Kerala, in its three-tier structure of Panchayati Raj, has 991 Grama Panchayats, 152 Block Panchayats and 14 District Panchayats. Urban Kerala has 54 Municipalities and 5 Corporations. The genesis of local governance in Kerala is studied in two distinct periods, such as the period before the formation of Kerala State, and second, the period after the formation of Kerala state in 1957. Kerala has certain peculiarities in the mode of fiscal decentralisation and the consequent transfer of funds to the local governments for the implementation of various development-oriented projects and this has been presented in the last part of this section.

4.1. Genesis: Period before the Formation of Kerala state

The modern State of Kerala came into existence on 1st November 1956 and a uniform system of local body administration came into being throughout the three regions, such as, State of Travancore in the South, State of Cochin in the Central and Malabar District of Madras Residency in the North, following the enactment of the Kerala Panchayat Act and the Kerala Municipality Act. The evolution of local bodies in northern Kerala followed the legislations in the Madras Presidency. As a part of the British legacy, local self governments all over India are originated for urban purposes. The recommendations of the Royal Army Sanitary Commission to meet the civic requirements are vital factors which contributed to the Madras Towns Improvement Act of 1865 (Santha, 1993). As per the provisions of the Act of 1865, municipalities are established by 1867 in the major urban centres of Malabar, such as in Calicut, Kannur, Tellicheri and Palakkad. Fort Cochin, an enclave which was directly governed by the British in Central Kerala also came under the
provisions of the Act and lead to the establishment of a Municipality. The Town Improvement Act of 1871 provided for election of Councillors.

Madras Municipal Act of 1884 was passed following the noted Rippon Resolution. The Act has extended the scope of elected councillors to three-fourth of the total membership. The Act further enlarged the taxation powers and functions of municipalities. The Act was subsequently amended in 1920 and 1930 and the scope for democratic process and functions of municipalities has been widened.

Another major breakthrough in the formation of local self governments was the provisions of the Malabar District Board, which was originated from the Local Fund Circle under the Local Funds Act of Madras 1871. Local Boards which managed the local funds were entrusted with the responsibility of constructing and maintaining roads and other ways of transport, hospitals and schools, drainage and water supply and other local works (Government of Kerala, 1958). The Madras Local Boards Act of 1884 envisaged a three-tier structure and the provision for election. A revenue village or group of villages constituted a Union, the lowest administrative unit. Taluk Boards at the taluk level and District Boards at the District level are respectively above the Unions and the expenses of these administrative bodies shall be met from taxes on land, houses, cart and animals.

In 1920, the Madras Village Panchayat Act and the Madras Local Boards Act were passed, which paved way for the development of local bodies at the rural strata. During the initial periods, the taluk boards and District boards were presided over by a revenue officer and the District collector respectively. By 1930, the Malabar District Board became an elected body with an elected President and the first President was a local landlord. Within a short period of time, the District boards gained attention and became a part of the nationalist political movements and the Indian National Congress won the elections to the Boards in
1934. During the proceeding election, left parties displayed their significance and by 1954 attained a clear majority. The importance of taluk boards were declined and resulted in its abolition and consequently District Boards became core local bodies (Menon, 1962). The Madras Village Panchayat Act of 1950 enhanced the powers of the local bodies to a great deal, and is a major step forward after India got independence. A panchayat was constituted in every village with a population of 500 and above and reservations were made for membership of Scheduled Castes and Tribes. The Act provided for direct election for the office of the President. The number of panchayat members varied according to the population of the panchayat. On the same criterion the panchayats were divided into Class I and Class II (Menon, 1962). The panchayats were entrusted with various functions, both obligatory and voluntary. Obligatory functions include construction and maintenance of public roads, public lighting, drainage, sanitation, drinking water and preventive health measures. The voluntary functions were having a larger domain and related to education and health. The major source of revenue was taxes on building, professions, vehicles and entertainment. The panchayats were also eligible for a limited amount of grant from the government.

