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Recommendations of Punjab Governance Reforms Commission Fourth Status Report

The Commission draws attention towards significant areas of public domain such as, environment management and pollution control, urban development and urban governance. The report highlights the urgency for the government to deliver efficiency and effectiveness in civic services; creating conditions for good governance i.e. responsiveness with a focus on equity and accountability.



**Recommendations of Punjab
Governance Reforms Commission
Fourth Status Report**

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Introduction

Post-terrorism, Punjab was expected to bring about a paradigm shift in its politics and economy. Undoubtedly, these were difficult times yet these were also burgeoning with opportunities. However, rather than availing these opportunities, political and administrative leadership imprisoned itself in routine ordinariness and the status quo got incentivised. As is evident, status-quo has become unsustainable. Therefore, it is urgent that the political leadership should think afresh and demonstrate sincerity and will to implement pro-people agenda.

Punjab has produced a number of paradoxes. Punjabi society is most globalised, while its economy is least globalised. It has a relatively developed agriculture without much direct linkages with the industrial development. It has high per capita income and low poverty levels, but a dismal Social Development Index i.e. drug abuse, female foeticide, rural suicides, etc. It has low poverty levels, but the Scheduled Castes' poverty is double and their access to health and education is low as compared to the SCs in other states. It has relatively developed infrastructure, but the quality of public service is poor.

Punjab needs a paradigm shift. But unfortunately, during the last decade or so perspectives on development in Punjab have hinged merely on 'government debt'. Undoubtedly, it is worrisome. There are states which are under heavy debt, but are maintaining their pace of development. The crises in Punjab are not that the state debt is mounting, unemployment is rising, Dalits are reduced to penury, opportunities for women's productive engagement are not multiplying, agriculture is becoming less remunerative for a large number of farmers, landless labourers are in a grind, and drug addiction, female foeticide and farmers' suicides are evidently pervasive. The real crisis is the manner in which these problems are being addressed or ignored.

Why is Economy of Punjab Laggard?

It is unfortunate that Punjab has been unable to formulate an integrated policy on its economic development. The debate mainly centered on sectors of the economy and not in its totality. Within sectors policy interferences are drawn with regard to agriculture which has been considered as a mainstay of Punjab's economy. It has experienced a massive slowdown from 3.2 per cent in 1990s and 2.6 per cent in 2000s. The contribution to growth from agriculture has been reduced to 18 per cent from 27 per cent. The share of industry has gone up to 32 per cent from 28 per cent and contribution of service sector has been remarkable as it touched 50 per cent in the 2000s as compared to 45 per cent in 1990s.

The growth story of the last three decades highlights the role of the service sector in Punjab's economic trajectory. The state has come down in per capita income to fifth position between 1999-2000 and 2007-08. However, as per Tendulkar Report, poverty in Punjab has declined by 0.58 per cent during 1993-94 to 2004-05. But, rural poverty as well as the debt on farmers has increased.

Punjab's Poverty Estimates

- On the basis of Tendulkar approach, poverty has declined by only 0.58 per cent during 1993-94 to 2004-05.

Across Sectors Significant Difference is visible

- Decline has basically occurred in urban areas -3.42 per cent.
- In rural areas poverty has in fact increased 0.76 per cent.
- Across regions not much difference exists
- In northern urban area it decreased by 3.29 per cent.
- In southern urban it decreased by 3.32 per cent.
- In northern rural it increased by 0.61 per cent.
- In Southern rural increased by 0.64 per cent

Why has rural poverty and farmers debt increased? In Punjab, agriculture sector, the considered mainstay has experienced a massive slowdown. The investment in agriculture has declined from 2.2 per cent of the GDP in 1999-2000 of GDP at constant prices (1999-2000) to 1.9 per cent of the GDP in 2005-06. This is also reflected in the decline in the agricultural growth rate to 2.2 per cent per annum in 2005-06 at the all-India level. And, no initiative has been taken to increase the public sector investment in agriculture. This has led to a decline in agricultural productivity and damage to the ecology as well as environment.

Flip-Flop Agriculture and Industrial Policy

In the absence of a clear agricultural policy, Punjab has had to suffer the advocates of diversification of crops since 1986. And yet, Punjab could not diversify to cash crops and could also not specialise in food-grains. And what does the state's politics dictate? To characterise the crisis of agriculture as food-grains unable to find a market or farmers reduced to penury is naïve reductionism. It is paradoxical that the agri-business in food is making huge profits while producers of food are starving. The crisis is much deeper.

Food is not a technical issue but a socio-political one. It is not like any other commodity which is produced purely for profit. In 1986 the then US Agriculture Secretary John Block had, at the start of first Uruguay Round negotiations asserted that 'the idea that developing countries should feed themselves is an anachronism. They could better ensure their food security by relying on US agricultural products, which are available in most cases at much lower costs. These countries can, therefore, utilise their land and resources for

growing other crops'. After few months in 1986 Punjab had the famous diversification report.

For the declining agricultural growth rate and farmers' income, their prescription is crop diversification, corporatisation of agriculture and shifting small and marginal farmers from 'unviable economic activity' and rationalisation of subsidies. These are piecemeal solutions. For instance, it is not possible to diversify crops without diversifying economy by a large inter-sectoral shift to high productivity flexible agriculture. There is an urgent need to enhance agricultural productivity. Land released after increase in the productivity of the grains can be utilised for crop diversification and non-farm activities to achieve what Mao prescribed, 'leave agriculture but do not leave the villages, we will reach everything to you in the villages.' This would have arrested rampant urbanisation.

As in agriculture, in industrial development also there is a hidden impulse to neglect the advantages without evolving a viable alternative. This destructive vision is guided by growth impulse leading to globalised integrative model. In agriculture, it was the slogan of crop diversification and in industrial development it was corporatisation. To illustrate, in Punjab there is dominance of small scale industrial sector (both organised and unorganised). And public policy has neglected this and tried to entice big industrial houses and Punjabi NRIs to invest in the state. Initially, industrial estates were built and after two decades these industrial estates have been rendered unusable. Number of visits were undertaken to entice NRIs and other investors. But capital did not flow in as expected. Consequently, Punjab has less than one per cent of foreign direct investment.

Punjab has an historical advantage in small-scale industrial complex located in Jalandhar, Ludhiana, Amritsar, Mandi Gobindgarh, Batala, etc. It is unfortunate that public policy has not paid any attention to these traditional industries in terms of technology transfer, skill upgradation, marketing and maintenance of environmental standards in any plan. For instance, if *Lizzat Papads* in Gujarat can have a turnover of around Rs. 300 crore, why is it that *Amritsari Papad* (an established brand entity) could not capture the global market? It is the industrial policy targeting corporates which are easy and lucrative options rather building tedious small-scale industrial complexes.

Promotion of small-scale industrial complexes, both in rural and urban areas would have contributed reinforced rural-urban continuum. The pace of urbanisation in Punjab (37.49) is higher than the national level (i.e. 31.16). There is a clear trend of growth of rural clusters into urban as the number of census towns have increased from 157 to 216 in the year 2011. There is also a trend of rural to urban and also rural to rural migration. Both these trends are co-existing.

The civic amenities are inadequate and unevenly distributed and consequently three out of four urbanites live in 33 class I and II cities. (See for details Report on Urban Development Chapter II) Policies should be framed to develop rural-urban continuum through infrastructure development, demand-based vocational training and skill enhancement programmes to be consistent with existing traditional skills and employability.

Social Development: Poor Outcomes

Approach to Education: Not Holistic

For all this, a special focus has to be given to social development needs of the region: In the absence of a holistic policy, education system produced skill-sets that are inconsistent with the nature of economic development in Punjab. For instance, the number of students enrolled for veterinary and agriculture studies have declined from 1.16 per cent to 0.58 per cent between the years 1991-92 to 2006-07. Whereas, in engineering, architecture and pharmacy it has multiplied from 1.55 per cent to 11.39 per cent in the same period. This is paradoxical. If contextualised within Punjab's economy, agriculture and allied sector continue to play the dominant role. The Radha Krishnan Commission (1948-49), the Kothari Commission (1964-66), The Challenges of Education: A Perspective (1985) anticipates that dissemination of education will result in 'equalising opportunities and reducing disparities. On the other hand, they relegate education to be a mere instrument inherently constrained to achieve these goals.

The knowledge imparted by self-appointment Godmen may be inadequate, half-baked, unscientific, but it is holistic and problem solving. For instance, in the north-western region, the quality of school education is poor, there is a weak tradition of interaction with the text or books and excessive reliance on oral tradition to transfer knowledge (i.e. through *pravachans*). The region is facing problems of sustainability as an educational base. Our formal education system has in a tardy manner adopted the new and has not integrated the conventional. Curricula are oriented towards technical expertise in professional courses, narrow specialisation in social science courses and non-applied content in natural science courses, particularly in degree colleges and universities. Hence, education imparted is segmented, compartmentalised and non-holistic. Thus Punjab's educational sector has declining quality, sagging enrolment and an increasing drop-out ratio, parental disinclination for schooling children, as its major lacunae.

Low educational outcomes

Consequently, for bringing a paradigm shift in the economy, Punjab could not transform its vast enterprising human resource into an asset. The Education Development Index has shown that Punjab's overall rank is 12 out of 35 states and Union Territories. An in-depth analysis shows that Punjab has done exceedingly well in terms of physical infrastructure. It ranked at 3 only behind Kerala and Haryana. On accessibility for primary education, Punjab was ranked

16th and on teachers at 13th out of 35 states and union territories. According to the latest report of the NSSO (64th Round) for the year 2007-08, the gross enrolment ratio of Punjab for the primary stood at 103.9 for boys and 99.9 for girls, in upper primary 95.6 for boys and 96.8 for girls and for the secondary education stood at 81.3 for boys and 70.7 for girls. 1.4.4 This was higher than the comparable figure for the country as a whole. As per 2008-09 data there is a remarkable improvement in retaining children in schools. The cohort dropout for 6-11 year age group was reported to be about 23 per cent for the state in 2005-06, which in 2008-09 declined to just below 2.0 per cent. Similarly, cohort dropout for 11-14 year age dropped from 15.5 per cent to 4.2 per cent during the reference period. Ironically, Punjab's performance is dismal on educational outcomes. It ranked 29th. Whereas, GER for higher secondary, for boys stood at 25.9 which is less than all-India average and for girls 34.2 which higher than all-India average. And, for graduation and above for boys it stood at 10.6 and for girls 12.7 which is below all-India average.

For vocational education, i.e. Diploma not equivalent to degree it was 5.5 for boys and 3.5 for girls. In other words, for primary education GER is higher, but educational outcomes are dismal and for higher secondary and higher education both access and educational outcomes are poor. (See for details on Education in Punjab, Fifth PGRC Report)

What are the challenges?

Constraints to Educational Reforms

(i) Govern-mentality and Fiscal Management

Major constraint besides holistic approach, is the pervasiveness of govern-mentality which has successfully purged the scope of academic adventurism and innovative experimentation. For instance, within institutions disinterested academic explorations are responded to by 'disinterested bureaucratic hierarchical controls'. Most of the policy documents on education aim to provide quality education, yet lament that there is shortage of trained technical teachers. And, suggest that there is need to have trained technical teachers, but for the time being ad-hoc and even untrained teachers can be employed so that students should not suffer. To illustrate, in a number of states untrained teachers have been employed, for instance, around 30 per cent of school teachers do not have higher secondary certificate.

Since administration is compartmentalised into departments, each with its own priorities. In case, a particular department's priorities take precedence over another's, it is likely to lead to dissonance within the system. In 2004-05, the then Department of Finance, Punjab in its over enthusiasm to impose fiscal management came out with a scheme to contract untrained 'teachers' from the same village to cut government expenditure. As a result, the quality of teaching further deteriorated and, later, all the contractual 'teachers'

launched protest and demanded that they should be trained as teachers and that their services be regularised.

(ii) Opportunities assured conditions denied

Similarly, people's needs are prioritised without linking with their capacities. To illustrate, a poor Dalit was given three choices to fulfill his needs. He said, first we need a school, second a dispensary and third cemented by-lanes in the village. When further probed, will you send your child to school? Answer – No. Will you go to government dispensary for treatment? Answer – No. Do you have a bicycle? Answer – No. Then why you need a *pucca* road? Because everybody is asking for it!

Skill-set formation through education is welcomed however, it is no guarantee for gainful employment since jobs are created not by education instead by the direction and pace of planned development.

(iii) Access is not merely a Function

Expansion of educational opportunities shall not bring a major redistribution of privileges between children of different social strata or classes. It is not to deny the soothing trickle-down effect of such an approach as public school education, private tuitioning and laws of inheritance (with or without the help of state intervention) guarantee that children born to privileges should remain at the top. To illustrate, disaggregate analysis shows that availability of educational institutions is necessary, but not sufficient to provide access. Punjab has five primary schools per 1,000 persons in the age group 6-11 years. However, for the upper primary it is around seven schools per 1,000 persons. In rural areas, there is a shortage of upper primary schools leading to decline in enrolment of girl students. There is a regional imbalance.

For the higher education, University Grants Commission (UGC) conducted a study and identified 13 out of 17 districts in Punjab as educationally backward and proposed to open a college in each district. Another study by R.S. Ghuman found that in rural areas from 1981 to 2006-07 rural colleges multiplied from 33 per cent to 39 per cent, but enrolment of rural students continued to be marginal. Solution does not lie in opening new colleges, but in a multi-pronged strategy to convergence of educational policy with economic development, improvement in quality education and for population on the margins opportunities to be matched with their capacity to avail the same.

(iv) High Cost of Education and Privatisation

To make education inclusive, the major constraint is privatisation of education and affordability. At the primary education level, the average rural household expenditure yearly, per student is highest in Punjab. To illustrate, in government schools it is Rs. 2,346.0, private aided schools it is Rs. 4,922.0 and private unaided schools it is Rs. 4,414.0. In urban Punjab, in government

schools it is Rs. 2,911.0 which is less than only Haryana, private aided it is highest i.e. Rs. 7,718.0 and in private unaided it is Rs. 5,189.0. The share of government colleges is about 15 per cent, whereas, remaining 85 per cent are private aided and unaided colleges as per 2006-07 data.

It is interesting to note that in the government sector a significant number of colleges are arts, commerce and home science and unaided private colleges are B.Ed., Engineering, Medical and Computer Sciences.

(v) Sizeable But Disproportionate Expansion

Sizeable expansion at under-graduate level has created a vast reserve of people fit only to perform clerical jobs. These jobs were rated highly during colonial times and continued creation of a reserve is adding to the number of unemployed and unemployable citizens. It is disheartening to note that whereas under-graduate educational opportunities have increased sizably, those for post-graduate education have declined and for agriculture, social service and health education have not increased proportionately.

Also qualitative teaching and physical facilities are concentrated in some institutions which are elitist and are accessible to only a small segment of advanced learners, most of whom belong to the privileged sections.

This has made technical and professional college outside the reach of majority of rural population. As per studies, '85 per cent of households after having spent all their income cannot afford education for a single child'.

Direction of Reforms

There is a need to introduce common schooling programme instead of *Adarsh* schools. The unrecognised schools and unaided private higher education institutions are multiplying hence are a major challenge to quality education. There is an urgent need to improve quality of education in terms of capacity building of teachers, innovation in teaching methods in effective regulatory mechanism and transparent transfer policy of teachers.

The educational system needs governance in the public sector and not fiscal fix. Consequently, the quality of teaching has deteriorated and most of the educated youth have rendered unemployable. They do not have preference to go back to agriculture and, consequently, drift to drug addiction or attempt to venture to the foreign lands through illegal modes. Re-prioritisation of the resource allocations combined with efficient and accountable regulatory framework is required.

Health Costs and Diseases

Similarly, in health sector, Punjab ranked 12th in terms of per capita government expenditure (Rs. 326) on health. And, in terms of per capita

household expenditure (Rs. 1,379), it ranked 9th in the country. Punjab has a better reach in terms of government hospitals as the average population served by the government hospitals is 1,14,247 as against the national average of 97,958. (See Chapter on Health Reforms in PGRC Third Report).

The government expenditure on medical and family welfare are at par with other high income states, even though, per capital expenditure on public health is dismally low. In Punjab, the poor spend bulk of their incomes on health, higher than the national average. In urban areas, the poor use lesser public services. This increases the burden of health expenditure because of higher use of private sector. There are insufficient services in urban areas and the high cost of public health services in rural areas. According to NSSO 1998 and 2004 estimates, the prevalence of disease (persons ailing per 1000 population) is higher than the national average in both rural and urban areas of Punjab.

The important issues that emerge are: (a) Cost of access to health services is high; (b) Expenditure on health sector is at par with other developed states, but health outcome in terms of prevalence of disease is also high. (c) According to NSSO the expenditure on public health is low, diseases caused by lack of clean drinking water and sanitation are high for the poor. (d) Further, there is need to formulate state health policy after making an assessment of the prevalent diseases in the state. (e) There is need to regulate private sector health providers and check food adulteration. This act should include provisions like compulsory registration of private medical establishments with officials including Deputy Commissioner, District Health and Family Welfare Officer and President or Secretary of the IMA.

The Government should provide accreditation to public and private health institutes on the basis of global health service-delivery standards. Private establishments make public charges payable for different medical treatments and services and provide information about the names of government doctors and paramedical staff whose services are utilised for consultation on payment basis. Maintain clinical records relating to its activities and patients under its care, and make it open to inspection. There is a need to provide health insurance cover to the citizens in the economically weaker section category.

Reach of Socio-Economic Benefits: Not Inclusive

Further, the impact of socio-economic development is not inclusive. Punjab has low poverty levels, but poverty amongst the Dalits is double. As per Department of Social Welfare figures 62.5 per cent of the Dalit families are below the poverty line. Seventy-five per cent of the Dalits live in rural areas as compared to 66 per cent of the non-Dalits. In addition these rural Dalits are deprived in terms of landholdings as compared to non-Dalits in Punjab and Dalits elsewhere in India.

On social development indicators, the non-inclusive character of higher education is glaring. The SCs in Punjab with gross enrolment ratio of 3.5 are way behind even in comparison to states like Bihar, Uttar Pradesh, Madhya Pradesh and Andhra Pradesh which are seen as more caste ridden societies (NSSO 64th Round). Further, children from the bottom 20 per cent of the (MPCE) consumption expenditure quintiles are absent at all levels of post-secondary education in Punjab. Relevant questions arise as to why the Dalits are more deprived in terms of access to land, education and health as compared to the same in other states of India given the less casteist society of the state? Secondly, why children from the poor families in Punjab are more deprived in terms of access to higher education as compared to other states? Sacchidanand Sinha and Amrish Dubey observed that the poor SC and non-scheduled population's lower access to higher education is also due to exclusionary consequences of the state government's policy on increased privatisation of higher education.

These deprivations are providing a fillip to the assertions of political identity amongst the Dalits. This includes an assertion of de-facto recognition of their rights, occupational mobility, status parity and parallel religious symbols. There is a need to build capacity of the Dalits as privatisation excludes those who have neither assets nor capabilities. It is well-acknowledged that these capabilities can be acquired through education, training and experience.

As is evident, Punjab needs a major policy shift. But the challenge is balancing of opposing claims of market, efficiency and economic growth with those of social equity and justice. Undoubtedly the social, political and economic policies are guided by the assumption of liberalisation and globalisation.

Governance with Accountability and Responsibility

The single most important factor is ad-hoc policy prescriptions leading to flip-flop decision-making. The core element whether seen from the perspective of debt management or fiscal mismanagement (doles-centric politics) is enhancement of productivity with equity to remain globally competitive.

If policies are examined from this vantage position, it becomes evident that there is a situation of flux in Punjab. The votaries of debt management advocated reduction in public expenditure, retrenchment or reduction in government jobs and disinvestment of public sector. The so-called new paradigm (PPP mode) of 'leveraging public resources for private profits' is being implemented without building adequate safeguards to protect the interest of farmers.

Fiscal management is governance without responsibility and fiscal mismanagement is governance without accountability. Both are wrong. The data showed that capital outlay and development expenditure has been squeezed in Punjab over the last twenty five years. Revenue expenditure has

increased over time in Punjab and the long-acting asset creating expenditure (capital expenditure) has declined. Also, the share of developmental expenditure within revenue expenditure has fallen.

Within increased deficit, public expenditure on social development, needed most by the poor, has been falling in the last 25 years in Punjab. A perusal of the state expenditure pattern on social development makes this clear. The expenditure on social development in Punjab including health declined from 66 per cent in the early eighties to 40 per cent. And, livelihood needs do not find any reference in the public finance management drive. Why is it then that the debt is multiplying, while the governments have failed to provide employment, public education and health facilities to the people?

No doubt, with all these negative prescriptions, government expenditure on the salaries of staff has been reduced and public sector units, productive or unproductive, have been made defunct. When the government ceased to be functional and the citizens demanded services, a convenient logic was advanced that there was no staff. When the students demanded quality education, untrained and unqualified teachers on contract were appointed, when the employees demanded better service conditions, Punjab Civil Service Act, 2011 with anti-worker provisions was passed by the Assembly which was, however, repealed by an ordinance later on.

And, on the other hand, disconnected political leadership reduced every productive enhancement initiative to doles to be used for winning elections. In all these initiatives, writing on the wall was loud and clear that it was the market which shall govern and not the government.

Ad-hoc Policy to Long-Term Policy

Tinkering with the ongoing development process and labelling it as the 'Second Green Revolution' will only aggravate the crisis. The economy needs to be diversified, creating productive avenues, in other sectors for the population dependent on agriculture. In agriculture, the focus has to be on increasing productivity by technological innovations and move away from anti-grain policies to production of a crop basket.

Similarly, in education and health, the guiding principle should have been to incur high costs in the short run to get high returns in the long run rather than privatisation of the essential services. Therefore, there is a need to shift from disinvestment to productive investment, from retrenchment to employment generation, from expenditure reduction to rationalisation of the expenditure and from anti-corruption drive to corruption-free governance.

Pramod Kumar
Chairperson PGRC

CHAPTER I

EXAMINATION OF PUNJAB ECONOMY: NEED FOR RESTRUCTURING¹

1.1. Perspective

- 1.1.1. Economic liberalisation policy has completed 20 years. Government of India announced New Industrial Policy on 24th July 1991 (NIP, 1991) followed by other macro and sectoral economic reforms. Government of India constituted a series of committees to suggest restructuring of economic governance in consonance with economic liberalisation. Based on the recommendations of these committees, Government of India initiated the process of restructuring economic governance with a view to harvest good dividends from economic liberalisation.
- 1.1.2. The response to economic liberalisation and restructuring of economic governance, however, varies across states. Barring majority of southern and Western states, the pace of economic liberalisation and governance reforms has remained slow at state level. Punjab is amongst states which could not reap the benefits of liberalisation policy, partly due to bureaucratic bottlenecks.
- 1.1.3. The main objective of this report is to suggest changes in economic governance in Punjab so that Punjab can also successfully convert opportunities in the globalised economic environment to its advantage.

1.2. Examination of Punjab Economy

- 1.2.1. Economic growth experience of Punjab remained quite instructive for examining the relationship between economic governance and economic development. The modern economic growth started with the advent of green revolution has made Punjab economy a symbol of economic prosperity that lasted more than three decades. The rank of Punjab state, in terms of per capita income, among major Indian states remained number one during three decades since the green revolution.

1. The first section on 'Examination of Punjab Economy' has been contributed by Task group on Economic Governance Reforms chaired by Professors B.S. Ghuman and Lakhwinder Singh. The sections on Diversification to Specialisation and Social and Economic Impact has been contributed by Prof. H.S. Shergill

- 1.2.2. Prior to green revolution, the government of Punjab has taken series of measures to develop institutional infrastructure that was conducive for preparing the ground to initiate new economic activities. Punjab state, apart from providing right kind of institutional arrangements, has initiated the process of public investment that enabled the private sector economic activities to flourish. It is widely known fact that Punjab state not only was known as a 'model state of economic development' but also was able to govern well the markets to achieve higher rate of economic growth when Indian economy as a whole was trapped in a Hindu rate of economic growth hovering around 3.5 percent per annum.
- 1.2.3. In the post-reform period, the Indian economy's growth trajectory reached a height in the vicinity of 9 percent per annum. During this period, Punjab for a number of years experienced fluctuations in the growth rate. In the recent past the economy has made a turnaround, its rate of growth is almost comparable with that of the Indian economy (Table 1 in Chapter I-Annexure).
- 1.2.4. In 2006-07, Punjab economy registered a rate of growth (10.16 percent) higher than that of India (9.58 percent). Two types of explanations are put forward by scholars to explain the above mentioned behaviour of Punjab economy. One, the standard economic growth theory (Solow-Swan) states that the fast growing state/countries will slowdown due to decreasing returns to scale on scarce factor-capital. This explanation has been challenged by the endogenous growth theory on the ground that there exist ways and means through which decreasing returns to scale can be converted into increasing returns to scale while investing in research and development/innovations as well as investing in human capital. Two, the structural-evolutionary theory of economic growth states that economic development is path dependent but fundamentally determined by governance pattern, in terms of regulation of markets while investment in enacting institutional arrangements and generating innovations suitable for the structure and stage of economic development.
- 1.2.5. Both the theoretical constructs allow us to think to grow without bounds. Therefore, an attempt is made in this Report to examine the status of Punjab economy with a view to identify the factors that have contributed to the slow growth of the Punjab economy. The identification of factors that have contributed to the slow growth of the Punjab economy can help us to devise alternative policy for regulation and governance of markets for achieving higher growth path along with distributive justice.

Section I

1.3. Economic Growth of Punjab in Comparative Perspective:

- 1.3.1. According to available comparable per capita income estimates of major states of India, Punjab state's per capita income in the year 2009-10 at constant prices was of the order of Rs 43,539 and on this basis Punjab state can be ranked number fifth State among major states. First, second, third and fourth rank goes to Maharashtra, Haryana, Gujarat and Kerala states (Table 2 in Chapter I-Annexure II).
- 1.3.2. The falling behind of Punjab state compared with other states has happened due to achieving rate of economic growth of Punjab economy especially during a number of years in post-reform period. It is pertinent to mention here that during the eight Five Year Plan (1992-97) period, Punjab economy attained growth rate of state domestic product of the order of 4.7 per cent per annum against the national average growth rate of 6.5 per cent per annum (Table 1 in Chapter I-Annexure II). The growth performance further declined marginally during the ninth Five Year Plan (1997-2002) period and the rate of economic growth was 4.4 per cent in the state of Punjab and Indian economy has grown at a 5.5 per cent per annum during the same period.
- 1.3.3. Furthermore, when Punjab economy grown at a rate of 4.5 per cent per annum during the tenth Five Year Plan (2002-07) against its own targeted rate of economic growth, that is, 6.4 per cent per annum, Indian economy, during the same period, entered into high growth trajectory. Indian economy has grown at 7.7 per cent per annum. However, in recent past economy has been on the recovery path. For example between 2006-07 and 2009-10 the rate of growth of Punjab economy oscillated between 7 to 10 percent per annum, which is at par with national average (See Table 1 in Chapter I-Annexure II).
- 1.3.4. The recent data presented by the Minister of State for Planning, Science and Technology and Earth Sciences to the Parliament re-enforces that Punjab has been moving fast on the recovery path. According to the Minister, Punjab is one of the five states which have achieved higher rate of growth vis-à-vis target rate of growth during the 11th five year plan (See Table 3 in Chapter I-Annexure II). The State fixed a rate of growth of 5.90 percent; and against it the state achieved 7.50 percent rate of growth.

1.4. Identification of Sources of Economic Growth: Sectoral Analysis

- 1.4.1. To identify sources of economic growth experience of Punjab economy, the analysis of structural change and decomposition of aggregate rate of economy into sub-sectors can be useful. The

agriculture sector occupied a prime place both in terms of generating income and providing employment to work force in the state of Punjab as well as in the Indian economy as a whole.

- 1.4.2. The agriculture sector in the year 1970-71 generated 58 per cent of the state domestic product in Punjab whereas 48 per cent income was generated by the agriculture sector in the Indian economy (Table 4 in Chapter I-Annexure II). This is evidence enough to state that Punjab state in the post green revolution period became highly agricultural oriented economy. Its economic dynamics revolved more around this sector of the economy. The industrial sector, during the same period, was quite small, both in Punjab and India, so far as its contribution to state/national income was concerned. However, the contribution of this sector to state income was just 15 per cent, which was much lower compared with the national percentage, that is, 20 per cent. The share of service sector was also much higher in Indian economy than that of the Punjab state.
- 1.4.3. The dramatic change in the structure of state/Indian economy has occurred since 1970-71. The relative income shares for the year 2008-09 showed a dramatic change in the structure of the state/India economy. The relative share of agriculture has declined by 30-percentage point in the case of Indian economy but 26-percentage point in the case of Punjab economy. The service sector emerged as the most dominant sector both of the Indian and of the Punjab economy. The relative contribution of service sector to the GDP in India in the year 2008-09 was 56 per cent whereas service sector contributed 45 per cent in the state domestic product of Punjab. Transport, storage & communication, trade, banking, insurance, real estate, and public administration are some of the dynamic constituents of tertiary sector.
- 1.4.4. The analysis of the structural change brings out the fact that industrial sector never occupied a prime place in the growth story of the state/Indian economy. This is contrary to the development experience witnessed by the industrially advance countries of western world and also of the newly industrialising countries of East Asia. It needs to be mentioned here that Punjab state has recorded much lower level of industrial development when we compare it with the Indian economy.
- 1.4.5. Industrial sector has been regarded as the most dynamic sector of an economy and provides desired economic transformation from low wage-low productivity economic activities to high wage-high productivity economic activities. However, in the case of Punjab, the industrial sector of Punjab economy in terms of its relative contribution to the NSDP remained quite small. The manufacturing

sector of Punjab state contributed 15.1 per cent of NSDP in 1990-91 and declined to 13.6 per cent in 2007-08.

