nature of schemes, norms, time, schedule, resources etc.
- b. With some analysis, decide on location of schemes, type-design, sequencing etc.

to match the above.

- c. Implement and account for resources.

#### IV. Decision Making:

- a. Collect, collate and analyse data.
- b. Consideration of objectives and alternatives.
- c. Raising of resources.
- d. Plan of action and project-choice.
- e. Implement or cause to be implemented.<sup>1</sup>

10. It has been said that decentralization leads to an optimal assignment of powers, because it supports intergovernmental competition which, in turn, impels politicians and public sector bureaucrats to do what is required to make organizational costs as small as possible or, equivalently, to supply goods and services (including redistribution) in the quantities and qualities desired by citizens. However, the extent of decentralization depends to large extent on political concerns, compulsions and advice. If the citizens need greater voice and choice to influence decisions and greater public accountability, both the policy makers and citizens have to analyze and assess the rationale for decentralization in terms of economic efficiency, public accountability and empowerment.

---

<sup>1</sup> Extracted from – Dr. Y.V. Reddy, New Delhi (1978) – Multilevel Planning in India, page 127