

## **DEVOLUTION TO PANCHAYATS IN ORISSA: THE WAY FORWARD**

### **Statement of conclusions arrived at after the visit of the Union Minister for Panchayati Raj and Petroleum & Natural Gas to Orissa from 23 October 2005 to 26 October 2005**

1. Pursuant to the 73<sup>rd</sup> Constitutional Amendment Act 1992, Orissa has suitably amended the existing laws relating to Panchayats, which include the Orissa Zilla Parishad Act 1991, the Orissa Panchayat Samiti Act 1959 and the Orissa Grama Panchayat Act 1964. Under the legislation as it stands amended, Panchayats at all three levels have been entrusted with duties & functions with regard, to 21 matters listed in Eleventh Schedule of the Constitution.
2. To accelerate and sustain rural development, particularly in the direction of poverty alleviation, Orissa recognizes the need to strengthen Panchayats at all levels so that they function as institutions of self-government in the letter and spirit of Part IX of the Constitution and reiterates its commitment to the cause of strengthening Panchayati Raj.
3. Recent measures of the Government of Orissa have continued the process of Panchayati Raj reform. Some important points are as follows.
  - n Legislative endowment of functions,
  - n Powers of gram sabhas and palli sabhas
  - n 2<sup>nd</sup> Official Post in Panchayats to women
  - n Implementation and conduct of election of 3tier PRI under PESA Act 1996
  - n Democratic control over elected representative.
  - n Power of suspension withdrawn from Collectors
  - n State Finance Commission award and its acceptance,
  - n State Election Commission
  - n Maintenance of accounts of Panchayats in the manner prescribed by the Comptroller and Auditor General India
  - n Auditing of Accounts of Panchayat
  - n Database Management Information System
4. The challenges before Orissa in sustaining the pace of reform will require effective support and close coordination with the Central Government, In this endeavor the Government of Orissa and the Union Ministry of Panchayati Raj have agreed to accord priority to the following points,

5. A fresh national impetus has been given to the devolution of powers and responsibilities through the Seven Round Tables of State Ministers of Panchayati Raj that reached a consensus, on 150 recommendations pertaining to 18 dimensions of Panchayat Raj. Government of Orissa will consider these recommendations and take suitable decisions on the same as feasible.
6. In continuation of the exercise of devolution already undertaken as described above, Orissa has already completed the process of Activity Mapping for 9 departments, aimed at effectively devolving functions, funds and functionaries to Panchayats. The Government of Orissa commits itself to operationalise the Activity Mapping Notification no I-PS-1/05-8430/PR dated 25<sup>th</sup> October 2005. In furtherance of this, specific steps will be undertaken.
7. For effectively performing the functions devolved to them through Activity Mapping, the Panchayats would need a matching transfer of funds in respect of the devolved functions. Government of Orissa agrees to create appropriate mechanism to give effect to these devolutions. This will require the entrustment of all schemes pertaining to the activities devolved upon Panchayats to the respective levels, through the creation of a Panchayat Sector in the State Budget. The Government of Orissa will attempt to initiate this process in the financial year of 2006-07. This is in line with the Planning Commission letter to the State government in this regard, that the annual plan exercise for 2006-07 should be preceded by the creation of a Panchayat Sector in the Plan document.
8. For Panchayats to effectively plan and implement the functions that have been devolved upon them, it is necessary that funds pertaining to these schemes are transferred to them. As part of this process, the Government of Orissa agrees to put in place systems that are capable of tracking transfers of funds to PR Institutions, both through Banks and treasuries. This process will be put into operation to track the transfer of local body grants recommended by the 12<sup>th</sup> Finance Commission from the Consolidated fund of the State to Panchayats.
9. For the effective performance of functions devolved to PR Institutions, it is necessary that the functionaries concerned with these functions are accountable to Panchayati Raj Institutions. The Government of Orissa has already undertaken several steps in this regard. The Government of Orissa agrees to further strengthening this process, so that all functionaries involved with these functions are accountable to the Panchayati Raj Institutions concerned.
10. The government of Orissa undertakes to put in place detailed operational guidelines to ensure that District Planning Committee function in accordance with Article 243 ZD of the Constitution.
11. It is the endeavor of the State to equip the PRIs with substantive financial power in order to generate adequate resources for them to enable them to discharge functions and obligation adequately. In Orissa, there is a great scope for Panchayats to raise their own taxes. There is a need to

encourage all levels of Panchayats, particularly Gram Panchayats to levy taxes and user charges. In enabling them to do so, the State agrees to undertake relevant reforms to the taxation provisions. Panchayats will also be permitted to spend taxes collected by them without restriction or delay.

12. In response to the Union Minister's request that the District Rural Development Agencies (DRDAs) be merged with the Zilla Parishads, the Government of Orissa agrees to associate the DRDAs with Zilla Parishads more closely, so that they function as technical support agencies of the Zilla Parishads.

13. In order to build capacity and leadership among categories for whom seats are reserved, Orissa shall consider extending the period of the reservation cycle from one to two or more terms.

14. Grama Sabhas and Palli Sabhas will be made an effective instrument for accountability and social audit.

15. The Union Ministry of Panchayati Raj shall assist the Government of Orissa in capacity building and training of elected representatives and officials of Panchayats. This may include exposure visits to other States in order to familiarize themselves with best practices. The Union Ministry of Panchayati Raj agrees to assist the Government of Orissa in creating awareness among the youth and the student community, aspirants to office in the Panchayati Raj Institutions and elected representatives of the significance of Gram Swaraj. To this end, it would assist in conducting orientation and training of persons aspiring to posts in PRIs, particularly youth and women and pre-election voter education campaigns.

16. The Union Ministry of Panchayati Raj will pursue the devolution of Central funds through untied block grants, and systemic reform of Centrally Sponsored Schemes, including the establishment of a Panchayat Empowerment Incentive Fund to bring these in conformity with the constitutional provisions for good governance at the district and sub district levels as set out in Part IX read with the relevant articles of Part IX A.

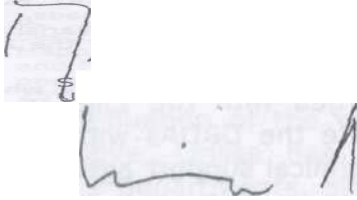
17. The Union Ministry of Panchayati Raj agrees to support initiatives in computerization and e-governance of Panchayats in Orissa as part of the National e-Governance Action Plan.

18. The Union Ministry of Panchayati Raj agrees to support the creation of necessary infrastructure at the Gram Panchayat level, so as to enable effective administration.

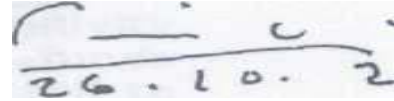
19. The Union Ministry of Panchayati Raj agrees to support the Government of Orissa if so required with assistance in undertaking further Panchayati Raj reform including Activity Mapping and Fiscal devolution.

20. The Government of Orissa agrees to take all required steps to promote Rural Business Hubs through Public-Private-Panchayat Partnerships. Welcoming this, the Union Ministry of Panchayati Raj and the Confederation of Indian Industry offers to support the development of Rural Business Hubs

through Panchayats, so as to upgrade local skills and products and find markets for them. It is further agreed that Fifth Schedule Areas of the State of Orissa would be a primary focus of attention in this regard.



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