The initial steps towards forming local bodies in Travancore State could be observed in the Town Improvement and Conservancy Regulation of 1894, which made provisions for establishing Town Improvement Committees in Trivandrum, Nagercoil, Alleppey and Kottayam. In the year 1912, principle of election was introduced, though limited to taxpayers only. Though sanitation was the main focus of activity of the Committees, functions such as construction and maintenance of public wells, roads and market places were also undertaken (Menon, 1962). The Municipal Act of 1920 expanded the scope of urban local bodies to education and health sectors. The government had nominated an
official as President to the Thiruvananthapuram City and other Councils selected their own Presidents. During 1941, Thiruvananthapuram was made a City Corporation with an elected Mayor.

Local self-government in rural areas, though was introduced in 1930, became fully operational with the Travancore Village Panchayat Act of 1935. The Act empowered the government to declare any revenue village or group of villages to be a panchayat with an elected or nominated committee to perform a variety of civic duties. The obligatory duties included sanitation, maintenance of roads and provision of drinking water, where as promotion of primary education, agriculture, cattle rearing and cottage industries were considered discretionary functions. The Travancore Village Union Act of 1940 introduced rural local bodies which were comparatively less powerful than the Village Panchayats (Charvak, 2000)

In the State of Cochin, the Municipal and Sanitary Improvement Regulations of 1910, was considered as the firm step towards introducing urban local bodies. Following the Regulation, a number of town councils were set up with representation for elected members and the President was nominated by the government. During 1920s, the scope of elected representation and powers of the councils were enhanced. A noticeable development during the period was the attempts towards removing gender discrimination, as women were allowed to vote and be elected (Menon, 1962). Rural local bodies in the State of Cochin originated with the Cochin Village Panchayat Regulation of 1914. Following the Regulation, nominated Panchayat Committees were constituted on an experimental basis in selected villages. The principle of election was introduced for the rural local bodies in 1922. Later the legislations of both Travancore and Cochin, in the pre-independence period were superseded by the Travancore Cochin Panchayat Act of 1950 and elections were held on
1953. During the formation of Kerala State, in 1957, there were 495 reconstructed panchayats in Travancore-Cochin area and 399 panchayats in the Malabar area, though these panchayats worked under different legislations, such that a two-tier arrangement was followed in Malabar and a single-tier arrangement was followed in Travancore-Cochin region.

4.2. Genesis: Period after the Formation of Kerala State

After the formation of Kerala State in 1957, the first election held to the newly constituted state Assembly of Kerala favoured the Communist Party under the leadership of E.M.S.Namboodiripad, who became the first Chief Minister. The state had witnessed a number of reforms in several fields such as agrarian relations, education, home affairs and also in development administration. An Administrative Reforms Committee (ARC) headed by the then Chief Minister suggested “measures for decentralisation of powers at various levels with a view to effective participation of local self-governing institutions...in the administration” (Government of Kerala, 1958). A two-tier system of Panchayat administration was recommended by the ARC, Village Panchayats at the bottom and District Councils at the district level. The Committee recommended for the integration of revenue and development functions and considered not only as agents of development but also as self-governing units. Based on the recommendations of ARC, two Bills, such as Kerala Panchayat Bill and Kerala District Council Bill were laid in 1958. The District Council Bill proposed for a strong self-governing body at the District level. However, the Bill could not be enacted since the State Legislative Assembly was dissolved following the noted ‘liberation struggle’, an anti-communist movement. The proceeding government which came to power through mid-term election passed the Kerala Panchayat Act, 1960 and
the Kerala Municipal Corporation Act, 1961. Though the recommendations made by the ARC did not find much place in the new Acts, the functions and financial resources of the local bodies were significantly enhanced. Despite the provisions which envisaged the panchayats as catalysts for any government activity in any locality, the local bodies could discharge only the traditional civic functions defined by the Act as compulsory functions. Some of the major defects of the Act were the absence of an intermediate tier at the District or Block level which could integrate development activities with the Panchayat Raj system and as against the Act, the government never exercised any provisions to organise the panchayats for executing the numerous optional development duties (Charvak, 2000).