- 1.4.6. The relative share of the registered manufacturing sector in NSDP was 8.8 per cent in 1990-91, which has declined to 7.4 per cent in 2007-08. The rate of growth of the registered manufacturing sector has decelerated during the period 2000-01 to 2007-08 compared with the 1990-91 to 1999-2000. The registered manufacturing sector has grown at rate of 5.35 per cent during 1990-91 to 1999-2000, which was much below the 1980s level. However, the growth rate for the period 2000-01 to 2007-08 was 3.84 per cent per annum.
- 1.4.7. Contrary to this, unorganised manufacturing sector has recorded higher growth rate during the 2000-01 to 2007-08 compared with the growth experience of the 1990s (Table 3 in Chapter I-Annexure II). That was precisely the reason that the manufacturing sector as a whole has shown marginal acceleration of rate of growth in the later period compared with the 1990s.

Box 1

Factors constraining Industrial development in Punjab

- (i) Lack of mineral resources;
- (ii) Land-locked location;
- (iii) Locational disadvantage from major national markets;
- (iv) Costly lands;
- (v) Poor response of fresh investment particularly Foreign Direct Investment (FDI) during post-globalisation period;
- (vi) Absence of comprehensive New industrial Policy in consonance with New Industrial Policy, 1991 of Government of India;
- (vii) Lack of 24 hours availability of power
- (vii) Tax holiday to neighbouring hill states and
- (viii) Time consuming process of getting clearance for change in land use pattern.

- 1.4.8. The other sectors, which have recorded deceleration of economic growth during the 2000s compared with 1990s, are electricity, real estate, public administration and other services. It is worth mentioning here that the combined share of all the sectors of the Punjab economy, which have observed deceleration in growth during the 2000s, was 68.52 per cent in 1990-91. This share has declined to 57.74 per cent in 2007-08. Obviously, the slow growing sectors have contributed to the slow growth of per capita income and net state domestic product of the Punjab economy.

- 1.4.9. Although, the fast growing sector failed to arrest the deceleration of economic growth in Punjab because of their relative share in the NSDP was less than 32 per cent in 1990-91, but have triggered the process of structural transformation in terms of changing the relative contribution of the sectors to the state's economy. From the foregoing analysis, it can be safely said that the engine of growth of Punjab economy still continued to be the 'agriculture sector'.

Section II

1.5. From Diversification to Specialisation: Emergence of Wheat & Rice Dominated Cropping Pattern

- 1.5.1. In the early 1960's, on the eve of the Green Revolution, agriculture in Punjab was typically traditional subsistence farming, characterised by low productivity, absence of mechanisation and other modern inputs, and only a sporadic low degree pre-capitalist type commercialisation. The input structure of farms and the consumption basket of peasant households were only marginally penetrated by market purchased goods.
- 1.5.2. The profit bug had not yet bitten the Punjab farmers and the relative profitability per unit of land played only a secondary role in their crop planting decisions. The relative profitability per unit of land, (of wheat, cotton and maize etc.), was much higher than other crops even in the pre-green revolution period, but still the farmers did not abandon other crops; because their crop planting decisions were not guided by strict considerations of relative financial profitability. That is why a large number of low productivity and uncertain yield crops were grown on more than half of the cropped area of the state.
- 1.5.3. Some pulses, oilseeds, sugarcane and even hemp were planted by almost every farmer for his self-consumption. A widely diversified cropping pattern prevailed in the Punjab countryside in the pre-Green Revolution days, because profit maximisation was not the determining factor in crop planting decisions of the Punjab farmers. Rather, growing almost everything needed for self-consumption on one's own farm was a matter of great pride in the prevailing peasant culture and the pursuit of profit something below the dignity of a peasant.
- 1.5.4. The Green Revolution that engulfed Punjab agriculture after the mid 1960s, was not just a technological revolution that increased yields and production of wheat and rice. It unleashed forces that resulted in a cultural revolution as well. The innocent peasant soul was transmuted into a cash calculating spirit imbued with commercial profit maximisation considerations. The farm input structure and the peasant consumption basket were dominated by market purchased goods.

- 1.5.5. The Green Revolution transformed Punjab agriculture into a high productivity, highly mechanised and completely commercialised money making business. As a result, all the less remunerative crops got eliminated and a highly specialised cropping pattern dominated by wheat and rice emerged in the state. At present about 80 per cent of the sown area is planted under wheat in the winter season; and in the autumn season about 60 per cent of the sown area is put under rice cultivation.
- 1.5.6. In central Punjab, where soil, ground water and climatic conditions are congenial, almost the entire sown area is under these two crops. The size and stability of net financial returns per hectare being the determining factor in crop planting decisions, wheat and rice are planted on almost every acre of land on which conditions are suitable for the cultivation of these two grains. No other crop rotation combination can match wheat and paddy in terms of net financial returns per unit of land, under the prevailing parameters and constraints.

1.6. Evolution of cropping pattern: 1960-61 to 2000-01

- 1.6.1. The emergence of wheat and rice dominated cropping pattern in Punjab is starkly revealed by a simple comparison of area under different crops on the eve of the Green Revolution and at present. The summary information on area under different crops in 1960-61 and in 2000-01, and the change in area under different crops over these four decades is presented in Table 5 in Chapter I-Annexure II.
- 1.6.2. In 1960-61 even wheat, the then most important crop of the state, was planted only on 29.59 per cent of the total cropped area, and rice was a minor crop planted only on 4.80 per cent of the total cropped area. So only about one-third of the total cropped area was under wheat and rice, the remaining two-thirds of the cropped area was put under a large number of other crops.
- 1.6.3. Considering the two crop seasons separately, one observes that even in the winter season wheat did not dominate the cropping pattern; it was planted only on 37 per cent of the net area sown. The summer-autumn season cropping pattern was even more diversified; the largest percentage of the net area sown under a single crop (cotton) being only 12 per cent. The cropping pattern was indeed quite diversified in pre-Green Revolution Punjab.
- 1.6.4. The Green Revolution, however, destroyed that diversified cropping pattern. On the one hand it made wheat and rice cultivation much more profitable and least risky, and on the other imbued the peasant

soul with commercial profit making considerations. As a result, a massive increase in the area under wheat and rice occurred and now wheat is planted on 80 per cent of the net area sown in the winter season, and rice is cultivated on about 60 per cent of net area sown during the autumn season.

- 1.6.5. The area under wheat increased 2.43 times over the period 1960-61 to 2000-01, increasing at the annual compound rate of 2.25 per cent. The area under rice increased 11.50 fold over these four decades, increasing at the annual compound rate of 6.30 per cent. The entire Punjab now looks like a gigantic wheat farm in January / February, and a paddy field in September / October.
- 1.6.6. This massive and fast expansion in the area under wheat and rice is the combined result of many factors; the size and stability of net financial returns per hectare from these two grains playing the most important role. The high and stable net financial return from wheat and rice cultivation was the result of the substantial rise in wheat and rice yields under the impact of the Green Revolution technology.
- 1.6.7. The expansion of controlled tube-well irrigation provided stability to the yields of these crops, and the establishment of an effective programme of minimum support prices and assured purchase of these two grains by government agencies almost eliminated the marketing and price risks. In addition to these well known and well documented factors, many other lesser known factors also contributed to the massive shift of area to wheat and rice cultivation and to the emergence of a highly specialised cropping pattern in the state.

1.7. Expansion of area under wheat and rice: Sources

- 1.7.1. For a proper understanding of the dynamics of this massive expansion of area under wheat and rice, its sources need to be clearly identified and isolated. There is a widespread impression that this massive expansion of area under wheat and rice is the result of shifting of area under other crops. But our analysis presented in Table 6 in Chapter I-Annexure II shows that this is only partly true even in the case of wheat, and almost false in the case of rice.
- 1.7.2. The information on the change of area under various crops over the 1960-61 to 2000-01 period given in Table 5 in Chapter I-Annexure II was used to work out the sources of expansion in the area under wheat and rice over this period, and the results of this exercise are presented in Table 6 in Chapter I-Annexure II. This information dispels the prevalent impression that expansion of the area under wheat and rice occurred at the cost of other crops. It may be seen that out of the total increase of 20.28 lakh hectares in the area under wheat, (over the

1960-61 to 2000-01 period), only about 47 per cent came from a shift from other crops like gram.

- 1.7.3. The remaining 53 per cent (10.63 lakh hectares) is the new area contributed by expansion of net area sown (25.26 per cent) and the expansion of double cropped area (27.68 per cent). The case of expansion of the area under rice is even more revealing. Out of the total increase of 23.85 lakh hectares in the area under rice, only about 16 per cent (3.76 lakh hectares) came from a shift from other crops like maize. The remaining 84 per cent (20.09 lakh hectares) came from new area brought under this crop; 21.25 per cent being contributed by the expansion of net sown area, and 62.98 per cent by the expansion of double cropped area.
- 1.7.4. It is thus clear that, contrary to the general impression, the expansion of area under rice has not been at the cost of other crops; it is almost entirely new area brought under cultivation through increase in the net sown area and extension of double cropping. More than half of the expansion of the area under wheat has also come from new area brought under cultivation and extension of double cropping.

1.8. India's Food Security & Surplus Grain Production in Punjab

- 1.8.1. India's food security, over the last three and a half decades, has been vitally dependent on surplus grain production in the Punjab-Haryana Region. There are clear indications that this dependence will continue in the next few decades as well. The rest of India continues to be chronically deficit in food grain production. Most of the neighbouring countries have been and continue to be deficit in food grain production and dependent on imported food to feed their populations.
- 1.8.2. India escaped that fate mainly due to the huge surplus grain production in the Punjab-Haryana Region. But the cosy food self-sufficiency that India enjoyed for three and a half decades now seems to be under serious threat. The production of wheat and rice is showing clear signs of stagnation; but the demand for grains is growing steadily owing to population growth, rising per capita income, and shift to cereal intensive milk and meat products. The emerging demand-supply imbalance in food economy has become a major worry to the Government. The recent spurt in global food prices and the emerging global food scarcity has further heightened the concern for food self-sufficiency and food security of the country.
- 1.8.3. To meet the food challenge Government has launched the **National Food Security Mission** to enhance grain production in the low productivity areas of the country. The main burden of the present paper is to show that in the near future food self-sufficiency of the

country will remain vitally dependent on surplus grain production in the Punjab-Haryana region. As of now the prospects of a big spurt in grain production in the low productivity areas of the country are not very bright. The vital role of food self-sufficiency to ensure long term food security is discussed in section one, and the dependence of food self-sufficiency on surplus grain production in the Punjab-Haryana region is highlighted in section two.

1.8.4. In section three estimates of India's food balance in the near future are presented. In sections four and five the prospects of expansion of food production in rest of India are evaluated. The sustainability of surplus food grains production in the Punjab-Haryana Region is discussed in section six, and need for more activist management of food grains production in Punjab-Haryana region is discussed in section seven.

A. No Food Security without Food Self-Sufficiency

1.8.5. Is food self-sufficiency necessary for ensuring the food security of Indian masses? Till the early 1990's no one ever raised such a silly question. Attaining and maintaining food self-sufficiency has been virtually an article of faith in the Indian food policy since independence. The humiliating experience of food imports from America, particularly during the mid 1960's, had further convened the Indian ruling establishment of the overriding importance of food self-sufficiency for ensuring food security of the people without compromising national honour. Since independence food self-sufficiency has remained the unquestioned goal of India's national food policy.

1.8.6. The consensus on the importance of food self-sufficiency for food security, however, started melting after the paradigm shift of the early 1990's. The liberalisation of the economy since 1991 and particularly after India joined W.T.O. in 1995, generated a new view that questioned the very rationale of domestic self-sufficiency in food production for ensuring food security of the country. It was forcefully argued by some that in the new globalised Indian economy buffer stocks of food grains could be more cheaply maintained through imports: compared to the high economic cost of maintaining these through procurement of wheat and paddy from domestic farmers.

1.8.7. Even dismantling of Food Corporation of India, and scrapping of the minimum support prices system was recommended by some zealots of globalisation. A massive diversion of area from food grains to other cash crops in Punjab was also recommended very strongly by some farm experts. The policy makers also seemed to lend a favourable ear to this new view to ensure food security through imports. Some lone voices that still advocated the primacy of food self-sufficiency for food security were jeered at for being out of tune with times.

- 1.8.8. In a historical sense this import based strategy for food security was not that new an idea either. It has always been the standard American prescription for food security of the developing countries. This view was cogently expressed in 1986 at the opening of the Uruguay Round by US Secretary of Agriculture John Black, who said, "The idea of developing countries feeding themselves is an anachronism from the by-gone era. They should better ensure their food security by relying on U.S. agricultural products, which are available in most cases at much lower costs. These countries can, therefore, utilise their land resources for growing other crops."
- 1.8.9. Many developing countries took the bait and have become chronically dependent on food imports for their food security. Indian policy makers were wiser and ignored this advice completely. India attained and maintained food self-sufficiency since the early 1970's and no Indian economist questioned the wisdom of giving high priority to food self-sufficiency. But after the paradigm shift of the early 1990's some Indian economists started echoing this American view and recommended a shift out of the outmoded food self-sufficiency 'obsession'.
- 1.8.10. The policy makers also responded favourably to this new line of thinking on food security. The introduction of targeted Public Distribution System, jacking up of PDS issue prices, virtual freezing of wheat and paddy minimum support prices in the early years of the current decade, and schemes to shift area out of wheat and paddy cultivation in Punjab, were all the products of this new mind set. The recent negative turn in the world food situation and the spurt in global food prices have now silenced the local votaries of this view, and the over-riding importance of food self-sufficiency for food security has once again dawned on the policy makers.
- 1.8.11. The case for food self-sufficiency to ensure food security is well known, but needs to be restated again in view of the doubts that may be still lingering in the minds of zealots of globalisation and liberalisation. There are solid and sufficient reasons why a country of India's size, political stature and stage of development cannot afford to depend on regular food imports to meet the food needs of its people.
- 1.8.12. More important of these reasons are: (i) given the huge size of India's food needs, its entry in world food market as a regular importer will push up global grain prices and, therefore, the cost of imported food; (ii) regular food imports will tie up domestic grain prices with world market prices that fluctuate a lot, and this will put both consumers as well as farmers in a more precarious situation; (iii) regular food imports will have a depressing effect on domestic grain production, as

has happened earlier under P.L.480 food imports; (iv) the diversion of a considerable quantity of cereals to bio-fuels production by developed countries in the coming years will not only make imported food more costly, but also its availability more uncertain; and last, but not less important; (v) the dependence on regular food imports will dent the standing of India in the comity of nations. There is a sovereignty discount attached to food dependence on other nations even in a competitive world food market.

1.8.13. This sovereignty discount becomes big and important when the world food market is oligopolistic and the dominant food grains exporter (U.S.A.) is the sole super power and has a history and habit of using food as a political weapon. Food sovereignty is an important pillar of political survival not only in war, but also in peace. Regular food import, therefore, is neither a desirable nor a viable strategy for ensuring the food security of Indian masses. Occasional import of food grains to tide over temporary shortages is, of course, a different matter altogether. Self-sufficiency in food grains production is the only lasting solution of food needs of a country of India's size and political stature.

B. Food Self-Sufficiency: Dependence on Surplus Grain Production in Punjab-Haryana Region

1.8.14. Independent India started its tryst with destiny in the grip of a serious food shortage. For almost two and a half decades after independence, Government struggled hard to feed the growing population through food imports on a massive scale. By the mid 1960's this import channel to food security had run into serious difficulties due to a combination of economic and political circumstances. The food situation by the mid 1960's became so bad that many International Agencies and American think Tanks declared India a 'basket case' beyond redemption.

1.8.15. Then miraculously Green Revolution occurred and food situation started improving. By the middle of 1970's India became fully self-sufficient in food production and a comfortable food situation has prevailed in the country since then. However, the food self-sufficiency over these three and a half decades has remained vitally dependent on surplus grain production in the small area of Punjab-Haryana region where Green Revolution technology has been most successful.

1.8.16. Most of the rest of India continues to be chronically deficit in food grains production (Table-7 in Chapter I-Annexure II) despite the availability of new HYV technology and assured minimum support prices for almost four decades now. Even after four decades of Green Revolution almost 50 percent of the food grains procured for the central pool comes from the small Punjab-Haryana region alone (Table

8 in Chapter I-Annexure II). In the case of wheat the contribution of Punjab-Haryana region to the central pool exceeds 70 percent, and even in rice it is more than 30 percent. The chances of a sizeable grain surplus emerging in the low productivity areas being bleak, this dependence on surplus grain production in Punjab-Haryana region is likely to continue in the near future as well. So to maintain food self-sufficiency in the coming years, wheat and rice production in Punjab-Haryana region has to be not only sustained at the present level, but also to be expanded further to the extent possible.

C. Future Food Balance: Plausible Scenario

1.8.17. Almost all the estimates of future food balance of India suggest that country will be either deficit or precariously self-sufficient in food production in the coming decades. The cosy comfortable food situation that has prevailed since the mid 1970's seems to be disappearing. Some well-known estimates of demand and production of cereals in India in the year 2020 are summarised in Tables 9 and 10 in Chapter I-Annexure II.

1.8.18. These estimates clearly allude to the lurking danger of India becoming dependent on imported food by 2020. These estimates of demand and production of cereals in India in 2020 differ from one another considerably; because of the different assumptions made about the underlying parameters on which demand and production depend. It is well-known that estimation of plausible future food scenario is fraught with many uncertainties and problems. The actual course of future events is always different from the predicated one.

1.8.19. The general drift of the situation, however, is almost correctly conveyed by such expert estimates. So, notwithstanding the bewildering variety of demand and production projections for the year 2020 (Summarised in Tables 9 and 10 in Chapter I-Annexure II), a clear and common message is conveyed by them all. It is that by the year 2020 India will be deficit in cereal production and may have to depend on regular food imports to feed the population. The era of comfortable food self-sufficiency seems to be ending; and the Pre-Green Revolution trend of food deficiency seems to be reasserting again.

1.8.20. The food balance projections for the neighbouring Asian and African countries also indicate that by the year 2020 most of the Asian and African countries will be regular importers of food (M.W. Rosegrant et. al.). In the projected scenario of such all around food deficiency, maintaining food self-sufficiency in India will be really difficult in the coming years. The bad omens have already appeared; both area under and yield rates of wheat and rice have virtually stagnated since the mid 1990's.

D. Prospects of Expansion of Food grains Production in Rest of Indian States

- 1.8.21. A substantial and immediate increase in food grains production in the rest of Indian States cannot be expected under the present parameters and constraints that characterise the agricultural sector of these areas. The case of coarse grains and pulses is simply hopeless in view of the low yields, non-availability of suitable HYV seeds, and considerable yield uncertainty that characterise these crops. The prospects of expansion of wheat and rice production are also bleak on account of stagnation in area and yield rates of these two superior grains in most of these states.
- 1.8.22. The scope of bringing more area under wheat and rice in these states is rather limited. A saturation point in area under wheat and rice seems to have been reached by the closing years of the 20th century. The trend regressions presented in Table 11 in Chapter I-Annexure II clearly indicate that in all these states, (except U.P.) area under wheat has been stagnant since the mid 1990's. In Rajasthan and Assam even a significant downward trend in area under wheat is evident.
- 1.8.23. The case of area under rice is no better in all these states, (except Maharashtra); area under rice has been either stagnant or has experienced a significant downward trend since 1996-97. From these trends regressions the message is clear that growth of wheat and rice production through expansion of area under these crops in the rest of Indian states has to be virtually ruled out. In fact, even retaining the present area under wheat and rice in these states may prove difficult in the coming years; on account of the mounting pressure to divert area to cash crops, and faster expansion of urban-Industrial demand for land.
- 1.8.24. The prospect of an immediate spurt in wheat and rice yields in the rest of Indian States is also not very bright. Somehow, wheat and rice yields in the rest of Indian States have stagnated at a rather low level without realising the full potential inherent in HYV seeds. The trend regressions presented in Table 12 in Chapter I - Annexure II clearly suggest an all pervasive stagnation in wheat and rice yields in these states. In Bihar and Assam wheat yield has, in fact, shown a significant downward trend.
- 1.8.25. Only in Rajasthan a positive trend in wheat yield is visible, but it also does not seem to be genuine. The area under wheat in Rajasthan over this period has declined (Table 10 in Chapter I-Annexure II); and that shifting of poor/marginal lands out of wheat cultivation seems to be responsible for the apparent improvement in wheat yield in this state. The rice yield has also been stagnant since 1996-97 in most of these states. In some where an improvement in rice yield is seen, it is

accompanied by a decline in area under rice. So shifting out of poor/marginal land out of rice cultivation seems to be the reason for this apparent improvement in rice yield in these states.

- 1.8.26. On the basis of the above evidence on trends in area and yield rates of wheat and rice in the rest of Indian States it may not be wrong to conclude that a substantial increase in wheat and rice production in the rest of India cannot be expected in the near future. Both the growth factors, area under these two crops and their yield rate, stand exhausted and there is little chance of the recent trend being reversed in the near future.
- 1.8.27. The common and notable feature of the rest of Indian States is the stagnation of wheat and rice yields at a rather low level, without realising the full potential of Green Revolution technology. Although, by now wheat and rice yields have stagnated even in Punjab-Haryana region, but only after reaching a fairly high level and after exhausting most of the potential inherent in the HYV technology. This dualistic pattern of yield stagnation, at a high level in Punjab-Haryana Region and at a low level in rest of India, alludes to the inhibiting role of structural constraints in keeping wheat and rice yields low in these states, despite the availability of HYV technology for the last four decades.

E. Wheat and Rice Yields in Rest of Indian States: The Constraints

- 1.8.28. The comparison of growth trajectories of wheat and rice yields over the Green revolution period in rest of Indian States and the Punjab-Haryana region suggests the inhibiting role of structural factors in the realisation of full potential inherent in the HYV technology. The HYV seeds of wheat and rice have now been available in the country for more than four decades; a time period sufficiently long for the full realisation of their potential. But in most of the rest of India wheat and rice yield rates have stagnated much short of reaching that full potential.
- 1.8.29. The comparison of wheat and rice yields in Punjab-Haryana region with the rest of Indian States presented in Tables 13 and 14 in Chapter I-Annexure II clearly reveals that the yield gap between these two segments of India has remained almost unchanged over the Green Revolution Period. It may be observed from Table 13 in Chapter I-Annexure II that the relative wheat yield (compared to Punjab-Haryana), in other wheat producing states has hovered around the same level all these 40 years; despite a fairly high growth rate of wheat yield in these states over this period.

1.8.30. Almost a similar pattern is observed in the trend behaviour of rice yield in these states compared to Punjab-Haryana region (Table 14 in Chapter I-Annexure II). The graphs of wheat and rice yields displayed in Figures 1 and 2 clearly suggest that the difference between rest of Indian States and the Punjab-Haryana region, over these four decades of Green Revolution, has not been so much in the growth rates of wheat and rice yields, but in the original gap that has persisted.

1.8.31. In terms of econometric modelling one may hypothesize that yield growth trajectories of wheat and rice in these two segments of the Indian economy did not differ much in slope, but significantly in the intercept or constant term. We tested this hypothesis with the help of the following regression model.

$$\ln Y = a_0 + b_0 \text{ Time} + (a_1 - a_0) D + (b_1 - b_0) D \text{ Time} + e$$

Where Y = wheat or rice yield

D is dummy variable taking value '1' for Rest of India and '0' for Punjab-Haryana Region

Time = 1966-67 to 2005-06

The results of this regression exercise are presented in Table 9 in Chapter I-Annexure II and clearly support the hypothesis that growth trajectories of wheat and rice yields in Rest of India and Punjab-Haryana region did not differ much in slope, but very significantly in the intercept term.

1.8.32. It may be observed from this table that the differential slope coefficient ($b_1 - b_0$) is not significant even at 10 percent level, but the differential intercept co-efficient ($a_1 - a_0$) is significant at one percent level for a two tailed test, in the case of wheat as well as rice. It may also be noted that the differential intercept co-efficient ($a_1 - a_0$) has a negative sign both for wheat as well as rice. These results clearly suggest that the growth trajectories of wheat and rice yield in rest of India and Punjab-Haryana Region did not differ in slope, (i.e. growth rates), but in the intercept terms.

1.8.33. The original gap, (that existed in the beginning of green revolution), in the wheat and rice yield rates of these two areas has persisted and remained intact over these 40 years of Green Revolution. The differential intercept term ($a_1 - a_0$), in such a model, is the 'catch all' that captures the impact of all those factors that did not vary with time over these four decades of Green Revolution i.e. factors that have remained almost unchanged over these four decades.

1.8.34. The highly significant and negative differential intercept co-efficient in the results presented in Table 15 in Chapter I-Annexure II clearly alludes to the negative role of structural factors in making the wheat and rice yields stagnate at a low level in the rest of India, without realizing the full potential inherent in HYV seeds.

1.8.35. Most of the productivity inhibiting structural factors entrenched in the rest of India are well known and have been repeatedly emphasized by scholars and expert committees from time to time. For ready reference these are briefly mentioned again. These structural constraints on modernisation of agriculture in the rest of India are:

- The lingering negative influence of feudal, semi-feudal agrarian structures and institutions.
- The small size and fragmented structure of holdings due to excessive population pressure and stillborn consolidation of holdings programme.
- Scanty and erratic rainfall in some areas; and heavy and erratic rainfall in others.
- Uneven land topography of most of the cultivated lands.
- Low level of development and poor quality and management of irrigation systems.
- Semi-tribal cultural complexion of large section of the farm population and its social disjunction from the local urban cultural milieu.
- Long and entrenched tradition of slow adoption of new agricultural technology and ideas.
- The nascent stage of development of commercial spirit, and low aspiration level of farm cultivators.

1.8.36. If the above analysis is correct, then the challenge in the rest of Indian States is not only to raise the slope, but also to engineer a significant upward shift in the yield growth curves. But that can happen only if the structural constraints are speedily removed. The speedy removal of these constraints seems highly improbable. A gradual loosening of their grip is possible; but that too will happen only if a concerted effort is made by the governments of these states. Such an effort will take time and will require a strong political will to introduce the necessary reforms and changes in rural institutions, and heavy investment in rural infrastructure.

1.8.37. In the present political climate of the country, there is not much hope of such an effort being made. It is not on the agenda of any political party. The social milieu and physical topography of these states seem to have become a *fait accompli* about which nothing can be done in the near future. So in the near future a spurt in wheat and rice yields in the rest of Indian States is unlikely to happen. At best only a marginal improvement in yield rates of these two grains can be hoped for in the coming years.

F. Sustainability of Present Level of Grain Production in Punjab-Haryana Region

- 1.8.38. Given the bleak prospects of an immediate spurt in food grains production in the rest of India, food security of the country will remain vitally dependent on surplus grain production in Punjab-Haryana region in the coming years as well, as it has been over the last four decades. The sustainability of present level of wheat and rice production in Punjab-Haryana region, therefore, assumes paramount policy importance.
- 1.8.39. The main issues in sustaining the present scale of grain production in the region are economic and not ecological, as is often asserted by some farm economists. The ecological problems in sustaining wheat and rice production at the present scale in the region are not serious, and are tractable so long as the profitability of this crop rotation combination is maintained through a suitable input subsidy-minimum support prices regime. Out of the two ecological problems often mentioned, (soil fatigue and ground water depletion), there is no evidence for the former and the latter has not yet crossed the danger mark. There is clear evidence (Table 16 in Chapter I-Annexure II) that wheat-rice monoculture has not adversely impacted soil fertility, despite continuous cultivation over the last four decades.
- 1.8.40. It may be noted (Table 16 in Chapter I-Annexure II) that wheat yield is the highest on lands under paddy-wheat rotation compared to any other alternative rotation; and compared to even when wheat is sown on lands kept fallow in the preceding *kharif* season. This is sufficient proof of wheat-paddy monoculture not having any adverse impact on soil fertility. The fall in ground water level is confined to only Central Punjab (Table 17 in Chapter I-Annexure II), and even there, it has not crossed the danger mark.
- 1.8.41. The only negative effect of fall in ground water level is the rise in the cost of pumping out water, and hence the cost of production of these two grains. So the key to sustain wheat and rice production in the region at the present scale is in maintaining the relative profitability of this crop rotation combination in the coming years.
- 1.8.42. Till the closing years of the preceding decade, the relative profitability of wheat and rice cultivation remained intact, and production of these two grains in the region grew steadily for almost four decades. The combination of remunerative minimum support prices and continuously rising yield rates kept production of these two crops profitable over that period.

- 1.8.43. However, in the first half of the present decade profitability of wheat and rice production was adversely affected by rising cost of farm inputs and virtual freezing of minimum support prices. This double squeeze adversely impacted farmer's incentive to produce these two grains, and they stated searching for alternative crops that may be grown by shifting area out of wheat and rice cultivation. In fact, a massive programme to shift 10 lakh hectares of area from wheat-rice to other crops was prepared by Punjab Government, on account of the declining profitability of this crop combination.
- 1.8.44. The persistence of this negative trend in the profitability of wheat and rice production would have certainly endangered the sustainability of production of these two grains at the present scale in the Punjab-Haryana Region. Luckily, this erosion in the profitability of wheat and rice production in the region has been largely corrected by the handsome increase in minimum support prices of these two cereals since 2007; and farmer's incentive to maintain the present level and even expand production has been restored.
- 1.8.45. If the present positive trend in profitability of these two crops is maintained in the coming years, through appropriate policy interventions, then sustainability of the present scale of production of these two grains in Punjab-Haryana region will be ensured.

G. Activist Management of Wheat-Paddy Production Cycle in Punjab-Haryana Region

- 1.8.46. Given the bleak prospects of an immediate spurt in food grains production in the rest of India, surplus grain production in the Punjab-Haryana region has to be paid much more attention than has been the case up till now. A more activist public management of the complete production cycle of these two crops is needed to ensure the long run sustainability of the present scale of surplus production of wheat and rice in the region.
- 1.8.47. The high productivity, highly mechanised and commercialised production of these two grains in Punjab-Haryana region has metamorphosed into virtual contract farming over the last four decades. The government and its agencies are involved at both ends of the production cycle of these two crops being produced by farmers of the region. Almost the entire marketed surplus of wheat and paddy is purchased by government agencies at a pre-determined and guaranteed price. Some of the crucial inputs like canal water and power to tube-wells are provided by the government free of cost or at a low subsidised price.
- 1.8.48. The prices of most of other inputs such as diesel, fertilizers, weed pesticides and insecticides etc. are fixed by the government directly or

indirectly. The public agencies are the dominant players in the supply of credit to farmers of these two states. The development and introduction of new agricultural technology is almost entirely funded and controlled by the government. The entire sowing operation of wheat and paddy has to be completed in a short span of 15 to 20 days and vitally depends on the government ensuring an uninterrupted supply of power, canal water, fertilizers, diesel and credit etc.

1.8.49. Similarly, the harvesting of both these crops is completed in a short span of time and vitally depends on government agencies speedily purchasing and lifting the produce from the market. Farmers are still free in the sense that they own the farm land and carry out production operations on the farm sans supervision by government agents. But for all practical purposes the organisational structure of wheat and paddy production in Punjab-Haryana region has assumed the form of virtual contract farming.

1.8.50. This complex production and marketing system cannot work smoothly and efficiently without the two parties involved, (farmers and the government), performing their respective roles fairly and efficiently. So far this complex production and marketing system has been functioning more or less on an informal basis, and was in the process of evolution. There are clear indications that this institutional structure of surplus grain production and marketing in the region will continue in the foreseeable future as well. It has successfully weathered the storm of liberalisation and globalisation and attempts to dismantle it.

1.8.51. Consequently, the time has come to fully recognise and formalise the contract farming nature of surplus wheat and rice production in the Punjab-Haryana region, and government and its agencies taking a more activist role in the micro management and monitoring of the entire production cycle of wheat and paddy rotation combination. The government and its agencies should closely and effectively monitor and supervise the sowing and harvesting operations of these two crops by actively ensuring the timely availability of farm inputs of good quality at reasonable prices.

1.8.52. The regular monitoring of the entire production cycle of these two crops at the village and the farm level by government farm experts needs to be made a regular institutionalised practice. This type of activist and farmer friendly monitoring and supervision of wheat and paddy cultivation sub-routines will help in further improving the yield rates, and will make grain production more sustainable in the region.

1.8.53. The farm input subsidy and minimum support prices policies also need to be rationalised to ensure the continuous profitability of surplus grain production in the region. It should not be forgotten that high

productivity, commercialised agriculture is always and everywhere a hot house plant that survives only in a congenial environment that ensures continuous profitability.

1.9. Socio-Economic Impact of Agricultural Development: Farm Debt

- 1.9.1. The change in the farm debt situation in the state is pictured on the basis of farm debt estimates for two points of time, 1997 and 2008. The farm debt estimate for 1997 almost coincides with the period when the impact of globalisation on Punjab agriculture started manifesting after the joining of W.T.O. in 1995. So the comparison of farm debt situations in 1997 and 2008 pictures adequately the growth in indebtedness of Punjab peasantry in the era of globalisation.
- 1.9.2. For record and reference the empirical basis of these two farm debt estimates is briefly described. The information on farm debt situation in 2008 is based on a primary survey of 300 farms carried out by the author in June-August, 2008. The information pertains to the agricultural year 2007-08 and gives the farm debt estimate as in June-August, 2008. The sample was stratified both region wise as well as farm size wise and 300 farms were selected randomly from 30 villages of the state.
- 1.9.3. The results of this farm debt survey were published in the form of a research monograph by **Institute for Development and Communication**, Chandigarh in January, 2010 (6). The information on farm debt situation in 1997 is based on a primary survey of 260 farms carried out by the author in December, 1997 under a research project sponsored by the Punjab Government (4). This information pertains to the full year covered by *Rabi* and *Kharif* Crops harvested in 1997.
- 1.9.4. The sample design and methodology used in the two primary surveys was almost the same; the only major difference being in the size of two samples. The farm debt estimates of these surveys are broadly comparable and have been largely accepted by economists researching on and interested in Punjab agriculture. These two estimates are used to capture the nature and extent of growth in farm debt in Punjab during the globalisation period. The exact time gap between these two farm debt surveys is about 10.5 years, and in computing the growth rates and ratios that exact period of 10.5 years is used. However, for ease of expression and presentation this period is referred as a decade in the text of this paper.

1.10. Growth of Farm Debt Over 1997-2008

- 1.10.1. In the post W.T.O. era farm debt in Punjab grew at a quite fast rate, more than doubling between 1997 and 2008. The information on the

quantum of farm debt in Punjab in 1997 and 2008 is presented in table one. At current prices the amount of farm debt grew at the annual rate of 17.28 percent; the 2008 amount (Rs.30394.12 crore) being more than five times the 1997 amount (Rs.5700.91 crore).

- 1.10.2. At constant prices, the amount of farm debt more than doubled in this decade: growing at the annual rate of 8.81 percent. Per farm household debt grew at a still faster rate of 18.36 percent per year (at current prices), and at 9.83 percent per year at constant prices. The faster growth of per farm household debt, compared to total farm debt, was caused by the fall in the number of farm households in the state over this period. On the same lines debt per operated acre also more than doubled (at constant prices), and became more than five times at current prices.
- 1.10.3. The information presented in Table 18 in Chapter I-Annexure II leaves little doubt about total farm debt, debt per farm household, and debt per operated acre more than doubling in real terms (i.e. constant prices) in the decade following the joining of W.T.O. and global integration of the Indian economy.

1.11. Change in Composition of Farm Debt

- 1.11.1. During this post W.T.O. period not only the quantum of farm debt increased at a fast rate, even the composition of farm debt also underwent considerable change. The composition of farm debt is captured into two ways i.e. (i) by the proportion of outstanding debt, short-term recurring crop loans and mortgage debt in total farm debt; and (ii) by the share of marginal/small farms and medium/big farms in total farm debt. The growth of outstanding debt, short-term farm loans and mortgage debt over the reference period is shown by information presented in Table 19 in Chapter I-Annexure II.
- 1.11.2. It may be seen that out of these three components of farm debt, outstanding debt grew at the highest rate; 23.03 percent per year at current prices and 14.13 percent per year at constant prices. The debt equivalent of short-term loans grew at a relatively slower rate; at 12.74 percent per year at current prices and at 4.59 percent per year at constant prices. Since most of the outstanding debt amount is the unpaid portion of long/medium term loans, the obvious inference is that long term/medium term loans grew faster than short-term loans during this period.
- 1.11.3. Surprisingly, the amount of mortgage debt actually declined over these ten years; at the rate of 4.94 percent per year at current prices, and at the rate of 13.09 percent per year at constant prices. It seems the practice of raising loans by mortgaging out land is disappearing in the

Punjab rural side. Owing to the variation in the growth rate of these three components of farm debt, their share in total farm debt also changed considerably. The share of outstanding debt in total farm debt increased from 38.16 percent in 1997 to 63.05 percent in 2008. On the other hand, share of debt equivalent of short-term loans declined from 54.72 percent in 1997 to only 36.14 percent in 2008. The share of mortgage debt has become negligible (just 0.81 percent in 2008), though in 1997 it accounted for 7.12 percent of total farm debt.

- 1.11.4. The share of marginal/small farms and medium/big farms in total farm debt has also undergone considerable change over this period because the two grew at different rates (Table 20 in Chapter I -Annexure II). The debt of marginal/small farms group grew at a slower rate than the debt of medium/big farms. The marginal/small farms debt grew at the slow rate of 2.48 percent per year at constant prices and at 10.46 percent per year at current prices. In contrast, the debt of medium/big farms grew at the rate of 9.97 percent per year at constant prices and at 18.53 percent per year at current prices.
- 1.11.5. The reasons for this big difference in the growth rate of marginal/small farms debt and medium/big farms debt are not fully clear, but three plausible explanations may be advanced. One is that some sort of saturation point seems to have been reached in the demand for loans by marginal/small farms stratum; they are already financing most of their farm input purchases and domestic expenditure by borrowed money. The second is that a limit of sorts may have been also reached so far as their borrowing capacity is concerned; because of their poor asset base. The third is that medium/big farms are on the way of becoming fully mechanised and consequently have been borrowing at a fast rate to purchase Tractors and other farm machines.
- 1.11.6. On account of the different rates of growth of debt of marginal/small and medium/big farms, their respective share in total farm debt has also changed. The share of marginal/small farms stratum in total farm debt has declined by 9.98 percent points; from 21.57 percent in 1997 to 11.59 percent in 2008. There is a corresponding rise in the share of medium/big farms group in total farm debt from 78.43 percent in 1997 to 88.41 percent in 2008. Despite this decline in the share of marginal/small farms in total debt, their debt share in 2008 (11.59%) was much higher than their share in the total operated area of the state (7.56 percent). It means in per acre terms marginal/small farms debt is considerably higher than medium/big farms debt per acre.

1.12. Growth of Debt Burden

- 1.12.1. The increase in the absolute amount of farm debt per se does not convey much information on the increase or decrease of burden of

debt on the farm sector. Only in comparison with farmer's income and value of assets does the farm debt amount reveal the direction and extent of change in the burden of debt on the peasantry. The burden of farm debt on the farm sector can be estimated in a number of ways that are alternatives as well as complements of each other. The indicators of debt burden used in this study are detailed in Table 21 in Chapter I-Annexure II, and can be divided into two categories.

- 1.12.2. In the first set (serial number 3 to 5) the amount of farm debt is compared with value of assets and income of Punjab farmers, and in the second set (serial numbers 6 to 9) the annual interest charge on farm debt is compared with different indicators of repaying capacity of the farmers. It may be noted that between 1997 and 2008 farm debt as proportion of Net State Domestic Product (NSDP) originating in agriculture increased by 16.26 percent points; from 67.60 percent in 1997 to 83.86 percent in 2008. In simple percent terms this is an increase of 24.55 percent in this proportion. Farm debt as proportion of the value of Machinery owned by farmers rose from 15.04 percent to 52.88 percent i.e. by 37.84 percent points over these 10 years. Similarly, farm debt as a proportion of the total value of land owned by farmers rose by 0.70 percent points (from 3.31 percent to 4.01 percent) over this period, despite the steep rise in farm land prices in the state in recent years. So in terms of each of these three indicators debt burden on Punjab farm sector has increased substantially during the post W.T.O. period.
- 1.12.3. The comparison of annual interest charge on farm debt with repaying capacity of the farm sector (serial number 6 to 9, Table 21 in Chapter I-Annexure II) also reveals considerable increase in debt burden on the Punjab farm sector over this period. The annual interest charge on farm debt increased from 10.96 percent of NSDP (Agriculture) in 1997 to 14.44 percent in 2008; an increase of 3.48 in percent points, and 31.75 percent in standard percent terms.
- 1.12.4. Similarly, annual interest charge on debt as proportion of annual rental surplus of farm land increased from 21.48 percent in 1997 to 33.15 percent in 2008; an increase of 54.33 percent in this proportion in 10 years following the W.T.O. membership. So, in whatever way one compares the conclusion is almost the same; that interest burden of farm debt on Punjab farmers has gone up substantially over the 1997-2008 period.

1.13. From Debt Burden to Debt Trap

- 1.13.1. The substantial increase in burden of farm debt indicated by comparison of 1997 and 2008 debt pictures (Table 21 in Chapter I-Annexure II) does not reveal the full story of the severity of debt

burden on Punjab peasantry. A more detailed disaggregated (according to debt burden) analysis of 2008 debt survey data (Table 22 in Chapter 1-Annexure II) showed considerable variation in debt burden among the sample farms. The severity of debt burden on a farm family was assessed by comparing the annual interest charge on its debt amount with the annual rental surplus of its owned land.

- 1.13.2. The average cash rent per acre prevailing in the sample villages was used as a rough and ready measure of surplus revenue generated from farming after meeting material costs of production, wages of hired labour and imputed wages of family labour. It may be mentioned that owned land, rather than operated area, is the relevant factor for this purpose. The cash rent of leased in area goes to the leasing out household, and if the farmer has leased out some of his owned area than he gets the cash rent for it. So the total cash rent equivalent of the owned area gives a fairly good estimate of the surplus revenue generated by a farmer after meeting the material costs of production, wages of hired labour and imputed wages of family labour.
- 1.13.3. The rental surplus thus defined is the notional maximum amount a farmer can spare to meet the annual interest charge on his loan. In fact, in most cases, this maximum amount cannot be spared (or saved) because in that case family consumption expenditure has to be kept down at the level of imputed wages of family labour; a very difficult, if not an impossible feat. If the annual interest charge on the loan amount is more than the rental surplus of the owned area, then some of the interest will remain unpaid and get added to the principal amount even if the indebted farmer pays the entire rental surplus to the credit provider.
- 1.13.4. In such a case the loan amount will go on inflating over time, and the chance of the loan being paid back out of savings from current farm income will be almost zero. Such a farmer cannot extricate himself from debt without selling some land. Such farmers are virtually in debt trap out of which they cannot get out without selling some of their owned land. This is the definition of debt trap used to identify the debt trapped farmers.
- 1.13.5. To identify the debt trapped farmers the benchmark loan amount per owned acre was estimated on the basis of average cash rent per acre prevailing in the sample villages and the rate of interest usually charged by Commission Agents and Money Lenders in these villages. It worked out to Rs.80 thousand per owned acre. So, all those farmers who owed Rs.80 thousand or more per owned acre were deemed to be in debt trap.

- 1.13.6. The distribution of farms by debt amount per owned acre given in Table 22 in Chapter 1-Annexure II reveals that 17 percent of sample farmers were in debt trap in this sense, and another 10.67 percent were on the doors of debt trap because their debt amount per owned acre was between Rs.60 to Rs.80 thousand. The debt burden on these 27.67 percent farmers is very severe indeed. On the average a debt trapped farmer owes a total amount of Rs.5.99 lakh; which comes to Rs.1.28 lakh per acre of his owned land.
- 1.13.7. Most of the debt trapped farms (92.13 percent of all debt trapped farms) belong to marginal, small and medium farm size categories (Table 23 in annexure II). Out of these three farm size classes, the marginal and small farms are more seriously involved; almost 40 percent of marginal and 31 percent of small farms being in debt trap. These debt trapped farms cannot extricate themselves from indebtedness through their own efforts; howsoever hard they work and tighten their belts. They have to, sooner or later sell some of their owned land to liquidate their debt, unless some debt relief measure is provided by the state to extricate them from the debt trap.

1.14. Change in Supply Side of Farm Debt

- 1.14.1. The liberalisation and privatisation of the economy impacted the farm credit market through many different channels. The interest rate and other credit subsidies to the farm sector were reduced, and the public sector credit agencies (Commercial Banks and Cooperative Credit Institutions) were asked to gradually shift to provision of farm credit on a cost effective and competitive basis.
- 1.14.2. The two public sector credit agencies, Commercial Banks and Cooperative Credit Institutions, responded differently to this change in policy regime. The Commercial Banks responded by introducing new farm credit products and aggressive but farmer friendly marketing practices. The Cooperative Credit Institutions, on the other, languished as the government started reducing its patronage and support and competition in the farm credit market increased. The change in the share of main credit agencies in farm debt in Punjab over the 1997-2008 is pictured by information displayed in Table 24 in Chapter 1-Annexure II.
- 1.14.3. In absolute terms all the three main credit agencies owned in 2008 a much bigger amount of farm debt based assets compared to 1997. But their share in farm debt has undergone visible change in the course of these ten years. The most conspicuous change is in the share of Cooperative Credit Institutions; their share in farm debt declined from 27.14 percent in 1997 to 18.91 percent in 2008. This change indicates a fall of 8.23 percent points, and of 30.32 percent in standard percent

change terms in their share of farm debt. The share of Commission Agents and Money Lenders in farm debt also declined, but only marginally by 2.96 percent points or 6.32 percent in standard percent terms.

1.14.4. The Commercial Banks, on the other hand, have increased their share in farm debt substantially; by 12.36 percent points or by 63.65 percent in standard percent terms. However, despite of the big increase in the share of Commercial Banks in farm debt, Commission Agents and Money Lenders still remain (in 2008) the largest single farm credit agency in terms of amount of farm debt and share in total farm debt.

1.14.5. The new liberalised economic environment and the policy changes accompanying it, seems to have hit the Cooperative Credit Agencies quite hard and these institutions find it difficult to withstand the intense competition in farm credit market both from Commercial Banks as well as Commission Agents. The Commercial Banks, however, has shown considerable resilience in adapting to change in policy regime and have been successful in increasing their share in farm debt.

1.15. Recommendations

1.15.1. The growth of farmer's indebtedness is the economic twin of growth of farm prosperity under capitalism. In the developed rich countries almost all the farmers are under heavy debt; with their farm land perpetually mortgaged to banks and other financial institutions. The growth of farmers indebtedness in Punjab is the result of raped development and commercialisation of Agriculture during the last about four decades.

1.15.2. Unfortunately, no permanent cure has been invented to date for eliminating farm debt altogether. However, the burden of debt on peasantry can certainly be made lighter and less painful through government policy interventions and by creating suitable credit arrangements and institutions.

1.15.3. In the specific context of indebtedness of Punjab peasantry the following policy interventions may be helpful in reducing the burden of farm debt and in checking its more pernicious effects like loss of farm land and farmer's suicides. The policy measures suggested here are quite feasible and can be implemented with little additional expense and without adversely affecting the interests of any other strata of society.

(a) Ceiling on Interest Accumulation

- A firm upper limit (a cap) should be put by law on the accumulation of interest on farm loans. The compounding of

interest should be outlawed altogether on farm loans; only simple interest should be allowed. An accumulated interest amount equal to the original principal amount may be the maximum allowed on farm loans. Once the accumulated interest amount on a farm loan has become equal to the original principal amount, further growth of loan amount should halt automatically by law. The principal and accumulated interest should then be made payable in ten equal half yearly instalments over a span of six years; one additional year being allowed for any default in a particular instalment payment by the indebted farmers. These provisions should be enacted into a simple farmer friendly law on farm debt and strictly enforced. It will create a farm debt repayment system that will not only check the undue inflation of farm debt amount through compound interest, but will also protect the fair interest of commission agents and other lending institutions.

(b) Take the sting out of Commission Agent Loans

- Under the present parameters and constraints, complete elimination of Commission Agents from the farm credit system of Punjab is not possible; nor does it seem to be really desirable. The Institution of Commission Agents will continue till Cooperatives and Commercial Banks are in a position to meet the full credit needs of the farm sector. At present, the feasible solution may be to incorporate the Commission Agents in the formal credit system, (as junior partners) and take out the sting of high compound interest rate out of their loans.
- It should be made legally mandatory for Commission Agents to transfer all their three year or more, old farm loans to the Commercial Banks. Once a farm loan is transferred from a Commission Agent to a Commercial Bank, the interest burden will be automatically reduced because Commercial Bank interest rate on farm loans is much lower than the Commission Agent interest rate. This arrangement will also check the mal practices of Commission Agents as they have to submit the detailed accounts of the farm loan when it is transferred to a bank. Such a legal arrangement cannot be objected to by Commission Agents as it no way reduces their principal amount and fair interest amount. Once the farm loan is transferred to a Commercial Bank, than the bank should recover it over a period of five to ten years in farmer friendly instalments and charging a low interest for the period over which instalments are being paid by the farmer.

(c) Escape Window to Debt Trapped Farmers

- For farmers hopelessly entangled in debt trap special provision should be made to provide them an escape route. The debt trapped farmers are those who cannot repay their loans out of the savings from their current income. The settlement of bad non payable farm loans of debt trapped farmers should be taken out of the jurisdiction of Civil Courts. Attachment and sale of land, tractor and cattle for failure to repay farm loans should be outlawed. A farm debt relief fund should be created through equal contribution made by Government, Commercial Banks, NABARD, Commission Agents and Punjab *Mandi* Board. This fund should be used to provide relief to debt trapped farmers. To identify and provide relief to debt trapped farmers, debt relief committees should be established in each regulated market. These committees should include representatives of farmers, commission agents and formal sector credit institutions and also some Government officials. It should be made mandatory on the lending institutions to submit the bad debt cases for debt relief to these committees. Detailed guidelines should be prepared for trimming the accumulated interest on bad loans and even for providing relief on the original principal amount. The creation of such an agency to provide relief to the debt trapped farmers can go a long way in preventing the debt related farmer suicides.

Section III

1.16. Streamlining Farm Loan Procedures

1.16.1. In the First Report of Revenue Services (3rd PGRC Report), the core issues of updating and maintenance of land records were examined. Some of the main recommendations relevant to the issue of farm loan procedures are:

- (a) **Digitisation:** Complete digitisation of the *Jamabandis* including column 12 text entry by December 2010. All *Jamabandis* should be updated only through ILMS after December 2012.
- (b) **Girdawari:** Institution of *girdawari* should be discontinued. Special *girdawari* will, of course, be done as and when required.
- (c) **Mutations/Jamabandis:** Applications for the copies of RORs/Mutations should be entertained only at the *Tehsil* level all over Punjab after December 2010. The copies will be provided only at the *Fard Centres* at the *Tehsil*.
- (d) **Organisation & Staffing:** *Fard Centre* at the *Tehsil* should be the single point of contact of the public for all revenue matters/services, applications and complaints, for proper monitoring and assessment and ensuring compliance with the delivery standards. All *Patwaris* and *Kanungos* should be stationed at the *Tehsil/Sub-Tehsil* Headquarters as soon as practicable, latest by December 2010.

1.16.2. As indicated, the Report on Revenue Services had suggested certain measures to make farmers' interaction with the revenue officials easier, more efficient and quicker in respect of the various revenue services (copy of ROR, registration of property, sanction of mutations). It appears that the State Government has not found it feasible to accept the recommendations relating to the abolition of the system of *girdawari*. While reiterating the same, we hope this report will reinforce our arguments. Most of the other recommendations appear to be under serious implementation, if one goes by the newspaper reports. The system of establishing *Fard Kendras* and updating of records at the *Tehsil* headquarters appears to be on track.

1.16.3. This Report deals with the simplification of the processes relating to farm loans – long-term as well short-term which involve very large numbers of the farming community. There are around 15 lakh farming families in the State and 24 lakh credit cards already stand issued to the farmers. Most of the credit card holders and families have at least two transactions every year with the lending banks – commercial as well as cooperative banks – for getting crop loans leading to about 20-30 lakh such transactions.

1.16.4. The huge transaction costs in terms of time and money incurred by the farmers in the process of obtaining crop loans were brought to our notice by some concerned officials in the State Government. The matter was discussed with the Revenue Department, the Cooperative Department and the Cooperative Bank officials and it appears that despite this problem having been raised at different forums even by the concerned departments, the dreadful story of a colossal waste of time and money of the farmers (as well as officials) is true. Hence, this report.

1.17. Systems and Practices for Sanction and Approval of Farm Loans

1.17.1. It appears that in the case of crop loans (which is the main focus of the Report involving as this does a very large number of transactions every year) as well as other loans for investment, the following procedures, steps and documentation are broadly required:

- (a) **Membership of PACS for Crop Bank Loans:** The farmers have to be members of the Cooperative Society. The membership was earlier required to be approved in the General Body Meeting of the PACS (Primary Agricultural Cooperative Societies). This used to delay the process of availing of loans. This was rectified about 15 years back and now only the approval of the Executive Committee is required;
- (b) **Documentation:** The loan application to the concerned bank is required to be filed. There are a number of pre-requisites of documentation, namely:
 - **Copy of the *Jamabandi*:** This is required to show the title of the land-holding and is necessary. While the Banks have been allowed to create a mortgage by deposit of the title deeds for agricultural loans, most of the farmers don't have these documents as the ownership is transferred in case of inheritance/partition through the process of mutation which is reflected only in the *Jamabandi* entry. The farmers would need to approach the *Patwari* for getting a copy of the *Jamabandi* but as and when the *Fard Kendra* system gets going, these would be available easily at the *Tehsil* itself.
 - **Copy of the *Girdawari*:** This is not required in the case of loans by the Cooperative Banks but generally Commercial Banks insist on it, for somewhat debatable reasons. For this purpose also, an interaction with the *Patwari* is required as in the case of *Jamabandi*.
 - **Creation of mortgage in favour of bank and registration thereof:** Under law, all mortgages exceeding Rs.100 value are required to be registered.

- Transfer of Property Act 1882: Section 59
 - Mortgage when to be by assurance – *Where the principal money secured is one hundred rupees or upwards, a mortgage, other than a mortgage by deposit of title-deeds, can be effected only by a registered instrument dully signed by the mortgagor and attested by at least two witnesses.*
 - *Where the principal money secured is less than one hundred rupees, a mortgage may be effected either by a registered instrument signed and attested as aforesaid, or (except in the case of a simple mortgage) by delivery of the property.*
 - The Government has exempted registration fee as well as stamp duty on mortgages for agricultural loans (Notification dated 21 June, 2001 – Annexure-I) but registration is still compulsory. This process requires attestation of the mortgage deed by two witnesses and the presence of all the parties at the time of registration. Again, there is disparity in practice. In case of the crop loans, the Cooperative Banks don't ask for any mortgage and the system is simple. However, the Commercial Banks ask for mortgage deeds and, consequently, these have to be registered.
- (c) **Entry of mortgage in the 'ROR's:** The documents after the registration are sent to the *Patwari* for making an entry in the diary before the disbursement of loan.
- (d) **Non-encumbrance certificate:** The Commercial Banks also require a non-encumbrance certificate for the mortgaged land and the same has to be issued by the *Tehsildar*.

1.18. Problems in Speedy Sanction and Disbursement of Farm Loans

- 1.18.1. Due to these systems and procedures, the process of obtaining even crop loans is subject to a large number of problems, discontinuity and harassment. No doubt, the Banks have to ensure the security of their loans and may legitimately ask for documents/procedures to be compiled with. It may be appropriate to see, however, whether the documentation and procedures for securing this objective are really necessary. If these processes are insisted upon simply due to the status quo mentality, some of the requirements can be modified, re-engineered or even abandoned.
- 1.18.2. **Copy of Jamabandi:** This is no doubt necessary. With the ROR's being compiled and updated at the *Tehsil* level, a copy can be obtained now on the date of application itself and the farmer need not waste any days in getting the same.

- 1.18.3. **Copy of *Girdawari*:** Cooperative Banks are not asking for a copy of the *girdawari* entries while Commercial Banks as a matter of past practice, do insist on the same. As a letter from Commissioner, Patiala Division indicates, it is not necessary as all relevant information is already contained in the *Jamabandi*. We have indicated in the earlier Report the reasons why we feel the institution of *Girdawari* should be dispensed with. This is a typical instance of a defective system generating a vicious cycle of demand for something (copy of *girdawari*) which need not be there in the first place.
- 1.18.4. **Registration of Mortgage:** Registration Fee and Stamp Duty have been exempted by the Government but not the registration. Registration requires time and money. About 25% of the total deeds in Punjab appear to be of this nature. The number is much less than it would be if the mortgages were to be asked for in each case/loans. However, in the case of loans by the Commercial Banks, the old mortgages continue to be valid for the same customer. It is estimated, therefore, that at least one lakh cases out of these would be only for crop loans (others would cover long-term agricultural loans).
- 1.18.5. The opportunity cost and money involved will be about Rs.20 crore per year (the cost of time of two working days for a total of three persons at average wages of Rs.300 per day + scribe and other fees Rs.1000). An individual loan payer is poor by approximately Rs.2000 and a substantial percentage will be those who have an average loan of Rs.10000 (thus accounting for 20% of the loan as the transaction cost). It is interesting to note that till the 1950's, agricultural loans were given mostly by the Government under the Agriculturist Loans Act of 1884 and the same were exempted from registration. It is ironical that what the old British system had given more than 125 years back was withdrawn under the new loaning system and we are still seeking to reintroduce that concession.
- 1.18.6. Thus, the obvious thing to do is to exempt at least all crop loan mortgages from the requirement of registration. It has been suggested that the exemption should extend even to the investment loans of a long-term nature and should cover all agricultural loans already exempted from fees as well as exemption to be granted to the cash credit loans. This proposal is reported to have been agreed to in a meeting held by the Chief Minister, Punjab. The Cooperative Department suggested covering all agricultural loans, including cash credit, under the provision proposed for exemption from registration. But in any case, crop loans which involve a large number of farmers and the Cooperative Banks do not even ask for any mortgage do need to be exempted from the requirement of registration so as to facilitate agricultural loans by the Commercial Banks.

- 1.18.7. **Non-encumbrance certificate:** This is also required only by the Commercial Banks. Technically, it may be necessary for each transaction but 'street level' shortcuts have been devised by the bureaucracy in the Banks and the Revenue Departments to get over the cumbersome procedures required for strict compliance. The practice in the field in most of the cases is for the *Tehsildar* to accept the affidavit of the borrower and issue the certificate instead of referring the matter to the *Patwari* for detailed report (Annexure-I).
- 1.18.8. Naturally, sometimes, the process would need to be adequately greased by the customer. In any case, the requirement of a non-encumbrance certificate in the case of agricultural land is pointless. First, unlike urban property, all such transactions have to be entered into the record of rights through the process of mutation. The latest copy of *jamabandi*, therefore, will (in any case, now after the computerisation of land records) indicate the latest status including any encumbrance and a copy thereof would be sufficient for this purpose.
- 1.18.9. Secondly in the case of crop loans, the amount borrowed is only a fraction of the value of land mortgaged. Even ignoring the periodic write-offs for the pending loans, there is little possibility of any Bank having to invoke the mortgage for the recovery of such loans.

1.19. Recommendations

It appears, therefore, that:

- 1.19.1. The practice in Commercial Banks of asking for a copy of *girdawari* and a non-encumbrance certificate for farm loans is neither necessary nor practicable as all the relevant information about the land can be obtained from the latest copy of the *jamabandi*.
- 1.19.2. Cooperative Banks do not ask for mortgage of land for crop loans or for non-encumbrance certificate and, as such, there is no reason why the Commercial Banks should insist on the same.
- 1.19.3. The requirement of registration of the mortgage in the absence of any revenue receipts to the Government has little purpose in the case of mortgage without possession for agricultural lands, especially, for crop loans. This is a typical negative sum game where all parties – Banks, clients, Tehsil staff (at least from the Government point of view) are losers in respect of time and effort involved on their part. The Government is also not a gainer as it does not get any revenue. Moreover, there is little likelihood of any fraudulent mortgages as one of the parties – the Bank- is a public institution. On the other hand, the private mortgages will and should continue to be registered and be subjected to legal duties/fees. That is the reason, there is need to

exempt all farm loans from the process of registration of mortgage of land.

1.19.4. Transaction costs for crop loans due to such procedures are very high – 20% of the average farm loan.

It is felt that the following suggestions should adequately address these problems.

- (a) Commercial Banks should be advised not to ask for a copy of girdwari in the case of agricultural loans as the latest copy of jamabandi is adequate and can be easily obtained from the Fard Kendras and the same carries all the relevant entries of mutation etc. and proper indication of the legal status of land. The matter needs to be taken up by the Government in the State Level Credit Coordination Committee.
- (b) Similarly, the Commercial Banks should be advised not to ask for a non-encumbrance certificate for agricultural loans. This matter should also be taken up with the State Level Credit Coordination Committee.
- (c) Mortgage of agricultural land for all agricultural including crop loans should be exempted from registration. The appropriate law should be suitably amended by making amendment on the following lines.

1.20. Proposed Amendments

1.20.1. Transfer of Property Act 1882 (Section 59)

- *“provided that no registration is necessary in respect of any document executed by any person for securing loan from a Bank (Nationalised Bank, Co-operative Bank or Private Bank, Co-operative Society or Banking Institution to meet the expenditure for any of the agricultural purposes or purposes allied to it (including machinery and building which is not used for commercial purpose)”. (Items as listed in the notification dated 21 June 2001 plus additional items proposed at Annexure-I)*

1.20.2. Registration Act 1908 Section (1) of Section 17 (xiii)

- *“(xiii) Any document executed by any person for securing loan from a Bank (Nationalised Bank, Co-operative Bank or Private Bank, Co-operative Society or Banking Institution to meet the expenditure for any of the agricultural purposes or purposes allied to it (including machinery and building, which is not used for commercial purpose)”. (Items as listed in the notification dated 21 June 2001 plus additional items proposed at Annexure-I)*

1.20.3. Punjab Land Records Manual New Sub-Para (iv) Under Para 7.18(i) to (iii)

- *“For securing loan from a Bank (Nationalised Bank, Co-operative Bank or Private Bank, Co-operative Society or Banking Institution to meet the expenditure for any of the agricultural purposes or purposes allied to it (including machinery and building which is not used for commercial purpose), the registration of the document is not necessary. However, in order to give effect in the revenue record regarding the loan advanced by the Bank to the loanee, such document shall be produced by the loanee/Bank before the Patwari who shall make an entry in his Roznamcha Waqiyati, a copy of which shall be sent by the Patwari to the Bank concerned”.*

1.21. Simplifying Documentation

1.21.1. Documentation Requirements

- Copy of the *girdawari* and non encumbrance certificate – of Commercial Banks for crop loans- should be dispensed with. Matter to be taken up in the State Level Credit Coordination Committee.
- Exemption of farm loans from registration of mortgage deed.
- Appropriate laws to be amended to exempt land mortgage deeds for all farm loans for the process of registration.

CHAPTER II

URBAN DEVELOPMENT IN PUNJAB²

2.1. Perspective

2.1.1. India's is marching forward on the path of urbanisation. Its urban population has grown from one-tenth of the total as recorded in 1901 to more than one-fourth (27.78 percent) in the year 2001 and to close to one-third in 2011 (31.6%). Similarly, its towns have grown from 5181 in 2001 to 7985 in 2011. Curiously, much of this rise has taken place in the last two decades (1991-2011) with as voluminous an estimate as 161 million people and as many as 2824 towns added to the country's urban demographic structure.

2.1.2. Punjab is one of the fast urbanising states in India .The urban population of Punjab has grown from 18.89 lakh in 1951 to 1.38 crore in 2011. In other words, from 21.72 percent of the total in 1951 it has grown to 37.49 percent in 2011. Similarly, the number of towns and cities within the state have increased from 157 in 2001 to 217 in 2011.This upward trend of urbanisation, both in India and Punjab, appears to be irreversible; if anything, it is only likely to gain in pace and volume with passage of time.

2.1.3. Further, the contribution of urban centres to GDP is continuously on the rise. This is evident from Table-1 in Chapter II-Annexure. Indian cities are generating diverse avenues of employment and are home to the expanding 'new' middle class with high educational qualifications as well as high income levels and nuclear households. As for Punjab, despite being an agrarian economy its urban sector is contributing 70% towards its GDP (Economic Survey of Punjab 2007-08).

2.1.4. The rapid pace of globalisation is yet another factor that has given further fillip to urbanisation here. Needless to say, globalisation perpetuates urbanisation as the latter provides markets, *the vistas* of economic expansion for both, the nation and the state. Given this scenario, it is no surprise that the state of Punjab figures among the highly urbanised states in India. Table 2 in Chapter II-Annexure is indicative of it.

² Note: This chapter has been contributed by Professors S.L. Sharma, R.S. Sandhu and Mr. Manoj Teotia.

2.2. Trends & Patterns

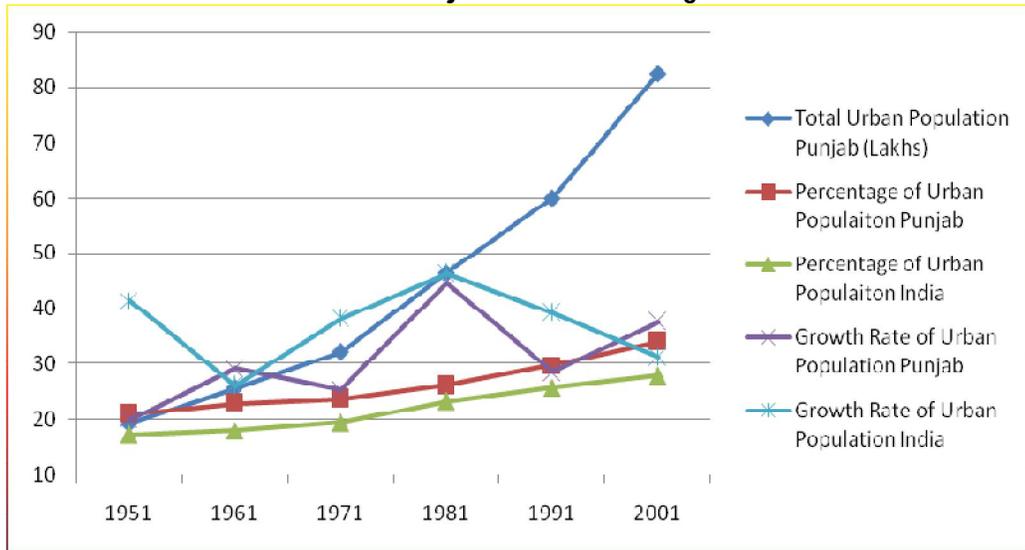
2.2.1. It is relevant to observe that trends and patterns identified for urbanisation in Punjab have significant implications for designing and managing the urban development of the state. Presented in terms of decadal increase in urban population vis-à-vis rural, the trends stated are in:

- decadal growth rate of urban population in comparison with the national rate
- the decadal increase in the number of urban centres
- Inter-state rank of Punjab on urbanisation.

2.2.2. According to Census 2011, Punjab's total population stands at 27,704,236 persons of whom 10,387,436 reside in urban areas. That constitutes 37.49 percent of the total. Incidentally, this is higher than the all-India average of 31.16 percent. While the data for Punjab show a trend of decline in the overall growth rate of population, the decadal growth rate nevertheless remains high. Notably, 2001-2011, the urban population of Punjab has increased by 25.72 percent which is nearly double that of the overall growth rate (13.73%) and triple that of rural (7.58%). This indicates that urbanisation in Punjab seems to be taking place more by migration than just by internal organic growth of population – in urban areas.

2.2.3. The growth rate of urban population in Punjab during 1951-1961 was higher than the growth rate of India's urban population (Table 3 Chapter II -Annexure & Figure1 below). However, in the subsequent thirty years (1961- 1991), the growth rate of urban population of the state remained lower than the all India growth rate. This was so Perhaps due to the rise of green revolution and the functional change of towns during this period. As a result the rural areas prospered and small service towns mushroomed and developed rendering support to agricultural and allied activities. These towns usually tend to have lower growth rate as compared to the industrial towns. But then once again during the next ten years (1991 -2001), the state's growth rate of urban population was higher than that of India (Table 3 in Chapter II - Annexure & Figure 1below). And the same is the case in 2011.

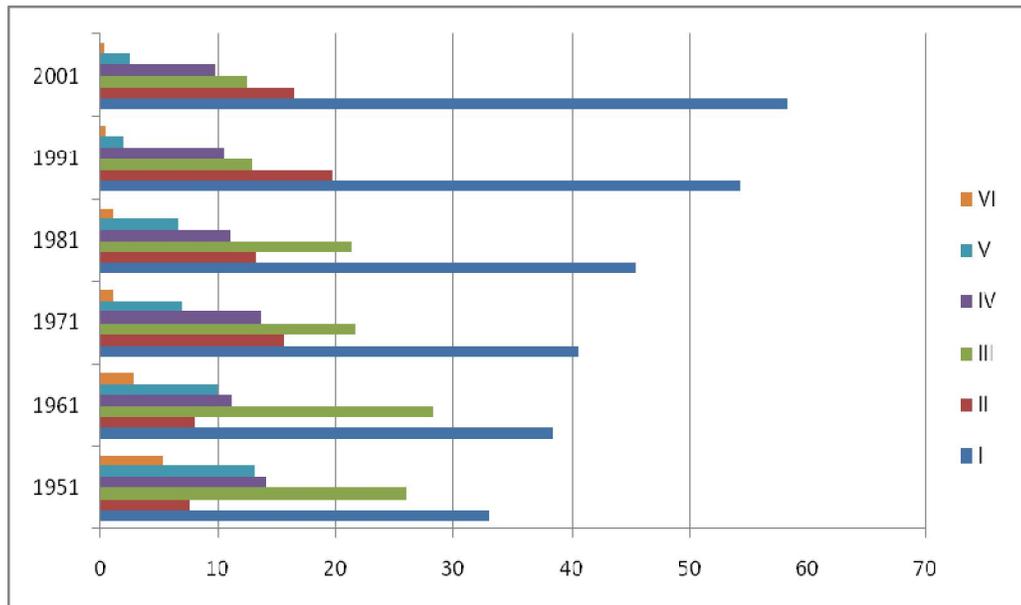
Figure – 1
Urbanisation in Punjab and India during 1951-2001



2.2.4. In fact, it was three times more than that of the rural population. In addition, there was a remarkable increase in the number of urban centres from 120 to 157 thus making the decade of 1991-2001 a period of rapid urbanisation in Punjab. The district-wise trends within the state of Punjab depict a marked disparity in the level of urbanisation. With Ludhiana and Amritsar maintaining the reigning metropolitan status (Census 2001), Jalandhar has emerged as a strong contender with the potential to join the metro league in 2011.

2.2.5. The last few decades indicate a trend towards concentration of population in the class I cities of Punjab [Table 4(a) in Chapter II - Annexure & Figure 2 below].

Figure – 2
Percentage of urban population in different categories of towns in Punjab: 1951 – 2001

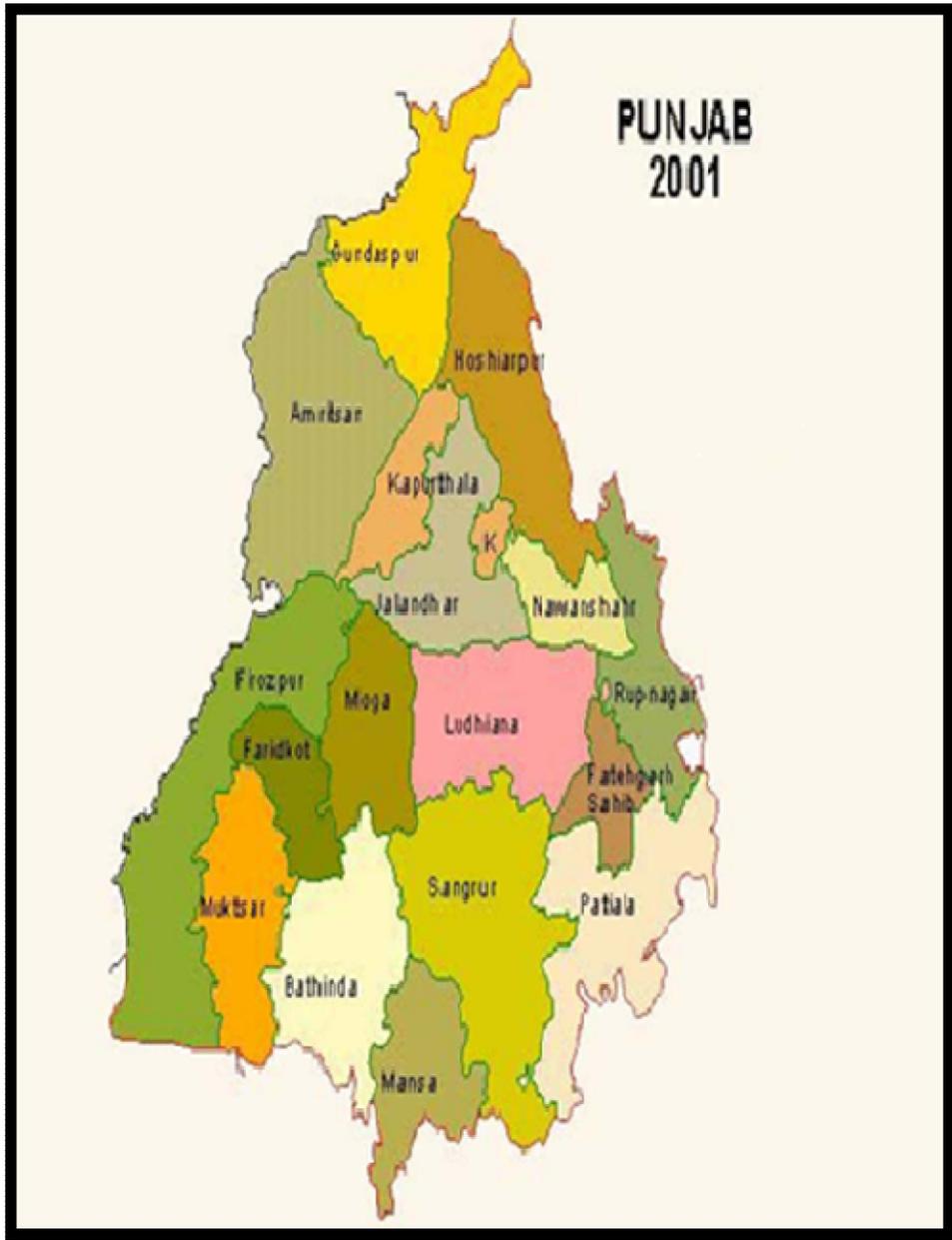


Source: Computed from Census 2001.

2.2.6. At present, cities in this category accommodate three-fifths of the state's urban population. This could be attributed to rising level of inequality in rural Punjab, resulting from the accumulation and transfer of capital by rich farmers settled in the cities. With 58.39% of its population living in 14 class I cities and 16.45% in 19 class II towns, altogether its 33 class I & II cities and towns account for 74.84% of its population (Table 4 (b) in Chapter II-Annexure & Figure 2).

2.2.7. The pattern of geographical distribution of the urban population in the state depicts a marked disparity in the level of urbanisation among the various districts. This can be observed in Table 4 (b) in Chapter II - Annexure. Therefore, it is safe to conclude that 3 out of 4 urbanites live in class I and II urban centres, a trend that indicates uneven distribution of urban population with its huge concentration in class I & II urban domain. All this is reflected in map-1; map- 2 & map 3.

Map - 1

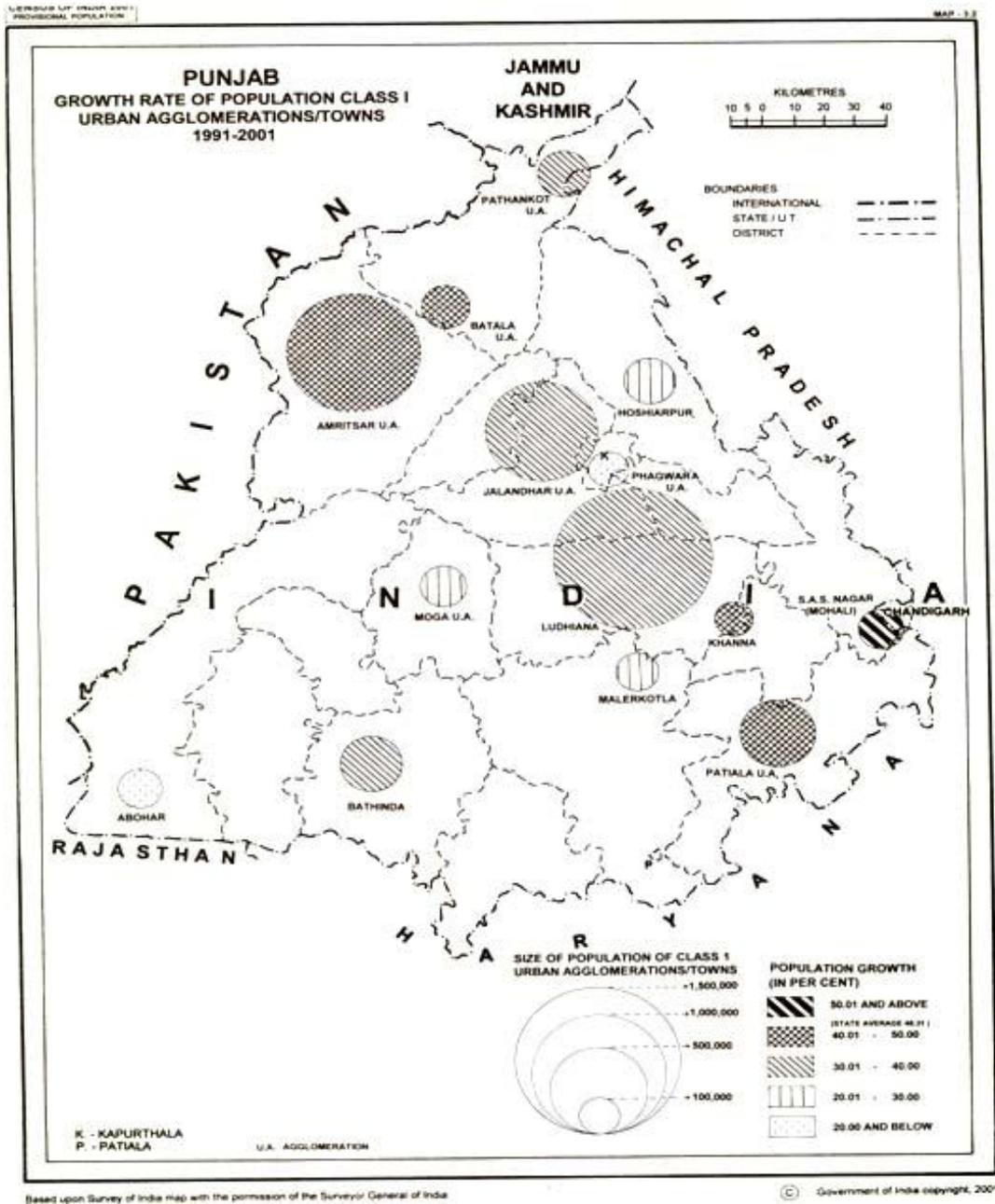


Map – 2



2.2.8. It is evident that the state of Punjab has 40.92% of its urban population concentrated in just 4 highly populous cities, namely Ludhiana, Amritsar, Jalandhar and Patiala. These urbanised districts continue to maintain their higher pace of urbanisation creating imbalances in resources, services and skills etc. A trend that requires close monitoring as well as it needs to be checked for achieving even distribution within the region.

Map -3



2.2.9. Punjab's urban design presents a sharp contrast to that of mono-centric urbanisation in the states of Maharashtra and West Bengal, where a single metropolis dominates the scene of the state (Dasgupta, 2000). In terms of spatial pattern, urbanisation in Punjab exhibits a linear direction, a ribbon-type growth concentrated along National Highway 1 i.e. the G.T. road. The state's 18 urban centers, including the metropolitan cities of Ludhiana, Jalandhar, Amritsar and Patiala are located on it. The six districts of the state i.e. Ludhiana, Amritsar, Jalandhar, Fategarh Sahib and Kapurthla form a contiguous belt that

divides Punjab into three broad regions, namely, North Eastern, Central and South-Western. In terms of regional dimension, the central Punjab is the most urbanised with 60% urban population, south-western less urbanised with 25% and north-eastern least urbanised with bare 15% according to Census 2001.

2.3. Infrastructure & Services

2.3.1. A review of Punjab's existing state of urban infrastructure, services and housing assists in prioritising the problems and challenges of urban development in the state.

2.4. Fact File

2.4.1. Table 5 in Chapter II-Annexure indicates that Punjab's score card with regard to its key indicators of infrastructure is generally much below the mark, particularly in respect of sewerage, storm water drainage, and parks and open spaces. On almost all the pivotal measures of infrastructure and services, except the quantity of water supplied, the situation in the state falls short of the basic standards. In respect of water, too, inadequacies of water like that of coverage, periodicity and quality obtain.

2.4.2. Also, there is a wide variation in the availability of infrastructure and services between cities and intra town wards and localities. Compared to India as a whole with reference to most of the other infrastructure indicators, Punjab's performance is either comparable with or better than that of India. It is a different matter though that in spite of it Punjab is rated as number one state in the availability of infrastructure (India Today 2010). But that should be no reason for complacency.

2.4.3. It would suffice to state that Punjab's embarrassing infrastructure deficits are mainly on three fronts: storm water drainage, sewerage and parks and open spaces. Except for SAS Nagar (Mohali) all cities and towns of Punjab lack storm water drainage network. This is a grave lacuna in urban infrastructure, one that warrants urgent remedial action. There are no sewage treatment plants in Punjab cities which fully treat the sewage before disposal.

2.4.4. The volume and composition of solid waste generated in Punjab cities vary from city to city. Domestic sector contributes the most, followed by *malba* of construction activity, green belt, hospitals and slaughter houses, in that order. Disposal is done through land fill sites only. Nothing is done to segregate the waste, nor are road rollers employed

to press waste. Segregation is the most neglected aspect. Biomedical waste is treated but not on a satisfactory scale.

- 2.4.5. Municipalities have been unable to provide adequate and quality infrastructure and services to the citizens presumably due to their poor fiscal capability, among other things. Therefore, it would be safe to deduce that on the front of civic services, deficits are more pronounced in respect of public sanitary amenities like solid waste collection and treatment and liquid waste management. Undeniably, the state's infrastructure deficits are particularly depressing on the front of sewerage network and treatment plants, storm water drainage, especially underground drainage and inadequacy of parks and playgrounds.
- 2.4.6. A considerably high proportion of the urban population, particularly the weaker sections in slums remains uncovered by municipal services. Known for poor access to basic municipal amenities, the slum dwellers and the urban poor, who constitute a sizeable segment, are condemned to lead a sub-human life. The situation is the worst in larger towns having slums and also small and medium towns with poor institutional and fiscal capacity. The quality and coverage of urban infrastructure and municipal services have been deteriorating in the larger towns and are grossly unsatisfactory in the small towns. The state of infrastructure and services is at its worst in Nakodar among other towns and in slums and squallor settlements in class I and class II towns.
- 2.4.7. A major reason of inadequacy of infrastructure and civic amenities seems to be the poor fiscal capability of the municipalities caused by lack of their financial autonomy. High level of water and air pollution, ecological degradation and traffic congestion seem to multiply with the growing pace of urbanisation in larger towns. Rapid deterioration of environmental conditions, including the vanishing green cover, open spaces, aggravating traffic congestion, vehicular pollution, water contamination and ever swelling debris here and there, is yet another grave problem that urban Punjab is faced with. There is a stunning commonality in the perception of all the parties concerned, i.e., citizens, municipal councillors and officials about the above referred deficiencies. More importantly, their views as well tally with the realities reflected in the fact file, thus lending a touch of validity to the above account.

2.5. Urban Housing, Slums & Poverty

- 2.5.1. Acute shortage of housing, proliferation of slums and aggravation of poverty constitute a significant area of concern in respect of urban planning and development in the developing nations. India is no exception to it. It may be revealing to ascertain the magnitude of these problems in Punjab. With the rapid growth of urban population due to migration and natural growth, there is substantial shortage of housing in Punjab. Calculated by the conventional method of the differential between number of census houses and number of households, it was a deficit of more than 34 thousand housing units in 2001 which is estimated to rise to one and a quarter lakh in 2011. Calculated by the new method of ideal nuclear housing needs, it was a deficit of over two and a quarter lakh housing units in 2001 which is estimated to rise to about 4 lakh units.
- 2.5.2. In addition, houses are lying vacant because of Rent Control Act that is unfavourable for the landlords. More than two fifth of urban Punjab is faced with housing shortage (Table-6 in Chapter II -Annexure).
- 2.5.3. Viewed in terms of inadequate housing characterised by one-room tenement, overcrowding, poor structure and dilapidated conditions, the housing deficit was estimated to be over six lakh units in 2001 which is expected to rise to over 9 lakh units in 2011. Overall, Punjab's urban situation is somewhat better than that of urban India.
- 2.5.4. Yet, a large majority of urban Punjab is living in one/two room tenements. The situation further worsens as these tenements do not have kitchen, bath, toilet and proper ventilation. Usually dwellers of such houses are poor people and proper water supply and sewerage facility is also lacking within such houses.
- 2.5.5. Condition and type of house are key indicators of the housing situation in Punjab. With regard to the former, less than two-thirds of urban dwellers in class I cities are living in good houses while one-third in dilapidated houses. SAS Nagar Mohali tops in the state as far as good housing condition is concerned as it is a new and planned city.
- 2.5.6. Poor quality structures dominate urban centres in Punjab where mainly the poor are suffering from inadequate housing. Housing shortage is not only acute but it is assuming alarming proportions in the state. Combined with this is the fact that in Punjab real estate is experiencing rapidly escalating prices of plots and flats with the result

that affordable housing is slipping out of the reach of even middle class urbanites.

- 2.5.7. Proliferation of slums is another serious problem. Slums are areas which either lack or have inadequate basic services and are usually inhabited by the poor people who cannot afford to live in other parts of the city. In the backdrop of rapid urbanisation, their number has been increasing because of high rate of natural increase, swift migration and occasional extension of municipal limits. Punjab is no exception to the national slum scenario. There are a large number of slums in Punjab (Table 7 in Chapter II -Annexure).
- 2.5.8. As large as 23.6 percent of the population of 28 class I and class II towns was the slum population in 2001. It is not likely to be much different in 2011. In the backdrop of rapid urbanisation, the number of slums in Punjab has been increasing because of high rate of natural increase, swift migration and occasional extension of municipal limits. They constitute one-fifth of total urban population of Punjab's class I and II cities (Tables 8 & 9 in annexure).
- 2.5.9. Ludhiana alone accounted for as many as 209 slums in 2001 and their number is only likely to be more in 2011. Jalandhar, Amritsar, Batala, Abohar, Moga and Patiala are as well known for large number of slums and high percentage of slum population (Table 8 & Table 9 in Chapter II -Annexure). As slum problem aggravates with the size of city, the largest city of Punjab, Ludhiana has every fourth person as a slum dweller. Majority of the slums are located in residential areas, mostly on private land and the rest of them in industrial and commercial areas. Slums in Punjab are multiplying in class I and II cities and slum like conditions in other categories of towns coupled with intensification of urban poverty is emerging as a serious problem.
- 2.5.10. Although urban poverty has declined during the recent decades, the number of urban poor remains large. During 2004-05 the number of urban poor was over three and a half lakh, as reported by the Planning Commission. Not a small number, this is as calculated on the income parameter only. If non-economic measures like lack of housing, basic amenities and source of livelihood are factored in their number may increase a lot more.
- 2.5.11. Equality is one of the important indicators of urban development because lack of it indicates that part of the community is not benefiting from development. Increase in inequality is often associated with social unrest and increase in crime. Needless to say, the socio-

economic disparities are widening. Gini coefficient is one of the measures of inequality. During the period from 1993-94 to 2004-05 the value of Gini coefficient, which is a measure of disparity, increased from 28.1 to 40.3. And this is a little more than the average of urban India at 37.6 (Table 10 in Chapter II -Annexure).

2.5.12. The interrelated processes of urbanisation, migration and proliferation of slums are affecting social, economic and environmental fabric of cities in Punjab.

2.5.13. Urban poverty in Punjab is much more crucial due to higher per capita income in the state. It is strange that the poverty line of Punjab, with high per capita income, has been set close to that of the states like Bihar and Jharkhand, having low per capita income. This has distorted real picture of urban poverty here. For, urban poverty is not just an economic phenomenon. It comprises a complex of interrelated problems of lack of housing, basic amenities and sources of livelihood.

2.5.14. Any measurement of poverty based on income alone fails to capture the real magnitude of poverty of vulnerable sections that do not have access to housing, wage employment, basic amenities and civic services in Punjab. It is disconcerting to note that the deplorable state of urban poverty in Punjab in the form of multiple deprivations, including insecurity of land tenure, little or no income, inadequate access to basic amenities, housing, education, employment and health services.

2.5.15. With the interconnected problems of housing, basic amenities and livelihood being concentrated more in slums, poverty pockets dominate major towns of the state. A notable feature of urbanisation in Punjab is that incidence of urban poverty is higher here than that of rural poverty. It is believed that in India there is a higher incidence of poverty in rural areas and urban poverty is largely a spill over of the rural poverty. According to Planning Commission, during the year 2004-05 there were 3.52 lakh persons in urban area living below poverty line in Punjab (Economic Survey 2008-09). In Punjab ratio of urban poverty has declined but number of urban poor remains large. While the largest proportion of poor families live in Ludhiana district, more than 50 per cent of the total BPL families of Punjab live in only two districts, i.e., Ludhiana and Jalandhar. There is no great evidence of seriousness on the part of the government to effectively tackle the problem of urban poverty. This can be seen from the huge gap between the grants allocated and grants released, the latter being one-fourth of the former, among other things (Table 11 in Chapter II-Annexure).

2.5.16. The detailed break-up of data in Table 11 in Chapter II-Annexure shows that flow of central and state government grants for urban poverty alleviation schemes such as SJSRY, IHSDP, BSUP etc. and urban development and urban renewal programmes like JNNURM has been meagre and highly unpredictable. The central grants have not been utilised properly due to inadequate share of funds by the state. The state government seems to be unconcerned about the problem of poverty alleviation and slum development. That says a lot about the poor concern of the government at various levels in regard to poverty alleviation.

2.6. Urban Governance

2.6.1. To assess the quality of urban governance in Punjab, it may be pertinent to first identify an urban governance index (UGI). The state of urban governance may then be seen in the light of that index which cannot be much different from that of quality governance in general. In our view, quality governance, including urban governance, is a multi-faceted construct. It comprises three dimensions: institutional, functional and ethical.

2.6.2. The institutional dimension comprises participatory polity, managerial bureaucracy and burgeoning civil society. Its functional dimension comprises two facets, i.e., goal-related and performance-related. At the level of goals, there is a broad agreement on the following: security and development. Development is further envisaged to have two integral features, i.e., equity and sustainability. At the level of performance, the three attributes that matter are efficiency, effectiveness and responsiveness. Finally, the ethical dimension includes transparency, accountability and integrity (clean and corruption free).

2.6.3. The institutional structure of urban governance in Punjab comprises of three kinds of organisations, i.e., state departments, para-statal organisations and local level bodies. The state departments include Town and Country Planning (TCP), Department of Housing and Urban Development (HUD) and Department of Local Government (DLG). The para-statal organisations include mainly the Punjab Water Supply and Sewerage Board, among others. At the local level, there are urban local bodies (ULBs) such as Municipal Corporations, Municipal Councils and *Nagar Panchayats*.

2.6.4. The quality of urban governance can best be judged from citizens' perceptions about it. Direct link between the citizens and officials is

the measure of quality governance which seems to be disconnected in the present scenario in Punjab. The institutional framework of urban governance at the state level is marked by avoidable multiplicity of planning and development agencies and lack of interagency coordination. The result is a duplication of authority, overlapping jurisdictions, functional confusion, shifting responsibilities, lack of accountability and inter-agency misgivings and tensions.

- 2.6.5. Further, it also results in multiplicity of rules and procedures, as every agency frames its own rules and procedures which are also often contradictory. This generates distortions in urban development. This fragmented character of urban planning and development administration is also a source of immense problems to the people.
- 2.6.6. Satisfaction level with procedures, rules and regulations in regard to sanction of building plans, system of assessment and collection of property tax, grant of *tehbazari* licences, etc. is low. Information regarding procedures and systems for obtaining sanction/approvals is not made easily available to the public. There is dissatisfaction with the grievance redressal systems. The relationship between the planning and the administrative wings has been marked more by mutual distrust and misgivings than by mutual respect and understanding.
- 2.6.7. On the part of the counsellors, lack of authority, constitutional functions and awareness about the operative urban development plans and programmes speak volumes of the poor quality of municipal governance. It warrants the need for capacity building of the councillors through professional training programmes, apart from streamlining municipal governance. Moreover, obstructive functioning of the state executive wings particularly executive officers at the municipal level significantly deter from working towards an efficient urban administration.
- 2.6.8. The functional domain of ULBs in Punjab is fragmented, as it is marked by a variance from the 12th Schedule of CAA. Table-12 (a) in Chapter II -Annexure lays it bare.
- 2.6.9. The participation of para-statal in municipal functional domain tends to dilute the authority and autonomy of the municipalities. The state government lacks a will to empower the local governance.
- 2.6.10. The quality of urban governance in Punjab is poor due to legal, fiscal, institutional and organisational weaknesses in the context of the 74th

Constitutional Amendment Act (CAA). The bureaucracy has supervisory, controlling and executive powers over local governance under the existing municipal laws. Devolution of functions and tax authority and fiscal autonomy to ULBs are neglected under existing laws. At the local level, the municipal governance lacks substantive, functional and financial autonomy, despite the semblance of its formal structure in accordance with the 74th CAA.

2.6.11. For most part, the local governance has to work under the constraint of the state control. There persists an underlying tension between the municipal councillors and the executive officials with each wing trying to assert its power but the latter eventually having an upper hand. The functional scenario is characterised by its partial dissonance with the normative framework of municipal functions laid down in the 12th Schedule.

2.6.12. Preparation of Master Plans has been an important strategy of urban planning. The state of Punjab keeps preparing Master Plans for its towns and cities. However, it is widely accepted that master planning method in India has not produced satisfactory physical environment and is not commonly used elsewhere (Rai, 2010; Planning Commission 2008). Further, master plans are prepared in Punjab in a very casual manner. In the course of this study it was noted that master plan of one of the major cities of the state had no information about the existing land use of the city.

2.6.13. The mushrooming of unauthorised colonies is another indication of the quality of urban governance, as it reveals failure of the governmental planning and development process. There has been a mushroom growth of unauthorised colonies in various towns of Punjab, as noted earlier. The efforts made by the local and state Governments are too meagre to tackle the problem (Sandhu 1995:2003). Master plans as an instrumentality of urban development have failed to deliver their optimal promise partly due to their limited application in a few towns only, partly due to their casual and overly physical formulation, and partly due to bureaucratic constraints and indifferent implementation.

2.6.14. Further evidence of the rather uninspiring quality of urban governance in the State comes from its failure to take full advantage of the offer of central grant under the scheme of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) due to lack of implementation of the mandated reforms. Punjab has lagged behind many other states in taking due advantage of JNNURM grants as much on account of its partial implementation of mandatory reforms as its inability to submit requisite project proposals for the purpose. The pace of

implementation of JNNURM reforms in Punjab is very slow in comparison to other states and ULBs in India. Table-12 (b) in Chapter II -Annexure gives the status of JNNURM Reforms in 2010.

- 2.6.15. Punjab lags behind other states in implementing JNNURM reforms at state and municipal level. This is largely due to lack of political will at state level. Nevertheless, this has adversely affected the flow of JNNURM funds as also the quality of local urban governance in the state. According to statistics available in the Ministry of Housing and Poverty Alleviation, Govt. of India, Punjab has drawn Rs. 62 crore only against an allocation of Rs. 617 crore whereas other states like Andhra Pradesh, Gujarat and Maharashtra have already exhausted the funds earmarked for them. In fact, Punjab is at the bottom of the state tally.
- 2.6.16. On performance indicators, governance at various levels leaves something to be desired in respect of efficiency, effective delivery of services and responsiveness. In respect of ethical imperatives, corruption looms large at various levels, undermining the image of urban administration and the pace and quality of urban development. Rampant corruption, shortage of staff, absence of e-governance, unqualified management/poor work culture among the employees and lack of proper planning for development work are responsible for slackened services/facilities in urban governance of Punjab. About most of the above points there is noticeably a remarkable agreement among all the stakeholders viz., citizens, councillors and officials, along with the documentary evidence. From the various accounts, including the factual and the perceptual, it follows that the quality of urban governance at all levels in the state leaves something to be desired.

2.7. Municipal Finances

- 2.7.1. The municipal finances can be classified as revenue receipts from own sources, revenue from other sources such as transfers from central and state governments as transfers and devolutions and capital receipts such as loans etc and revenue and capital expenditure. The revenue receipts can be classified into tax revenue and non tax revenue. The trends of revenue receipts in Punjab described by the First, Second and Third Punjab Finance Commissions and the data provided by the Department of Local Government depict grim picture of revenue receipts from Octroi (which was abolished later), property tax, user charges, etc., and report higher revenue expenditure.
- 2.7.2. The state of municipal finances in the state of Punjab is far from satisfactory due to poor intergovernmental fiscal relations between the state government and local governments, poor tax rates, absence

of buoyancy in local taxes/ user charges and lack of transparency in local financial management. There is state Government control over local affairs i.e. fiscal powers regarding fixing the rates, declaring exemptions and budgetary transfers and devolutions to Urban Local Bodies (ULBs) recommended by the statutory body of state finance commission.

- 2.7.3. The excessively provincialised services and cadre-isation with fixed strength as determined by the Government does not leave initiative for municipalities to reduce their expenditure on establishment. Also, haphazard recruitment of temporary staff adds financial burden on ULBs and affects the provision for infrastructure development and services. Revenue income from tax and non-tax revenue sources has not been growing due to lack of buoyancy in property tax and water and sewerage charges and small size of capital grants.
- 2.7.4. Political populism is also responsible towards the unstable financial position of urban Punjab. The state government has continuously been encroaching municipal fiscal domain. The revised water and sewerage charges were 'held in abeyance' just before the Parliamentary elections in 2003. Subsequently state government granted exemptions on property tax and user charges on five *marla* houses. The freebies by the state government in terms of property tax and user charges exemptions and earlier abolition of Octroi have affected fiscal health of the Urban Local Bodies (ULBs).
- 2.7.5. Disproportionately high expenditure of urban local bodies on staff (establishment) leaves the state's municipal funds squeezed further. The expenditure on general administration continues to be higher than the norms and continues to grow. Unfortunately, poor devolutions of share of taxes escalate the municipal financial misery as the recommendations of the state finance commissions (SFCs) are not implemented in totality. Further, the budgetary transfers have also been nominal.
- 2.7.6. There is inadequate compensation in lieu of abolition of Octroi, the most buoyant source of own revenue of ULBs). The share of VAT (10%) in lieu of abolition of Octroi has not been devolved in full. It seems that share of VAT has failed to fully replace Octroi. Meanwhile, the exemptions given on property tax and user charges further weakened the fiscal capacity of the ULBs i.e. poor base and assessment of Property Tax (PT). Its assessment continues to be based on ARV and hence the base and rate of PT is poor. The exemptions/ non implementation of area linked assessment affecting revenue from this source.

- 2.7.7. Nominal user charges are adding fuel to the fire in Punjab's financials. User charges from water supply and sewerage charges continue to be low and O&M recovery is even declining due to exemptions. The percentage of income to total expenditure on O&M of water supply and sewerage is not improving. It is rather decreasing continuously after 2007-08. The state government has given exemption to the consumers in various categories. For example, households having size of less than 5 *marla* were exempted from paying water supply and sewerage charges in 2006. With this decision the O&M recovery of water supply and sewerage suddenly reduced from about 60% to 36.60%. There is non-volumetric supply of water and no system of charges for solid waste collections.
- 2.7.8. There has been lack of transfer of devolutions recommended by the central finance commissions. The central finance commission's transfers to state exchequer have not been transferred further to ULBs in totality. Evidence proves that there have been huge gaps in the transfer of central and state grants to ULBs. The grants have been irregular and inadequate. Subsequently, inadequate expenditure on provision of services has led to yet another crisis situation. The expenditure on provision of services is not growing as per the projections by the last finance commissions leaving the huge deficiencies in the same. In the provision of services the expenditure on salaries and O&M is much higher than the income from respective services.
- 2.7.9. There has been negligible resource mobilisation from the capital market. Expenditure on debt servicing is nominal which shows that ULBs are raising negligible funds from the capital market to finance infrastructure and services. The outstanding debt and liabilities have grown since the beginning of the FPFC but still at a lower side as ULBs dither to raise funds from capital market. Loans are mainly from HUDCO, LIC and some nationalised banks. Another financial feature has been the inadequate borrowing powers of the ULBs. The Local Authorities Loan Act, 1914 a central legislation inhibited borrowing powers of the ULBs as municipal acts in force in Punjab follow the same. There has been huge difference between proposed expenditure and actual expenditure on water supply, sewerage system, STP, storm water and solid waste management etc as projected by the Punjab Finance Commissions and it seems to be widening with growing expenditure.
- 2.7.10. In light of the above state, in Punjab, strict measures are required to mobilise the resources needed to meet the gaps in infrastructure and

services. There is huge gap in projected income and expenditure and it seems to widen in coming years.

2.8. Towards Reforms

In view of the preceding account of the dismal state of urban affairs in Punjab, the need for necessary reforms in the existing framework of urban planning and development as well as urban governance cannot be over-emphasised. There may be identified five domains of urban development, i.e., policy, planning, legislation, finance and governance.

A. Policy inputs

2.8.1. It is surprising but true that Punjab does not have a policy of urban development as yet. The present urban profile of the state is getting distorted by some emerging regional and other kinds of disparities, as noted earlier. Punjab also falls short of the basic standards on almost all the key indicators of urban development, including infrastructure, services, housing, environment and quality of life, especially of the urban poor. All these reasons warrant the need for an early formulation of the policy. An important requirement for a sound state policy is the solid database. The available data remains unrecorded, unorganised, fragmented, dated and unreliable. Therefore, there is an urgent need for rationalising and standardising the database and documentation system.

2.8.2. The state policy of urban development needs to focus on urban development without compromising state's lead in agricultural development. The policy needs to aim at land development for promoting urban centres by evolving model norms of land acquisition, allocation and utilisation. The policy may ensure even urban development throughout the state. Needless to say, it has to aim for an integrated urban development focused on the harmonious improvement of the productive potential of urban centres together with quality of urban life and empowerment of urban poor.

2.8.3. Inclusive urban development providing for equal access of the vulnerable groups to all basic services and resources has to be the policy's core intent. With affordable housing for all within stipulated time and pursuit of raising slum free urban centres should be the state policy's priority. Sustainable development committed to the cause of conservation of urban environment and augmentation of green cover should as well be a major concern of the state policy.

2.8.4. For effective realisation of the above broad objectives, the state policy of urban development may have to be complemented with some sector-specific policies such as land development policy, migration

management policy, housing and habitat policy, slum development policy and heritage preservation policy, among others.

2.8.5. The policy of migration management may proceed from the realistic premise that migration cannot be banned nor it can be regulated. It can best be managed by adopting a two-pronged strategy:

- providing city-like amenities and employment opportunities in rural areas; and
- re-channelising the flow of migration from the more developed to the less developed urban centres that have a potential for development by adopting a strategy of effective economic development of such centres.

2.8.6. The housing and habitat policy may aim at providing affordable housing to all on ownership or rental basis within a specified time frame, developed land for housing for the poor in all housing projects of public and private agencies, besides using other measures like provision of appropriate capital or interest subsidies. The housing policy needs to incorporate special concern for urban poor which may manifest in terms of adopting suitable measures.

2.8.7. The slum development policy may accord priority to prevention of slum formation in the first instance. This can be done by making it obligatory on the industrialists, builders and others to provide reasonable accommodation well connected with basic services to their workers. The slum development policy may further address the issue of regularisation of existing slums by transforming them into clean liveable localities and providing them with necessary civic amenities. Relocation of slums, if necessary, may ensure efficient transport connectivity of the new site with the workplace of the residents or prospects of alternative employment avenues for them near the new site which should be a serviced site.

2.8.8. The need for heritage preservation policy needs no reiteration in view of the enormity and speciality of heritage sites all over Punjab. The heritage policy may have a concern not just for the protection of such sites but also for developing them, for they constitute visible identity marks of the city. This will not only help preserve our cultural symbols but also promote tourism as a source of revenue for the state. Besides preserving the old historical monuments, the new constructions may be raised with an eye to making them a heritage site for the future.

B. Planning inputs

2.8.9. Reform inputs in the domain of urban planning may address the issues of deficiencies and distortions in urban development on the one hand and devising suitable strategies of balanced urban development on the

other. There is a need to accord priority in urban planning to the development of the following : northern and southern parts of Punjab in order to have balanced regional development; parallel transport and growth corridors in northern and southern zones; backward regions, including sub-mountain and border regions; area-specific viable growth centres in various regions; medium and small towns, especially those having promising growth potential; compact medium-density cities; and *Mandi* towns and heritage-based cities and towns.

C. Legislative inputs

2.8.10. An enlightened legal framework is necessary for sound urban development. Broadly it comprises four sets of laws, i.e., land acts, planning legislation, municipal laws and fiscal regulations. There is a need to streamline the existing land legislation, especially the law about forcible acquisition of land. Building byelaws and zoning regulations need to be liberalised for optimum utilisation of land.

2.8.11. Land registration system is also in need of rationalisation to effectively check misuse of land as well as to prevent unauthorised conversion of agricultural land into non-agricultural. The existing planning legislation as well requires a second look in view of the 74th Constitutional Amendment Act. The existing municipal legislation in Punjab needs to be amended, as it is not in accord with the real spirit of the 74th Constitutional Amendment Act, 1992.

2.8.12. The ULBs may have the discretion to accept certain functions assigned to them by the government and other agencies, on payment basis, subject to approval by the Empowered Standing Committee of the municipalities. State Level Municipal Audit Commission may be set up to fix norms and standards of municipal services and the strength of needed manpower for it. Provision may be made for appointment of a professional chartered accountant by the state government as Auditor of ULB. Preparation of an annual balance sheet of the assets and the liabilities by each ULB may be made mandatory.

2.8.13. On the pattern of State Electricity Regulatory Commission, provision for setting up of a State Municipal Regulatory Commission may be made to determine the user charges on the basis of the standard of service so as to ensure interests of the citizens. The ULBs may be mandated to prepare annual environmental and subsidy reports at the city level as part of the annual budgeting exercise.

D. Financial inputs

The following measures may help improve the financial position of
ULBs:

- 2.8.14. Adequate fiscal powers may be given to the ULBs regarding fixing the rates of local taxes and charges, exemptions, tax base and rates. Greater autonomy to ULBs in decision making at local level will help to manage collections of taxes, fees, levies and rationalize exemptions effectively. The borrowing powers of ULBs need to be enhanced by amending Local Authorities Loans Act of 1914 which is very old and has outlived its utility in present context.
- 2.8.15. To fill the gap in projected income and expenditure on water supply, sewerage system, sewage treatment plant, storm water and solid waste management, etc., as computed/reported by the Fourth Punjab Finance Commission, is the need of the hour.
- 2.8.16. The devolution of taxes from the state to the ULBs may be in accordance with the recommendations of statutory bodies of State Finance Commissions on the pattern of devolutions to the states by the Central Government based on the recommendations of the Central Finance Commission.
- 2.8.17. Property Tax assessment system may be changed from annual rental value (ARV) to either area based system or capital value system or a combination of both. The decision of property tax exemptions to 5 *marla* houses by the state government may be rolled back and an exercise for rationalization of other property tax exemptions should be undertaken to mobilize income from this important source. In case state government gives exemptions, the loss of ULBs on this part may be compensated. The self occupied properties may be charged appropriately. Changing the basis of levying house tax from fair accruals(ARV) to market value/ area based, and employing qualified surveyors would make house tax a major revenue earner for the municipalities.
- 2.8.18. 100% recovery of O&M of water supply and sewerage is necessary. The volumetric supply of water may be started with metering of all the connections. Differential rates may be charged for differential consumption to cross subsidize the poor. In case of exemptions by the state government, the loss of ULBs on this part should be made up by the state.
- 2.8.19. Levying charges for solid waste management and making it self-financing can help in reducing the financial burden on the ULBs. The charges to be levied must be linked with the quantum of waste generated with higher charges levied for toxic waste. All development agencies setting up bulk material markets must be asked to pay for the entire campus. Principal of users pay and polluters pay must be followed in levying charges for collection and disposal of solid waste.

- 2.8.20. The expenditure on staff (establishment) must be brought down by downsizing the cadre strength and de-provincialisation of services. There is a need to increase the share of VAT (10%) in lieu of abolition of Octroi as it seems to be lower than the expected revenue from Octroi.
- 2.8.21. The grants allocated by the central and state government may be transferred in full to the ULBs. Given the widely acclaimed fact that cities are engines of economic growth, the state government will do well to allocate more funds and give more grants for infrastructure development in the cities. Improved productivity due to better infrastructure would help the state to get better returns in terms of higher taxes and fees from the cities.
- 2.8.22. The expenditure on provision of services must be in accordance with the projections made by the state finance commissions. The projections are made on the basis of assessment of requirements of the ULBs to meet the identified gaps in services. Similarly the expenditure on salaries and O&M may be reduced to make available more funds for provision of services.
- 2.8.23. Given ULB's prohibitively limited resources, budgetary provisions, share from taxes and grants, etc., which fail them to meet the growing needs of funds for urban infrastructure and services, there is a need to raise funds from national and international capital market. ULBs may raise more loans from specialised financial institutions like HUDCO, LIC, IL&FS, IDFC and some nationalised banks.
- 2.8.24. The municipal bonds are important source of funding urban infrastructure in many countries. The ULBs in Punjab may also raise money through municipal bonds. There are two types of municipal bonds, i.e., general obligation bonds and revenue bonds. Some bonds are tax free and these tax free municipal bonds as raised by the ULBs in many cities of other states may be raised by municipalities in Punjab to finance critical and commercially viable projects. Other municipalities can also go in for credit rating to raise funds for financing commercially viable projects.
- 2.8.25. Verification survey of lands and properties, strict enforcement to check leakages, better communication linkages, effective tax administration, incentive scheme for employees and informers and most importantly the computerisation of records can help to mobilize income of ULBs.
- 2.8.26. It is high time for ULBs to switch from cash based accounting over to accrual based accounting system. This will help to establish transparency and fiscal discipline in municipal fiscal management.

2.8.27. Commercial exploitation of underused/misused municipal lands can be effectively used to generate sufficiently large resources for meeting the city infrastructure requirements. It will be appropriate to allocate 90% of the funds raised from a city for infrastructure development of that particular city, which can go long way in making large volume of resources available to the cities.

2.8.28. Levying/rationalising land use conversion charges on change in land use within the urban areas can lead to generation of resources for infrastructure development. Strict vigilance on unauthorised and irrational conversion and imposing penalties on defaulters would help in better realisation of such revenue.

2.8.29. External development charges levied on developers and colonizers under the Punjab Apartment and Property Regulation Act 1995 for approved colonies at present are collected by Punjab Urban Planning and Development Authority and Town and Country Planning Department and credited to state fund created by Government. It is important that instead of PUDA & T&CPO Deptt, local level authority should be declared as the competent authority to grant the license and collect the External Development Charges (EDC), which can be used for creating infrastructures in the city.

E. *Property Tax inputs*

2.8.30. Since property tax (PT) is the most important source of tax revenue in cities world over, we wish to discuss this in detail to sensitise the state government and department of local self government to go for PT reforms. At present PT is the second major source of tax revenue of ULBs after 10% share of VAT imposed in lieu of abolition of Octroi. The revenue trends indicate that its full potential has not been exploited due to variety of political, legal and administrative reasons. It is in the long term interest of the ULBs to introduce reforms in management and collection of property tax.

2.8.31. The Ministry of Urban Development, Government of India has issued the Guidelines for Property Tax Reforms, which show that a good property tax structure should have the following characteristics:

- A low rate of tax to make it acceptable
- Assessment and collection should be simple and transparent
- Equity between different classes of tax payers
- Minimum discretion of assessors
- Facilitating self assessment by owners / occupiers

2.8.32. Innovative practices in valuation, assessment and tax administration like use of Geographical Information System for tax mapping, computerisation of property tax records, delivery of bills through

courier and a scheme of incentive and penalties and also the tax collection through ABC analysis are necessary to refurbish revenue from property tax. In Punjab, Ludhiana Municipal Corporation adopted following innovative practices to improve its revenue from property tax (*Gupta & Teotia, 2001*):

- Survey of properties for proper valuation
- Constitution of committees to settle property tax related disputes/litigation
- Tracking the defaulters for recovery of arrears
- Disclosure and publication of defaulters' names
- Allotting house number for proper identification of the properties
- Computerisation of manual records of properties and billing and collection.
- Distribution of bills through courier service for quick and assured service
- Introduction of Geographical Information System (GIS) for quick and improved identification of properties.
- Assigning targets of recovery to the zonal officers particularly the Inspectorate staff
- Attaching movable and immovable properties to recover property tax
- Imposing fines on defaulters

2.8.33. The innovations introduced by LMC are growth oriented and can be replicated in other municipalities of the state to mobilise additional revenue from this source. The property tax reforms as discussed above may bring huge tax revenue to ULBs and make them financially strong to take care of additional revenue account requirements for much needed infrastructure and services in the cities and towns.

F. Governance inputs

2.8.34. Governance reforms are extremely vital for expediting urban development in the state. These may be put under three categories: institutional, functional and procedural.

(a) Institutional Reforms

- For streamlining the institutional structure of governance the various departments and agencies working for urban development, including PUDA and Improvement Trusts, may be merged or rationally reorganised and brought under the broad umbrella of local government in order to eliminate the problem

of multiplicity of authorities, lack of inter-agency coordination and overlapping of jurisdictions.

- The existing system of state level controls over the ULBs may be redefined to grant a measure of autonomy to the ULBs by devolving power, resources and responsibilities to them. A State Level Governance Board comprising Mayors/Presidents of certain ULBs may be constituted as an apex body by following the democratic procedure to minimise the control of bureaucracy over the ULBs. The various planning bodies may be merged into one and its jurisdiction should be limited to regional/state level planning, excluding the local level planning.
- ULBs may have autonomy to hire the private consultancy agency for planning and developing the water supply and sewerage project. A local body Ombudsman may be appointed to conduct audits and examine public complaints against the local administration to keep a check on the excesses of the latter. Constitution of Ward Committees may be made mandatory in order to promote peoples' participation, especially of the urban poor, SCs, women, minorities and youth in urban planning and development. Structural reforms as suggested under JNNURM may be incorporated to accelerate the pace of urban development.

(b) Functional Reforms

The following may merit consideration:

- All the functions, particularly the mandatory, listed under 12th Schedule of the 74th Constitutional Amendment Act, including city planning functions, may be transferred to ULBs.
- District Planning Committees (DPCs) and Metropolitan Planning Committees (MPCs) be made functional.
- Delivery of civic services be made more effective in terms of their coverage, efficiency and quality.
- Innovative measures of managing affordable housing, especially for the poor and the deprived, schemes of slum development and poverty alleviation be adopted and effectively implemented.
- Benchmarks of urban development as also of local governance may be devised and used as standards for monitoring the performance to enhance accountability in the system of urban development administration.

(c) Procedural Reforms

Moving on to the area of rules and procedures, the following may be considered:

- The system of e-governance may be introduced and effectively implemented at all levels of governance, including the local-level. Increasing use of IT applications, computerisation of land registration/records, e-mode in granting of contracts and purchases, complaint redressal etc., may be adopted to enhance efficiency and transparency. Rationalisation of stamp duties may be initiated with a view to reducing it to less than 5% over a period of 7 years. Bylaws may be revised to streamline and simplify the process of local building approvals. The Property Title Certification system may be introduced in local governance.
- An all purpose “single window” system may be adopted for licences and clearances to the private colonizers so as to minimise corruption. ‘Tatkal’ type scheme may be provided for in the ULBs for expediting delivery of a document needed by anybody. This may go a long way to prevent lot of corruption at local level. Measures may be devised to promote time-bound disposal of cases so as to determine accountability of the personnel. A performance appraisal mechanism may be devised to prevent underperformance and encourage good work culture. This may be strengthened by providing for incentives and sanctions. Best practices of quality governance operative in some states may be adopted to upgrade procedural performance.

G. *Redefining the Role of Governance*

2.8.35. Times have changed. Gone are the days of treating people as subjects. Today’s public constitute citizenry. Civic awakening is the defining feature of the moment. This changed scenario warrants a need for redefining the role of governance which may be done by recasting the philosophy of governance along the following lines:

- *From a system of public administration to a system of public management (NPM):* There is a difference between the two. Public administration puts rules over goals, procedures over performance and regulations over cultivation (harnessing). Public management is about goal setting, resource mobilization and utilization of the most efficient means to effectively achieve the goal. It is time that governance takes on a managerial orientation.

- *From provider to enabler.* For long governance assumed the role of provider thereby generating dependency of the people on it for everything. It may better take on the role of enabler now. This implies putting premium on peoples' involvement at all levels including planning, decision making, resource mobilisation, implementation, monitoring and evaluation. In simple words, it means involving private sector and people at large as partners in governance and development.
- *From harasser to facilitator.* All this while governance has worked more as an agency of harassing the people than helping them. Corruption has been a big factor behind it, among others. Measures have to be put in place to turn it into an agency of facilitating people in their dealings with administration, and restoring to them their lost dignity.

CHAPTER III

ACTION PLAN FOR CITIZEN CENTRIC URBAN GOVERNANCE³

3.1. Perspective

- 3.1.1. The 2nd Status Report of the PGRC which dealt with the basic civic and regulatory services in Chapter-3 of the Report classified citizen services as: (a) need-based demand-driven services (residence certificates, affidavits etc.); (b) need-based supply-driven services (permissions and approvals for buildings, driving licenses etc.); and (c) 'commons' services. Most of the services covered were primarily in categories a&b above and some of these issues – building regulations, water and sewerage connections- relevant for urban civic services were taken up in the mentioned Report.
- 3.1.2. The present Report covers the broad spectrum of urban governance and extends the service delivery focus from 'standards' to 'structures' & addresses issues of the delivery institutions and systems. The focus, however, remains on areas and services in the domain of the urban local bodies (ULBs) which involve inter action with the citizens.
- 3.1.3. In India, The urban governance concerns are being driven, except in major metropolitan towns with a strong presence of NGO's, mainly by the Central Government. The perspectives and priorities however of the Central Government are shaped more by macro issues of resources and financial sustainability. Within Punjab also, this is a missing priority, for somewhat understandable reasons if one keeps in view the post 1960's history of ULB's management and autonomy.
- 3.1.4. One problem is we do not have much data in respect of the urban local bodies (ULBs) in Punjab in regard to the soft governance issues except for the reports of the State Finance Commissions (SFC's). The Department does not publish any data regarding the ULBs; only a few of the ULBs have their own websites which do not display much worthwhile information. The same is the case with the website of the Department. The report is, therefore, based mainly on:
 - (a) SFC Reports: These reports are given by the SFCs periodically set up by the state government;
 - (b) Study on Urban Governance in Punjab, taken up for the Punjab Government by the Institute for Development and Communication (2007);

³ Note: This chapter has been contributed by Task Groups chaired by Sh. R.N. Gupta and Sh. J.R. Kundal. This chapter was submitted to the Government of Punjab on 9th May, 2011 for expediting implementation.

- (c) A survey on governance conducted by the PGRC in 2011: The PGRC survey which covers around 500 respondents from the ULBs across the state focused on the core governance issues in the ULBs. The main focus was in respect of transparency and information services, participatory systems and processes and citizen trust in the ULB functionaries - impartiality, fairness and integrity. Similarly respondent perceptions were obtained on their satisfaction generally with the functioning of the ULBs and specifically with reference to selected civic services. The findings are used as proxy for assessment of performance of the ULB's;
- (d) Discussions with the public and the officials in some of the ULBs as also the departmental officers;
- (e) Feedback obtained from a widely attended conference of ULB officials which was attended by Shri Kundal.

3.2. Urban Governance in India

3.2.1. The ULBs in India are expected to discharge functions listed in the 12th Schedule of the Constitution though effective transfer of these functions is yet to take place in Punjab. Indian planners and professionals have also, till recently, been concerned mainly with physical infrastructure issues - especially water supply and sanitation- and to some extent maintenance of these services, rather than the quality of delivery of services. Most of the studies and reports of the Government of India have also focused on physical access issues. However, governance aspects in the local institutions have started receiving attention now.

3.2.2. The 10th Five-Year Plan⁴ refers to the need for improving urban governance (presently) characterised by 'fragmentation of responsibility and incomplete devolution of functions and funds to the ULBs, unwillingness to progress towards municipal autonomy and reluctance to levy user charges'. It refers to the need for the ULBs to take care of the following critical areas for bringing about transparency especially regarding the application of funds and general financial health of the ULB's:

- To be responsive and accountable to the community.
- To develop cities with standards of service comparable to the best in that particular category.
- To constantly improve their capabilities so as to equip themselves in undertaking their tasks in resource raising; service provision and poverty alleviation.

⁴ Government of India, 2002. Tenth Five Year Plan (2002-2007): Sectoral Policies and Programmes. New Delhi: Planning Commission, Volume-II.

A. *Governance Reforms*

3.2.3. The focus on urban governance reforms has been integrated with funding under various Central programmes - Jawaharlal Nehru National Urban Renewal Mission (JN-NURM) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Grants for the development of infrastructure and services have been linked to the institutional and other reforms to be taken up by the States/ULBs. The CAG has developed an accounts manual⁵ for the ULBs to enable them to shift to accrual-based accounting. Adoption of the Accounts Manual is also included in the reform package. Concerns with governance, however, have remained at the macro level – total fund requirements etc. primarily relating to financial devolution and internal resources. There is little focus on building political systems and institutions and creating space for autonomous functioning of the ULBs and setting up supportive institutions to nurture them.

B. *Second Administrative Reforms Commission*

3.2.4. The Second Administrative Reforms Commission of the Govt. of India (ARC) has also given a detailed report on local governance covering urban and rural areas and tried to address this gap. The ARC Report focuses on; (a) subsidiarity – delegation of functions and powers to the local bodies; (b) setting up of an appropriate forum for projecting the common concerns of ULB's; (c) involvement of people and not necessarily only of the elected members through setting up and empowering ward/people's committees; (d) setting up of third tier of local govt. – district council; (e) ombudsman for ULB's; (f) 'common format for annual accounts'; (g) 'pool of expertise maintained by a federation of local bodies – to be used by individual ULB's'; (h) 'identified performance indicators'; (i) all service providers 'under one stop service centre'.

3.3. State of Urban Governance in Punjab

3.3.1. The surveys and reports listed above and the information provided on the department and ULB web sites indicate a somewhat sad picture. The traditional concerns of efficiency and responsiveness and the typical governance issues (citizen involvement and participation) are treated with the same apathy as indicated below.

3.4. Inadequate Civic Services Infrastructure & Access

3.4.1. The concerns of the State Finance Commission and of the State Government have been primarily in regard to the issues of physical access, and income & expenditure. Unfortunately, even in regard to the access to the civic services, there does not seem to be any

⁵ Government of India, 2004. National Municipal Accounts Manual, New Delhi: Ministry of Urban Development. www.urbanindia.nic.in

substantial progress. The First State Finance Commission Report (December, 1995) as indicated in Table 1 in Chapter III-Annexure.

3.4.2. A report of the department for the year 2005 as presented in Table 2 in Chapter III-Annexure indicates the change over time in regard to the physical access. Evidently, access has not changed dramatically over the period of 10 years. So far as income and expenditure is concerned, the Third State Finance Commission noted that 80% of the municipal resources were spent on providing services even as the establishment and maintenance costs account for a substantial percentage of the expenditure. It, however, did not indicate any norms for assessing cost effectiveness.

3.5. Inefficient Civic Services

3.5.1. As indicated above, there are problems in the physical access, even though there has been some improvement over the years. Delivery of some of the basic civic services leaves much to be desired, especially solid waste removal and maintenance of roads. Even in case of water supply, which has almost universal access in most of the ULBs, there are major problems of resource efficiency as well as effectiveness. Technical water losses (leakage from pipes) etc. are not even estimated & may be as high as 15%. No data or estimates are available on the number of households deprived of even the minimum normative supplies (LPCD) and all documents refer to the adequacy of only average Litre Per Capita Daily (LPCD) supply which is no indicator of deprivation, just as average per capita income is not an indicator of the poverty levels. Thus, even basic data is not available about the major aspects of efficiency and effectiveness of the core services.

3.5.2. There is little evidence of even basic efficiency in the use of resources. There are substantial variations in expenditure across different ULBs in terms of standard efficiency indicators (per capita O&M expenditure etc.). Reliable data is not available but apparently the inter-ULB variation in Punjab may be even much more than inter-state variations in India⁶. One may say, that instead of the normal bell shaped distribution curve where substantial variations (standard deviation) from the average are marginal, in the case of ULBs in Punjab, most of the indicators would reflect rather 'fat tails'.

⁶ (The NIUA report *Status of Water Supply, Sanitation and Solid Waste Management in Urban Areas*. New Delhi: National Institute of Urban Affairs, 2005. www.urbanindia.nic.in/moud/theministry/statutoryautonomous/niua/part1.pdf which is based on a sample of 305 Municipalities/Committees/Corporations in India has provided interesting data on the functioning and input efficiency of the municipal committees. It provides, for example, figures of staff per thousand water supply connections (ranging from 6.8 to 14.5 in different classes of ULBs) revenue receipts per capita (ranging from Rs. 100 to Rs. 149), revenue expenditure per capita (ranging from Rs. 77 to Rs. 214) - (all figures at 97-98 estimates). It also provides data for different classes of ULBs in respect of expenditure on O&M as a percentage of total revenue expenditure. On an average, 28 percent of the revenue expenditure on water supply is only on establishment, and the O&M expenditure as a percentage of revenue expenditure on water supply varies from 20 to 80 percent (35 percent of the total revenue expenditure being on electricity on an average).

3.6. Ineffective & Wasteful Rules and Procedures

3.6.1. It does not appear that there has been any serious attempt to look into the rules & procedures covering delivery of basic services either at ULB or the State Government level. The building bye-laws carry on the century-old obsession with impracticable and out-dated regulations by prescribing, for example, the minimum dimensions for toilets in residential buildings. A number of processes are now proposed to be digitized and automated but there is a danger of the classic GIGO (garbage in, garbage out) pattern being repeated unless such issues are properly addressed. ULB's have to simplify rather than to just automate.

3.7. Responsiveness- the 'missing link'

3.7.1. Systems of responsiveness to the citizens – complaint redressal, participatory processes, integrating concerns of the deprived and the disadvantaged, especially in the informal sector, are practically non-existent or, where available, extremely deficient. Most of the ULBs do not even maintain a complaint register, not to speak of on line complaint redress systems. This is indicated by the tables 3 & 4 in Chapter III-Annexure which contain responses in respect of effectiveness and improvement in complaint redress system as ascertained in the PGRC Survey 2011. Majority of the respondents consider the redress system to be neither effective nor improved over time.

3.8. Poor performance

3.8.1. Citizen perceptions on ULB performance as judged from the level of satisfaction are rather disappointing. Level of satisfaction with the economic/social services/facilities and with procedures, rules and regulations in regard to the sanction of building plans, system of assessment and collection of property tax, grant of *tehbazari* licences etc. is rather low. Only around 40% of the respondents were substantially satisfied as against 60% unsatisfied (or somewhat satisfied citizens) in respect of services and facilities as per the report on Urban Governance referred to above. The quality of services/facilities is also generally believed to have deteriorated over the last few years. The ray of hope indicated by the PGRC Survey is that among the three categories (government, district administration, municipal councils) the municipal bodies get the maximum score in respect of satisfaction and performance as indicated by the Table 5 in Chapter III-Annexure.

3.9. Neglect of Core Governance Issues

- 3.9.1. The concerns at the policy and directive levels have been efficiency of revenue collection and levy of appropriate user charges. The State Government has not constituted any Commission or Committee to look into the issues of urban governance after 1970. One reason may be the unduly long period (from the 1970s to early 1990s) during which the election process in the ULBs remained suspended. The 10th Plan of the State Government lists mainly the central/state government schemes, making a passing reference to a strategy for building urban land resources and is conspicuously silent on all major issues of urban governance. Even in regard to the investments in infrastructure, the future requirements for all the ULBs in Punjab have been simplistically aggregated in the 'Road Map for Development' 2005.
- 3.9.2. The Third SFC does refer to the need for strengthening capacity, developing responsive systems, autonomy for local bodies, role clarity, training, improving decision- making capacity, as also a quasi-judicial authority on the pattern of *Lokpal* to look into cases of corruption against Mayors etc., and devolution of powers to the District Planning Committees for allocation of central and state grants. These recommendations, however, have mostly remained on paper.
- 3.9.3. Issues of financial efficiency in areas other than establishment expenditure (e.g. revenue and tax efficiency) are rarely taken up, not to speak of the issues of public satisfaction and participation by the public outside the boundaries of formal representation through elected representatives. There is little by way of pro-poor policies and incentives for informal businesses.
- 3.9.4. The Department website of Local Government linked to the State Government site is hardly a model for transparency and information. The contact information lists officers who have quit or got transferred out about 3-4 years back. The thrust areas listed are 'mobilisation of additional resources', 'privatization of octroi and sanitation', 'cutting down wasteful expenditure and leakages' and recovery of arrears. Not a word about the citizens! The Corporation websites are a little better though surprisingly one corporation has a commercial site (ludhianacorp.com).
- 3.9.5. There is little focus on citizen-oriented governance issues and even a citizen charter for the basic services is missing. The PGRC survey on governance indicates a rather sad picture regarding urban governance at least as perceived by the citizens. There is deficit in respect of all the core governance issues- transparency, participation, etc. It should be

no surprise, therefore, that the Punjab ULBs are lagging in most of the areas of governance – whether traditional (efficiency, effectiveness, responsiveness) or contemporary (equity, citizen involvement, subsidiarity) as indicated hereafter.

3.10. Transparency and Information services

3.10.1. The PGRC Survey indicates substantial deficit in information of interest to citizens (Table 6 in Chapter III-Annexure). Over 70% do not have information on items they are interested in. The responses of the poorest sections are even more alarming. Information regarding procedures and systems for obtaining sanctions/approvals is not easily available. There is acute information deficit in respect of the cutting edge procedures and rules and complaint redressal systems. While the level of awareness among public regarding the first- cutting edge-point of contact for different problems is satisfactory, there is little awareness about the senior levels available to the citizens for the resolution of problems.

3.11. Opaque and Non Participatory Systems

3.11.1. The Urban Governance Report, 2007 indicated that the perception of priorities of the elected councilors differ substantially from those of the citizens indicating the need for direct public participation in planning and allocation of resources. There are however no supportive structures like sub-committees of elected members and ward/grid committees of the members/citizens. These need to be set up to effectuate the accountability of the ULBs to the 'principals'- the citizens. Ward committees were non-functional, public participation was too little and was in evidence only in the *mohalla safai* committees.

3.12. Participation of community in the ULB activities

3.12.1. The PGRC survey indicated that only 10% of the respondents thought that the government and the ULBs encourage community participation and only 30% perceived any improvement in this regard (Tables 7 & 8 in Chapter III-Annexure).

3.13. Corruption

3.13.1. The Urban Governance Report, 2007 indicates that the dimensions of bribery are alarming as indicated in Tables 9 to 11 in Chapter III-Annexure. A similar picture was indicated in 2011 PGRC survey. Tables 12 & 13 in Chapter III-Annexure indicate the percentage of respondents who have paid a bribe and the percentage of respondents who feel that corruption has increased over time (over 47% perceive

an increase). Even the officials' perceptions, as shown in Table 14 in Chapter III-Annexure, are similar.

- 3.13.2. 47.4 percent of the officials felt that bribery was rampant in municipal committees/corporations. Among them, 40.7 percent of the officials considered bribe was more prevalent in construction/building regulation wing and 29.6 percent of the officials felt that the bribes were taken or given by senior officials during the sanction of contracts etc.
- 3.13.3. Bribery is a major concern in the ULBs, though surprisingly the cutting edge officials are perceived to be less corrupt than the middle and top level officials. Corruption is in the nature of extortion and is resented. It is disorganised with different participating actors – middlemen, officials, citizens trying to engage in tortuous and inefficient negotiations in attempting to arrive at 'satisfactory' outcomes. The major areas for bribery appear to be the contracts for the purchases and services and for enforcing or otherwise the rules and procedures which are difficult to comply with.

3.14. Neglect of vulnerable groups

- 3.14.1. One issue regarding water supply has already been mentioned, namely, neglect of the poor who are deprived of minimum standards of supply under the smokescreen of satisfactory averages. There is complete absence of policies and programmes geared to the needs of the informal sector and the considerations of equity. It is difficult even to locate a copy of the bye-laws for licensing of the informal and tiny businesses. Proper data regarding licenses issued, refused etc. is not available. This information needs to be put in the public domain to minimize exploitation by the middle men, and to provide direct information to the applicants and others interested in this important area of equity for the informal trade.

3.15. Poor E-Governance Infrastructure & Data Systems

- 3.15.1. There is generally no computerization in any public service delivery area and the State Government did not seem to have till recently any plans or perspective in this regard. Even in the case of the Corporations which have dedicated websites, the information given is not of much use to the general public. For example, it was difficult to make any sense of the monthly information on income and expenditure given on its website by one of the Corporations. Data are not being maintained in standard formats and, as such, the primary need is to switch to standardized accounting systems and budgeting on the lines of the accounts manual proposed by the CAG. Solutions may have to be devised through common platforms by the State

Government instead of leaving it to the ULBs to struggle and 'reinvent the wheel' in each case.

3.16. Approach of the State Government- Lack of Subsidiarity

3.16.1. Another sore issue is the absence of any effective autonomy with the ULBs since the systems and institutions of control by the State Government continue to be in position. This problem is especially acute in terms of the elected council- executive relationship as well as the State-ULB interaction where there is complete absence of appropriate institutions to address the area of government ULB relationships thus leading to bureaucratic controls rather than mediation or moderation.

3.17. Institutional Vacuum-State ULB Relationships

3.17.1. The ULB Councils remained superseded for a long time in Punjab while the elections are stalled on one pretext or another. Their functions were performed by the Administrators appointed by the State Government. This seems to have resulted in a loss of the city and locale-specific political sensitivities of the citizens as the State replaced the local government as the reference point for the resolution of local problems. Elections in the ULBs still tend to be viewed as a periodical ritual, as in the case of Assembly Elections – and are perceived as not likely to substantially affect the lives and conditions of the citizens any more than the State or Parliamentary elections. The State Government and the elected councils may have to make significant efforts to change this perception, and re-establish the role, distinct identity and purpose of urban political processes.

3.17.2. The Constitution and the supportive regulations have provided autonomy to the ULBs in respect of the functions specified in the 12th Schedule. Coordination and oversight is provided through the District Planning Committees. The DPC Charter, however, is to coordinate issues of rural and urban service infrastructure and requirements, and allocation of funds to the different ULBs/PRI's. Autonomy of the ULBs is ensured through compulsory elections and devolution of funds.

3.17.3. The constitutional changes, however, have not touched the issue of oversight of the functioning of individual ULBs with the result that, in practice, State level controls and supervision, except devolution of funds (which are determined by the SFCs) remain intact. Apart from the problems of state politics affecting the quality of oversight by the State, this also implies that bureaucrats continue to control and monitor the functioning of the ULBs de facto, ostensibly on behalf of the State Government.

3.17.4. The State Government has been authorised by the Constitution to enact suitable laws to enable smooth functioning of the ULBs as autonomous institutions of local-self government but, surprisingly, even in regard to the constitutionally-mandated ward committees, the Punjab Municipal Act requires prior sanction of the State Government before a ward committee can be set up by any ULB. Contracts of more than Rs.500/- value are required to be approved by the council or a committee of members, thus absolving the officials of all responsibility. Officials may need to be given powers and must take responsibility for routine/O&M functions in relation to civic services. For proper oversight, works sub-committees may need to be constituted in each ULB and these should be provided with suitable professional back-up for taking financial decisions.

3.18. Role of State Officials

3.18.1. Substantial autonomy has been granted under the Constitution to the ULBs but the system of controls by the State Government continues to be operative. This is indicated in the traditional organisation charts being used by the Department which use the word 'supervision' to describe the duties of departmental officials. Regional Directors are appointed by the State Government for 'supervising' the functioning of the local bodies which is somewhat ironical. As a matter of fact, it is the role and functions of the officials that need to be reviewed.

3.18.2. They could be integrated into a democratic process of oversight over the ULB officials, possibly by redefining their role which could be limited to handling complaints of the citizens, and to function as surrogate ombudsmen till such entities are properly constituted. Their recommendations could be considered by the councils of the ULB concerned. This will not only reduce State Government interference but also empower the councils in respect of oversight over the ULB officials, while developing a worthwhile niche for the Regional Directors.

3.18.3. There is institutional vacuum in areas of social/citizen interaction. While there is focus on autonomy of the local bodies, it is mainly at the level of discourse and, to the extent it exists, it is mainly about setting up political institutions (District Planning Committee etc). The areas of management/administration and official-citizen interaction (cutting edge processes) have not got the attention they seem to require. For all intents and purposes, the ULB affairs, even though formally under the elected councils, are controlled by the State Government officials acting as 'agents' on behalf of *their* 'principal' - the State Government. There may be a need for setting up appropriate participatory mechanisms at the State level to provide a sense of participation and ownership to the ULB councils in matters concerning them.

3.19. Problems

- Despite modest improvements in physical access, major urban governance issues remain neglected; there is lack of concern even regarding the traditional issues of efficiency and effectiveness in the delivery of civil services;
- ULBs/Department of Local Government do not use any benchmarks or indicators for assessing performance. Even basic data is not available as was also noted by the State Finance Commissions;
- Outdated rules and procedures continue, adding substantially to the transaction costs which the citizens have to bear.
- Despite statutorily-mandated processes, systems of responsiveness – generic as well as specific grievance redressal – especially for the marginalized sections of society/petty trade- are in disarray;
- Citizens are generally dissatisfied with the quality and systems of service delivery;
- State Government’ bureaucratic controls not only continue but have intensified while the advisory and supportive role of the bureaucracy is missing.
- There is very little meaningful autonomy to the ULB’s Councils and deficit of appropriate formal or even informal institutions for inter action or coordination.

3.20. Recommendations

3.20.1. It would appear that while the pre-conditions in terms of constitutional provisions have been created, necessary conditions for good governance have yet to be created in Punjab through the creation of appropriate mechanisms for ensuring efficiency and effectiveness in the areas of public service delivery. There are ‘miles to go’ in respect of creation of ‘sufficient conditions’ centering on responsiveness to the citizens and improving the quality of their experience (‘customer delights’). The focus, therefore, has to be on creating (a) necessary conditions of governance – efficiency and effectiveness especially in the areas of civic services; (b) sufficient conditions for good governance- responsiveness with focus on equity and accountability.

3.20.2. The set of recommendations given below seeks to address various problems and issues indicated earlier. The focus is on developing appropriate institutional systems for delivering the objectives, charter and mission of the public urban governance organizations. It is quite clear that governance will remain on the margins of Central Government horizon and it is the State Government which would need to take a lead in this regard by advising and guiding the large number

of ULB's and more important, establishing appropriate institutions and platforms for comparing data, activities, outputs and outcomes among different ULB's.

3.21. Institutionalising State-ULB Interaction

3.21.1. There is no common forum at present for the ULB's for deliberation of their common problems – not necessarily of resources– and for state-ULB interaction. The 2nd Administrative Reforms Commission had also expressed the need for such a forum.

3.22. State Urban Governance Board for the State ULB coordination

3.22.1. There should be an apex organisation at the State level – a State Board of the ULBs, which could consist of Mayors/Presidents – say, two each from different classes of ULB's - to be elected by different classes of ULBs/regions. The membership could be by rotation for a period of 1-2 years. The chairperson could be one of the elected members or even the Minister in charge. Director, Local Government (DLG) could be the Chief Executive and the department could function as the secretariat of the committee. Thus, the DLG will function not on behalf of the government/party in power, but on behalf of the representative body of the ULBs.

3.22.2. The advantage would be that feedback from the ULBs will be directly available to the State, and the ULBs will be able to participate through this forum in the processes of coordination and oversight. In addition, a common platform for dealing with important common issues of urban governance will be available. The problem of control of the ULBs by bureaucrats, which is unavoidable in the existing system, will be minimized, if not eliminated, and the feeling of ownership among the councils will be strengthened by such participatory and inclusive processes.

3.23. Grassroots Participatory Systems- Second-Tier Zonal/Ward Committees

3.23.1. There is little interaction with the public and other civil society organisations/NGOs in the ULBs. It may be helpful if each ULB sets up committees on civic services, consisting of some of the councilors, officials and NGOs/professionals. These service specific committees can be for guidance, oversight and review of urban governance in specific services/areas. The committees can be helpful to the council in bringing to its attention problems and issues other than those needing political intervention and solutions.

- 3.23.2. The problem with the ward committees at present is that the wards are demarcated on demographic considerations and their composition changes depending on the population profile and other factors which may be relevant for delimitation but not necessarily for management. It may be appropriate to shift to a system of administrative zones or grids for management, at least in the case of larger ULBs as also recommended by the ARC.
- 3.23.3. The advantage of grids or zones is that they can be based on easily identifiable, physical and location parameters, and technical and administrative feasibility. A grid level committee consisting of elected councilors and public representatives/NGOs can advise the ULB on all aspects of governance for the particular grid or zone. The grid committee can cover the whole spectrum of urban governance for the grid whereas at the ULB level, committees for different services (e.g. water supply, sanitation) can devote attention to specific services.

3.24. Autonomy to Councils

- 3.24.1. There is little financial autonomy to the ULB's – whether in budget and expenditure or deployment of man power or say approval of building and construction plans. The PGRC survey gathered perceptions on issues of trust and corruption among government and local bodies. As the tables below indicate, while the picture is bleak, there is a clear need for autonomy keeping in view the perceptions about government and political functionaries and the Councilors. It is interesting to observe that as per the PGRC survey even the public feels that the local body councils are the most trust worthy as compared to the political executive and the bureaucracy as shown in the Table 15 in Chapter III-Annexure.
- 3.24.2. It has not been possible to identify all the areas where government exercises powers which should legitimately be exercised by the councils and corporations. It may be appropriate to adopt a 'zero approval approach' in respect of matters within ULB jurisdiction required to be referred to the government.
- 3.24.3. The state governments need to take an empathetic stance in this regard as they themselves are victims in respect of areas under their jurisdiction vis-a-vis the Central Government. This ideological approach needs to cover all areas of ULB functions – financial, technical and administrative. Today even the Gram Panchayats have more powers in this regard than the ULBs!

3.25. Delegation to ULB Officials

- 3.25.1. A second aspect of subsidiarity is delegation to officials. At present, the responsibilities of the different officials for different tasks/activities are

not defined, nor is the responsibility cycle completed through supportive delegation. Most of the ULB staff in charge (say property tax or water supply) may not be senior enough to be given authority and responsibility especially in small ULB's, as in India, only gazetted officers or equivalent are considered suitable for executive authority.

3.25.2. Informal practices among officials at present (a) encourage ownership/monopoly and non-sharing of information by subordinates (thus, depriving the seniors of information relevant to decision-making), and (b) withdrawal by the subordinates from ownership of responsibility which is transferred upwards. The delegation of powers would help integrate the levels of information and expertise with responsibility/accountability. Needless to say delegation of powers does not mean autonomy for officials and they would remain subject to control and oversight of the councils. There must not be any need in respect of ULB functions to obtain approval from the department functionaries- Regional Director, Director, Secretary or even the Minister.

3.25.3. The subsidiarity principle, however, needs to be taken further down through appropriate delegation to the technical levels irrespective of rank. At present, the Commissioner/EO is the locus of financial powers. Surely, if an official can be trusted to perform technical functions and given execution responsibility, he or she can also be entrusted with supportive financial and administrative powers. This is necessary to enforce accountability and increase efficiency. It is felt that as far as O&M of civic services is concerned, full authority and delegation should be available to the top technical persons whatever their level or status subject. Committees of Councilors/public men need to be set up for different areas as indicated above, for guidance and oversight.

3.26. Technical Capacity-Building – Redefining the role of PWSSB

3.26.1. The only para-statal organisation concerned with the ULBs is the Punjab Water Supply and Sewerage Board (PWSSB). It takes up infrastructure projects and provides O&M services where required. The Third SFC Report recommended that the Board should not be a monopoly supplier of services for the ULBs, and, instead, should compete for business with the private sector. This is of course desirable but the main problem will still remain about the complete absence of technical support and advice to (at least) the smaller ULBs which cannot afford to engage senior professional manpower. The PWSSB needs to provide support, consultancy and advice to the ULBs in respect of the core civic services.

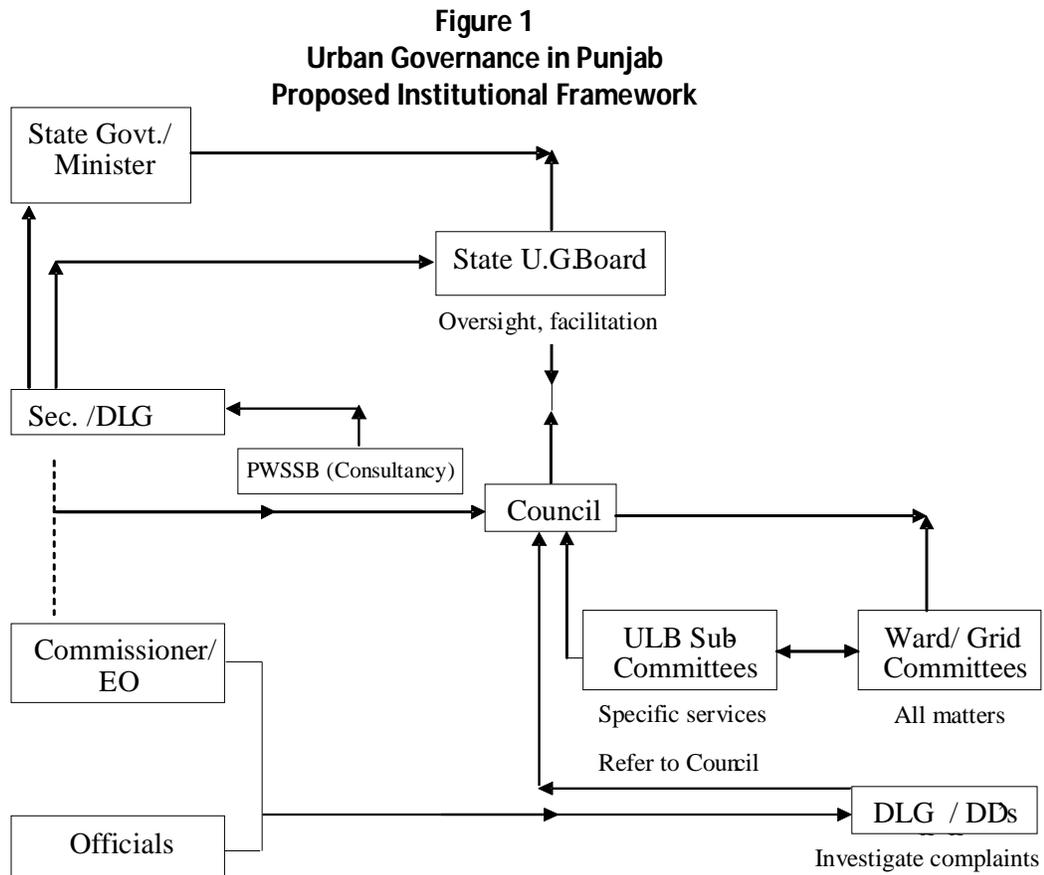
3.26.2. To avoid conflict of interest between the consultancy and commercial interests, a separate wing can be set up for consultancy which should function under the DLG/Department and report to the State Urban

Governance Board. It could help in developing performance and efficiency norms for infrastructure investments and O&M expenditure. The other wing could be commercial and should compete with the private sector for projects. The consultancy wing can be funded by the State Government for overheads and could charge the ULBs for specified services.

3.27. Reorientation of the Role of the DLG/Departmental officials

- 3.27.1. Presently, the DLG is busy most of the time in handling routine affairs or is engaged in firefighting. As per the estimates of the officials concerned, routine affairs account for about 60% of their time, while the rest is mostly consumed by emerging issues. By surrendering powers to deal with routine cases, practical capability can be developed /enhanced in respect of performing advisory and capacity building functions of the ULGs.
- 3.27.2. It should, in fact, be one of the functions of the DLG to prepare codes/guidelines regarding budgeting, income, expenditure, capital budget management and any other issues that arise from time to time in addition to providing administrative support in regard to issues of responsiveness, transparency, complaint redressal etc. by providing assistance, financial as well as administrative, (in areas such as common design of websites, single window online complaint registration system, citizens charters etc.). In fact, the DLG needs to be the trigger for urban governance reforms who should pilot the creation of appropriate institutions for good urban governance.
- 3.27.3. Similarly, the role of Regional Directors needs to be redefined by withdrawing the rather presumptive and colonial tasks of supervision, and to shift the focus to providing supportive services – e.g. handling complaints on behalf of ULB's.

3.28. Proposed political and administrative institutional framework



Note: Arrows indicate the direction of accountability / oversight. Two-way arrows indicate interactive relationships

3.29. Financial Management & Budget

A. Accrual-based Budgeting

3.29.1. It is not possible to have comparative assessment of the performance of the ULBs as data is not maintained in standardised formats, apart from the problem that commercial accounting principles are not followed. Switching to the new system of commercial accounting has been made easy with the Comptroller and Accountant General (CAG) of India having prepared guidelines/manual for accounting on accrual basis. This needs to be fully adopted by the ULB's in Punjab especially as financial help has also been provided in this regard by 11th Finance Commission⁷. As recommended by the 11th Finance Commission, the

⁷ Government of India. 2000. *Report of 11th Finance Commission (2000 – 2005)*. New Delhi: Ministry of Finance. <http://fincomindia.nic.in/11threport.pdf>.

maintenance of accounts could be outsourced to private accountants under a State-controlled bidding and award process.

B. Autonomy of ULB's for Budgets

3.29.2. This issue has been covered above. Approval of budgets at the State level is a routine process which is unproductive and wasteful. Paper work involved is completely beyond the capacity of the officials (at least in terms of time, if not ability), and it would be appropriate to allow the councils to approve their budgets subject to their conforming to certain guidelines, inter alia, in regard to allocative and input efficiency. Capital budgets, however, need to be put under careful scrutiny, overseen and supervised by the professionals. Capital outlay for new works for new areas/population needs to be justified on the basis of per capita/household cost of investment followed by monitoring with the same parameters in view.

C. Material Planning and Budgeting

3.29.3. In view of the problems of capital budgeting and efficiency of capital expenditure, especially due to the potential for leakages in contracts/purchases, it is necessary for the ULBs to (a) prepare material budgets annually showing, inter alia, equipment and consumables to be purchased in physical and financial terms, (separately for capital and O&M expenditure); (b) plan timely procurements; (c) keep inventory control, especially over expensive items of equipment/consumables; (d) prepare material budget for different services/areas while preparing annual budgets for accountability and transparency, internal as well as external. The former, it appears, is as much of a problem as the latter in the case of contracts and purchases.

3.30. Service Delivery Systems and Procedures

A. Simplification of Service Delivery Systems and procedures

3.30.1. This issue has been covered in Chapter-3 of the Second Report of the PGRC and, as such details are not being repeated. Simplifications have been suggested regarding systems of approval for; (a) construction; (b) water and sewerage and the same have been included in the summary.

B. Information Services and Transparency

3.30.2. It is suggested that the following information should be available in the public domain even if not statutorily required to be provided under RTI:

- All bye-laws with updated changes – construction, licensing, approvals etc.

- List of architects, plumbers etc. empanelled/licensed and the by-laws relevant for the purpose.
- Citizen Charters - Information regarding specific services relevant for citizens especially construction, water and other connections, licenses for business especially informal trade. *Information regarding these areas be provided in the form of citizen charter indicating checklist, guidelines, standards of service and grievance redressal authority:*
- Procedures and forms for different areas of public interaction (getting an occupation certificate, water connection etc);
- All applications for approvals, licensing/complaints etc. should be digitized and placed in the public domain and monitored for compliance as per citizen charter (for example, in case of applications for approval/licenses – when received, when approved etc.).
- Information on financial transactions especially contracts and purchases.

C. Single Window Complaint Recording & Redress System

3.30.3. This is one of the most important areas needing attention as the present system is in shambles in the absence of proper recording of complaints in many ULBs with virtually non-existent tracking/monitoring/feedback mechanisms. Appropriate systems need to be devised to enable autonomous feedback through flow of digital data. In case of sanitation and water supply, complaints are in the nature of emergency problems and need to be responded to quickly.

3.30.4. More important, as in the case of pipe leakage which accounts for substantial wastage but may not be affecting any individual personally, complaints on public 'bad' have to be encouraged to enable the ULB management to rectify them in time. While it may be premature to consider building incentives for information about public 'bad', it should not be discouraged either as is the case at present. Some cities in India (e.g. Pune) have developed excellent complaint recording systems online but it is necessary in any case to record all complaints offline, as also online as soon as possible, for feedback and proper tracking.

3.30.5. It may be desirable to have a single window in each ULB for recording complaints. The appropriate course will be to outsource registration of complaints on online systems. The complaints could be transferred to authorised persons in the ULB in agreed formats at agreed intervals (a 'call center' concept). The application package could be designed at the State level and supplied to the ULBs free of cost and could integrate mobile messaging. Emphasis needs to be on depoliticizing the complaint redressal process; at present, the citizens think that the

local councilors would be more effective in intervening to ensure redressal of the complaints since the official response is often negative and tardy.

D. Design of ULB Websites- focus on service delivery and financial transparency

3.30.6. A common website design should be got prepared by the DLG which could be adopted by each ULB in the State. The ULB site can carry information on budget, charter and other important items regarding the ULB and should be openly accessible. This could be used for comparative assessment of governance in different ULBs in due course. The website should contain:

Box 1

ULB Website – Suggested Contents

- a. Information as indicated above –All the bye-laws, citizen charters, status of individual applications for approvals, licenses etc.
- b. Information on governance indicators for all ULBs.
- c. Actual annual expenditure in a standardised format.
- d. Information regarding various contracts in the format below.

Format for display of information about contracts/purchases (above specified limits)

Description of purchase/ contract	Estimated cost	Details of bidders and price quoted	Contract price and party selected	Date of final payment
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Note: All information must be displayed on the website for three months from the date of final payment

- e. Online Complaint System.

3.31. Improving Core Civic Services Delivery

A. Testing and maintaining quality of water

3.31.1. Drinking water quality at the source is rarely tested. Samples are not taken systematically. The process for purification is random while the testing processes have not been institutionalized. It is necessary to draw up standard protocols prescribing the number of samples to be taken including the technique and periodicity for taking the samples. There should be written protocols and these should be the responsibility of the Head of the Water Supply Unit. Possibly, the consultancy wing of the PWSSB or the State Water Supply Department could work out standard protocols to be followed by all the ULB's.

B. Maintenance of Roads

3.31.2. This appears to be a major problem with a number of ULBs. The problem can possibly be resolved by combining the management of roads, streets, open drains and storm water drainage under one department instead of the present system of separate wings for roads and public health activities. This dichotomy is responsible for most of the problems relating to road maintenance and flooding. There should be only one civil engineering wing. This will also allow for professional control at top levels in the ULB's apart from improved functionality.

C. Equity Issues / Informal Trade

There are two aspects of equity relevant for urban governance.

- Concessional tariff/taxes for water supply, other civic services/property taxes for the poor. Punjab appears to have gone overboard in the past in respect of granting concessions for the poor by indiscriminate exemptions. These are reported to be currently under review.
- Facilities for/permission of informal trade – *tehbazari*, street vending. This is a neglected area in Punjab. It is difficult to get even a copy of the bye-laws. There is little monitoring of the problems of informal trade, and the practices are generally repressive, under the general assumption that the goal is to eliminate rather than adjust street vending/itinerant trades especially in the main markets. There is little attempt at identifying/creating spaces for the informal trade. The result is a counterpart of the *jhuggies* in business. The licenses/spaces are controlled by small town *dadas* and the mafia who extract rents from genuine vendors in collusion with the municipal staff.

3.31.3. A number of cities have developed reasonably functional systems on the lines indicated above. Johannesburg, for example, has introduced the system of smart cards for the licensees to avoid mafia domination and have linked licenses to the persons who would actually need them. Something similar can be thought of in Punjab. For example, the UID-*Adhaar* Programme of the GOI could be contacted for issue of UID cards to the street vendors/license holders – present or prospective-all over Punjab. The UID may be happy to have a tie-up in a new area, thus, minimising expense of the State Government/ULBs.

It may be desirable to:

- Estimate the number of street vendors/*rehries* that the town generally should have/provide for;
- Survey, identify/specify the areas/spaces for vending for major localities;

- Have a census, conducted by a reputed NGO, of the persons who are trading and need to be provided licenses/space;
 - A transparent system of licensing/allotment based on prior public knowledge of the number of licenses/approvals to be given annually by the ULBs.
 - Putting on the website procedures, systems as well as status of applications processed.
 - Having a single window system for receipt of applications (to be entertained at the town e-centres as has been proposed separately).
- 3.31.4. It may not be possible to provide for all the persons wanting to be accommodated, but it is, in any case, the duty of the ULB to ensure that the most deserving get the licenses, permissions and approvals, and that the procedures are simple and transparent which can be followed by persons who may not be even literate.

D. Assessing Governance based on defined indicators

3.31.5. There is complete absence of physical monitoring of the projects and performance through the process of meetings, written performance reports etc. No formats for monitoring are prescribed and whenever some information is required, it has to be obtained personally. Appropriate systems of monitoring need to be put in place and appropriate formats/indicators prescribed, on the lines of Comprehensive Performance Assessment Systems based on key service and outcome measures for the Municipal Committees in the United Kingdom.

E. Indicators of Urban Governance

3.31.6. Urban governance concerns vary in the ULBs of Punjab as different ULBs have different issues and concerns related to the areas of service delivery, complaint redressal, quality of services etc. Moreover, the relevance of different principles and values of governance can be different for different civic services and service delivery areas. Good governance criteria for water supply may be quite different from those of handling building applications. In the case of water supply, for example, quick resolution of complaints may be more important as some complaints cannot be eliminated and are caused by many external factors including breakdown of machinery, bursting of pipes etc.

3.31.7. On the other hand, in the processing of construction applications, there are few external constraints and systems need to be, as these can be, devised to leave little scope for complaints and thus complaint resolution mechanisms would be secondary to having efficient and responsive procedures. The indicators developed, therefore, are not

absolute and their significance will vary across the ULBs, and the nature of interventions would also change.

3.31.8. The indicators listed in Table 16 in Chapter III-Annexure focus on important issues of governance, are easy to measure even by the ULBs and do not need outside expertise or help. The primary requirement is to have clear, consistent and uniform accounting procedures and systems. In this regard, the best course will be to adopt the account manuals prepared by the CAG. It may not be possible at present to establish benchmarks for comparison but the use of indicators will gradually lead to the emergence of benchmarks.

3.31.9. Generally, the functioning and legal framework of the ULBs is similar to the State Electricity utilities which have, despite the fact that the political processes and controls have not changed, shown substantial improvement over time simply because they constantly monitor/compare performance among the utilities. Institutionalising a similar system of assessing comparative performance on the basis of these indicators may be helpful to the ULBs in Punjab. In addition, recognition and appreciation of performing ULBs by the State Government could work wonders!

3.32. Summary of Recommendations

The recommendations seek to provide:

- An institutional framework for these organizations, and their roles and relationships based on subsidiarity and autonomy to the ULBs
- Simple information and response systems to address the practical issues of information deficit and inert response practices
- Interventions in respect of issues of internal structure and role of the governing actors in the ULBs
- Modifications in procedures and rules, for creating appropriate incentives for compliance among the officials and the citizens
- Developing urban Governance indicators for periodic and comparative assessment for self monitoring by the ULBs, catalysed by a well informed public

3.32.1. Participatory Socio-Political Institutions

- State level Urban Governance Board (PUGB) – a common platform/clearing house for the ULBs.
- Chairperson: Minister-in-Charge.
- Secretary: Director, Local Government.

- Empowerment of ULB councils:
- State Govt. to withdraw from financial and administrative controls.
- 'Zero rate of referral for approval to State Government'.
- Involving citizens in ULB sub-committees and ward/grid committees.
- ULB/Grid/Sub-committees on civic services: Representation of the elected members and citizens.

3.32.2. Administrative/Managerial Institutions

- Financial and administrative delegation to professionals: for O&M functions.
- Supporting technical capacity of the ULBs - separating consultancy & commercial wings of PWSSB.
- Review role of Director Local Government/Regional Directors – from control to advisory services and support.

3.32.3. Financial Management

- Accrual-based accounting/New Accounts manual format.
- Outsourcing account maintenance to the empanelled accountants initially in case of ULBs not so equipped.
- E-tendering
- Oversight of Contracts and Purchases – information to be provided to the public (in the format specified) and be openly accessible.

3.32.4. Service Delivery Systems

A. Building regulations – Construction approvals

- Acceptance of third party certification – (registered architect/draftsman/structural engineer to be responsible for compliance with building bye-laws and rules) for approval of building plans.
- Acceptance of architect certificate for three storey buildings on land up to one kanal (or some other criterion as considered appropriate) for issue of completion certificate automatically.
- In case of building, requiring structural safety certificate, empanel structural engineers for third party certificate.
- Only one certificate after completion should be necessary -either completion or occupation certificate.

- Revised plans to be necessary only for material – e.g. building line – changes.
- Inspections- Post Construction inspections before issue of completion/occupation certificate to be dispensed with in cases of third party certification.
- Random post completion visits to check material violations (frontage, total covered area etc).

B. Water and Sewerage Connections (Summary of PGRC 2nd Report)

- Water and Sewerage connections to be sanctioned for new approved buildings on the day of application.
- Site visits/inspections to be discontinued in case of sewerage connections.
- In case of water supply connections, random visits for checking material violations e.g. dimension of connecting water pipe etc.

3.32.5. Core Civic Services

A. Water Supply

- Establish Water quality & testing protocols for all ULB's.
- Integration of technical staff and services
- Improving effectiveness of road maintenance through common management of open drains and roads and public health/construction wings.

B. Service delivery/Complaint Redressal Systems

- Single window complaint center in each ULB supported by Urban Service Centres as recommended separately.

3.32.6. Transparency

- Citizen charters - Information regarding specific services relevant for citizens especially construction, water and other connections, licenses for business especially informal trade. Information regarding these areas to be provided in the form of citizen charter indicating checklist, guidelines, standards of services and grievance redressal.

A. Website

- State Department to initiate a common design for the ULBs.
- Department website should have links to all ULBs websites.

3.32.7. Equity

A. *Informal Trade-Transparent System of licenses/approvals based on:*

- Estimation of licenses to be issued/absorption capacity in each ULB – to start with, the total could a percentage of town population.
- Objective census of the informal trade.
- Non-discriminatory systems of license, if necessary through draw of lots among the eligible.

3.32.8. Prevention of Corruption

- Simplification of rules/clear citizen charters for civic services.
- E-tendering
- Information regarding purchases/contracts to be openly accessible – format suggested.

3.32.9. Urban Governance Indicators

- Adopt core indicators for assessing the state of governance in the ULBs (Table 16 in Chapter III-Annexure) and disclose performance on ULB web sites
- Conduct periodic public surveys.

Chapter IV

MANAGEMENT OF ENVIRONMENT IN PUNJAB⁸

4.1. Perspective

4.1.1. The 2nd Report of the PGRC (Chapter-3) had provided a broad classification of various public services – ‘need based’, social and public goods – and had addressed issues of major need based services with a view to making service delivery prompt and responsive, and minimizing the transaction costs of citizens. The 3rd Report of the PGRC had taken up two of the public goods services in the Health Department – Drug Control and Food Safety – which are concerned with quality of drugs and safe food.

4.1.2. Environment is similarly a “commons” service. As in case of drugs and unlike need based services which are amenable to aggregative analysis ‘commons’ services need to be addressed individually. Lumping of these services for the purpose of developing omnibus intervention strategies may not be feasible as the context, the rules and the incentive structures differ substantially from service to service. The recommendations, however, would hopefully point to some common interventions especially in the area of information (based) incentives (or disincentives) for the parties – the public and the agency officials.

4.1.3. The report has been prepared in consultation with the department and the PPCB, after examination of the Central Government and State Government agencies and their websites, discussions with the industry and professionals. The PPCB also made a thought provoking and detailed presentation to the Commission, apart from facilitating intensive discussions at operational levels.

4.2. Overview of Environment Regulations in Punjab

4.2.1. Environment management and pollution control is governed under various Central laws – for water, air, environment protection, hazardous substances etc. The Department of Environment in Punjab is a relatively lean outfit with no field staff and the PPCB (Punjab Pollution Control Board) is the main agency for implementation as well as promotion and is expected to coordinate programmes and implementation in close consultation with the CPCB (Central Pollution Control Board). The PPCB is a statutory body headquartered at Patiala and is vested with most of the powers in regard to environment laws.

⁸ This chapter has been contributed by a Task Group chaired by Sh. RN Gupta

In practice, however, all the powers - administrative and technical - stand delegated to the PPCB officials/Secretary/ Chairman.

- 4.2.2. The basic regulations provide for the industrial units to obtain 'consent to establish' and 'consent to operate'. There are three categories of industries under these regulations: Red - highly polluting, Orange and Green. The PPCB duties include monitoring, including surprise visits, taking samples and other promotional steps such as development of common facilities for discharge of effluents etc. Some areas of regulation -solid waste and e-waste, plastics, hospital waste-require the PPCB to play a more pro active role as compared to its regulatory role in respect of polluting industries as the former involve collective entities like the ULB's as also the general population.

4.3. PPCB Initiatives

The Board has taken a number of steps for improving facilitation services for its clients - industries concerned - as well as for effective control of pollution in Punjab. Some of these, as reported by the PPCB are listed below:

A. Mapping and Integration of Projects

- 4.3.1. The sources of pollution in stretches of major rivers in Punjab have been identified and mapped after spot inspections and the sources quantified. These were analysed to ascertain the nature and quality of pollutants and the possible solutions (putting up an ETP/STP) desired. Integrated projects for Sewerage system, Water supply and provision of STP have been prepared for the towns, DPRs sent to various agencies and the GOI for appraisal and action for installation initiated.

B. Control of Industrial Pollution:

- 4.3.2. A number of steps have been taken in different areas covering industry and local government units.

4.4. Effluent Treatment

- 4.4.1. All the industries located in the catchments areas of River Sutlej, Beas and Ghaggar have installed their individual ETPs and the Board is monitoring these industries regularly. One CETP for leather industries at Jalandhar and one for Electroplating industries at Ludhiana have been commissioned under PPP mode. One CETP for textile units is proposed at a project cost of Rs.275 crore in PPP mode and another CETP for textile units at an approximate cost of Rs.90 crores is proposed in the private sector. Other significant measures include achievement of Zero Liquid Discharge by 7 large scale electroplating industries (out of 8) of Ludhiana at an approximate cost Rs.6.35 crores. Strict vigil and monitoring is being kept by PPCB for control of pollution. Between January 2010 to December 2010, PPCB has closed

91 units for non-compliance and encashed Bank Guarantees amounting to Rs.1.05 crores.

4.5. Treatment of Domestic Wastewater

4.5.1. 45 Towns/cities have been identified to be contributing to pollution in the three major rivers of Punjab. Discharges from these towns have been mapped and quantified. Projects for Sewerage, Water supply and STPs have been made at a total Project Cost of Rs.2123.56 crores. Work is already complete in one town and is in progress in 22 other towns.

4.6. Use of Treated Water for Irrigation

4.6.1. The Government of Punjab has planned for treated water (industrial and domestic) to be used for irrigation purposes through dedicated irrigation networks. DPRs for the same have been made by Department of Irrigation and the Department of Soil Conservation. The total cost has been estimated to be Rs.350 crores (approx.).

4.7. Disposal of Hazardous Wastes

4.7.1. With the sustained efforts of the State Government and PPCB, a Rs.5.40 lacs MTA capacity hazardous waste treatment, storage and disposal facility (TSDF) was commissioned in 2007 at Village Nimbuan, Tehsil Dera Bassi, District SAS Nagar. 65475 MT of hazardous waste has been processed in the TSDF till December 2010. Board is actively pursuing the matter with industries to dispose of their hazardous wastes scientifically.

4.8. Management of Bio-Medical Waste

4.8.1. There are about 2400 hospitals/health care establishments in the State of Punjab. About 3029 MT of bio-medical waste is generated by these hospitals, which is required to be managed in an environmentally sound manner. Presently, there are 5 Common Bio-medical Waste Treatment Facilities (CBWTF) in Punjab. Earlier, all this bio-medical waste was being disposed alongwith other municipal solid waste leading to danger of diseases and re-circulation. These facilities are catering to the bio-medical waste of the hospitals earmarked by the Board in consultation with IMA. The Board has carried out regular inspections of hospitals for the disposal of bio-medical waste. All the common facilities are being inspected for proper disposal of bio-medical waste.

4.9. Effective Disposal of the Municipal Solid Waste

4.9.1. There are 137 Local Bodies in the State including 5 Municipal Corporations. The department of Local Government has taken a significant step in developing Municipal Solid Waste (MSW) Management System by dividing the State of Punjab into eight clusters on scientific basis. It shall ensure 100% coverage of urban local bodies keeping in view the standard parameters as mentioned under Municipal Solid Waste (Management and Handling) Rules 2000. Bathinda, Amritsar, Ludhiana, Jalandhar, Patiala, Pathankot, Mohali and Ferozepur have been identified as clusters and all other urban local bodies would be integrated with one of these eight regional facilities.

4.9.2. The clusters have been identified in terms of population and the quantity of waste generated to achieve minimum economic size thereby ensuring viability. Such integrated regional facilities would comprise all components of waste management i.e. from collection to ultimate disposal of MSW with minimum cost to the local bodies and would be developed under Public Private Partnership (PPP) model. Out of these, DPRs have already been finalised for 3 clusters namely, Jalandhar, Bathinda and Mohali. They have applied for environmental clearance. DPRs are under preparation for remaining 5 clusters.

4.10. Client Facilitation Services

4.10.1. Government of Punjab has taken various steps to facilitate interface of industries with Punjab Pollution Control Board. Various reforms have been carried out in a short span of time which has made the working of the Board more transparent, user friendly and hassle free. Some of the major initiatives are:

4.11. Integration of Application Forms

4.11.1. Earlier Application Forms under Water Act, Air Act and Environment (Protection) Act were separate and were required to be collected personally from the department. Industry had to unnecessarily approach a consultant or an agent to purchase it, fill it and get it processed. Now a combined form has been specially designed for consent under all the three Acts, as above. It is a simple form, downloadable from the website of the Board with instructions on "how to fill" annexed to it. It also contains the details of fees chargeable by the Board for various industries.

4.12. Simplified Procedure for Application Submission and Acceptance

4.12.1. Earlier application Forms were required to be deposited physically. These were scrutinised later and deficiencies were communicated to the parties in piece meal. This used to cause a lot of harassment and delay in getting the consent. Now, the Board scrutinises the application form at the receipt stage itself. If there are any deficiencies, they are communicated 'in writing' on the form itself. An applicant can thus submit the completed form without undue delay and be assured that there would be no further queries.

4.13. Speedy processing of Applications

4.13.1. Once the form is accepted in the Board, it has to be disposed within a fixed time schedule. This schedule was mandated earlier also but there were frequent slippages with no monitoring. Now the moment an application is received, a 'Movement Slip' is attached to the file. It traces the journey of file from desk to desk and days consumed by each desk (official). The Competent Authority can scan through this single page and find out unjustified delays by any official. It has helped in enforcing accountability and monitoring movement of files.

4.14. On line access to Status of Application

4.14.1. Earlier, industries could not easily access the status of case during processing of file. There was no electronic interface. Now, PPCB has developed in-house software wherein all applications received on a particular day are entered on the website of the Board. The status is updated after the file is processed at each level. Any show cause notice etc. is also reflected. The applicant can log on to the website of the Board and can view status of its case. An MIS is also generated by the software for use by senior officials of the Board giving information regarding pendency of cases.

4.15. Streamlining Systems and Processes

- The exemption limits has been increased from Rs.25 lacs to Rs. 1 crore for Hosiery industry.
- IT industries have been exempted from consent management of the Board for five years, in case, the capacity of the DG set installed by such type of industry is less than or equal to 200 KVA and also exempted from obtaining authorisation as required under the Hazardous Wastes (Management, Handling and Trans Boundary Movement) Rules, 2008.

- The Board has increased the period of validity of authorization from 2 to 5 years under the Hazardous Waste (Management, Handling and Trans boundary Movement) Rules, 2008.
- The Board has introduced a new category i.e. orange category of industries and has increased the validity period of consent under Water Act, 1974 and Air Act, 1981 vide Office Order No.4 dated 17.2.2010 as under:

Category	Previous validity period (In years)	Present validity period (In years)	
		Large/Medium Scale	Small Scale
Red	1	3	4
Orange	-	4	5
Green	5	5	10

4.16. Outsourcing of Sample Testing

4.16.1. One of the major bottlenecks in processing the consent cases was shortage of staff for taking samples. As per the PPCB, it is probably the only Board in the country which has authorised seven laboratories for analysis of the effluent and air emission samples which are valid for deciding consent applications under Water Act, 1974 and Air Act, 1981.

4.17. Guidelines for Applicants/Clients

4.17.1. The booklet on 'Guidelines for Entrepreneurs for Compliance of Environmental Laws' which is also on the PPCB website is a very helpful guide for various regulations, compliance requirements and objectives of clients.

4.18. Interaction with Industries

4.18.1. Board has adopted a friendly approach towards industries to nurture a relationship of trust and professionalism. Board officials have started taking monthly meetings with the various industrial associations resulting in improved communication and on the spot redressal of various grievances. It also becomes a forum to disseminate knowledge about new trends and latest measures which can be adopted by the industries for pollution control.

4.19. Proactive Role of the PPCB

4.19.1. As an important step towards the management of the Bio-medical waste, generated by the hospitals/healthcare establishment/ nursing homes, in an environmentally sound manner, Punjab Pollution Control

Board is taking regular meetings with the members of the Indian Medical Association (IMA) and as a result of discussion in the various meetings, the Board has organised camps at its various Regional Offices located in different locations of the State. Cases were received, processed and authorisation certificates were granted on the spots in a hassle free manner. As a result of this step, the Punjab Pollution Control Board has granted 812 authorisation certificates to various hospitals, nursing homes and other medical institutes in a single day.

4.19.2. Punjab Pollution Control Board has got prepared documentary films on various - topics "Ill effects of burning of stubble" and "Ill effects of non-operation of pollution treatment equipments devices by the industries". The Board is itself taking initiatives in solving some problems of the industries. It has collaborated with IIT, Roorkee and Mandi-Gobindgarh Industrial Association to study the problem of design of the hood used in furnaces. The study is at an advanced stage of completion. The Board intends to get this new design fabricated to demonstrate and study its benefits. Thus, the PPCB is also assuming the role of a facilitator in addition to being a regulator to bring about an improvement in environment through coordinated efforts of all stakeholders.

4.20. Major Management Issues & Problems

As would appear, the PPCB has taken major initiatives to improve management in regulatory and promotional areas especially in terms of client services and impacting pollution control outcomes (e.g. establishment of de-contamination facilities). In respect of client services, some minor initiatives would complete the process as mentioned later. The major areas of concern are of impact of regulatory and promotional services on pollution in Punjab and framing appropriate policies for its stakeholders.

A. Diverse Interests of Stakeholders

The environmental regulations and agencies face peculiar governance issues as there are various stakeholders with different & sometimes conflicting interests & incentives. The main stakeholders are:

(a) Owners/Clients

- The owners are interested in profits and may not be bothered about the spill-over and externalities imposed by them on society. They are also clients, however, and may not be treated as criminals and need to get facilitation in respect of services such as getting permissions and approvals etc.;

(b) Employees

- The employees and staff of the establishments may to some extent be affected by the spill-over of production. The issue of how this problem should be dealt with has been considered in the PGRC Report on Industries. It was recommended there that the concerns of the employees may be left to be negotiated by the employees under the ambit of detailed Industries Act and Regulations. The regulator should enter the picture only when the labour/employees bring any problem to the notice of the regulator - a sort of 3rd party regulation – and thus, an arm’s length approach in respect of spill-over for employees will be appropriate with the latter acting as triggers for activation of enforcement regulations;

(c) Society

- The public and the society in general, in whose case environment regulations raise typical ‘tragedy of the commons’ issues as the spill-over do not affect individuals directly, thus resulting in the citizens being mostly disinterested spectators.
- Appropriate strategies need to be put in place to address the legitimate concerns of the stakeholders, even though there may not be strong voices in support of these, especially societal, concerns.

B. Structure and Functionality

4.20.1. These aspects would necessarily need to be addressed partly through structural interventions directed at the agencies responsible for management i.e. the PPCB. The PPCB has a clear and defined role in respect of regulatory implementation and enforcement, as defined under law- as between the PPCB and the State Departments. The ownership, however, of the promotion of clean environment policies and practices is neither defined in law nor clear in practice. The department & the PPCB have still to develop systems to take note of diverse and sometimes conflicting interests of various stakeholders and work out mechanisms to address them. The state government department of environment is the legitimate authority for promotion but it does not have adequate professional manpower and is dependent on PPCB in practice. PPCB, however, feels far too stretched in terms of its regulatory duties to perform this role. It may be appropriate to have a separate cell for this purpose in the PPCB, whose work can be coordinated at the Board level by a sub-committee as indicated later.

C. *Assessing Impact of Government Regulations*

4.20.2. In this respect despite the large number of interventions listed, it is still not clear whether we are not just treading water. Newspapers report on the sorry state of handling of bio-medical waste by the hospitals and pollution of rivers by chemical industries indicate that there is big gap between precept and practice. There is a need to develop not only a roadmap but mile stones and targets for this purpose. There is no data to indicate where we stand today and whether interventions are making a difference. There is a need to devise mechanisms to assess the impact of regulations, activities & interventions.

The main issues which need attention appear to be:

- Devising appropriate policies to address diverse and conflicting stakeholder interests
- Remodeling ambiguous organisational structures
- Assessing impact and performance through outcome indicators.
- Efficient regulatory services and improved client relations.

4.21. Recommendations

4.21.1. The proposals below seek to address these issues through the suggestions given. It will be noticed that the locus of the recommendations is developing adequate strategies for stakeholder incentives, mainly through the instrumentality of information

4.22. Addressing Incentive Problems of Stakeholders

4.22.1. Environment management involves internal and external stakeholders and there may be a need to design incentives and supporting processes through reorientation of the management model, improved client services, and putting in place appropriate information and engagement structures and institutions and rules. The main stakeholders whose interests need to be addressed are; (a) the industry in respect of facilitation services and compliance incentives and (b) the public, and ways found to incentivise the stakeholders, keeping in view specific interests and biases indicated. The appropriate instruments for addressing these incentive issues in respect of this public goods area would be as indicated below transparency and (impacting) information.

I. *Incentivising Internal and External Stakeholders*

(a) Information Bulletin on Outcomes

The PPCB is the regulator, monitor as well as promoter of environment and needs to have a structured focus covering these

responsibilities. Apart from performing regulatory functions, it needs to focus on outcomes and results of its activities not only in the regulatory area but also in respect of technological and informational initiatives, as pointed out by the committees set up by Government of India. Regulatory enforcement needs to be supported and supplemented by technological initiatives as for example the steel industry initiatives, mentioned above. Employees need to know how the state and the divisions are performing and need assessment of comparative performance. Informational initiatives need to cover not only provision of status reports but also monitoring and inspection activities and their results and construction of an output and outcome atlas indicating outcomes of regulatory and management activities. The information bulletin on outputs and outcomes will level the playing field, remove information asymmetry, provide incentives to employees and also empower the public and the stakeholders.

(b) Re-structuring Management Model of the PPCB

The structure of the PPCB and the State Boards has been examined by a number of committees. The main problems noticed are:

- Inadequate technical and professional staff and preponderance of administrative staff;
- Vacant posts and lack of attention to cadre management;
- Appointment of inadequately qualified persons to the key positions of Secretary and Chairman.

These problems are no doubt serious. Hopefully the law should take care of the last problem and marginal finances and staff restructuring of the first two. The problems are easy to handle as the PPCB does not have to carry an historical baggage of a large number of non functional staff structures. A major weakness at the PPCB level appears to be strategic planning and approach. This lacuna appears to be embedded in the way the Board functioning is organised.

The constitution of the board no doubt takes care of all major stakeholder interests. Representation is provided for officials as well the public. In the absence of suitable rules and institutions, however, the Board functions more like an AGM (Annual General Meeting) of the share holders with the only difference that the meetings are held more frequently. It does not appear to deliberate on strategy and management issues of the board. It has not role in managing personnel or regulations, and being in practice divorced from policy planning and implementation issues, is not informed enough to be able to steer and guide the executive

management. In law all the powers are provided to the Board but these stand delegated to the Chairman/Secretary. There is need to activate the Board collectivity to take advantage of its comprehensive representation of all stakeholders in the Board and inject a feeling of ownership among the industry and the public stakeholders.

It is recommended that:

(i) The PPCB should set up sub committees of the Board in respect of:

- Staffing and relating issues – Personnel Sub Committee.
- Pollution Control Regulations – Sub Committee on Regulations (policy and implementation/review).
- Sub Committee on Promotion and Development – creating awareness, interaction with ULBs, Industry etc.

These entities of the Board will enable the Board members especially the external stakeholders to play a more constructive role in respect of environment management without necessarily dragging them into routine management tasks which are and should be left to the top executives – Chairman and Secretary.

(c) Revisiting Enforcement Systems

It is the duty of the PPCB to ensure compliance by the industry of the stipulations made in the applications/approvals/provided in laws regarding emissions/discharge of gases and effluents and their treatment. Implementation mechanism is generally conducting inspections, taking samples and getting them analysed. The problem with the system of inspections is similar to what has been pointed in the PGRC Report on Drug Control. The PPCB is unlikely to have adequate information to make worthwhile checks possible. This may be more of a problem in the area of environmental regulations which involves very complex processes and equipments involving production, pollutants and their treatment. The treatment equipments may be installed but may not be operated all the time. The effluents discharge may not be visible. The problem is compounded by high economic stakes. Unlike say electricity theft which can to some extent be inferred from the capacity and nature of equipment and where checking equipment is readily available, it may not be easy to monitor pollution control generation/processes. The economic incentives against compliance are also high especially in highly polluting industries.

The issue is aggravated by the principal agent problem which needs to be addressed by careful planning of the system of inspections. At present this is mostly left to the zonal offices; there is no prioritization of monitoring and enforcement activities and little by way of guidelines to the zonal offices. The PPCB needs to devise appropriate strategies for providing incentives/disincentives to ensure optimum compliance while conducting inspections.

4.23. Guidelines for Staff Inspections

4.23.1. This needs to be done through planned and systematic inspections based on guidelines to be issued. The PPCB needs to schedule and plan surprise inspections and sampling according to the state priorities, potential for misuse and propensity in specific industries for side stepping regulations. Possibly focus needs to be on Red and Orange categories especially those discharging chemical and toxic effluents and major industrial groups need to be taken up for selected focus periodically with a view to make an impact. Inspections of Green industries e.g. can be limited to an assessment regarding whether they actually fulfill the green criteria or have taken a label for say an industry actually in Orange category. Possibly the guidelines also need to focus on substantive rather than procedural compliance issues. These guidelines can be revised annually in the light of staff-industry feedback.

4.24. De-localisation of Inspections

4.24.1. Keeping in view the problems indicated, monitoring and inspections need to be de-localised. The system of single person inspections appears to be completely unsuitable in this area in view of the incentive dimensions of the clients and the officials, as indicated above. All inspections/sampling needs to be through a team of at least two officials outside the zonal jurisdiction. This will to some extent address the problem of officials being tempted and / or being scared away.

II. Industry/External Stakeholders

The issues concerning clients – industrial units - are distinct and mostly relate to interaction and feedback processes and client facilitation.

a. Feedback/Interaction

At present, there is no state level forum for exchange and interaction with industry. Various issues and problems noticed during inspections need to be discussed periodically – once or twice annually - with specific industry groups and establishments as diverse and unstructured zonal level meetings may not be

adequate. This will help in bringing the major industrial groups closer towards fulfillment of major legal requirements in terms of pollution control. There can subsequently be voluntary performance agreements based on these discussions with major industries/establishments as is the case in some other countries (e.g. Canada). Apart from Consultative Committees for major industrial groups, a common forum for PPCB – Industry consultations need to be set-up to facilitate industry – regulator interaction.

b. Client Facilitation

Examining the PPCB record in this regard was a pleasant surprise. It has proceeded far ahead of most other regulators in Punjab, despite having one of the most complex set of regulations. A number of steps have been taken to facilitate client services and improve satisfaction. As listed above, these include simplifying and streamlining the procedures and systems for processing and approvals of applicants, display of status of pending applications online, minimising discretion by discouraging the practice of conditional approvals and so on. There are, however, three aspects which the PPCB may need to take note of as indicated below.

4.25. Information on Grievance Redress Systems for Clients

4.25.1. The guidelines for entrepreneurs do not indicate any single authority in the PPCB authorised to redress complaints and grievances of clients who despite various facilitative measures, may not get an adequate response from the PPCB in regard to delay or some other substantive problems. It is recommended that the guidelines and the website of the PPCB should list the particulars – telephone number, designation, email address -of a senior functionary to whom any complaint or grievance may be addressed by a client/applicant.

4.26. Abrogation of Practice of Conditional Consent/Renewal

4.26.1. Though the PPCB in theory has stopped issuing of conditional approvals, it is understood to be continuing in practice especially in old cases which come up for renewal leading to apprehension/allegations of favouritism and corruption. The PPCB and its employees need to minimise political and extraneous influences through this self disciplining measure. It needs to ensure that no conditional approval is granted by the PPCB whether in a new case or a case of renewal. In case really required, approval of the Board should be obtained.

4.27. Information on State of Client Services

4.27.1. At present, the performance of the Board in respect of approvals given etc. as displayed under the RTI is atomistic. Information on outputs regarding control of pollution is also not available to the clients or the public. The information if provided would reinforce confidence of the public and clients that the PPCB is living up to the standards it has set for items. It is recommended that the PPCB should display on the website: (a) the standards of response (client's charter) – already done; (b) degree of compliance – the total number of applications received, the number cleared within the stipulated period; (c) the number of complaints received. This can be updated periodically.

III External Stakeholders - Public

Spillovers can be addressed sometimes through economic incentives (taxes/subsidies as for example carbon tax and similar schemes). These are not, however, within the purview of the state and the state agency is mainly concerned with enforcement of regulations to provide a clean environment for people of the state. No amount of client friendliness and system streamlining would be of much use unless the agency delivers clear outputs and outcomes in this direction.

This is a somewhat difficult task. In the first place, most of the outputs may not be easily measurable or if so, may not have much impact due to multiple causative factors. In the 2nd place, the problem of incentives involved in such a 'Commons' service is significant. The owners lack incentives – they are interested in profits and minimising costs and do not bear the costs of pollution. The regulatory agency has a principal agent problem. An official may be personally aware of a problem but may not in normal course have any incentive to open the Pandora's Box. The public lacks incentives for action as no single entity is especially affected. There may be dedicated NGOs but they may lack the information required for action.

4.28. Incentivising Stakeholders through Information

One is tempted to recommend the standard remedies of capacity building, motivation and creating awareness but these may not have any significant impact in the background of this complex web of information asymmetry and disincentives on the part of major stakeholders. One feasible and simple intervention can be incentivising the various parties especially the public through information.

4.28.1. Information on Outputs and Outcomes

Need for this measure to incentivise employees has been indicated above. Despite a number of regulations, one is not sure to what extent the regulatory apparatus is making any difference except possibly through the status report on pollution levels in selected cities. The Government of India has made a beginning through RFD (Results Framework Document) for all the departments. This is, however, in practice mainly process and activity oriented as would be clear from the perusal of the RFD put on its website by the Environment Ministry. The information has to be in a simple and understandable format and needs to cover outcomes and outputs related to parameters which can be directly attributed to the regulatory interventions. It is pointless for example to provide for outputs or even quantities for all green house gases as these depend on a large multitude of factors.

4.28.2. Suggested Outcome Indicators

Some recommended indicators which can be selected for information of the public and which can be attributed to the activities and actions of the PPCB are:

- Output of the main polluting gases by registered establishments – Nitric/Sulphuric/Carbon – annual (percentage) change.
- Wastewater/sewerage treated – annual (percentage) change.
- Effluent quantity discharged in rivers – annual (percentage) change.
- % solid waste handled/treated – annual (percentage) change.

The PPCB can modify/add as considered appropriate. The focus has to be on parameters which can be attributed to the activities and interventions of the PPCB.

4.28.3. Information on Regulatory Enforcement

The PPCB staff conducts inspections and monitoring of specific industries and establishments. Suggestions regarding reorienting the system have been given above. An abstract indicating the units inspected/samples taken/report/action taken needs to be placed on the website for information of all stakeholders. This will provide appropriate incentives (disincentives) both for the officials undertaking the inspections as well as the inspected units and of course the public by making available information on these vital activities and the outputs by the implementation and enforcement machinery. The PPCB should display on its website the outcomes/reports of inspections in a simple format for information of all stakeholders. This can be updated periodically and an annual report prepared and published on the results of these inspections.

4.28.4. Public Information on Pollution by the Registered Units & ULB's

All industrial units are required to send an Environment Report annually to PPCB. This indicates details of production, processes as well as on the quantities of pollutants discharged by the industrial units – the latter is contained in Part-C of the report. It was reported by the PPCB that only a negligible percentage of establishments are sending these reports and these are rarely being assessed and analysed. Similarly the ULBs (Urban Local Bodies) are expected to send reports on the status of solid waste handling. There is substantial default in compliance even by the ULBs.

It is recommended that

- the PPCB should ensure that all units as well as MCs supply these reports as required under law;
- PPCB interact aggressively with MCs and ULGs to get reports from them – generally data is available in the ULBs and preparation of reports and their transmission to the PPCB is only an issue of staff inertia.
- make it a condition of the 'Consent' for establishments that any default in this regard would render the unit liable to penal action;

These recommendations on restructuring disclosure of critical information would help in reducing information asymmetry among stakeholders, providing information to all stakeholders including the public, NGOs, clients and the PPCB officials themselves and incentivise the stakeholders including employees by bringing in the public domain all relevant information regarding activities/contribution of the PPCB and the clients.

4.29. Summary of Recommendations

Keeping in view the diverse interests and incentives (or lack thereof) of various stakeholders – employees, clients, the public, the government needs to look into issues of:

- ownership of promotion and development programmes in the PPCB;
- management model and functioning of the PPCB;
- monitoring and inspections protocols;
- using information and transparency as the primary tool for incentivising and empowering major stakeholders.

4.29.1. Promotional Role of PPCB

- Vesting ownership of promotion on the PPCB through creation of a separate wing, staffed by professionals to function under the sub-committee on promotion and development.

4.29.2. Re-structuring Board Management Model

- Engagement and involvement of the PPCB members, especially the external stakeholders, in policy, planning and oversight through:
- Setting up sub committees of the Board in respect of:
 - Staffing and relating issues – Personnel Sub Committee.
 - Pollution Control Regulations (policy and implementation/review) – Sub Committee on Regulations.
 - Sub Committee on Promotion and Development – creating awareness, interaction with ULBs, Industry etc.

4.29.3. Reorienting Regulatory Enforcement

- Annual guidelines for staff.
- Guidelines to indicate staff priorities for inspections and sampling.
- Focus on substantive rather than procedural compliance.
- Inspections to be team driven and de-localised to take care of principal/agent problems.
- Monitoring and inspection activities and their results to be updated monthly and annually

4.29.4. Institutionalising PPCB – Industry Interaction

- Set-up a State level Consultative Committee for environment and Committees for specific major industries of importance in Punjab.

4.29.5. Client Services

- Nominate a senior functionary for handling grievances/complaints.
- Provide information on delivery of client services: standards of response and degree of compliance of these standards.
- The PPCB should display on the website: (a) the standards of response (client's charter) – already being done; (b) degree of compliance – the total number of applications received and the number cleared within the stipulated period; (c) the number of complaints received. This can be updated at periodically.

4.29.6. Eliminating Dysfunctional Discretionary Practices

- Discontinue practice of conditional approvals initially or at the stage of renewal of consent.

4.29.7. Information Bulletins for Incentivizing Stakeholders

- Information on the state of client services.
- Information on outcome indicators.

4.29.8. Suggested Outcome Indicators

- Output of the main polluting gases by registered establishments – Nitric/Sulphuric/Carbon – annual (percentage) change.
- Wastewater/sewerage treated – annual (percentage) change.
- Effluent quantity discharged in rivers – annual (percentage) change.
- % solid waste handled/treated – annual (percentage) change.

CHAPTER V

RURAL GOVERNANCE AND THE PRIs⁹

5.1. Essentials of Governance

- 5.1.1. In a democratic polity like ours, Government, through its plethora of instruments and institutions, is in constant interaction with the citizens. Hence, the inherent and imperative need for the systems and processes to remain sensitive so as to respond and satisfy the aspirations of the people, provide appropriate redressal to the grievances, and ensure delivery of just and equitable dispensation to one and all without any malice or favour.
- 5.1.2. Citizen-Centric governance must necessarily be participative and transparent. The basic features of such a mode of governance are efficiency, effectiveness and responsiveness to the end-users and the stakeholders i.e. citizens, and the entire governance apparatus ought to be accountable to the people-the ultimate stakeholders. In short, the citizen-centric governance ought to be appraised by *vox populi*- the opinion of the majority which would be generally representative of the mood of the populace.
- 5.1.3. It has also been argued that the quest for good governance which is efficient and citizen-centric and is rooted within a sound value system has to be based on a few cardinal principles. The foremost is the Rule of Law which requires that the laws and their implementation should be transparent, predictable and credible and that those who make and implement the laws should be accountable for their decisions. In fact, it is the accountability of the decision – making process that is likely to lend credibility, predictability and transparency to the governance process.
- 5.1.4. The other fundamental principle is to put the citizen first. In practice, however, the relationship between the State and the Citizen turns out to be that of a master-client relationship, with the citizen reduced to the status of the supplicant whose dignity and self respect are often marginalised. This situation has to be reversed by changing the dole-giving syndrome to dispensing the citizens' rightful entitlements with dignity and within a reasonable time span.
- 5.1.5. In this context, it is heartening to note that the State of Punjab has taken the historic initiative to enact the Right to the Services Act, 2011, that aims at empowering the citizens to demand, as a matter of right,

⁹ Note: This section contains broad pointers. A detailed analysis is required. This section is contributed by Task Task Group on Social Security and decentralization of Powers chaired by Sh. J.R. Kundal.

the delivery of 67 services within the notified timeframe. The number of the notified services is likely to increase over time.

5.2. The Panchayati Raj Institutions (PRIs)

A. *Observations*

- 5.2.1. 'Panchayat Raj' happens to be a South-Asian political system that has existed mainly in India, Pakistan and Nepal. 'Panchayat' literally means an 'assembly' of 'five wise and respectable elders' who are chosen from amongst and accepted by the village community. "God lives in the five" is still widely accepted by the people living in the villages. During Pre Independence, Panchayats wielded a strong influence upon the socio-political and economic life of the village community. As the pivots of local governance, Panchayats occupied the centre stage in the village and stood for dispensing justice, settlement of the disputes and the focus of social solidarity. In a way, the village Panchayats were looked upon as a sort of full-fledged 'republics'. Mahatma Gandhi also advocated 'Panchayati Raj' as a decentralised form of governance where each village was supposedly responsible for the management of its own affairs with utmost autonomy. He termed such a vision as 'gram swaraj' (village self-governance).
- 5.2.2. However, given the caste-ridden feudal structure of the village society, the Panchayats suffered from inherent limitations. Dr. B.R. Ambedkar took the issue to its extreme when he observed in the Constituent Assembly during discussions on the Panchayats: "What is the village but a sink of localism, a den of ignorance, narrow-mindedness and communalism"? He went on to say that these village republics could even be held chiefly responsible for the ruination of India. One may not readily agree with the rather dismal depiction of the village republic by Dr. B.R. Ambedkar, but it is imperative not to be carried away by the other extremely romantic view of the village when judged against the established democratic values of equality, fraternity, fair play, basic human dignity and the freedom to pursue the vocation of one's own choice. The generally negative and dictatorial role being played by the so called 'Khap Panchayats' in some of the Northern States is a case in point.

5.3. Panchayats after Independence

A. Community Development Programme

- 5.3.1. Post Independence, 'Community Development Programme' was launched on 2nd October, 1952 hoping that in order to change the attitude and outlook of the rural people, it would be necessary to instill in them aspirations for higher standards of living and create the will and determination to work towards achieving such standards. It was the first organised State - sponsored initiative on a massive scale in the field of rural development in India.
- 5.3.2. The Panchayati Raj movement in India picked up momentum in 1957 with the constitution of the Balwant Rai Mehta Committee which was set up to suggest an institutional framework to secure participation of the community in development and undertaking extension service programmes for the people living in the villages. The Balwant Rai Mehta Committee recommended setting up of a three - tier structure of the PRIs for effective de-centralisation and proper implementation of the functions and programmes by all the tiers.
- 5.3.3. Accordingly, by 1959, all the States passed the Panchayat Acts and, by the mid 1960s, Panchayats were established throughout India. With this, more than 2,17,300 village Panchayats covering over 96 percent of the 579,000 inhabited villages were established. Thereafter, Asoka Mehta Committee was set up in 1977 to inquire into the working of the Panchayati Raj Institutions and to suggest measures to strengthen them so as to enable a decentralised system of planning and development to be really effective. The 7th Five Year Plan recommended strengthening of the PRIs through devolution of resources and allowing greater autonomy to the local bodies. Subsequently, L.M. Singhvi Committee was formed in 1987 for reviewing the functioning of PRIs. However, it was Thungon Committee (1988) that made recommendations for strengthening the Panchayati Raj System by conferring Constitutional recognition to the PRIs and local bodies so that these institutions could really perform the onerous role envisaged for them.
- 5.3.4. Finally, it was in 1992 that the historic 73rd Constitutional Amendment came through that indeed conferred legal status and gave constitutional backing to the PRIs and Urban Local Bodies (ULBs).

5.4. Historic Development for the PRIs and ULBs

- 5.4.1. The 73rd and 74th Constitutional Amendments of 1992 marked a new era in the democratic set-up of the country. These Constitutional

provisions created Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) as tiers of self-governance below the level of the States in the country's federal set up. It was also a landmark in the process of decentralised planning and development as the amendments envisioned people's participation in the process of planning, decision making, implementation and actual delivery. These constitutional provisions provided for the devolution of powers and responsibilities to the different tiers of PRIs with respect to the preparation of plans and programmes for economic development and social justice and their implementation in relation to the 29 subjects listed in the Eleventh Schedule of the Constitution.

- 5.4.2. The State Governments were expected to confer necessary executive powers and administrative authority to the PRIs along with control over the functionaries in their jurisdiction who were to deal with the subjects allotted to them. Equally significant was the proposed devolution of the financial resources to the three levels of the PRIs to enable them to discharge their responsibilities effectively and efficiently.
- 5.4.3. However in practice it has been noticed that the central ministries as well as the state governments continue to dither on the issue of integrating the PRIs in planning and implementation of the programmes which essentially fall in their jurisdiction. The centrally-sponsored/central sector schemes continue to be implemented departmentally or through parallel delivery arrangements such as the users' association, programme specific committees/agencies, self-help beneficiary groups, *mahila sanghs* or through NGOs, thereby virtually bypassing the PRIs.
- 5.4.4. The state governments, barring a few States, have taken some initiatives and effective steps to ensure genuine transfer of powers and resources to the PRIs. However, even those States feel handicapped in involving the PRIs in the execution of centrally-sponsored schemes as the guidelines concerning them are drawn by the concerned central ministries without any authority with the state government, much less to the PRIs to change or modify the guidelines to suit the local needs. It has, therefore, been felt that there was an urgent need to conceptualise a flexible role for the different levels of PRIs and ULBs for implementing the centrally - sponsored/ central sector schemes by making suitable changes in the format of the schemes for optimizing their impact.
- 5.4.5. One of the major tasks assigned to the PRIs is the preparation of plans for fostering economic development and social justice for the rural community. The district development plans are to be prepared after the *gram sabha* lists out their priorities besides being actively

associated in the selection of the beneficiaries for various programmes and schemes. Subsequently, the village level plans are to be prepared to be incorporated in the intermediate plans (block level). These tentative plans shall finally merge into the district plan. Some States have already identified the works/schemes of sectoral departments to be undertaken at different levels.

- 5.4.6. For instance, in Andhra Pradesh, activities such as maintenance of the community assets, implementation of poverty alleviation programmes, sanitation, markets, internal roads etc. have been devolved at the gram panchayat level. The intermediate level has been made responsible for the block component of Primary Education, