Do Gram Panchayats Get their Money?

PAISA Report

A Case Study of Gram Panchayat Fund Flows in Birbhum District, West Bengal

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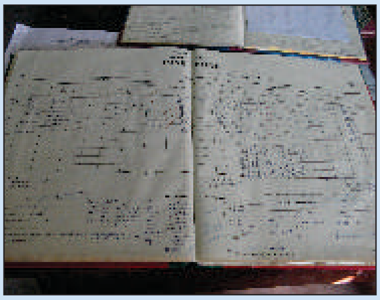

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Contents

List of Tables

List of Charts

List of Figures

List of Abbreviations

BRGF:	Backward Regions Grant Fund
CAS:	Central Accounts Section
CSS:	Centrally Sponsored Schemes
DDO:	Drawing and Disbursing Officer
DFID:	Department for International Development
DPC:	District Planning Committee
DPRD:	Department of Panchayat and Rural Development
FT Account:	Fund Transfer Account
FY:	Financial Year
GoI:	Government of India
GoWB:	Government of West Bengal
GP:	Gram Panchayat
GS:	Gram Sansad
GUS:	Gram Unnayan Samiti
HPC:	High Powered Committee
MGNREGA:	Mahatma Gandhi National Rural Employment Guarantee Act
MoF:	Ministry of Finance
MoPR:	Ministry of Panchayati Raj
PRI:	Panchayati Raj Institution
PS:	Panchayat Samiti
RBI:	Reserve Bank of India
SBI:	State Bank of India
SFC:	State Finance Commission
SRD:	Strengthening Rural Decentralization
TFC:	12th Finance Commission
UC:	Utilization Certificate
UFC:	Union Finance Commission
ULB:	Urban Local Body
ZP:	Zila Parishad

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Do Gram Panchayats Get Their Money? PAISA Summary

Analytical studies on rural local government finance are few and far between in India. The paucity of reliable data and the lack of transparency in Panchayat finances and associated difficulties in accessing data are important reasons for this. These data gaps are well known and successive Finance Commissions have highlighted this problem with little effect. This PAISA Gram Panchayat (GP) study: *'Do Gram Panchayats Get Their Money?'* is a small step toward filling this analytical gap. This study analyzes GP level finances in Birbhum district of West Bengal by asking the following questions:

- Do GPs get their money?
- If so, do GPs get all their money? i.e., their entire entitlement?
- When do GPs receive their funds? i.e., do funds arrive on time?
- Do GPs spend their money?
- If so, what do GPs spend their money on? And does this expenditure reflect local needs and priorities?

This PAISA study investigates these questions in the context of untied funds – funds that do not impose any specific rules regarding their utilization on the spending agency. Untied funds typically constitute less than 10% of a GP's resource pool, but are significant because they have the potential to enable GPs to prioritize activities that reflect local needs and preferences.

GPs in West Bengal have 3 main sources of untied funds: The Union Finance Commission (UFC), the State Finance Commission (SFC), and the Backward Regions Grant Fund (BRGF). In addition, for the time period tracked, select GPs received untied funds under the 'Strengthening Rural Decentralisation' (SRD) programme supported by the Department for International Development (DFID), United Kingdom (UK). GPs in turn, devolved the SRD untied funds to the Gram Unnayan Samitis (GUS) at the ward level. Based on the norms set by the programme, GUSs received Rs. 60,000 annually, for on supporting livelihood related activities.

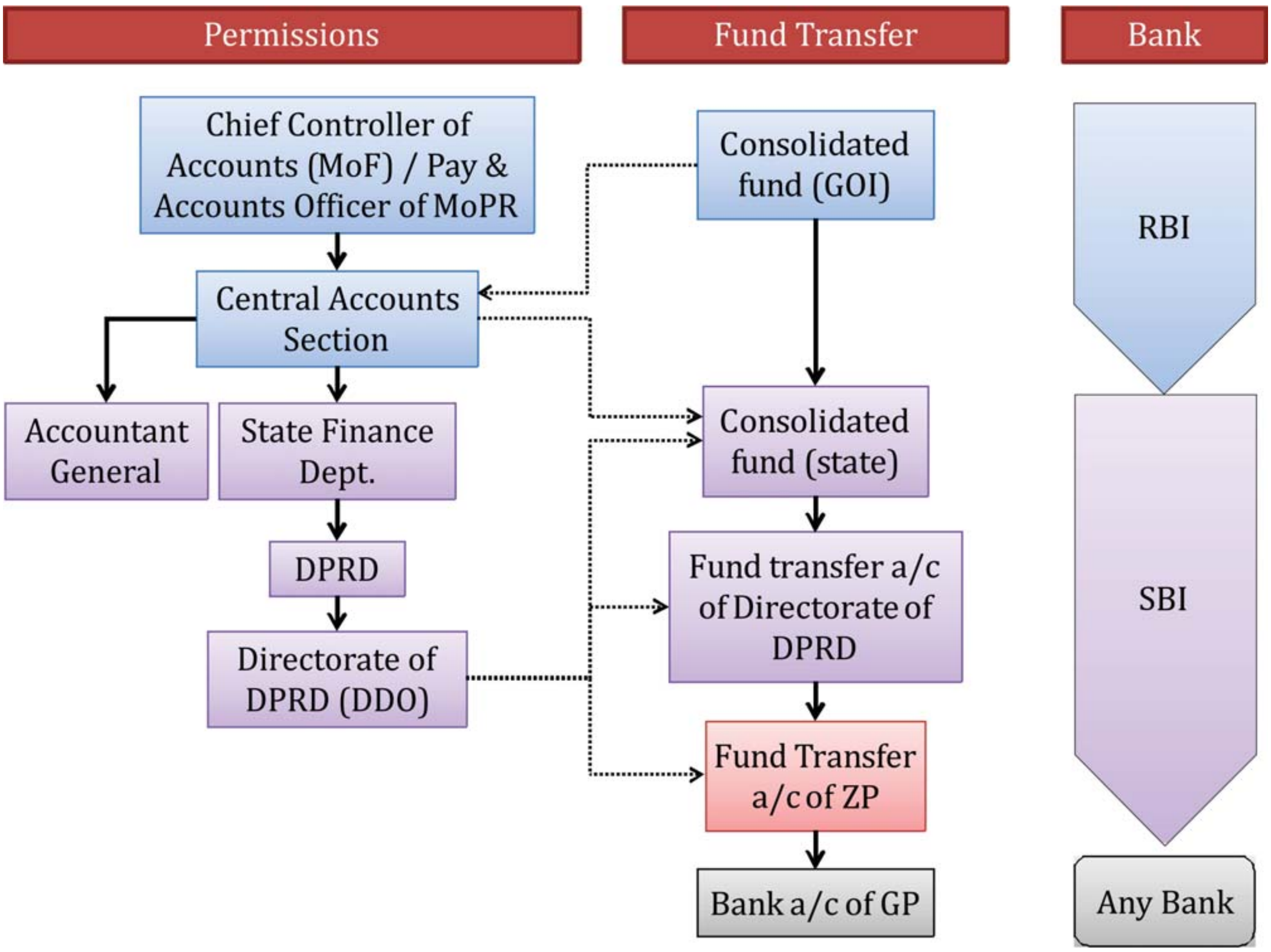
This PAISA study tracks the fund flow process and expenditures incurred through these 3 untied funds in a sample of 20 GPs in Birbhum district over a 5 year period from 2005-06 to 2009-10. In addition, it tracks the receipt of SRD funds at the GP level. As a point of comparison, the study also tracks receipts and expenditures of tied funds - funds which are to be utilised strictly as per the rules or guidelines framed by the Central or State government, and thus, provides no flexibility to GPs.

This period coincides with the implementation of the recommendations of the 12th Finance Commission (TFC), the 2nd State Finance Commission (2nd SFC) and the first 3 years of the Backward Regions Grant Fund (BRGF). Consequent to these 3 funds and particularly after the launch of BRGF, the overall budgetary allocation for GPs saw a significant increase: average budgetary allocation per GP for untied funds rose from Rs. 9.97 lakh in 2005-06 to Rs. 16.14 lakh in 2008-09 when BRGF funds were released to GPs. Correspondingly, actual receipts at the GP level also increased significantly, from Rs. 7 lakh in 2005-06 to Rs. 14 lakh per GP in 2009-10.

Fund Transfer Process

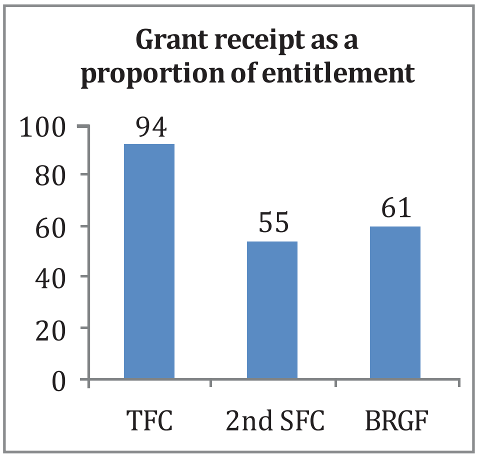
The first step in analyzing the state of fiscal decentralization is to understand the fund transfer process. The transfer of funds from their point of origin (Government of India (GoI)/State) to a GP involves various steps. For GoI funds (TFC and BRGF, in this case), funds are transferred from GoI's Consolidated Fund to the State Government Consolidated Fund. The line department (Department of Panchayat & Rural Development, in our study) then transfers this money to its own account by obtaining a sanction from the Finance Department of the State. Thereafter, funds are transferred to the district or (depending on the penetration of the banking network) Zila Parishad (ZP), Panchayat Samiti (PS) and GPs through various banking channels. The fund transfer process for state funds (SFC, in this case) is similar to that of GoI funds. Funds from the State Consolidated Fund are transferred to the relevant line departments that then transfer monies onward to the district and below.

Diagrammatic Representation of Fund Flows



PAISA Findings: Highlights

Do GPs Get Their Money?



During the 5 year period tracked in the survey, our sample GPs received 70% of their untied fund entitlement. There are significant variations across fund type. GPs received 55% and 61% of their 2nd SFC and BRGF entitlement respectively. TFC performs far better. GPs received 94% of their TFC entitlement. There are year-to-year variations across these funds. The TFC and BRGF funds were slow starters with GPs receiving less than their entitlements in the initial years. These saw some improvements as the fund cycle wore on. GPs received the bulk of their 2nd SFC entitlement in the 1st year but this reduced significantly in later years. In fact, only 7 of the 10 instalments that ought to have been devolved to GPs were actually devolved over the fund's life span.

Do GPs Get Their Money on Time?

Apart from low receipts, fund flows are also characterized by delays and irregularities. The extent of delays varies across funds.

Delays in receipt of TFC funds started from the 1st instalment in 2005. According to TFC norms, the 1st instalment ought to have been released in July 2005. However, in this case, the instalment was released in October 2005 (the beginning of the 3rd quarter of the financial year). This delay created a vicious cycle of delays for the entire fund cycle. For the most part, the 1st instalment was released somewhere between January and March (2009-10 was an exception when the 1st instalment was released in August). Once the 1st instalment was released, the 2nd instalment took between 3-7 months to be released. In 2007-08, funds release saw a longer gap of 10 months.

GoWB was relatively quick to release TFC funds onwards to the district. Despite the quick release, GPs received their funds a good 4 months from the date GoI released funds to GoWB. Ideally, it should take no more than 6 weeks for funds from GoWB to reach the district administration and no more than 3-5 working days for funds from the district administration to reach GPs. However, overall, the time required for funds to reach from the Centre to GPs varied between 1.5-4 months.

2nd SFC fund flows had a relatively good start and GPs received both instalments for 2005-06 on time. But fund flow worsened subsequently. Only 5 instalments were issued in the next 4 years with a median gap of 10 months. On average, it took 2 months for funds to reach GPs from the State. Our calculations of the median dates suggest that the time interval between the issue of the allotment letter and the median receipt date varied across years. For 2005-06 and 2006-07, it took an average of 1.5-2 months for funds to reach GPs. But for 2007-08 and 2008-09, the interval was at least 3 months.

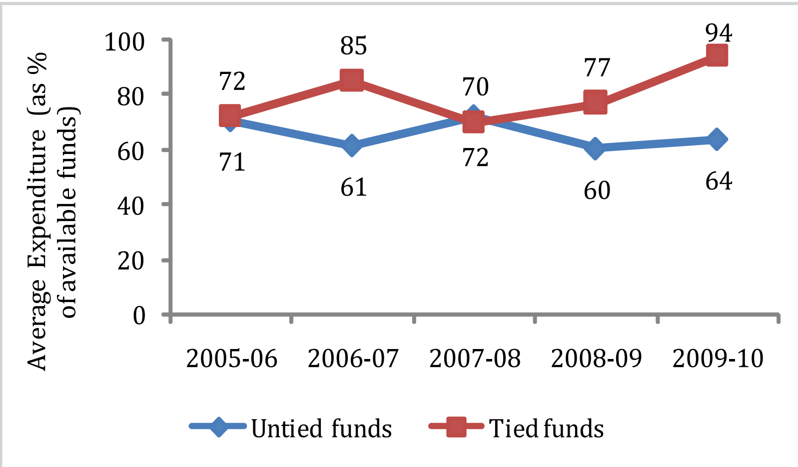
There were significant delays in the flow of BRGF funds starting from GoI and flowing all the way down the delivery chain. The first instalment letters for 2007-08 and 2008-09 were sanctioned by GoI in the last quarter of the corresponding financial years. These delays were followed by delays at the State level. The time gap between GoI issuing release/advice letters to the Reserve Bank of India (RBI) Central Accounts Section (CAS) and the state allotment letter was not uniform and varied from 5 days to 1.5 months. Further, there was a time-gap ranging from 20 days to just over 2 months between the date on which GoWB issued its allotment letters and when the district issued its letters for onward disbursement. Once the allotment letter/memo was issued at the district level, GPs reported receiving funds within 2 weeks. Thus, overall, it took anywhere between 2.5 to almost 6 months for funds to reach GPs from GoI.

To summarize, this analysis highlights that there were significant delays in the fund transfer process at various stages. Among the 3 untied funds discussed, TFC grants performed better in terms of timing and regularity. However, even here, delays, particularly delays in GoI releasing money were rampant. Due to these delays, there were long periods within a financial year when GPs did not receive any funds. These delays can have serious consequences for expenditure efficiencies.

Do GPs Spend their Money?

On average, GPs reported spending 64% of their untied funds. However, there seems to be a preference for spending tied over untied funds. GPs in our sample spent 80% of their tied funds compared with 64% of their untied funds for the survey period.

There were year to year variations. In 2005-06, GPs spent an equal proportion of tied and untied funds. After 2007-08, performance on tied funds improved considerably, while that of untied funds deteriorated.



The political and administrative priority given to MGNREGA funds (which dominate tied expenditures) could be one explanation for this pattern observed in the data.

Data analysis also suggests substantial variation in expenditure capacity, both across fund type and across GPs in the sample. On average, 69% of TFC funds and 73% of 2nd SFC funds were spent between 2005-06 and 2009-10. BRGF expenditures, however, were very low with a mere 53% expenditure over the 2 year period- 2008-09 and 2009-10. Importantly, there is no correlation between GP ability to spend one type of fund and any other type of fund i.e. GPs that spent a high proportion of their TFC funds did not necessarily spend a high proportion of SFC or BRGF funds.

How do GPs spend their Money?

Untied funds were spent mostly on activities related to the provision of drinking water. In 16 out of 17 GPs, spending on drinking water accounted for the bulk of GP spending. There are some variations across fund type. 48% of TFC funds were spent on roads and 34% was spent on water. Provision of drinking water dominated 2nd SFC fund expenditures. 10% of this money was spent on roads. BRGF expenditure was relatively more diverse: 27% of total expenditures were incurred on education and health activities – largely construction of education and health centres.

One common thread across all GP expenditures is a preference for infrastructure related, guideline driven expenditures. The guideline focus is ironic considering that these funds are meant to be 'untied'. Part of the problem is that despite being 'untied' in theory, in practice, both GoI and GoWB issued periodic guidelines imposing conditionalities and directing GP expenditure leaving GPs with little to choose from. At the same time, this is an indicator of weak planning capacity of GPs as they preferred to spend on guideline driven activities despite having the opportunity to spend on local need-based activities.

Utilization Pattern of Untied Funds

S.No.	Activity	Expenditure (% of total expenditure)		
		TFC	2nd SFC	BRGF
1	Drinking Water	34	38	27
2	Roads	48	16	2
3	Drains	3	4	1
4	Culvert	1	5	3
5	Guard-wall	1	3	3
6	GP Office	7	5	12
7	Infrastructure	0	1	8
8	Health	1	6	27
9	Education	2	4	10
10	Civic Facilities	1	7	3
11	Misc.	2	10	4

Unpacking PAISA Findings

PAISA findings highlight several gaps in the process of fiscal devolution of untied funds to GPs in Birbhum, West Bengal. These findings can broadly be summarized as:

- *Gaps in receipts over entitlements:* GPs in Birbhum received significantly less than their budgeted financial allocations. There were large variations in the quantum of these gaps both across and within fund type. Thus no single GP could accurately predict the quantum of funds they will receive in any given year for any given fund. Importantly, we found that the TFC performs significantly better than 2nd SFC and BRGF funds;

- *Delays in fund receipts:* Funds to GPs tend to arrive towards the 2nd half of the financial year. Overall, it took anything between 2-6 months for funds to flow from their point of origin (GoI or State) to GPs. Moreover, the first instalment of a given year was never released before August of that year (4 months after the start of the financial year) and therefore, with few exceptions, the bulk of a GP's financial entitlement usually arrived between December-March of the financial year. Delays started at GoI and flowed all the way down to the district;

- *GP expenditure on tied funds somewhat better than untied funds:* Although overall expenditures were relatively high, expenditures on tied funds were somewhat higher than untied funds. Expenditures seemed to cluster around guideline driven infrastructure activities despite the fact that funds tracked are 'untied'; and

- *No discernible pattern in GP performance:* There were wide variations in GP level fiscal performance, measured as capacity to receive and spend money, across the district. Performance is measured as capacity to receive and spend money.

Apart from highlighting gaps, PAISA analysis also throws some light on the specific points in the system where bottlenecks and inefficiencies exist. Analysis shows that inefficiencies start at the top and create a vicious cycle of inefficiencies across the delivery chain. However, GoI performance is better than state performance. There also seem to be significant bottlenecks at the district level which affects the ability of districts to disburse funds to GPs. None of these findings are unique to Birbhum or West Bengal, for that matter. The few research studies that have tracked the process of fiscal decentralization in India, including the 13th Finance Commission Report, a 2005 World Bank study on fiscal decentralization in Karnataka and Kerala and the review of BRGF point to very similar problems across the country.

In West Bengal, these gaps are exacerbated by the fact that the quality of record keeping of Panchayat finances is weak. During this study, PAISA surveyors had many difficulties in obtaining an accurate picture of Panchayat finances owing to poor record keeping. Even accessing basic documents like allotment and sanction letters at the State, District and GP level was a challenge. At the GP level, limited capacity and poor accounting practices have resulted in significant quality deficits in records, and entries in project registers and cash books were often incomplete. Interestingly, in 2007, a sophisticated accounting system called Gram Panchayat Management System (GPMS) was introduced to streamline accounting practices at the GP level. The GPMS seems to have improved maintenance of accounts and record keeping as surveyors found it easier to access data, such as total fund flow in GP, timing of these fund flows, and utilization of these funds, pertaining to 2007-08 and later years. While this is an important step forward, there is one major drawback. Data generated through GPMS is not networked with higher levels of the system and thus data can be accessed only at the GP office. Addressing this gap will go a long way in improving fiscal transparency for GPs in West Bengal.

To understand the reasons behind these gaps, we conducted interviews with officers across various levels of government. The interviews highlighted a series of inter-connected factors that together contribute to process inefficiencies in Panchayat finances. These include low priority accorded to Panchayat finances, cumbersome procedures including negotiating with different levels of government to access funds released, managing multiple bank accounts and reporting requirements at the district and GP level, complex conditionalities including the submission of utilization certificates to access funds and finally, limited staff capacity.

Our interviews also highlighted a variety of reasons for GP level variations. These include differences in expenditure performance or absorption capacity, intangible factors (GP human resource capacity, history, political clout etc.), political factors and geography (remoteness). To explore this, we disaggregated GP data according to these specific indicators. Our analysis shows that none of these factors can adequately explain GP variations. More detailed research is needed to understand why there are no discernible patterns in GP level fiscal performance.

Conclusions and Recommendations

The PAISA study highlights some key areas of reform that could help to strengthen the state of Panchayat finances in West Bengal. These include improvements in record keeping such that there is greater transparency which in turn enables real time tracking and monitoring of GP funds, simplifying transactions so that cumbersome procedures and other process related delays can be curtailed, and finally, transitioning to a 'Just in Time' funds flow system where GPs get funding based on their individual expenditure capacity rather than on overall performance of a district. Such a system would help create positive incentives for improved planning and expenditures at the GP level.

Last, this study highlights the urgent need for more detailed analysis, like this one, as well as more ethnographic studies to understand the factors contributing to how GPs function. Research of this nature will be critical to improving current understandings of Panchayat finances and paving the way for reforms to ensure that fiscal decentralization achieves its potential.

Chapter 1

Introduction

In 1992, the Indian Parliament introduced the 73rd amendment to the Indian Constitution mandating the creation of a decentralized, 3 tier system of rural local government (Panchayati Raj) structure. The amendment articulated a broad institutional framework for the devolution of powers and responsibilities to Panchayati Raj Institutions (PRIs) and added the 11th schedule to the constitution with a list of 29 functions that ought to be devolved to PRIs. State governments were given the autonomy to determine the pace and design of this devolution.

Close to two decades on, it is widely acknowledged that efforts to devolve real powers have been limited. According to the devolution index created by the Ministry of Panchayati Raj (MoPR), Government of India (GoI) in 2008, fiscal decentralization is extremely limited. The index highlights that while 21 of the 29 functions listed in the 11th schedule have been devolved to PRIs, these functional transfers have not been matched with associated budgetary provisions. West Bengal, for instance, scores 5 out of 5 on the functional devolution index but scores relatively lower at 3.68 on the financial devolution index. Similarly, Arunachal Pradesh which has a score of 5 out of 5 on the functional devolution index, scores a low of 1.53 on the financial index[1]. In the absence of budgetary provisions, functional transfers do not carry any operational significance and functional devolution does not result in empowering PRIs. Effective fiscal devolution is thus a critical element of a decentralized system.

Real devolution is further stymied by process related inefficiencies. According to the report of the 13th Finance Commission, fund transfers to PRIs are characterized by severe delays and unpredictability. In many instances, Panchayats do not receive their allocated budgetary provisions because state governments divert Panchayat funds to finance line department expenditures. Added to this, PRIs have little autonomy over their finances as the bulk of the funds received by PRIs are tied to clearly specified expenditure guidelines[2].

These design and process related inefficiencies in fiscal decentralization affect Gram Panchayat (GP) capacity to fulfil their core functions in fundamental ways. First, they result in bunching expenditures to specific points in the financial year thereby breaking the link between felt needs and expenditures. Second, they hamper the planning process at the GP level by creating perverse incentives that encourage Panchayats not to plan because there are no guarantees of when funds will arrive and whether Panchayats will receive their allocated amount. Consequently, accountability is compromised. The *raison de etre* of decentralization is that it brings governments closer to people. This, in turn, ensures that governments are responsive to peoples' needs and priorities and that citizens can scrutinize and monitor government functioning. But design and process flaws force Panchayats to spend with little link to felt needs. Moreover, citizens are

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1 NCAER, 2009
2 GoI, 2010

unable to adequately monitor government functioning as GPs themselves are unaware of when and how much money they will get to perform their functions.

The first step towards addressing these limitations is enabling access to quality data on Panchayat finances. Regular, reliable data on Panchayat finances will enable decentralization champions to develop a body of evidence for promoting reforms in the fiscal decentralization transfer system. Moreover, it would serve to improve efficiency by enabling Panchayat departments to identify process bottlenecks as they happen and take steps to resolve them. However, data gaps coupled with opacity in the flow of Panchayat finances are perhaps the biggest lacuna in the current system. As a result, there are very few studies on the state of fiscal decentralization in rural local governments in India. The problem is well known. Successive finance commissions have pointed to this lacuna. In fact, the 13th Finance Commission notes that data provided to the Commission from state governments was sparse and inconsistent with data furnished to previous Commissions.

The 'PAISA (Do Gram Panchayats Get Their Money?)' exercise is anchored in these larger concerns of strengthening fiscal decentralization and promoting greater transparency and accountability in Panchayat functioning in India. By developing GP-specific expenditure tracking tools, it aims to demonstrate the feasibility of collecting real time fund flow and expenditure data at the GP level, which in turn can go a long way in strengthening fiscal transparency.

Panchayat finance databases will only be meaningful if data is collected on actual expenditures at the last mile. GPs are the last unit of governance in the PRI system and this is the point at which expenditures on the actual provision of services to people are incurred. The PAISA exercise thus focuses on GP level fund flows and expenditures.

PAISA asks and attempts to answer the following key questions:

- Do GPs get their money? i.e. do GPs receive funds allocated to them through various funding sources?
- If so, do GPs get their entire entitlement?
- When do GPs receive their funds? i.e. do funds arrive on time?
- Do GPs spend their money?
- If so, what do GPs spend their money on? And does this expenditure reflect local needs and priorities?

In January 2011, a PAISA expenditure tracking tool was developed and piloted in Birbhum district, West Bengal. This was conceived as part of a series of efforts initiated by DFID to strengthen accountability and transparency in the twilight phase of the "Strengthening Rural Development" (SRD) project. This study reports on data collected and analyzed from the pilot PAISA survey. The specific points of investigation for this PAISA exercise are the untied funds received by GPs in the state. These funds have been tracked over a 5 year period starting from 2005-06 to 2009-10. During this period, GPs in West Bengal received untied funds from 3 key funding sources: 12th Finance Commission (TFC) grants; 2nd State Finance Commission (2nd SFC) grants and the funds provided under Backward Regions Grant Fund (BRGF) programme. In addition, the SRD programme provided a subset of the poorest GPs a small untied fund to be devolved to the Gram Unnayan Samitis (GUS). These untied funds account for approximately 10% of total allocations available to GPs. Despite their relatively small size, untied funds are important because they are the only discretionary funds available to GPs[3]. In the long run, if decentralization is to be effective, GPs will need to exercise greater control over finances so as to be able to link local needs and priorities with expenditures. Thus, untied funds hold the key to a strong and effective fiscal devolution system and hence, are the focus of this exercise.

Through this analysis, the PAISA study aims to develop a diagnostic of the state of fiscal decentralisation in Birbhum district of West Bengal. This case study thus aims at highlighting some of the strengths and limitations of the current fiscal transfer system in the state.

The report is structured as follows: Chapter 2 provides a snapshot of the grants tracked through the PAISA pilot. Chapter 3 details the methodology followed for the pilot study. Chapter 4 and Chapter 5 analyse the main findings from the study while Chapter 6 offers some concluding remarks.

[3] Own revenues of GPs are untied but their proportion in the overall GP resources is very negligible.

Chapter 2

Grants PAISA Tracked: A Snapshot

For the period tracked through the PAISA survey, GPs in West Bengal, received untied funds from 3 key sources - the 12th Finance Commission (TFC), the 2nd State Finance Commission (SFC) and the Backward Regions Grant Fund (BRGF) programme[4]. In the following, we describe the untied funds provided under these in detail.

2.1 Grants PAISA tracked

Twelfth Finance Commission (TFC) Grants

The TFC recommended a transfer of Rs. 25,000 crore for the period 2005-06 to 2009-10 as grants-in-aid to the consolidated fund of state governments as a supplement to local government resources. Of this amount, Rs. 20,000 crore was earmarked for PRIs and Rs. 5,000 crore for urban local bodies.

The Commission made 3 recommendations related to these grants. These were:

- TFC funds be used by PRIs for water supply and sanitation schemes subject to their recovering at least 50% of the recurring cost in the form of user charges.
- Part of TFC funds be earmarked by state governments for building PRI fund databases and building capacity to improve PRI accounting procedures.
- Central and state governments should not impose any conditionalities (such as receipt of Utilization Certificates (UCs)) on fund release and that state governments release funds to PRIs within 15 days of fund receipt from the centre. In practice however, this recommendation was not implemented. Discussions with GoWB officials indicate that fund release to a district is tied to submission of UCs for 60% of expenditure at the district level.

Implementing TFC grant recommendations in WB

TFC allocated Rs. 1,27,100 lakh for PRIs in West Bengal. In accordance with the TFC norms, these grants were to be transferred from GoI to the State consolidated fund in 10 instalments over 5 years. The entitlement per instalment amounted to Rs. 12,710 lakh.

To initiate the process of fund transfer and PRI expenditures, the Department of Panchayats & Rural Development (DPRD), West Bengal, issued a notification to PRIs in July 2005 recommending priority areas for the TFC expenditures. These were[5]:

[4] It is important to note that although these are characterized as untied funds, in practice, guidelines were issued with a 'suggested' list of activities that GPs ought to prioritize. For TFC, the norms were explicit. GPs had to prioritize activities related to drinking water and sanitation.

[5] Order No. 4808/PN/O/I/4F-1/05 of the DPRD, dated July 29, 2005

- Maintenance of water supply, sanitation and drainage facilities
- Maintenance of Integrated Child Development Services (ICDS) and child education centres (SSK and MSK)
- Maintenance work relating to public health and nutrition (i.e. maintenance work of primary health centres and sub centres)
- Maintenance work relating to street lights and other public utilities like parks, gardens, playgrounds and market places.

The notification explicitly prevented PRIs from spending the TFC funds on construction of assets and administrative expenditures such as salaries and purchase of vehicles.

Another notification issued on December 11, 2006 stated that 5% of the TFC grants be spent on maintenance of accounts and computerization; 15% be spent on the creation and improvement of a database including computerization and 10% be spent on water and sanitation services including solid waste management.

State Finance Commission Grants (SFC)

Since 1992, when the 73rd constitutional amendment mandating states to set up the State Finance Commissions (SFC) was introduced and passed, West Bengal has constituted and received recommendations from 3 SFCs.

The 1st SFC was constituted on May 30, 1994. It recommended earmarking 16% of the net proceeds of State taxes for the purpose of creating an 'entitlement fund' for local bodies and transferring the state entertainment tax to the local bodies.

The 2nd SFC was constituted in July 2000. It submitted its recommendations in 2002. However, these were accepted by the State government only in 2005. The 2nd SFC supported the recommendations of the 1st SFC and recommended the continuation of its provision for transferring 16% of the State's own net taxes as 'untied' grants to local bodies and the transfer of the entertainment tax. The 2nd SFC also recommended that an entitlement fund with a minimum amount of Rs. 700 crore be provided in the state budget and that a unit wise entitlement be included as an annual supplement to this budget. In 2005, when the Commission's recommendations were accepted by the state legislature, the entitlement fund was reduced to Rs. 350 crore.

To facilitate fund flows and expenditures, DPRD issued a notification on August 1, 2005, specifying priority areas for expenditures. These included:

- Augmentation of livelihood opportunities for eradication of poverty, human development related to universalization of elementary education, prevention of common diseases and promotion of public health including nutritional status of mother and children;
- Activities for which adequate support is available from the existing government programmes;

- Improvement of various civic services such as water supply, drainage facilities, drinking water and sanitation facilities in public places, conservancy, road connectivity, street lights, medical facilities and other such facilities for betterment of quality of the life of the citizens;

- Development of infrastructure related to its own office as well as building quarters for the employees or people working on ex-officio capacities or on deputation basis.

The notification also recommended that at least 30% of the allocation be earmarked for social sector expenditures on education, health, nutrition and sanitation. In addition, 15% funds could be spent on providing inputs for animal husbandry, fishery, horticulture, and agriculture to poor communities that have formed self help groups.

GoWB only partially accepted the recommendations of the 2nd SFC. According to the 3rd SFC report, the state delinked local body entitlements from the state's revenue collection and instead allocated funds based on departmental resources. Moreover, as mentioned, it reduced the entitlement fund from Rs. 700 crore to Rs. 350 crore of which Rs. 278.29 crore were allocated to PRIs. In its "Action Taken Report" (report submitted to the State Legislature on accepting the SFC recommendations), GoWB committed to making an annual budgetary provision of Rs. 350 crore to local bodies. However, the actual release fell significantly short. According to the 3rd SFC report, GoWB released only 56% of the budgetary allocation to PRIs in 2006-07.

Backward Regions Grant Fund (BRGF) Programme

Launched in February 2007 by the MoPR, the BRGF is a Centrally Sponsored Scheme (CSS) that aims to strengthen PRIs in backward districts by providing untied funds and building PRI capacity for planning, decision making, implementation and monitoring. The BRGF is currently being implemented in 250 districts across 27 states in the country.
BRGF has two funding windows:

- *Capability Building Fund*: It is an annual fund of Rs. 250 crore (Rs 1 Crore per district) for building district capacity in planning, implementation, monitoring, accounting and improving accountability and transparency

- *Development Grant*: It is a discretionary grant to be spent based on district level PRI plans. The specific budget envelope available to PRIs through the BRGF is determined by the State government based on a formula developed by the respective states.

Since the focus of this study is on untied funds we have narrowed our analysis of the BRGF funds to the development grant window.

Critical Support for Poverty Reduction Fund (CSPR)

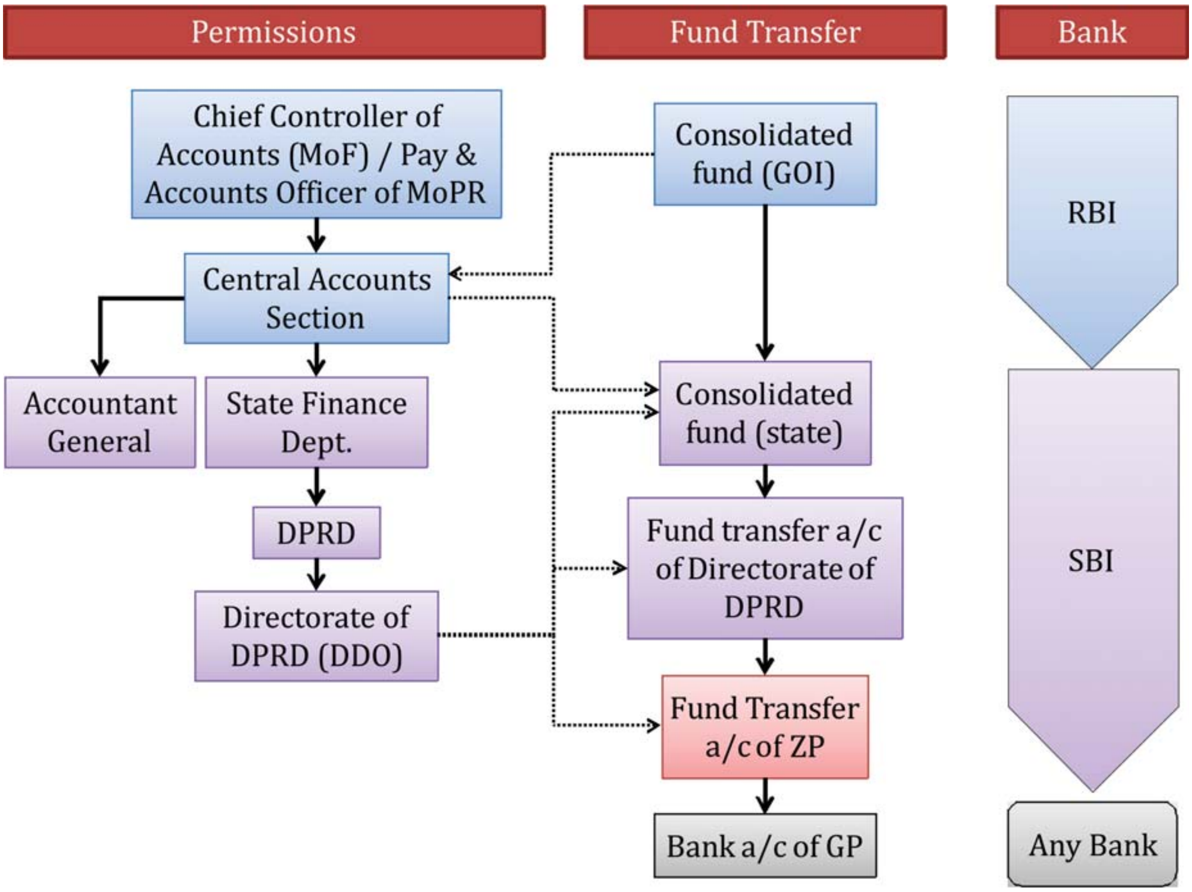
Launched in 2005, the SRD programme is aimed at 'securing effective, accountable and pro-poor rural decentralization' in the state. In the 1st phase, (December 2005 - September 2007), the programme covered 6 backward districts (including Birbhum). In 2008, the programme entered its 2nd phase when 7 more districts were added. The SRD program has 2 main components: a) capacity building of functionaries in

Panchayats and stakeholders in all GPs, and b) untied fund provision to select GPs for expenditures on supporting livelihood related activities for the marginalized and the poor. Funds are given to the GPs which, in turn, are expected to devolve them to the Gram Unnayan Samitis (GUS). Every GUS is entitled to Rs. 60,000 in the form of untied funds. Guidelines stipulate that 70% of the funds are to be used by GPs and the GUSs to support poor families and their groups for livelihood-based activities. The remaining 30% are earmarked for supporting social development and infrastructure improvement projects in the GP.

2.2 Fund Transfer Process

TFC and the BRGF funds are released from the Consolidated Fund of India, which is maintained by the Central Accounts Section (CAS), Reserve Bank of India (RBI), Nagpur. SFC funds are released from the State Consolidated Fund. Figure 2.1 depicts the fund flow process for the untied funds tracked by the survey.

Figure 2.1 Diagrammatic Representation of Fund Flows



To release TFC funds, the Ministry of Finance (MoF), GoI issues a release letter. Once this letter is released, the Chief Controller of Accounts of MoF advises the CAS (RBI) to credit the accounts of the state governments. For the BRGF funds, a similar process is followed by the Ministry of Panchayati Raj (MoPR) where the Pay & Accounts Officer sends the release orders to the CAS (RBI). The CAS (RBI), in turn, intimates (via an intimation letter) the Accountant General (AG) and the Finance Department of the concerned state and credits these funds to the consolidated funds of the respective states. Upon receipt, state governments are expected to release funds within 15 days of fund receipt to the next level.

Once funds reach the state treasury, the State Finance Department is expected to send a sanction letter to the relevant line agency, in this case the DPRD. The DPRD then issues an allotment order. The Drawing & Disbursing Officer (DDO) of the Directorate draws funds from the Pay & Accounts Office in Kolkata on the basis of these allotment orders and credits the amount to the Fund Transfer (FT) account of the Directorate, maintained at the SBI Main Branch, Kolkata. This process is supposed to take 15 days.

Once funds are credited to the FT Account, the DDO issues an advice to the SBI Main Branch, Kolkata to transfer funds to the FT accounts of the Zila Parishads (ZPs). The advice also mentions the shares of respective ZPs, PSs, and the GPs. This process is supposed to take 2 days. Once the funds arrive in the ZP FT Account, The funds are then electronically transferred to the GP bank account. Again, this is supposed to take 2 days.

A similar process of fund transfer is followed for BRGF & SFC as well .

Chapter 3

PAISA Methodology

This PAISA study adopted a combination of desk research and primary survey research tools to track GP funds. The aim of the study is to develop a set of tools and methodologies to track fund flows at the last mile. While the tool was specifically used to track untied funds, it can be easily modified to track other types of GP level fund flows.

Data on Central and State government fund flow was collected from relevant government websites. In addition, the SRD unit of DPRD provided the PAISA research team with specific information on request.

To evaluate the flow of funds at the GP level, a GP level survey was undertaken in January 2011[6]. Apart from the survey itself, the research team also undertook a series of interviews with relevant government officials at the Central, State and District level. Below is a brief description of the survey methodology.

3.1 Survey Methodology: Sample Selection

A sample of 20 GPs was selected from the total population of 167 GPs in Birbhum district. The sample thus comprised 12% of the population and is expected to be representative of the district.

Birbhum district is divided into 3 sub-divisions: Sadar Suri, Bolpur, and Rampurhat. These sub-divisions differ from each other in terms of size, geography and socio-economic indicators. A total of 127 (62 in Phase 1 and 65 in Phase 2 of the SRD project) GPs across the sub-divisions fall under the SRD project. To ensure that GP selection capture both, sub-division related variations and variations due to the potential impact of the SRD programme (for both phases), a stratified sampling technique was adopted. We stratified GPs across 9 categories and sampled GPs such that all these 9 categories were represented in the same proportion as their share in the total number of GPs. For example, Sadar Suri sub division has 12.57% of the total GPs in SRD Phase 1 in the district. Hence, there are 7 GPs ($0.1257*20=2.51\cong3$) from Sadar Suri in the sample. The list of the GPs in the sample can be found in Annexure 1. Figure 3.1 shows the geographical distribution of the GPs.

[6] It is important to note that the DPRD has in fact developed a very sophisticated computerized accounting system called the Gram Panchayat Management System (GPMS) in order to standardize the accounting system for PRIs. The GPMS follows a Double Entry Cash Basis accounting system. Ideally, the data entered in the GPMS at the GP level should be accessible at a level beyond the GP so that real time funds flow tracking and analysis of utilization of untied funds is possible. However in the current system, GP level data can only be accessed at the specific GP office.

Figure 3.1 Geographical distribution of Gram Panchayats in sample

The PAISA survey was conducted over a 2 week period in January 2011. Data was collected using the PAISA tool (see Annexure 2). At the GP level, the Executive Assistant and the Secretary maintain the books of accounts. These staff members were the primary respondents of the survey. To ensure accuracy of survey data, respondents were required to refer to various account books to provide information. Surveyors were strictly instructed not to collect information on a recall basis. Data collected through the survey was obtained from the following documents available at the GP office:

- Audit reports;
- Form no. 27 (statement of receipt and payments);

- GP pass book and cash book; and
- GP project register.

There are 2 caveats to the data collected. First, the original sample of GPs was changed by the Assistant District Magistrate of Birbhum the night before the survey was launched. The new sample maintained the geographical variation as well as the representation of SRD and non-SRD GP variation necessitated by the sampling strategy but this change did compromise the randomness of the sample. The second relates to the quality of data collected. The survey collected data directly from GP accounts. Thus, the accuracy and quality of data is dependent on the quality of record keeping at the GP. There are several instances where the data collected had gaps owing to record keeping problems at the GP level (see Section 3.2 for details). The survey did not attempt to cross verify the data reported in the books of accounts.

3.2 Data Gaps

As mentioned, the study collected data from books of accounts maintained at different levels of government. The quality of data collected is thus dependent on the quality of record keeping at these levels. Throughout the study, the survey team encountered many difficulties in collecting data owing to poor record keeping. In other cases, data has not been made public and accessing it for research purposes proved cumbersome. In this section we highlight some of the key data gaps in the study.

1) *Allotment Letters at the State Level:* Allotment letters are critical to determining the timing of fund release. These letters are meant to be uploaded on the official DPRD website. However, in practice, many allotment letters have not been uploaded. For instance, only letters for the release of instalments in 2005-06 were available online for the SFC funds. Letters for other instalments for SFC funds were not available.

2) *Allotment Letters/ Memos at the District Level:* Once the funds are transferred to the ZP FT Account, allotment letters/memos are issued at the district level. However, the state government does not seem to have these letters available in their records. Our requests to access these letters at the state level were sent to the district; but it appears that even the district does not maintain files or has ready access to files with allotment letters for completed programmes. Thus the PAISA research team was not able to access these letters for the TFC and the SFC despite repeated efforts. We were however, able to access the letters for the BRGF from the district office leading us to surmise that files for completed programme schemes are harder to access than files for ongoing programme schemes.

3) *Letter of Advice at the GP Level:* Before the funds are transferred, every GP is sent a letter of advice detailing the instalment number, the financial year for which the instalment was given and the guidelines regarding usage of the fund (if applicable). Very few GPs in our sample had kept these letters. As a result, it became difficult to ascertain the financial year and the instalment number corresponding to a given credit entry in the passbook. Further, absence of these letters implied that the surveyors had to depend on the GP staff such as the Executive Assistant or the Secretary to clarify some of the entries. In cases where the respondent had been recently transferred to the sample GP, she/he was unable to provide the details.

4) *GP Account Books:* As mentioned, the quality of record keeping at the GP level was variable. Information about the amount received, i.e., date of receipt of the amount, and the financial year for which a particular amount was received, was not available in some GPs, especially for the years 2005-06 and 2006-07. This improved post 2007 when the GPMS was scaled up to all GPs.

5) *Project Registers:* According to the Audit and Account Rules of West Bengal, every GP should maintain project registers containing detailed information about projects undertaken by the GP from various funds available to them. Where we were able to access these registers, we found that they were not complete in many instances – more specifically, the start date of the project and expenditure on the project were not available in many cases.

Finally, the team had difficulty in accessing data on the exact date on which funds were credited to various accounts at different levels of government. Information on these dates was kept with different departments and a variety of different officials. Since both TFC and SFC fund cycles had finished before the survey, these files were closed and officers had transitioned out. Thus getting this information was time consuming and given the limitations of time (the survey, interviews and all other forms of data collection had to be completed within 2 month prior to the state elections), we were not able to access these dates. We thus use the dates for allotment letters as proxy indicators for when funds were transferred to different levels of government.

Chapter 4

PAISA Results

In this chapter, we report on key findings of the PAISA survey through the lens of PAISA's key questions: Do GPs get their money? When do GPs get their money? Do GPs spend their money? If so, on what and do these reflect local needs and priorities?

4.1 Do Gram Panchayats Get Their Money?

To answer this question, we compared information about fund receipts at the GP level (collected through the survey) with GP entitlement (obtained from the GoI and the State level allotment letters). Overall, for the period being tracked (2005-06 to 2009-10 for TFC and 2nd SFC, and 2007-08 to 2009-10 for BRGF), GPs in Birbhum received about 70% (averaging across the 3 aforementioned fund types) of their total entitlement. However, there are significant variations across fund type. In this section, we report on detailed findings by fund type.

Twelfth Finance Commission (TFC) Funds

According to the TFC norms, PRIs in West Bengal were entitled to an annual grant of Rs 25,420 lakh, which was to be devolved in 2 instalments of Rs 12,710 lakh each. TFC norms required this grant to be shared across all 3 tiers of the PRI system in a ratio of 20% for ZPs, 20% for PSs and 60% for GPs.

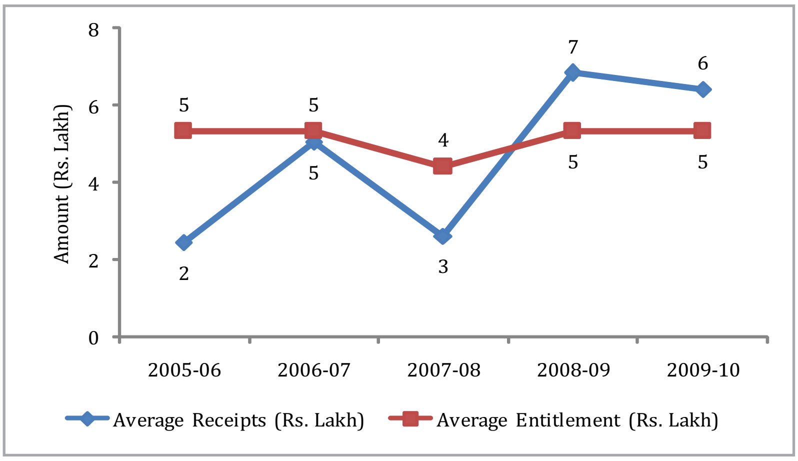
GoI data shows that these funds were devolved in their entirety from GoI to GoWB. The state in turn transferred this entire share onwards to the district. There is one exception - in 2007-08, the state government transferred Rs. 11,917 lakh (Rs. 793 lakh less than the total entitlement) to ZPs. This was because the state government retained this money to meet costs incurred by it on printing forms, registers and ledgers and water testing (a requirement under the TFC)[7].

What happens at the GP level? Our survey reveals that GPs received about 94% of their total TFC entitlement. But as Chart 4.1 highlights, there are significant variations across years. In 2005-06 and 2007-08, GPs received 45% and 60% of their entitlements respectively, while in 2006-07, they received their entire entitlement. The dip in fund was due to delays in fund release from the GoI to the State government and a corresponding delay in fund arrival at the GP level[8]. Consequently, GPs received only 1 instalment in 2007-08 instead of the expected 2 instalments. 2008-09 adjusted for this anomaly and GPs received both, their 2007-08 and 2008-09 entitlements through the year. As a result, fund receipts in 2008-09 are significantly higher than the previous year and somewhat higher than the annual entitlement for GPs.

[7] Allotment order dated 27/03/2008, states that Rs. 402.48 lakh should be set aside from the share of GPs for printing forms, registers, ledgers, Rs. 90.6 lakh and Rs. 299.7 lakh should be set aside from the share of ZP and PSs for water testing from laboratories.

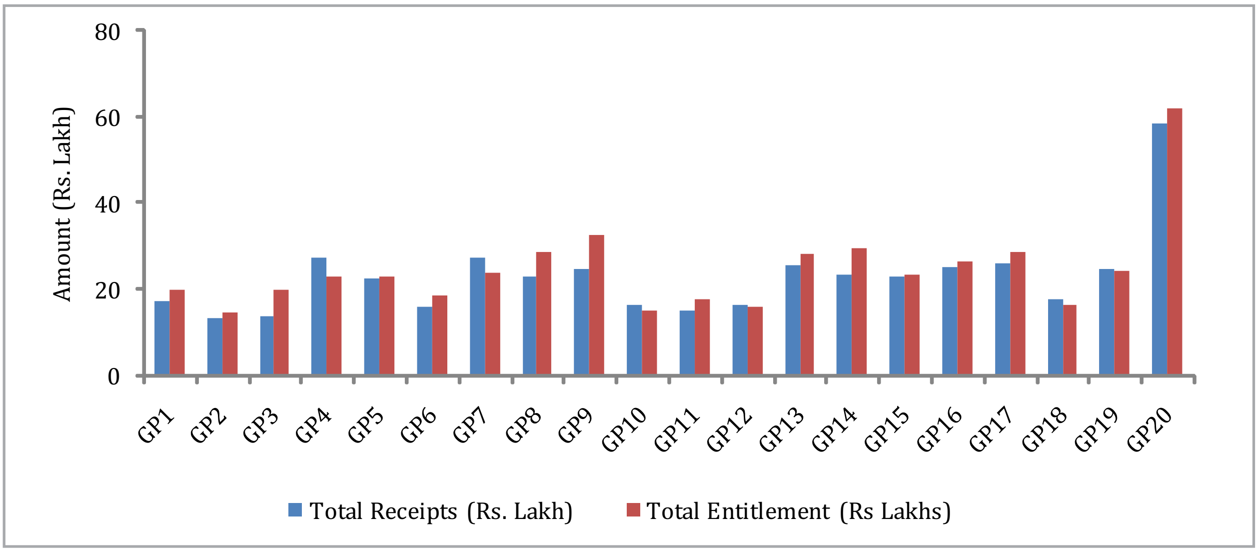
[8] We discuss this in more detail in Section 4.3.

Chart 4.1 Average Receipts Vs. Average Entitlement (TFC)



GP level analysis shows that there are significant variations in fund receipt across GPs. As indicated in Chart 4.2, 10 GPs (or 50%) in our sample received more than the district average in terms of fund receipts as a fraction of entitlement. The rest received less than the sample GP average. 2 of these GPs reported receiving less than 80% of their total entitlement. In terms of amounts, the gap in fund receipt ranges between Rs. 6 lakh to Rs. 8 lakh. To assess the extent of variation across GPs for the TFC funds, we calculated the standard deviation, which was relatively low at 0.11.

Chart 4.2 Total Entitlement vs. Total Receipts across sample GPs (TFC)[9]



Second State Finance Commission (SFC) Grants

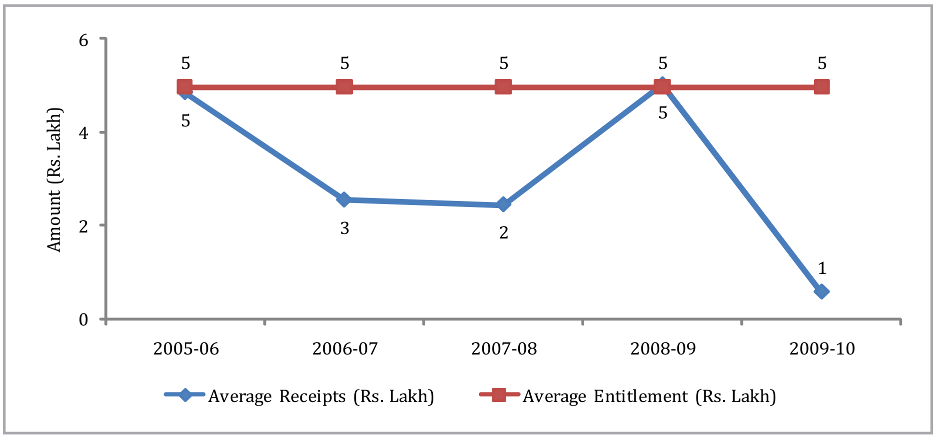
Under 2nd SFC norms, Birbhum district was entitled to Rs. 1,507.56 lakh annually, to be distributed in 2 instalments. Allotment letters issued by DPRD indicate that when devolved, GPs received their entire entitlement. However, the state only devolved 7 of the 10 instalments that GPs were entitled to under the 2nd SFC and as a result, GPs received only 55% of their total entitlement[10].

[9] We use GPI 1-20 to distinguish the GPs rather than GP names on the x-axis owing to space constraints. Refer Table A1.3 to identify the specific GPs.

[10] Total Entitlement is calculated assuming that there would be 10 instalments of the 2nd SFC grants.

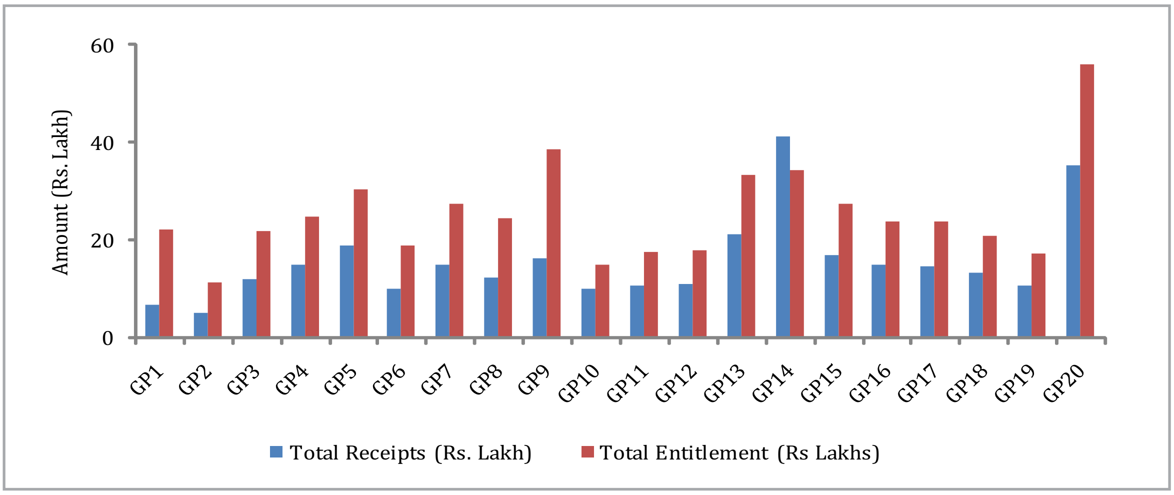
Like TFC, here too (see Chart 4.3), there are significant variations across years. In 2005-06, sample GPs received their entire annual entitlement. But in 2006-07 and 2007-08, receipts were significantly lower than entitlements. The year 2009-10 saw the greatest dip in fund receipts. Analysis suggests that these fluctuations in receipts can be attributed to delays in the actual release of funds from the state government to the ZP. We discuss this in more detail in Section 4.2.

Chart 4.3 Average Receipts vs. Average Entitlement (2nd SFC)



Survey data reveals significant GP level variations (see Chart 4.4). 7 GPs report receiving funds below the district average. 3 of these GPs reported receiving less than 50% of their total entitlement. To examine whether there are any patterns across GPs in receipt of TFC and 2nd SFC funds, we calculated the correlation coefficient for GPs. Our calculations show a correlation coefficient of 0.02 suggesting that there is no clear linear relation between GP ability to receive TFC entitlements and 2nd SFC entitlements. To assess the extent of variation across GPs for 2nd SFC funds, we calculated the standard deviation. This is relatively low at 0.10.

Chart 4.4 Total Entitlement vs. Total Receipts (2nd SFC)



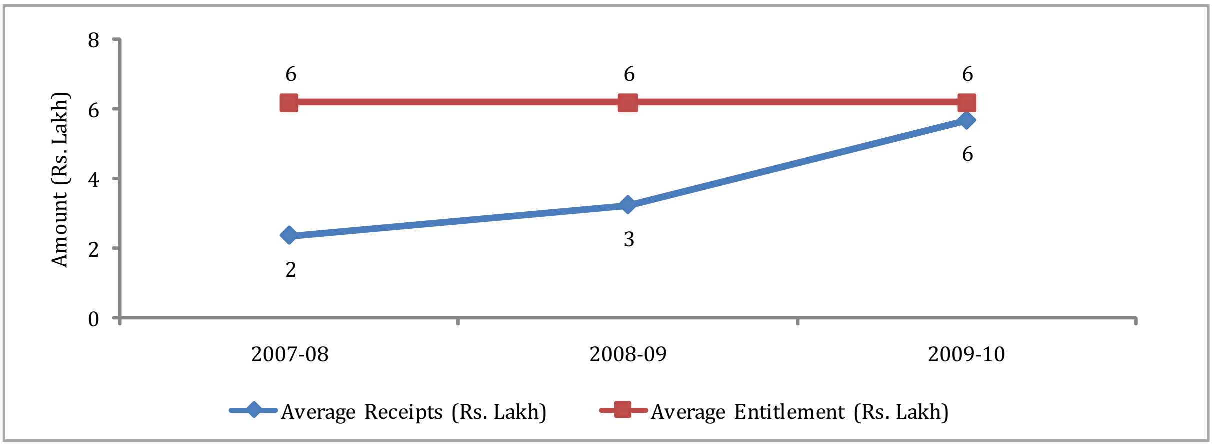
Backward Region Grants Fund (BRGF)

As mentioned in Chapter 2, BRGF has two funding windows: capacity building fund and untied or development fund. Since the focus of PAISA analysis is on untied funds, we have restricted our analysis to the development fund. In accordance with BRGF norms, the annual development fund entitlment for Birbhum district, Rs. 1,986 lakh, is released against the preparation of an annual district plan. The first instalment can be up to 90% of the yearly entitlement.

Our analysis reveals that GPs received only 61% of their total entitlement for the period 2007-08 to 2009-10. This low proportion is on account of the fact that Birbhum district did not receive the 2nd instalment of 2008-09. In addition, the 2nd instalment of 2009-10 was actually received in 2010-11.

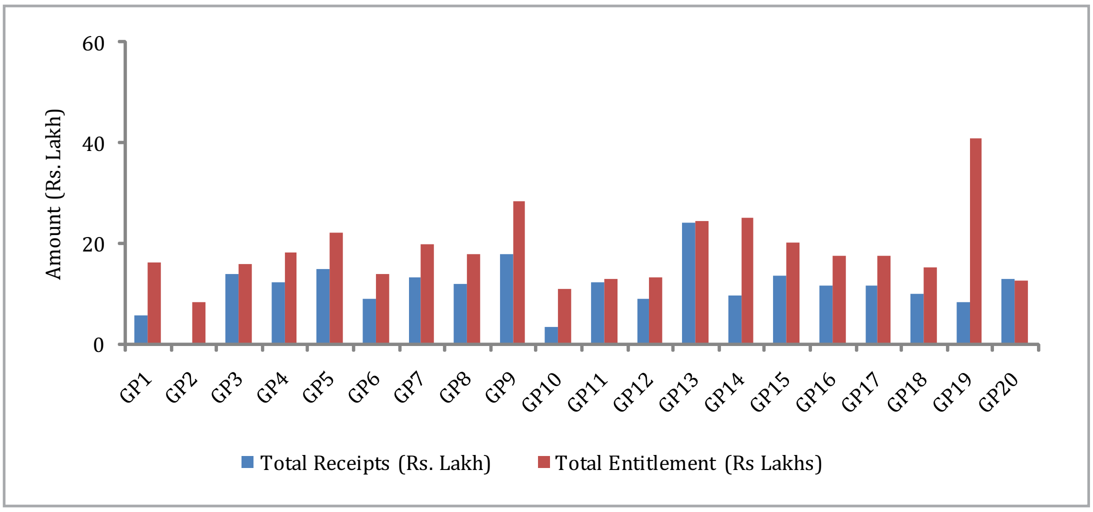
Chart 4.5 shows significant year-to-year variations in actual receipts. The variation was sharpest in the first 2 years. These delays meant that spillovers from one financial year to the next were high. For this reason, in 2009-10, GPs received fund equivalent to their entitlement despite the fact that GoI had not released the entire instalment for that year.

Chart 4.5 Average Receipts vs. Average Entitlement (BRGF)



As discussed earlier, there are significant variations in fund receipt across GPs. As many as 5 GPs in our sample report receiving less than the district average of 61% (see Chart 4.6 below). In fact, these GPs received less than 40% of their entitlement for the period 2007-08 to 2009-10. In addition, 5 of the sample GPs did not receive any BRGF funds in the first year of its implementation.

Chart 4.6 Total Entitlement vs. Total Receipts (BRGF)



In sum, PAISA analysis highlights that actual receipts to GPs vary significantly by fund type. 2nd SFC is the worst performer with GPs receiving only 55% of their entitlements BRGF is not much better with GPs receiving only 61% of their entitlements. On this indicator, TFC is the best performer as GPs received over 90% of their entitlements. Both, TFC and BRGF had a slow start but appear to have adjusted their performance in later years.

The analysis also reveals variations at the GP level in terms of actual amount received as a fraction of total entitlements. There are, however, no correlations across grant type. Moreover, the extent of variation across grant type differs significantly with BRGF having the greatest variance. This is evidenced by the fact that the standard deviation for BRGF is 0.26, while the standard deviation for TFC and 2nd SFC is lower at 0.11 and 0.10 respectively.

4.2 When do GPs Receive Their Money?

In Chapter 2, we detailed the fund transfer process from GoI to GP. As the description highlighted, given the multiplicity of steps involved in fund transfers, to assess the timeliness of the fund flow at the GP level, it is important to trace the entire process starting with the release of fund at the first level. This involves determining the dates on which:

- MoF advises the CAS (RBI) to credit the accounts of the state governments,
- Money is received at the state level,
- Finance Department at the state sanctions the funds to the DPRD,
- Allotment letters are issued by the DPRD,
- Funds are credited to the FT account of the DPRD,
- FT Account of the ZP is credited,
- Allotment letters are issued at the district, and finally,
- Funds are received at the GP level.

To create this timeline, PAISA tracked the sanction/release letters at every level of the chain. As has been mentioned, there are some data gaps. The actual date of fund transfers was difficult to obtain. Second, owing, perhaps to poor record keeping, with the exception of the BRGF, allotment letters at the district level were not available.

The dates of fund receipt at the GP level (accessed from either passbook or cashbook or both) were gathered through the PAISA survey. In addition, data on instalment numbers of the grants received and the financial year for which the amount was received, was obtained through the survey. Ideally, this data ought to have been made available through allotment/advice letters received by GPs. However, as mentioned, the survey revealed that GPs had not kept these letters. Thus data on the instalment number and the financial year collected through the survey is not entirely reliable. To address this data gap, we calculated the median date of fund receipt corresponding to an instalment on the basis of actual dates of receipt as reported by the sample GPs.

PAISA analysis reveals that there are significant delays in the flow of funds from the Centre and the State to GPs, which vary from fund to fund. Thus, in this section, we report on detailed findings by fund type.

When do GPs receive TFC funds?

Step 1 GoI to State Governments[11]

PAISA analysis shows that there were significant delays in the release of TFC funds by GoI. These delays created a vicious cycle of delays in getting funds down to GPs (see Table 4.1)[12]. According to TFC rules, the first instalment ought to have been released in July 2005. However, as indicated in Table 4.1, this instalment was actually released 3 months later in the 1st week of October, 2005.

To put these delays in comparative perspective, we tracked the release of the 1st instalment of TFC funds for 2005-06 in 2 other states: Kerala and Karnataka (we chose these states as they, along with West Bengal, are widely regarded as states with relatively strong PRIs). Here too, there were delays. The 1st instalment to Kerala was sanctioned on August 26, 2005, while the 1st instalment of Karnataka was sanctioned on December 16, 2005. This suggests that delays in the release of West Bengal's 1st instalment were not unique to the state and that overall, TFC Panchayat funds seemed to have left GoI's coffers late. Second, it suggests that there is no uniformity in the timing of release of funds from GoI to state governments and on a comparative scale, West Bengal received its money relatively earlier as compared to states like Karnataka. We examine the reasons for these delays in detail in Chapter 5.

Table 4.1 Timeline and Fund Flow of TFC grant

Entitlement			Centre		State		GP
Financial Year	Inst. No.	Total Entitlement (Rs. Crore)	Sanction / Release Date (Centre)	Release Amount	Date of Issuing Allotment Letter	Sanctioned Amount (Rs. Crore)	Date of Receipt as reported by the GPs (Median Dates)
2005-06	1	127.1	06/10/2005	127.1	17/11/2005	127.1	Last week of December 2005 & first week of January 2006
	2	127.1	04/05/2006	127.1	19/05/2006	127.1	Last Week of June 2006
2006-07	1	127.1	05/12/2006	127.1	15/12/2006	127.1	February 6-28, 2007
	2	127.1	18/05/2007	127.1	01/06/2007	127.1	Last week of July 2007
2007-08	1	127.1	18/03/2008	127.1	27/03/2008	119.17	July & August 2008*
	2	127.1	12/09/2008	127.1	N.A.	N.A.	N.A.
2008-09	1	127.1	05/12/2008	127.1	12/12/2008	127.1	Mid February to March 2009
	2	127.1	24/03/2009	127.1	03/04/2009	127.1	
2009-10	1	127.1	24/07/2009	127.1	06/08/2009	127.1	End of December 2009 & 1st Week of January 2010; but not enough observations
	2	127.1	07/01/2010	127.1	19/01/2010	127.1	Mid-February & March 2010

We also find (see Table 4.1) delays in the release of the 1st instalment for successive years of the TFC. With the exception of 2009-10 when the 1st instalment was released in August, the 1st instalment for all other years was released sometime in the 3rd or the 4th quarter of the financial year. Gap between the two

[11] http://www.finmin.nic.in/stateloan/MonthYear14.asp?dept=2

[12] Median dates have not been calculated in some cases due to extreme variations in the receipt dates reported by GPs.

instalments has been 3-7 months. 2007-08 is the only exception when funds were released after a gap of 10 months (see Table A1.4 in annexure 1).

Step 2 GoWB to District Administration[13]

As Table 4.1 highlights, once received, GoWB was relatively quick in issuing allotment orders. To create disincentives for delays at the state level, the TFC built in a penalty in the form of 'interest for delayed period' if states took longer than 15 days to issue the letter. In 2005-06, GoWB took 6 weeks from the date of fund receipt to transfer funds and had to pay an interest of Rs. 87.75 lakh. This seems to have created some disincentive for future delays and all subsequent allotment letters were released within the stipulated 15 day period. However, in the absence of data on the district allotment letters and actual transfer dates, it is difficult to estimate when this money reached the ZP accounts.

Step 3 District Administration to GP

Despite timely issue of instalment letters by the State government, GPs received their funds a good 4 months after the date of release of funds from the GoI to the GoWB[14]. Ideally, it should take no more than 6 weeks for funds from the GoWB to reach the district administration and no more than 3-5 working days for funds from the district administration to reach GPs.

As the last column in Table 4.1 indicates, the time required for funds to reach GPs from the Centre varied between 1-4 months. There are significant variations across years and instalments. In 2005-06, sample GPs received their entitlement within 2-3 months from the date GoI released funds to GoWB. In 2008-09, the 2nd instalment reached GPs in April 2009, thereby spilling over into the next financial year.

This analysis also highlights that there was no predictability in the flow of funds to GPs. Delays meant that by and large GPs could expect to receive their 1st instalment for a given year somewhere between December and March of that year. However, there is no pattern in the receipt date and this varied significantly from year to year. GP level analysis shows some GPs reported receipt of an instalment in December and other reported receipt of the same instalment 2-3 weeks later. Moreover, there is no pattern even for a given GP, i.e., if a GP received an instalment before others in a given year, there was no assurance that the same GP would get its next instalment (whenever it was released by the district) earlier as well.

When do GPs receive their SFC funds?

Step 1 GoWB to District Administration[15]

As mentioned in Section 4.1, only 7 of the expected 10 instalments for the 2nd SFC funds were released over its 5 year life span. PAISA analysis shows (see Table 4.2), that with the exception of 2005-06 when both instalments were released, there were significant delays in the release of all successive instalments to ZPs[16]. The time lag between 2 instalments was significant - an average of almost 10 months[17]. Given this

[13] Retrieved from http://www.wbprd.nic.in/
[14] Refer to Table A1.4 in annexure 1
[15] Allotment letters were obtained from the DPRD.
[16] Median date has not been calculated for the first instalment of 2005-06 due to very few GPs reporting receipt of funds between the first and the second instalment.
[17] Refer to Table A1.4 in Annexure 1.

time lag, GPs often received funds after the corresponding financial year had ended. So for instance, in 2009-10, GPs did not receive any funds because funds were released in March (the end of the financial year) and by the time they arrived at the GP, the financial year had ended. This explains the large drop in the average yearly receipts of the GPs indicated in Chart 4.3 in the previous section[18].

Step 2 District Administration to GP:

In the absence of district allotment letters, the timeliness of fund flows from the district to the GP has to imputed through an analysis of the receipt dates reported by the sample GPs. Survey data shows a significant variation in grant receipt at the GP level[19]. This variation, combined with lack of district allotment letters, makes it difficult to link the fund receipts with the specific instalment and financial year against which the instalment letter was released. With these caveats, our calculations of the median dates suggest that the time interval between the issue of the allotment letter and the median receipt date has not been uniform. For instalments pertaining to 2005-06 and 2006-07, the interval seems to be about 1.5-2 months. But for instalments pertaining to 2007-08 and 2008-09, the interval seems to be at least 3 months. Moreover, as in the case of TFC, we see significant variations amongst and within GPs in terms of predictability and delays in fund receipts.

Table 4.2 Timeline and Fund Flow of 2nd SFC Grants

Entitlement		State		GP
Financial Year	Inst. No.	Sanctioned Amount to Birbhum (Rs. Lakh)	Sanction Date	Date of Receipt as reported by GPs (Median Dates)
2005-06	1	746.2448	30/08/2005	
	2	761.3204	22/11/2005	Dec. End 2005 - Mid. January 2006
2006-07	1	753.7784	20/10/2006	2nd Week of December 2006
	2	753.7784	30/08/2007	Mid- October 2007
2007-08	1	753.7784	28/03/2008	July- August 2008
	2	753.7784	5/1/2009	Mid February- March 2009
2008-09	1	753.7784	17/03/2010	First Two Weeks June 2010
	2			
2009-10	1			
	2			

When do GPs receive BRGF funds?

Step 1 GoI to GoWB[20]

PAISA analysis shows that there are significant delays in fund release by GoI. As Table 4.3 highlights, in 2007-08 and 2008-09, the 1st instalment was sanctioned as late as the last quarter of the financial year. This improved marginally in 2009-10 when the GoI sanctioned the 1st instalment to GoWB in December 2009.

[18] The sample GPs received only three instalments in 3.5 years between January 2007 and March 2010.
[19] Variations here are higher than for TFC
[20] http://panchayat.nic.in/viewPortalPageAction.do

Delays in fund release are not unique to GoWB. A recent World Bank study on the BRGF notes that 'there is at least a one year backlog of releases from the GoI to states'[21].

It is important to note here that the release of BRGF funds by GoI is conditional to the submission of district level plans. These plans are first finalized at the district level through the District Planning Committee (DPC) and then approved at the state level through a High Powered Committee (HPC). Analysis of dates of submission of the DPC shows significant delays in the planning process. For instance, in 2007-08, the DPC finalized its plan in January 2008, thus creating a cycle of delays in the actual receipt of funds.

Data for the date on which the MoPR issued the advice letter to the RBI shows that it took about 2 weeks between issuing the sanction/release letter and issuing the letter of advice to the CAS (RBI) to credit the funds to the State consolidated fund. This is significantly longer than TFC where the advice was issued almost instantaneously.

Step 2 GoWB to District Administration

There are significant delays in fund release at the state level (see Table 4.3) between when the advice letter is sent to RBI and when GoWB issued its allotment letter. This gap varies from year to year. In 2 cases (out of 5), the letter was issued more than a month late.

Analysis of district allotment letters shows that the time interval between fund release by the state and district sending money onward to GPs is very variable (see columns titled 'State' and 'District' in Table 4.3). With the exception of the 1st instalment in 2007-08, the gap between the dates is at least 2 months. The reason for the speedy release of this allotment letter was that the financial year was ending about the time that the instalment was received and spending pressures caused the district to act quickly. With this exception, it appears that the process of transferring funds from the state to the district is time consuming. In the absence of the dates on which funds were credited to the ZP account, it is difficult to assess whether these delays were caused due to delays in fund transfers from the state to the district or delays in the district issuing its allotment letters/memos.

Table 4.3 Timeline and Fund Flow of BRGF Grant

Entitlement		Centre				State	District	GP
Financial Year	Birbhum district (Rs. Crores)	Inst No.	Sanction/ Release Letter Date	Date of Letter of Advice to CAS (RBI)	Release Amount (Rs. Crore)	Date of Issue of Allotment Letter	Date of Issue of Allotment Letter	Date of Receipt as reported by GPs (Median Dates)
2007-08	19.86	1	28/01/2008	18/02/2008	17.87	7/3/2008	28/03/2008	2nd Week of April, 2008
		2	6/3/2009	20/03/2009	1.99	30/03/2009	1/7/2009	
2008-09	19.86	1	24/03/2009	27/03/2009	12.84	5/5/2009	1/7/2009	End of September 2009
		2						
2009-10	19.86	1	2/12/2009	8/12/2009	6.22	17/12/2009	5/3/2010	Mid-March 2010
		2	9/3/2010	15/03/2010	13.64	13/04/2010	24/06/2010	1st week of July 2010

[21] World Bank, 2010.

District Administration to GP

Overall, it takes a minimum of 2.5 months and a maximum of 6 months for funds to reach GPs after the sanction from the Centre. Analysis of the date of issue of the district allotment letters and the actual receipt of GP funds suggests that with the exception of the 1st instalment, GPs received their funds relatively quickly – within 2 weeks of the district allotment letter being issued. This clearly suggests that the primary bottleneck in transferring funds lies either at the state or district level.

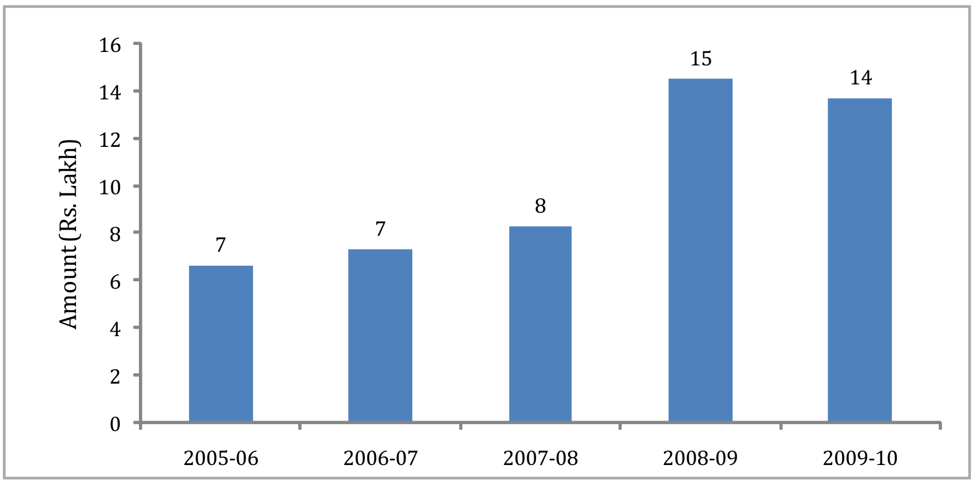
To summarize, this section highlights that there are significant delays in the fund transfer process at various stages. As Table A1.4 in annexure 1 highlights, among the 3 untied funds discussed, TFC grants performed better in terms of timing and regularity. However, even here delays, particularly delays in the GoI releasing money were rampant. Due to these delays, there are long periods within a financial year when GPs do not receive any funds. This in turn generates fluctuations in average receipts described in the previous section. Moreover, as we shall see in Section 4.3, these delays can have serious consequences for expenditure efficiencies.

4.3 Do Gram Panchayats Spend Their Money?

An examination of GP level expenditure capacity needs to account for the fact that the period under study saw a significant increase in budgetary allocations for GPs due to the introduction of new schemes by GoI, such as BRGF and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). These increases placed an unprecedented expenditure expectation on GPs. Thus, to contextualize the expenditure discussion, we first need to assess the overall receipts and expenditures for GPs in Birbhum during the survey period.

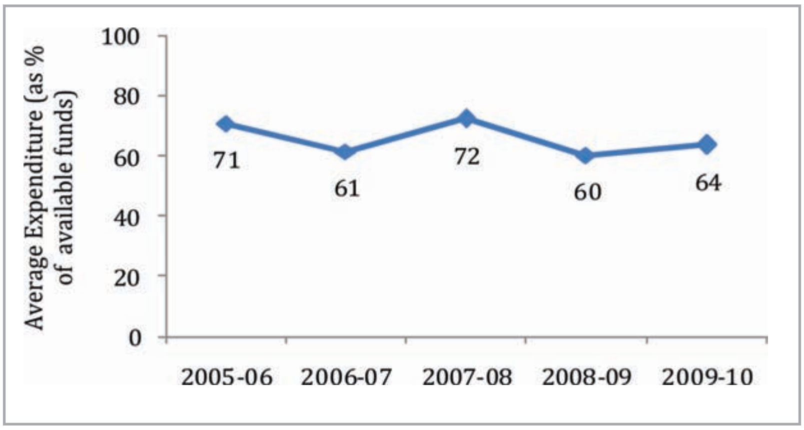
Between 2005 and 2010, the average budgetary allocation per GP for untied funds (UFC, SFC and BRGF) rose from Rs. 9.97 lakh in 2005-06 to Rs. 16.14 lakh in 2008-09 when the BRGF funds were released to GPs. Correspondingly, the actual receipt of funds at the GP level also rose significantly, as indicated in Chart 4.6. In 2005-06, on average, each GP in Birbhum received untied funds amounting to Rs. 7 lakh. This increased to an average of Rs. 15.19 lakh in 2008-09. There was a minor drop in 2009-10 to Rs. 14 lakh owing to a dramatic slowdown in 2nd SFC fund receipt at the GP level. Overall, per capita expenditures on untied funds increased from Rs. 26.5 in 2005-06 to Rs. 95.7 in 2009-10.

Chart 4.7 Average Untied Funds Received



With the launch of MGNREGA, per capita GP expenditure for tied funds rose even more dramatically from Rs. 101.74 in 2005-06 to Rs. 871.92 in 2009-10 (a 757% increase in nominal terms) and thus far outweighed the increase in untied funds.

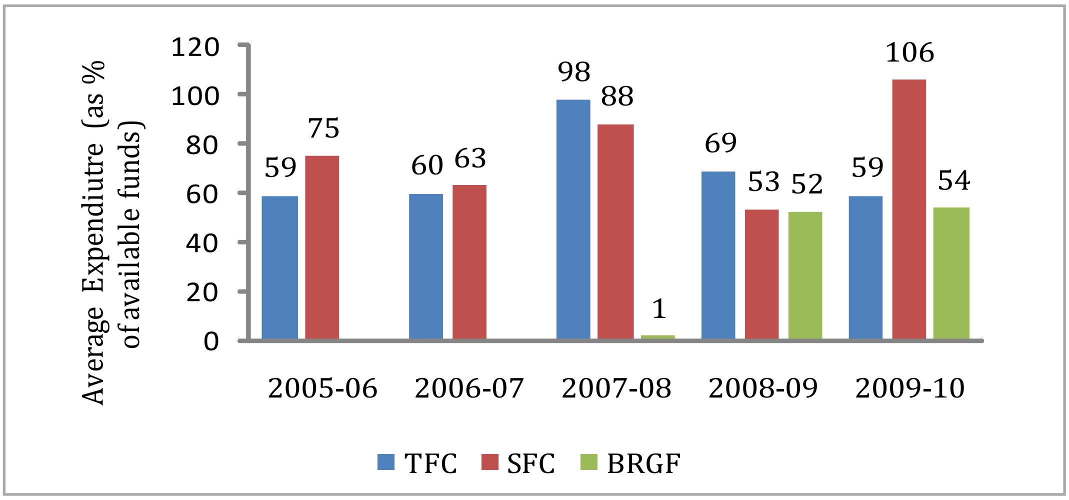
Chart 4.8 Expenditure Performance of Untied Funds



Now to the question under consideration – Do GPs spend their money? As Chart 4.8 highlights, in 2005-06, on average GPs spent 71% of their available funds[22]. Between 2006-07 and 2009-10, this dropped to 64%[23]. These numbers indicate that as GPs began to receive more money and as spillovers from late instalments increased, GP expenditure performance worsened.

To assess whether there are differences across fund type, we disaggregated expenditures by fund type. On average, 69% of TFC funds and 73% of 2nd SFC funds were spent over the 5 year period from 2005-06 to 2009-10, as shown in Chart 4.9. BRGF expenditures, however, were very low with a mere 53% expenditure over the 2 year period from 2008-09 to 2009-10[24]. In 2008-09, spending on TFC and 2nd SFC dropped dramatically and stayed low in 2009-10. We could hypothesise from this that the increased expenditure expectation owing to the introduction of BRGF could have slowed spending in these years. Importantly, BRGF is a process-heavy program and it is possible that GPs had to focus on fulfilling BRGF process criteria resulting in an expenditure slowdown. There are no significant differences in expenditure capacity for SRD and non-SRD GPs.

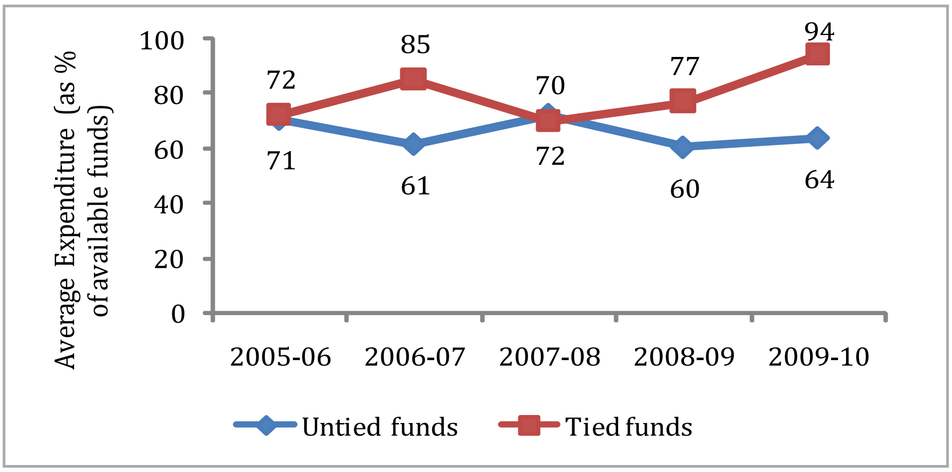
Chart 4.9 Expenditure performance of TFC, 2nd SFC, BRGF funds



[22] 3 GPs have been removed due to errors in data collected on GP expenditures.
[23] These calculations include spillovers from previous years.
[24] If we also include 2007-08, the proportion drops to 44%.

Comparatively, expenditures on tied funds are somewhat higher. For the 5 years under consideration, on average, GP expenditure on tied funds was 10 percentage points greater than untied funds. There are year on year variations, as indicated in Chart 4.10. In 2005-06, on average, GPs spent 72% of their tied funds. This increased to 94% in 2009-10 after a dip to about 70% in 2007-08.

Chart 4.10 Expenditure performance: Tied vs. Untied funds



Our analysis reveals significant variations in expenditure capacity across GPs and across fund type. For TFC funds, over 1/3rd GPs spent below the GP average of 70%. In the BRGF, these variations are even greater. The highest spender had spent 80% of BRGF funds over a 3 year period and the lowest spender spent as little at 12%. This extreme variance in BRGF is reflected in our calculation of standard deviations for expenditures out of available resources for the 3 grants. Standard deviation for the BRGF is 0.29, while for TFC and 2nd SFC, standard deviations are 0.14 and 0.14 respectively.

Interestingly, correlation measures indicate that a GP's ability to spend either TFC or 2nd SFC funds does not correlate with GP ability to spend BRGF funds. GPs performing better in TFC spending are also likely to spend 2nd SFC funds. The correlation coefficient between TFC and 2nd SFC is 0.26. The correlation coefficients between TFC and BRGF, and 2nd SFC and BRGF are 0.04 and - 0.09 respectively.

To summarise, this 5 year period saw a significant increase in GP allocation. Expenditure performance was relatively good at an average of 60%. However, there are variations in ability to spend tied and untied funds. Overall, expenditure on BRGF has been low resulting in a dip in expenditure capacity for untied funds. As MGNREGA consolidated, GP capacity to spend tied funds improved significantly, thereby widening the gap in expenditure performance between tied vs. untied funds in 2008-09. Importantly, GP capacity to spend is extremely variable both across years and fund type. We explore these variances in greater detail in Chapter 5.

4.4 How do Gram Panchayats Spend Their Money?

To assess utilization patterns at the GP level, we categorised activities in which GP expenditures are incurred. these are: drinking water; roads; drains; culvert; guard-wall; GP office (building GP office, new rooms, new equipment, furniture and so on); infrastructure for economic activities (market complex, land development); health (building health centres); education (school buildings); civic facilities (street lights) and other miscellaneous activities.

Table 4.4 describes expenditure patterns for these categories from all 3 funds. As the table highlights, 34% of total TFC expenditures were incurred on activities related to the provision of drinking water with a focus on building and repair of tube-wells. This is hardly surprising as TFC norms recommended prioritizing drinking water. Disaggregating at the GP level (see Table 4.5), indicates that the aggregate numbers in Table 4.4 are not driven by a small subset of the sample GPs. In 16 out of 17 GPs, provision of drinking water seems to be the 1st or 2nd priority, as measured by expenditure on drinking water as proportion of total expenditures. That funds were spent on drinking water in SFC and BRGF too could be an indication of need as Birbhum has high fluoride content in water and drinking water is thus a real felt need.

Table 4.4 Utilization Pattern of Untied Funds

S.No.	Activity	Expenditure (% of total expenditure)		
		TFC	SFC	BRGF
1	Drinking Water	34	38	27
2	Roads	48	16	2
3	Drains	3	4	1
4	Culvert	1	5	3
5	Guard-wall	1	3	3
6	GP Office	7	5	12
7	Infrastructure	0	1	8
8	Health	1	6	27
9	Education	2	4	10
10	Civic Facilities	1	7	3
11	Misc.	2	10	4

Despite TFC recommendations that priority be given to drinking water facilities, as much as 48% of its funds were spent on road construction. TFC had also recommended that funds be spent on maintenance of accounts and computerization and creation of a GP level database. In 2006, GoWB issued a notification mandating that 5% and 15% of TFC funds be spent on these activities. However, our data indicates that these activities were not undertaken at all. Where money has been spent on GPs, it went to GP infrastructure related activities such as, building new rooms, and the purchase of new furniture.

The utilization pattern of BRGF funds reveals an interesting picture. While drinking water is a priority, BRGF funds have also been spent on health and education related activities with a focus on building and construction works related to health centres. Year-on-year analysis of BRGF utilization suggests a shift in priorities. In 2008-09, more than half the sample GPs reported using BRGF funds for drinking water related activities. In 2009-10, utilization of BRGF funds saw a shift away from drinking water to health, which accounted for bulk of the expenditures at 30%. This shift could be a reflection both, of improved planning as GPs began to develop a more holistic assessment of their needs, and access to more funds. As we have seen in Section 4.2, BRGF fund flows were relatively low in the first 2 years and it is only in year 3 that GPs got their entire entitlement. More money, thus, must have enabled them to diversify their expenditures.

Table 4.5 Utilization Pattern of Untied Funds: Category and Share of Highest Expenditure

GP Name	Expenditure on activity (% of total expenditure)							
	TFC 2005-2010		SFC 2005-2010		BRGF 2008-2010		Untied Funds 2005-2010	
	Category	Share (%)	Category	Share (%)	Category	Share	Category	Share (%)
Angaragoria	Water	75					Water	75
Batikar	Drain	49	Water	64	Health	68	Water	46
Bhutura	Water	43	Misc	45	Water	54	Water	39
Chandidas Nanoor	Water	29	Health	40	Health	100	Health	27
Dabuk	Utilization data not available							
Hansan II	Water	72					Water	72
Hotora	Water	70	Roads	42	Health	80	Water	40
Kaleswar	Water	50	Water	35	Infrastructure*	100	Water	36
Kalitha	Roads	96	Water	50	Water	45	Roads	88
Khoyrasole	GP Office	39	Misc	42		0	Misc	25
Kin Nahar I	Water	49		0	Misc	30	Water	44
Margram I	GP Office	39	Water	38	GP Office	92	Water	35
Paikar-I	Water	78	Water	53	Water	56	Water	64
Paikpara	Utilization data not available							
Palsa	GP Office	49					GP Office	49
Paruliya	Water	66	Misc	52	Education	69	Education	30
Purandarpur	Water	40	Water	55	Water	61	Water	53
Rupaspur	Water	34	GP Office	30	Roads	46	Water	25
Sirsha	Utilization data not available							
Siyan Muluk	Water	92	Water	62	Water	37	Water	73

(* : Infrastructure for Economic Activities)

One common thread across all GP expenditures is a preference for infrastructure related and guideline driven expenditures. The guideline focus is ironic considering that these funds are meant to be 'untied'. Part of the problem is that despite being 'untied' in theory, in practice, both, GoI and GoWB issued periodic guidelines imposing conditionalities and directing GP expenditure leaving GPs with little to chose from. At the same time, this is also an indication of weak planning capacity as GPs even when they had the opportunity chose to spend on guideline recommended activities.

An important question related to the utilization pattern of GP funds is that of the quality of expenditures: to what extent do activities and expenditures undertaken reflect local needs and priorities?

Given the time constraints in this study and the fact that PAISA tracked only a small portion of the overall GP funds and activities, we used geographical spread of activities under the 3 funds as a proxy indicator for the quality of expenditures and outputs. It is our hypothesis that if activities are evenly spread across a GP, it would indicate that a wide range of needs are being met through GP expenditures. The GP ward is the unit of analysis for this assessment. We calculated the number of activities undertaken in each ward. Our analysis reveals that the standard deviation of activities is relatively low suggesting that activities are spread evenly across the wards of sample GPs. There is one caveat to this analysis. The information on activities undertaken by GPs has been collected from the GP level project registers. But as mentioned, record keeping is poor and there are instances where entries for location of activity have not been filled in. We removed those activities from our sample and only examined activities for which complete data is available. Where the entry says 'all Gram Sansads', we have assumed that the activity has been carried out in all wards in the GP[25].

A second indicator of the quality of expenditures is the extent of political capture in expenditure patterns. Recent empirical studies argue that GP expenditures tend to be concentrated in the Panchayat President's village in the GP indicating political or elite capture at the GP level[26]. To assess this phenomenon in the sample GPs, we disaggregated the data to see if there is any correlation between the number of activities carried out in Gram Sansads and representation of the Gram Sansad by the Panchayat President. Our analysis finds no correlation between the two variables.

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[25] More than half of the activities seem to being carried out in all Gram Sansads.

[26] Chattopadhyay & Duflo, 2004; Pranab Bardhan and Dilip Mookherjee have written a series of articles exploring the issue of elite capture in the context of decentralization.

Chapter 5

Unpacking PAISA Findings

PAISA findings highlight several gaps in the process of fiscal devolution of untied funds to GPs in Birbhum, West Bengal. These findings can broadly be summarized as:

- *Gaps in receipts over entitlements:* GPs in Birbhum receive significantly less than their budgeted financial allocations. There are large variations in the quantum of these gaps both across and within fund type. Thus no single GP can accurately predict the quantum of funds they will receive in any given year for any given fund. Importantly, we found that TFC performs significantly better than 2nd SFC and BRGF funds;

- *Delays in receipt of funds:* Funds to GPs tend to arrive towards the second half of the financial year. Overall, it can take anything between 2-6 months for funds to flow from their point of origin (Centre or State) to GPs. Moreover, the first instalment of a given year is never released before August of that year (4 months after the start of the financial year) and therefore, with few exceptions, the bulk of a GP's entitlement usually arrives between December and March of a financial year. Delays start at the GoI level and flow all the way down to the district;

- *GP expenditure on tied funds somewhat better than untied funds:* Although overall expenditures are relatively high, expenditures on tied funds are somewhat higher than untied funds. Expenditures seem to cluster around guideline driven infrastructure activities despite the fact that funds tracked are 'untied'; and

- *No discernible pattern in GP performance:* There are wide variations in GP level fiscal performance, measured as capacity to receive and spend money, across the district. .

Apart from highlighting gaps, PAISA analysis also throws some light on the specific points in the system where bottlenecks and inefficiencies exist. Analysis shows that inefficiencies start at the GoI and this creates a vicious cycle of inefficiencies across the delivery chain. However, GoI performance is better than state performance. There also seem to be significant bottlenecks at the district level which affects the ability of districts to disburse funds to GPs. None of these findings are unique to Birbhum or West Bengal for that matter. The few research pieces that have tracked the process of fiscal decentralization in India, including the Report of the 13th Finance Commission, point to very similar problems across the country.

In West Bengal, these gaps are exacerbated by the fact that the quality of record keeping of Panchayat finances is weak. During this study, PAISA surveyors had many difficulties in obtaining an accurate picture of Panchayat finances owing to poor record keeping. Even accessing basic documents like allotment and sanction letters at the State, District and GP level was a challenge. It is important to note here that the quality of record keeping is far worse at the state level than the GoI level. At the GP level, limited capacity and poor accounting practices have resulted in significant quality deficits in record keeping, and entries in project registers and cash books were often incomplete. Interestingly, in 2007, a sophisticated accounting system called Gram Panchayat Management System (GPMS) was introduced to streamline accounting practices at the GP level. While this is an important step forward, the data generated through GPMS is not networked to higher levels of the system, and thus data can only be accessed by physically going to the office.

In this chapter, we try and unpack this set of PAISA findings to get a better understanding of the reasons for these persistent bottlenecks. There is one caveat. The primary objective of this study was to offer a diagnostic. While we have tried here to analyze this diagnostic, getting to the heart of these problems requires more robust research. What we offer here is only a preliminary analysis which throws open more questions than it answers. Our focus in this section is on understanding bottlenecks in fund flows and GP level variance.

5.1 Understanding Bottlenecks in Fund Flows

To understand the reasons behind gaps in actual receipt, delays and unpredictability in fund flows at the GoI, state and district levels, PAISA interviewed officials across all these levels of government. Findings from the interviews suggest a variety of possibilities that together could explain the reasons for persistent gaps and bottlenecks. These include:

Low priority accorded to PRI funds

A commonly expressed view is that Panchayat finances are typically accorded low priority in the government scheme of things at the Centre and State level. As a result, Panchayat funds are amongst the last of the allocations to be pushed out of the door. This explains delays in fund disbursements. Interviews also highlighted that on account of this low priority, in times of fiscal stress at the state government level, Panchayat finances are the first to face cuts[27].

To test this hypothesis, we tracked disbursement dates for the 1st instalment of 2 other TFC grants – the equalization grant for the education sector and the grant-in-aid for maintenance of forests. Release data from the GoI shows that both grants were released in May 2005 to all states. This gives some weight to the hypothesis that Panchayat finances are low priority and thus fund disbursement is inevitably delayed.

Our analysis also highlights that for both TFC and 2nd SFC funds, some proportion of GP entitlements was re-credited to the state treasury by the state government. As we saw in Section 4.1 in 2007-08, the state government issued an order retaining a small portion of the TFC PRI (including GP) entitlement for expenditures incurred at the state government level. Similarly, as noted in Chapter 2, the 3rd SFC report for West Bengal highlights that the state government reduced Panchayat financial entitlement consistently over the years. Once the entitlement was fixed and the devolution process initiated, the state withheld 3 of the 10 instalments meant for GPs. These facts underscore the observation that Panchayat finances are not top priority and as a result, in times of fiscal stress, Panchayat finances suffer.

[27] For a more detailed analysis, see Sethi (ed.), 2004

Cumbersome procedures

Low priority apart, the actual release of funds and flow of money through the many layers of government is beset with cumbersome procedures that encourage opacity and hinder timely disbursements. Interviews with officials highlighted that moving funds from one level to the next, requires a lot of negotiation between different departments (in particular between the finance department and implementing agency) which, in turn, delays disbursements. This is borne out by a recent evaluation of fund flows in Centrally Sponsored Schemes undertaken by a group of IAS officers. The problem, they argue, begins when GoI releases funds to the state treasury. On release, GoI sends a notification to the Accountant General and the finance departments but not line departments. When line departments approach the state finance department for funds, the finance department in turn requests line departments to provide copies of release orders thus placing the onus of following up with MoF on line departments. This in turn creates more delays as line departments have to negotiate with MoF and state finance departments[28]. These problems were reiterated during interviews with officials at DPRD and SRD. According to officials, the actual crediting of funds from the Finance Department to the DPRD involves negotiations between DPRD and the Pay and Accounts Office in Kolkata which causes delays in fund transfers.

At the GP level, penetration of the core banking network can also affect speed and timeliness of funds. If a GP has an account with an SBI bank branch with a Core Banking System (CBS), the actual fund transfer is instantaneous. But if a GP has an account with a regional bank that is not linked to the CBS, fund transfers take significantly longer. This is usually the case for remote GPs. Moreover, location can also affect the speed at which GPs are informed of the transfer. Remote GPs tend to be far away from banks and this could result in delays in the GP receiving information about fund transfers from banks. Unfortunately, in this study, we did not ask for bank related information and thus cannot say whether these factors were relevant to the Birbhum sample.

Finally, as we have seen, GPs receive funds from multiple sources. Each financial source has its own bank account and financial procedures. In interviews with GP members, we found that on average, a GP can have up to 10 bank accounts for different funds. This multiplicity of accounts and reporting procedures adds to the story of delays for it takes GPs time to manage these accounts and prepare reports according to reporting requirements[29].

Conditionalities for fund release

At every level of government and for all fund types tracked in this PAISA survey, fund release was linked to the fulfilment of various conditionalities that contributed to the story of delays and lack of predictability. These conditionalities varied by fund type and level of government. For instance, to access the 1st instalment of TFC funds, all state governments were required to send details of the specific allocation amounts of the TFC grants to PRIs and ULBs at least up to the district level to MoF. Delay in the submission of these details by states to MoF could be one reason for delays in the actual release of the first instalment (this might explain why there is a significant variation between the date that Kerala received its first instalment and Karnataka received its first instalment.(see Section 4.1)).

[28] Dikshit, et al., 2007

[29] The 2005 World Bank study makes a similar point in the instance of Kerala and Karnataka.

At the ground level, the actual disbursement of funds is conditional on expenditure performance ascertained through utilization certificates (UCs). The UC submission process is cumbersome, to say the least[30]. Interestingly, although the TFC report explicitly states that the TFC funds should not be conditional on the submission of UCs, in practice, at the state level, interviews with officials indicated that receipt of a financial instalment at the district level was contingent on the district demonstrating expenditure of up to 60% through the submission of UCs. Failure to spend this money could result in delays in receipt of the next instalment at the district level.

It is common practice in fiscal decentralization systems for governments at higher levels of the system to impose conditionalities to incentivise local governments to spend money on priority areas and also to create checks and balances against wastage. TFC, for instance, required GPs to prioritize activities related to the maintenance of water supply, sanitation and drainage facilities. GPs were also required to collect at least 50% of the recurring costs in the form of user charges. To strengthen and incentivize local level planning, BRGF made the release of funds conditional to preparing a district level plan. In practice, these conditions served to create more delays in the fund flow process. In BRGF, for instance, low planning capacity at the GP and district level resulted in severe delays (as we saw in 4.2) in the DPC submitting plans to the HPC which in turn delayed the fund flow process. For TFC, many officials argued that GPs had difficulties in recovering costs through user charges which made fulfilling expenditure requirements hard. While conditionalities can impose constraints and result in delays, as they clearly did in TFC and BRGF, they can also be used positively to strengthen local bodies, as BRGF tried to do by linking fund flows to the preparation of plans. The problem arises if there are too many conditionalities and if they do not take into account capacities on the ground. This throws up a design challenge for fiscal decentralization: that of devising mechanisms that balance the need (and positive outcomes) for conditionalities with the need to ensure smooth fund flows and simple fiscal management systems on the ground.

Capacity problems

Finally, staff limitations at the district and GP level can affect the process of fund disbursal. As pointed out in section 4.3, for the period under consideration in this study, GP level finances increased significantly owing to the roll out of many new GoI schemes like BRGF and MGNREGA. Each of these schemes have their own specific procedures for fund disbursement and reporting which in turn, place a heavy human resource burden on the system. However, this increase in finances has not been accompanied by a concomitant increase in human resource capacity. To illustrate, as mentioned, GPs now have at least 10 bank accounts to manage. Yet, at the GP level there are only 2 officials – the executive assistant and Panchayat secretary to manage these 10 accounts. Districts face a similar human resource constraint. Capacity constraints also add to the problem of poor record keeping as it is simply not feasible for one DDO to manage so many different accounts and procedures. Officials argued that this is one of the reasons why there are delays in the issuing of allotment letters at the district level.

In sum, delays and bottlenecks in fund flows can be attributed to a variety of interconnected reasons. For one, Panchayat finances are accorded low priority at every level of government and are usually the last set of funds to be pushed through the funding window. In addition, complex procedures, difficult

[30] The World Bank study on BRGF points out that the functionaries at the ground level seemed unclear of UC submission procedures which caused confusion and delays.

conditionalities and capacity constraints at the district and GP level together contribute to delays in fund release from the point of origin and the slow pace of fund flows through the institutional chain.

5.2 Understanding GP Level Variations

Interviews pointed to a variety of possibilities that could account for GP level variations. These include differences in expenditure performance or absorption capacity, intangible factors (GP human resource capacity, history, political clout etc.), political factors and geography (remoteness). To explore this, we disaggregated GP data by specific indicators. Our analysis shows that none of these factors can adequately explain GP variations. Below are highlights of our findings:

Expenditure Performance of GPs

Amongst the many conditionalities imposed on GPs, one important condition is spending performance. As mentioned, state and the GoI rules require the submission of UCs for upto 60% of the expenditure as an eligibility criterion for the next tranche of funding. Discussions with district officials indicated that the district has some flexibility in determining the specific amount of a given instalment that ought to be devolved to the GP. According to officials interviewed, the district devolves somewhat less to GPs that have not spent 60% of their previous instalment. These findings led us to hypothesize that if a GP's expenditure performance is poor, it would not be able to submit its UC on time and hence, would not receive its entire entitlement, or receive it late in the year. This can potentially generate variations in receipts/ entitlement between the 'good' and 'bad' GPs that may persist over time.

To test this hypothesis, we selected the 3 'best' performing GPs and 3 'worst' performing GPs from our sample (in terms of expenditures as a fraction of available resources). If the above hypothesis is correct, then except for the 1st instalment, successive instalments would depend on expenditure performance of the GP. More specifically, a GP spending more than 60% would get its full instalment soon after the district receives its instalment and vice versa for a GP spending less than 60%. However, this does not seem to be the case. Analysis shows that even if a GP has spent less than 60% of a given instalment, it received its next instalment. In other cases, there are GPs that have not received their full instalment even when they had spent more than 60%. In other words, receipts do not seem to follow expenditures.

It is important to note that there is a caveat to this analysis. If a GP submitted its UC late, and received its full instalment later, we will not be able to capture it since we have data with yearly frequency.

Intangible Factors

A second set of explanations for GP level variation in expenditures are intangible factors like individual capacity of GP staff and elected GP representatives, awareness levels in the GP population, local power dynamics and political clout of GP representatives. This is especially true in the case of untied funds where there are no fixed guidelines about usage and a GP has to negotiate with different power centres to determine the nature of spending.

Though we do not have a direct measure of these intangible factors, this line of argument suggests that if intangible factors are indeed influential then a GP whose expenditure performance is 'good' for one type of fund, is also likely to perform better in another type of fund. More specifically, expenditures (as a fraction of available resources) should be correlated across the fund types.

To test this hypothesis, we calculated the correlation coefficient between the three fund types: TFC and 2nd SFC, TFC and BRGF, and 2nd SFC and BRGF, with respect to receipts over entitlements and expenditures over available resources. We find that there is no correlation in case of receipts over entitlements[31]. Further, there is no correlation between TFC and BRGF, and 2nd SFC and BRGF as far as expenditure performance is concerned, while TFC and 2nd SFC expenditures are weakly positively correlated[32].

Related, we explored whether increased investment in planning capacity could improve GP level fiscal performance. As mentioned in Chapter 3, to account for potential effects of the SRD program, our sample includes SRD and non-SRD GPs. The SRD program had an explicit focus on strengthening planning capabilities of the GPs. Hence, if planning capacity plays an important role, then we should be able to see differences among the SRD and the non-SRD GPs.

We recognize that the 2nd phase of the SRD program started in 2008-09 and therefore, it might be too soon to see these effects. Hence we exclude Phase 2 GPs from our analysis. A comparison between SRD Phase 1 GPs and non-SRD GPs shows that there are no significant differences between them. In fact, at an aggregate level, non-SRD GPs perform better in all the three untied funds we have tracked. Further, there is no specific pattern as non-SRD GPs performed better in some years and SRD GPs performed better in other years[33].

In sum, our analysis indicates that GP specific characteristics do not seem to have clear effects on a GP's fiscal performance. Ability to access more resources for one fund type does not mean that the GP can do the same for another. Ability to spend on one fund type does not indicate that the same GP will perform well on another fund type.

Political Factors

Political factors could be a third explanation for GP level variations. After all, if a ruling party at the GP level is the same party as at the state level or the district (ZP) level, it could create possibilities for favourable treatment of that specific GP.

However, party politics does not play a significant role in our sample GPs. Between 2005-06 and 2007-08, CPI (M) was the ruling party or a part of the ruling coalition in 17 of the GPs sampled. GP elections were held in 2008 in Birbhum and the CPI (M) came back to power in 16 of these GPs. Only 5 GPs witnessed a change in their ruling party. But even amongst these GPs the change in party did not seem to affect fiscal performance. It is however possible that individual political clout may have had some impact. Capturing

[31] The correlation coefficients between TFC and SFC, SFC and BRGF, and TFC and BRGF are 0.022, 0.018 and 0.013 respectively.

[32] The correlation coefficients between TFC and SFC, SFC and BRGF, and TFC and BRGF are 0.026, -0.09 and -0.04 respectively.

[33] It must be noted that the non-SRD GPs are relatively better off as compared to SRD GPs. Further, we do not have information about the trends before the SRD Programme was launched. Note also that the sample size here is relatively small and thus may not be representative of the state of the SRD project. Hence we use the word 'effect' and not 'impact'.

these differences would require detailed ethnographic studies of individual GPs which were beyond the scope of this research.

Geographical Variation

Finally, we disaggregated our sample by sub-division and geographical location to test whether geography could play a role in GP performance. If a GP is situated in a remote and inaccessible location, it is likely to face difficulties that might adversely affect its performance.

To explore this, we mapped locations of sample GPs along with their performance (see Figures A1.1 and A1.2 in Annexure 1 for the map). 16 GPs are indicated on the map[34]. Figure A1.1 indicates performance with respect to fund receipts as a fraction of entitlements and Figure A1.2 indicates performance with respect to expenditures as a fraction of available resources.

As these maps show, there is no specific geographical pattern in fiscal performance. Both 'good' and 'bad' GPs are spread across the district in all the three sub-divisions- Sadar Suri, Rampurhat and Bolpur.

As this analysis of GP variations shows, there seems to be no single factor that could adequately explain these variations. It also suggests that quantitative analysis such as ours is not enough and understanding these variations would require a more detailed, in-depth analysis of how GPs function and what factors drive their day-to-day management decisions. Rather than answer any questions, our analysis simply points to the urgent need for more detailed research.

[34] We could not accurately identify locations for the remaining 4 GPs.

Chapter 6

Conclusions and Recommendations

Analytical studies on rural local government finances are few and far between in India. The paucity of reliable data and the lack of transparency in Panchayat finances and associated difficulties in accessing data is an important reason for this. The problem of course, is well known. Successive finance commissions have complained about this problem with little effect. This PAISA Gram Panchayat study is a first step toward filling this vacuum.

The PAISA survey is a unique attempt to track fund flows from their point of origin through to their final destination: the GP office. That PAISA has been able to collect data on GP finances at a level of granularity that enables detailed GP analysis is a clear demonstration of the feasibility of undertaking such surveys and data collection exercises. Importantly, the PAISA survey reveals that data collection does not require much technical expertise. Data for the study was collected by students from the Visva-Bharati University in Birbhum. The students underwent 3 days of training before going out to collect data. Given this, there is no reason why state governments cannot undertake similar exercises at regular intervals.

Data collected through the PAISA survey tells an all too familiar tale of inefficiency in fund flows and resultant poor quality expenditures. Worryingly, inefficiencies persist across all levels of government. This adversely affects GP capacity to plan and link expenditures to felt needs and priorities. If anything, these problems create perverse incentives for Panchayats not to plan and results in wastage.

There is some good news: the very fact that the overall financial entitlements and actual receipts for GPs have increased is a positive trend in favour of fiscal decentralization. For the five year period tracked, the per capita allocation for untied funds rose from Rs. 26.5 in 2005-06 to Rs. 95.7 in 2009-10. The allocation for tied funds increased even more by 757% in nominal terms (a per capita rise from Rs. 101.7 in 2005-06 to Rs. 871.9 in 2009-10). Better still, GPs seem to be spending their untied funds despite challenges of delayed and unpredictable funding. This suggests that GPs do have a high absorptive capacity and with some capacity and systemic improvements in fund flows, expenditures could improve. However, much needs to be done in terms of quality of expenditures. GPs seem to have difficulties in making plans and their expenditure patterns show a preference for guideline-driven hard infrastructure activities. Addressing these capacity challenges is critical if fiscal decentralization is to achieve its potential.

Our analysis points to key areas where reforms can be introduced. These include:

Improvement in Record Keeping at all Levels

As mentioned, this study faced serious problems in obtaining an accurate picture of ground realities owing to poor quality data on Panchayat finances. Thus, the first step toward improving the quality of fiscal decentralization is the improvement of record keeping at all levels of government. While giving specific recommendations on how this can be achieved is beyond the scope of this research, we can identify certain general principles that ought to be followed. First, data needs to be made transparent and public. For the state and district level, the DPRD website is the primary vehicle through which this can be achieved. At a minimum, all district and state level allotment and sanction letters along with details on transaction dates must be made available on the website. This will go a long way toward empowering GPs as they could track the flow of funds and plan their expenditures accordingly.

Second, record keeping needs to be in real time. Real time monitoring will enable officials to identify record keeping anomalies and thus clean up the record keeping system. In addition, it will enable regular analysis that could go a long way in generating sufficient evidence and pressure on the state and GoI to improve the quality of fiscal decentralization in the state. An improved GPMS system holds the key to ensuring real time data.

Data generated through the GPMS should be on a central server allowing GP, block and district officials to access the data from their respective locations. This will enable real time monitoring of GP finances by block or district officials.

Simplifying the fiscal transfer system

This study clearly demonstrates that complex procedures and conditionalities can and do effect GP fiscal performance. There is a strong case to be made for simplifying the fund transfer system and streamlining procedural requirements across fund type. Further, the number of bank accounts could also be reduced so that GPs have less paper work.

'Just in Time' Funds Flow

A well designed GPMS and simplified procedures could form the bedrock of a 'Just in Time' fund transfer system. A 'Just in Time' system could also address some of the other fund flow bottlenecks discussed in this section. In the current system, a district has to show 'adequate' spending of instalments received in order to obtain next instalment. GPs receive their instalments only after the district has received its instalment. This means that a GP that undertook spending and exhausted its entitlement quickly to address a pressing need would have to wait till other GPs spend their funds and thereby the district fulfills 'adequate' spending norm. This can lead to cost overruns, delays in project completion and more importantly, an urgent need may go unfulfilled for longer duration. As discussed earlier in this study, this can create perverse incentives for better performing GPs not to spend, as their access to funds is dependent on the performance of other GPs. Of course, we know from the PAISA study that these norms are not being met. But the fact that these norms exist can and does create hurdles at the GP level.

A 'Just in Time' fund flow can resolve this problem. In such a system, if a GP spends quickly, it would receive its next instalment immediately without waiting for other GPs and the district to achieve a certain level of expenditures. Officials would notice the quicker pace immediately through real time monitoring via the GPMS and funds would be released after due checks have been performed. Such a system will allow GPs to implement projects relatively smoothly and undertake projects which involve higher capital expenditures, which is not possible as of now since an individual instalment is not large enough to undertake larger projects. Perhaps most crucially, such a system has the potential for creating positive incentives for planning and effective expenditures at the GP level.

Regular, reliable research in fiscal performance

This PAISA study also highlights the need for more research and analysis on the specific drivers of GP level fiscal performance. As we saw in Chapter 5, there are no discernible patterns in GP expenditures. Understanding the reasons for these variations requires a more detailed analysis of the state of decentralization in India. In-depth ethnographic studies on GP processes and activities are the need of the hour.

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Annexure 1
Sample Details

Table A1.1 Classification of GPs as per sub-division and SRD status

Sub Division	SRD Phase 1	SRD Phase 2	Non- SRD	Total
Sadar Suri	21 (12.57)*	29 (17.36)	12 (7.19)	62 (37.13)
Bolpur	23 (13.77)	4 (2.39)	13 (7.78)	40 (23.95)
Rampurhat	18 (10.78)	32 (19.16)	15 (8.98)	65 (38.92)
Total	62	65	40	167 (100)

Note: * the figures in the bracket are share of the cell in (%) in total number of GPs

Table A1.2 GP Sample

Sub-Division	Block	Gram Panchayat
Bolpur	Bolpur Sriniketan	Siyan Muluk
Bolpur	Illambazar	Sirsha
Bolpur	Illambazar	Batikar
Bolpur	Nanoor	Kirnhar 1
Bolpur	Nanoor	Chandidas Nanoor
Rampurhat	Rampurhat II	Hansan II
Rampurhat	Mayureswar I	Dabuk
Rampurhat	Mayureswar II	Kaleswar
Rampurhat	Murarai I	Palsa
Rampurhat	Murarai II	Paikar I
Rampurhat	Nalhati I	Paikpara
Rampurhat	Nalhati I	Kalitha
Rampurhat	Rampurhat II	Margram I
Sadar Suri	Dubrajpur	Paruliya
Sadar Suri	Khoyrasole	Khoyrasole
Sadar Suri	Khoyrasole	Rupushpur
Sadar Suri	Md. Bazar	Bhutura
Sadar Suri	Md. Bazar	Angargoria
Sadar Suri	Sainthia	Hatora
Sadar Suri	Suri II	Purandarpur

Table A1.3 GP Codes in Charts

GP Code	GP Name
GP1	Angaragoria
GP2	Batikar
GP3	Bhutura
GP4	Chandidas Nanoor
GP5	Dabuk
GP6	Hansan II
GP7	Hotora
GP8	Kaleswar
GP9	Kalitha
GP10	Khoyrasole
GP11	Kin Nahar I
GP12	Margram I
GP13	Paikar I
GP14	Paikpara
GP15	Palsa
GP16	Paruliya
GP17	Purandarpur
GP18	Rupaspur
GP19	Sirsha
GP20	Siyan Muluk

Table A1.4 Gaps between instalments (TFC, 2nd SFC, BRGF)

Financial Year	Inst. No.	Gap (in Months)		
		TFC	2ndSFC	BRGF
2005-06	1			
	2	7	3	
2006-07	1	7	11	
	2	5	10	
2007-08	1	10	6	
	2	6	9	11
2008-09	1	3	13	1
	2	3		1
2009-10	1	4		9
	2	5		3

Table A1.5 Entitlements, Receipts and Expenditures for TFC, 2nd SFC and BRGF funds (GP-wise)

GP Name	12th FC Grants			2nd SFC Grants			BRGF Grants			Untied Funds (UFC+SFC+BRGF)			Tied Funds
	2005-2010			2005-2010			2007-2010						
	(A)	(B)	(C)	(A)	(B)	(C)	(A)	(B)	(C)	(A)	(B)	(C)	(C)
Angaragoria	19.48	0.87	0.63	22.23	0.3	0.84	16.13	0.36	0.37	58.24	0.51	0.61	2.27
Batikar	14.41	0.93	0.85	11.28	0.64	0.77	8.19	0.01	0	34.16	0.61	0.6	0.82
Bhutura	19.58	0.70	0.78	21.89	0.54	0.69	15.89	0.87	0.33	57.76	0.68	0.6	0.87
Chandidas Nanoor	22.47	1.21	0.72	24.8	0.6	0.76	17.99	0.67	0.34	65.72	0.83	0.62	0.67
Dabuk	22.61	0.99	0.78	30.61	0.62	0.83	22.21	0.67	0.32	75.88	0.74	0.65	1.1
Hansan II	18.07	0.89	0.71	19.1	0.53	0.86	13.86	0.65	0.8	51.4	0.68	0.77	0.91
Hotora	23.06	1.19	0.59	27.48	0.53	0.57	19.94	0.66	0.73	70.95	0.78	0.61	3.74
Kaleswar	27.99	0.82	0.67	24.58	0.5	0.65	17.83	0.67	0.42	70.97	0.66	0.6	0.82
Kalitha	31.86	0.77	0.75	38.99	0.42	0.68	28.29	0.63	0.62	99.79	0.59	0.7	0.83
Khoyrasole	14.57	1.11	0.36	14.97	0.65	0.47	10.86	0.33	0.63	40.7	0.72	0.42	0.48
Kin Nahar I	17.35	0.87	0.89	17.65	0.6	0.82	12.81	0.97	0.58	48.15	0.79	0.79	0.94
Margram I	15.69	1.04	0.9	18.1	0.61	0.99	13.13	0.68	0.18	47.24	0.77	0.7	0.86
Paikar I	27.58	0.92	0.78	33.74	0.62	0.74	24.48	0.98	0.43	86.36	0.81	0.65	0.91
Paikpara	28.79	0.81	0.71	34.52	0.3	1	25.04	0.38	0.42	88.94	0.49	0.75	0.85
Palsa	22.82	1.01	0.5	27.7	0.61	0.51	20.1	0.67	0.3	71.09	0.75	0.45	0.68
Paruliya	25.96	0.96	0.66	24.02	0.62	0.72	17.43	0.67	0.66	67.93	0.76	0.68	0.89
Purandarpur	28.21	0.93	0.72	23.91	0.6	0.77	17.34	0.67	0.43	70.04	0.74	0.65	0.85
Rupaspur	16.09	1.08	0.69	20.89	0.63	0.69	15.16	0.67	0.56	52.46	0.78	0.66	0.87
Sirsha	23.51	1.04	0.48	17.43	0.6	0.66	40.93	0.2	0.49	82.35	0.52	0.52	0.99
Siyan Muluk	60.94	0.96	0.85	56.41	0.63	0.72	12.64	1.02	1.44	131.24	0.81	0.88	3.11
Coefficient of Variation		0.14	0.20		0.19	0.19		0.41	0.58				

Notes: (A) : Total Entitlement (Rs. Lakh); (B) : Total Receipts/Total Entitlement; (C) : Total Expenditure/Available Resources

Figure A1.1 Proportion of Receipts to Entitlements 2005-10 (Untied funds)

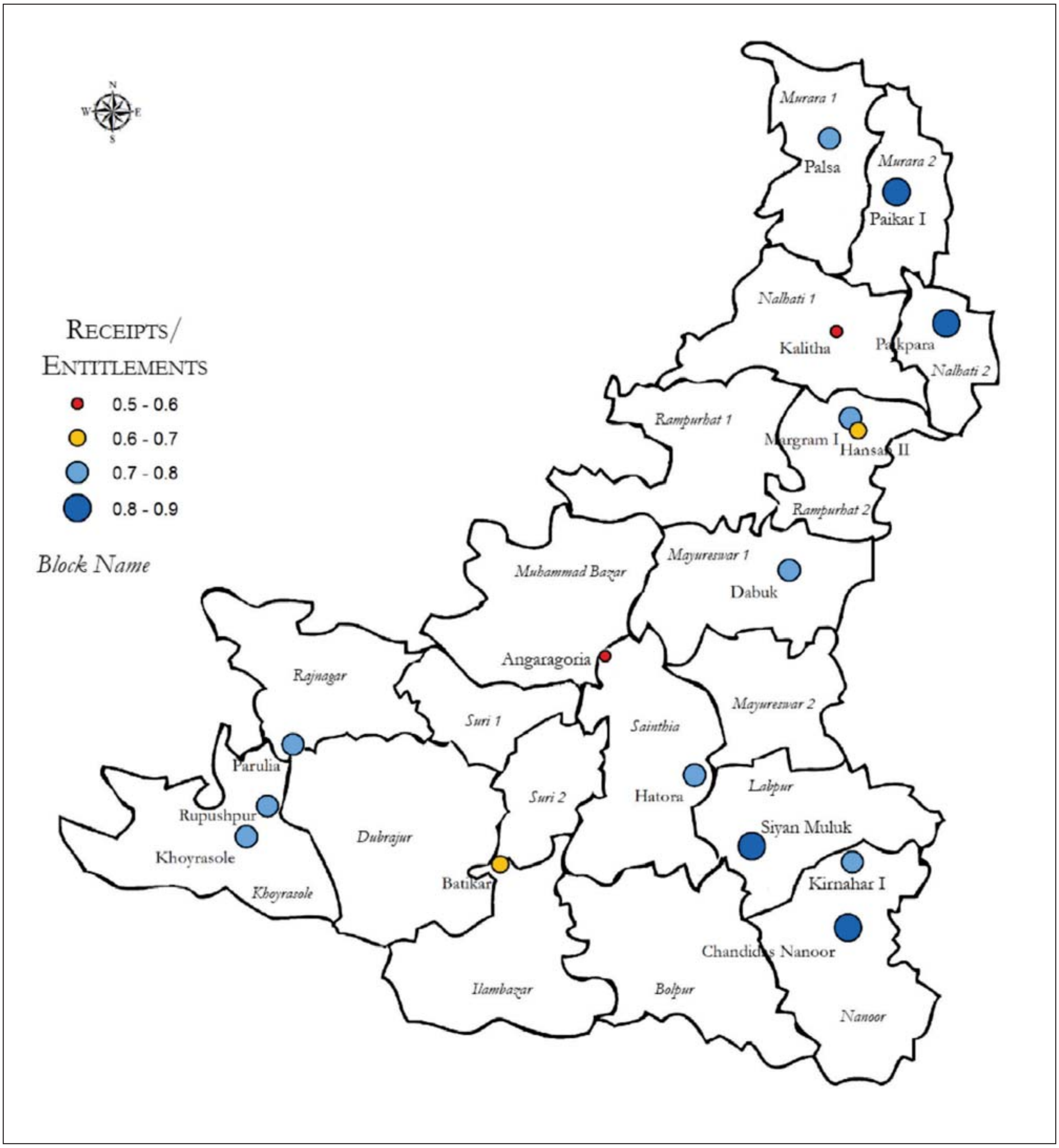
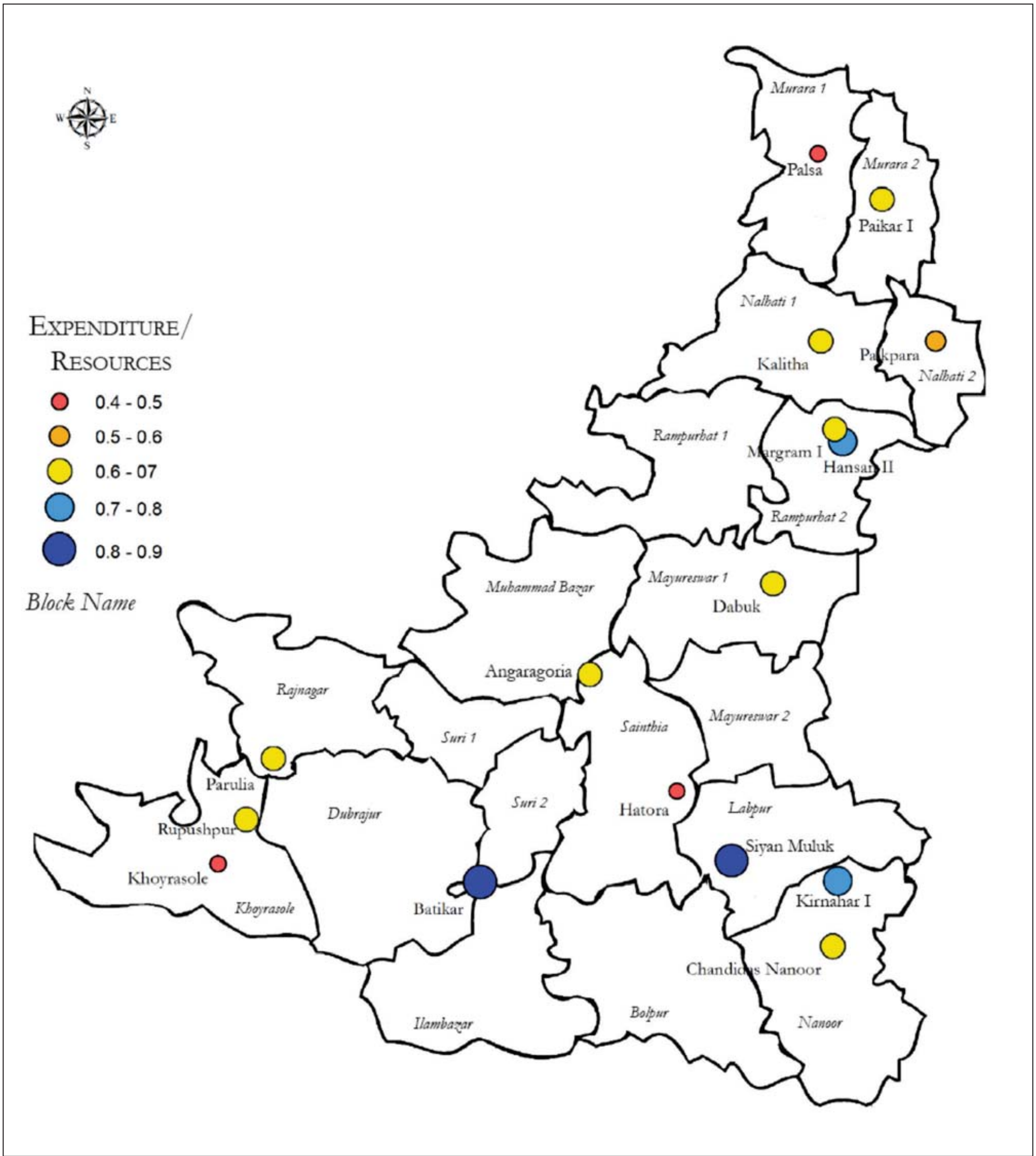


Figure A1.2 Proportion of Expenditure to Available Resources 2005-10 (Untied funds)



Annexure 2
PAISA Pilot Tool

ACCOUNTABILITY INITIATIVE
research and innovation for governance accountability

WEST BENGAL GP SURVEY TOOL

Surveyor Name	Contact

Section 1: Basic Gram Panchayat Level Information

	Birbhum
District	
Block	
Panchayat Samiti	
Gram Panchayat	

Population

Male	Female	Total

SC/ST Population

SC	ST	OBC	Others

Number of Households:

Number of BPL Households:

Name of the Ruling Party/ Alliance in the Gram Panchayat

2003 to 2008	
2008 till now	

Note: If a Political Alliance is ruling, then please write the names of the Political parties in that alliance.

Section 2: Total Inflows in Gram Panchayat

Year 2005-06			
Type of Inflow	Opening Balance	Receipts During the Year	Expenditure During the Year
Untied Funds			
12 UFC			
2 SFC			
BRGF/ RSVY			
SRD-CSPR/UPF			
Others			
Grand TOTAL			

Year 2006-07			
Type of Inflow	Opening Balance	Receipts During the Year	Expenditure During the Year
Untied Funds			
12 UFC			
2 SFC			
BRGF/ RSVY			
SRD-CSPR/UPF			
Others			
Grand TOTAL			

Section 2: Total Inflows in Gram Panchayat

Year 2007-08			
Type of Inflow	**Opening Balance**	**Receipts During the Year**	**Expenditure During the Year**
Untied Funds			
12 UFC			
2 SFC			
BRGF/ RSVY			
SRD-CSPR/UPF			
Others			
Grand TOTAL			

Year 2008-09			
Type of Inflow	**Opening Balance**	**Receipts During the Year**	**Expenditure During the Year**
Untied Funds			
12 UFC			
2 SFC			
BRGF/ RSVY			
SRD-CSPR/UPF			
Others			
Grand TOTAL			

Section 2: Total Inflows in Gram Panchayat

Year 2009-10			
Type of Inflow	**Opening Balance**	**Receipts During the Year**	**Expenditure During the Year**
Untied Funds			
12 UFC			
2 SFC			
BRGF/ RSVY			
SRD-CSPR/UPF			
Others			
Grand TOTAL			

Section 3: Funds Flow Tracking

Fund Type	Instl. No.	For Which FY	Date Received		Amount Received
Financial Year 2005-06			*Pass Book*	*Cash Book*	
SRD-CSPR/UPF					
12 FC					
2 SFC					
BRGF/RSVY					

Fund Type	Instl. No.	For Which FY	Date Received		Amount Received
Financial Year 2006-07			*Pass Book*	*Cash Book*	
SRD-CSPR/UPF					
12 FC					
2 SFC					
BRGF/RSVY					

Section 3: Funds Flow Tracking

Fund Type	Instl. No.	For Which FY	Date Received		Amount Received
Financial Year 2007-08			*Pass Book*	*Cash Book*	
SRD-CSPR/UPF					
12 FC					
2 SFC					
BRGF/RSVY					

Fund Type	Instl. No.	For Which FY	Date Received		Amount Received
Financial Year 2008-09			*Pass Book*	*Cash Book*	
SRD-CSPR/UPF					
12 FC					
2 SFC					
BRGF/RSVY					

Section 3: Funds Flow Tracking

Fund Type	Instl. No.	For Which FY	Date Received		Amount Received
Financial Year 2009-10			*Pass Book*	*Cash Book*	
SRD-CSPR/UPF					
12 FC					
2 SFC					
BRGF/RSVY					

Schemes financed by Grants from Twelfth Finance Commission (12^{th} FC)

Section 4: Details of the Expenditure of Schemes: 12^{th} FC

Please obtain information about all schemes on which expenditure was incurred during FYs 2005-06 to 2009-10.

Year		2005-06						
No.		1	2	3				
Name of the Scheme								
Nature of Work								
Location (Gram Sansad)								
Date of Meeting when Scheme was Approved								
Start Date								
Is the scheme complete?								
If the scheme is not complete, what is the reason?								
End Date								
Budgeted Cost	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							
Actual Expenditure	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							

Schemes financed by Grants from Second State Finance Commission (2^{nd} SFC)

Section 4: Details of the Expenditure of Schemes: 2^{nd} SFC

Please obtain information about all schemes on which expenditure was incurred during FYs 2005-06 to 2009-10.

Year		2005-06						
No.		1	2	3				
Name of the Scheme								
Nature of Work								
Location (Gram Sansad)								
Date of Meeting when Scheme was Approved								
Start Date								
Is the scheme complete?								
If the scheme is not complete, what is the reason?								
End Date								
Budgeted Cost	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							
Actual Expenditure	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							

Schemes financed by Grants from Backward Region Grants Fund (BRGF)

Section 4: Details of the Expenditure of Schemes: BRGF

Please obtain information about all schemes on which expenditure was incurred during FYs 2005-06 to 2009-10.

Year		2005-06						
No.		1	2	3				
Name of the Scheme								
Nature of Work								
Location (Gram Sansad)								
Date of Meeting when Scheme was Approved								
Start Date								
Is the scheme complete?								
If the scheme is not complete, what is the reason?								
End Date								
Budgeted Cost	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							
Actual Expenditure	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							

Schemes financed by GP's own revenue

Section 4: Details of the Expenditure of Schemes: Own-revenue of GP

Please obtain information about all schemes on which expenditure was incurred during FYs 2005-06 to 2009-10.

Year		2005-06						
No.		1	2	3				
Name of the Scheme								
Nature of Work								
Location (Gram Sansad)								
Date of Meeting when Scheme was Approved								
Start Date								
Is the scheme complete?								
If the scheme is not complete, what is the reason?								
End Date								
Budgeted Cost	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							
Actual Expenditure	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							

Schemes financed by Grants from SRD-DFID

Section 4: Details of the Expenditure of Schemes: SRD-DFID

Please obtain information about all schemes on which expenditure was incurred during FYs 2005-06 to 2009-10.

Year		2005-06						
No.		1	2	3				
Name of the Scheme								
Nature of Work								
Location (Gram Sansad)								
Date of Meeting when Scheme was Approved								
Start Date								
Is the scheme complete?								
If the scheme is not complete, what is the reason?								
End Date								
Budgeted Cost	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							
Actual Expenditure	Labour Cost							
	Material Cost							
	Admn. Cost							
	Other Cost							
	Total Cost							

Section 5: Gram Sansad Information

Section 5:1

When **should** the GUS submit their **Annual Plan** to the GP?	
When **should** the GUS submit their **Budget** to the GP? *(write the month)*	

Codes: Yes = 1, No = 2

No.	Gram Sansad Name	*Prepared Annual Plan and Submitted to the GP on time?*				
		2005-06	2006-07	2007-08	2008-09	2009-10
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						

Section 5.2: Devolution of Funds to the GUS

GP Name	
GUS Name/No.	

Note:- Ask in the following order for every year from 2005-06 to 2009-10.
1) SRD-CSPR/UPF; 2) 12 FC; 3) 2 SFC; 4) BRGF/RSVY; 5) Own Revenue Sources; 6) Any Other

Details About the Devolution to the selected GUS 1

No.	Actual Transfer		Source	Amount Devolved	For Which Fin. Year?	For What Purpose
	Year	Date				
1	2005-06					

(Add more sheets if necessary)

Section 5.3: Information about Ward/ Gram Sansad Representation

No.	Gram Sansad Name	Winning Party 2008 Elections	Whether Reserved?	If Yes, for Whom?	Position held in GP
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

Position held in GP:-

Pradhan

Upa-Pradhan

Sanchalak of the Upa- Samiti (also **mention the name of the committee**)

Codes	**Category of Reservation**
1	SC
2	SC Female
3	ST
4	ST Female
5	OBC (may not be applicable in West Bengal)
6	OBC Female (may not be applicable in West Bengal)
7	Female
8	Not Reserved

Codes for the Political Party:

AIFB	All India Forward Block
AITC	All India Trinamool Congress
BJP	Bharatiya Janata Party
BSP	Bahujan Samaj Party
CPI	Communist Party of India
CPI(M)	Communist Party of India (Marxist)
CPI(ML)	Communist Party of India (Marxist-Leninist) Liberation
DSP	Democratic Socialist Party
INC	Indian National Congress
IND	Independent
JD(U)	Janata Dal (United)
JDP	Jharkhand Disham Party
JFB	Janabadi Forward Bloc
JKP	Jharkhand Party
JKP (A)	Jharkhand Party (Aditya)
JKP (IND)	Jharkhand Party Supported Independent
JKP (N)	Jharkhand Party (Naren)
JMM	Jharkhand Mukti Morcha
KC	Kishan Congress
KPP	Kamtapuri People's Party
MKP	Majdur Kranti Parishad
MKP (IND)	Majdur Kranti Parishad Supported Independent
NCP	Nationalist Congress Party
PBRML	Paschim Banga Rajya Muslim League
PBSP	Paschim Banga Samajbadi Party
PDCI	People's Democratic Conference of India
PDS	Party of Democratic Socialism
RCPI	Revolutionary Communist Party of India
RJD	Rashtriya Janata Dal
RSP	Revolutionary Socialist Party
SJP	Samajbadi Jana Parishad
SP	Samajwadi Party
SUCI	Socialist Unity Centre of India
UCPI	United Communist Party of India
WBSP	West Bengal Socialist Party
Other	Please Specify

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