In 1964, the then Congress Ministry had attempted to pass a new legislation, though not enacted due to the termination of the Ministry, which followed the recommendations of the Balwantrai Committee. Accordingly, Panchayat Union Councils with planning and development functions at the block level were proposed to be established by the election. At the same time, role of Zilla Parishad was supposed to be of an advisory board only, with Collector as Chairperson and officials and the Presidents of Panchayat Union Councils as the members.

Subsequent to the sworn-in of the Left Front Government, in 1967, a new Kerala Panchayat Raj Bill was introduced, which envisaged a two-tier structure with panchayats as the basic unit and Zilla Parishad at the district level. Zilla Parishads, visualised as an executive agency, was further strengthened in accordance with the recommendations of the legislative select committee and later renamed as District Council. Apart from the routine responsibility of that of a development agency, the district councils were delegated with duties such as collection of taxes, registration, labour welfare and also police administration. Though this Bill was lapsed due to the Ministry’s fall, it was later reintroduced as Kerala
District Administration Bill, 1971, but again this Bill also was lapsed. Later in 1978, the Bill was again introduced with modifications and was passed in 1979. The Left Democratic Front Government which came to power in 1980 issued many notifications and rules as a prelude to the implementation of the Act. The succeeding Congress Ministry had revised the Bill for which a Special Advisor to advise on measures to be undertaken for democratic decentralisation at district and lower levels. A comprehensive report submitted by the Special Advisor reviewed the provisions of the 1979 Act and suggested a set of modifications. These recommendations though were not fully implemented but formed the base of 1991-1992 experiment in District Council. The scope of the powers and functions of District Councils was restricted by government’s arbitrary right to interfere and lay down conditionalities (Ramachandran, 1994). The first ever election to the District Council was held on January, 1991 and the ruling Left Front had cornered all seats except one District seat. Subsequent to the 73rd and 74th Constitutional Amendments of 1992, the District Councils were disbanded.

The salient features of the 73rd and 74th Amendments were the constitution of Grama Sabha in a village or group of villages; constitution of Panchayat at village, intermediate and district level, direct elections to all seats in Panchayats at village and intermediate levels; reservation of seats and offices of chairpersons for scheduled castes and tribes in proportion to the population in the Panchayat at each level; reservation of not less than one third of seats for women; devolution by the State Legislature of powers and responsibilities upon the panchayat with respect to the preparation of plans for economic development and social justice and for implementation of development schemes; sound finance of the panchayat be securing authorisation from State Legislatures for grant-in-aid from the Consolidated Fund of the State. In addition, a Finance Commission has to be constituted.
once every five years to review the financial position of the Panchayats and make suitable recommendations to the State on the distribution of funds between the State and the local bodies.

The Kerala Panchayat Raj Act 1994 envisaged the implementation of development projects for economic development and social justice in accordance with the powers and responsibilities of the panchayats as described in the 11th Schedule (Article-243G) of the Constitution. A three-tier Panchayat Raj system came into existence in the State on October 2, 1995 and the ruling Left Front Government has versioned it as People’s Plan Campaign for the Ninth Five Year Plan, which ensured people’s participation. The State Planning Board has set stage for the integration of various micro level organisations such as, self-help groups / neighbourhood groups, working groups, beneficiary committees, ward development committees and various farming societies (Sadanandan and Jayan, 2004). Chathukulam and John (2002) assert that a number of changes were introduced by the newly sworn-in United Democratic Front Government from May 2001 onwards, without altering the basic methodology of people’s planning. The major changes forwarded by the UDF Government is as follows,

a) Introduction of Area Development Scheme assigning each member of the legislative assembly (MLA) a sum of Rs.25 lakh, which has not been integrated with Panchayat plans.

b) Transfer of the Tribal Sub Plan (TSP) funds completely from the Panchayat to the department on grounds of poor implementation record.

c) Changes in the membership pattern of the task forces from 10-12 persons with one-third representation for women and proportionate representation
for the scheduled castes and tribes to not less than five members, with silent remarks on representation of women and scheduled categories.

d) District Planning Committees (DPCs) were authorised to scrutinise district panchayat projects thus segregating the responsibility of District Level Expert Committees (DLECs).

e) Re-deployment of surplus staff, especially engineers to local bodies

f) Fixation of plan funds to be given to local bodies as equivalent to one-third of the total plan size of the State.

The Peoples' Plan Campaign is envisioned as a scientific and systematic model of participatory planning as it identified the felt needs through gram sabha, a venue for the assembly of rural residents. Followed by a brief inaugural session of the gram sabha, the participants split into nearly 12 groups for discussion. The major development sectors confined for group-wise discussion are agriculture, animal husbandry, fisheries, industry, education, health, drinking water, women's welfare, scheduled castes/tribes, culture, cooperation and resource mobilisation. During the second phase of the programme an extensive secondary data collection regarding various development sectors was initiated mainly through participatory rural appraisal techniques; transect walks are largely employed for an exhaustive review of geographical and environmental peculiarities. These entire database and the needs of the rural folk are put together to form a comprehensive development report for every local bodies. Based on the contents of these reports, the development seminars organised in each panchayat discussed about the problems and potential of regional development. These development seminars serves as a common platform for the rural stakeholders, bureaucrats as well as development experts, where the felt needs of the rural folk and also the location specific problems are prioritised to a
possible set of development projects. The seminars conclude with the selection of 10-12 task forces meant for drawing specific projects in respective sectors. The third phase of the campaign begins with the formulation of task forces with the pronounced target of preparing specific projects having quantitative objectives, beneficiary details including their selection, technical and financial feasibility, organisational as well as monitoring and evaluation including descriptive social-cost benefit analysis. The projects prepared by the task forces would be presented before the gram sabha for further discussion and approval, along with a list of beneficiaries. These participatory plan projects find its way to implementation after getting the formal approval from the Block Level Expert Committee (BLEC), a body of social servants, grant technical sanction. Finally, a project gets its approval from the district planning committee (DPC) for implementation and these are the 'in principle' events of the peoples' planning in the state.

4.3. Financial Devolution and Ninth Five Year Plan

The State Government initiated the Ninth Five Year Plan as 'People's Plan' and took a significant step to devolve 35 to 40 per cent of the development funds of the State to the three-tier Panchayats and Municipalities, primarily on the basis of the criterion of population, with due weight given to panchayats having sizeable population belonging to Scheduled Castes and Scheduled Tribes. The local governing bodies in Kerala have been assigned own taxes such as property tax, profession tax, entertainment tax and service tax. They are also empowered to collect user charges. Further, in accordance with the recommendations of the First State Finance Commission, surcharge on stamp duty, the whole of basic tax and 20 per cent of the net collection of motor vehicle tax are devolved to local governments. The unique feature of Kerala's decentralisation is the devolution of an
untied plan grant equivalent to above one-third of the approved plan size of the State and this comes to Rs. 1,317 crore during 2003-2004 (Government of Kerala, 2004). High degree of autonomy exists in the use of transferred resources. Local governments could decide any scheme and prepare detailed projects according to their priority and within the framework prescribed. The noteworthy features of Kerala's financial devolution to local governments are given below (Government of Kerala, 2002),

1. The quantum of Plan funds earmarked for local governments is the highest in the country.

2. The entire Plan grant is investible. This can be called "pure money", as it does not carry any staff salaries or other administrative costs. (Normally at the State level 20 to 25 per cent of Plan is taken away by such commitments.).

3. All the Plan grants due to local governments are separately budgeted in a document given as Annexure IV of the State Budget. Since it is passed by the Legislature it is non-divertible for other purposes by the executive.

4. Contrary to universal practice, it is the Village Panchayats which get the bulk of the Grants with nearly 70 per cent of the rural share going to them and the District and Block Panchayats only sharing the remaining 30 per cent more or less equally.

5. Every single rupee devolved to local governments whether under Plan or other categories is given as per a transparent formula and there is no room for patronage or partisanship in allocation of resources to local governments.
6. A flow of funds procedure has been designed. The funds flow in four installments. A local government has to spend at least 75 per cent of its allocation during a year failing which the shortfall would be reduced from the next year's allotment.

During the Ninth Five Year Plan period (1997-2002), the total allocation of plan grant-in-aid was Rs.4,614 crore. However an amount of Rs.4,130.25 crore only was released during the period. Out of the total release, the local governments were actually spent an amount of Rs.3,455 crore (86.35 per cent). The category-wise release and expenditure of plan grant-in-aid to local governments during the Ninth Five Year Plan period in Kerala is given in Table 4. During the Ninth Five Year Plan period, the highest level of expenditure was recorded for Tribal Sub Plan category (92.21 per cent), followed by general category (85.03 per cent) and comparatively lower level of expenditure was observed for Special Component Plan segment of plan grant-in-aid (Figure 1).

During the Ninth Five Year Plan period (1997-2002), the Village Panchayats in Kerala received a total amount of Rs.2684 crore, out of which they could spent an amount of Rs.1940 crore (72.27 per cent). Obviously, this level of expenditure is comparatively lower than that of the aggregate expenditure pattern of all the local governing bodies put together. Category-wise analysis also reveals that the level of expenditure under each category, General (74.94 per cent), SCP (64 per cent) and TSP (62.52 per cent) were all lower than that of the respective level of expenditures for the whole local governing bodies in Kerala (Table 4 and 5). Expenditure pattern of all the three categories of grant-in-aid during the Ninth Five Year Plan period has followed a similar trend. The level of expenditure was the highest during the First Year (1997-1998), which was mainly due to the extended period of up to June 30, allotted by the government in order to spend the unspent balances. The levels of expenditures reach all time low during the Fifth Year of the Five-
Year Plan period (2001-2002). From the Third Year Plan period (1999-2000) onwards, a decreasing trend is evident in the expenditure pattern of plan grant-in-aid. In the last two years of the Plan period (2000-2001 and 2001-2002), the level of expenditure of the TSP has slightly improved in comparison to that of the SCP (Figure 2).

Table 4- Category-Wise Release and Expenditure of Plan Grant-in-Aid for Local Governing Bodies in Kerala during Ninth Five-Year Plan (1997-2002)

(Rs. in crore)

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Category</th>
<th>Release</th>
<th>Expenditure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General Sector</td>
<td>3101.75</td>
<td>2637.54</td>
<td>85.03</td>
</tr>
<tr>
<td>2</td>
<td>Special Component Plan</td>
<td>888.25</td>
<td>688.05</td>
<td>77.46</td>
</tr>
<tr>
<td>3</td>
<td>Tribal Sub Plan</td>
<td>140.25</td>
<td>129.33</td>
<td>92.21</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td>4130.25</td>
<td>3454.92</td>
<td>83.65</td>
</tr>
</tbody>
</table>


![Figure 1 – Release and Expenditure of Grant – in – Aid for Local Governing Bodies in Kerala](image-url)
Table 5 - Release and Expenditure Pattern of Grant-in-Aid of Village Panchayats in Kerala (1997-2002)

(Rs. Crore)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>GENERAL</th>
<th>SCP</th>
<th>TSP</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Release</td>
<td>Expenditure</td>
<td>percent</td>
<td>Release</td>
</tr>
<tr>
<td>1997-1998</td>
<td>301.66</td>
<td>286.32</td>
<td>94.91</td>
<td>103.30</td>
</tr>
<tr>
<td>1998-1999</td>
<td>406.61</td>
<td>259.03</td>
<td>63.70</td>
<td>112.12</td>
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<td>1999-2000</td>
<td>525.43</td>
<td>426.50</td>
<td>81.17</td>
<td>132.58</td>
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<tr>
<td>2000-2001</td>
<td>427.65</td>
<td>333.26</td>
<td>77.93</td>
<td>114.11</td>
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<tr>
<td>2001-2002</td>
<td>378.05</td>
<td>223.13</td>
<td>59.02</td>
<td>108.25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2039.40</td>
<td>1528.24</td>
<td>74.94</td>
<td>570.36</td>
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</table>


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Figure 2 – Expenditure Pattern of Grant-in-Aid of Village Panchayats in Kerala

The evolution of local self governance in Kerala to the present form of Panchayati Raj Institutions (PRIs) through various experimental phases and subsequent Acts were lucidly described. The pioneer attempt in India in devolving financial resources to local self governing bodies has paved the way for a fruitful participatory planning approach.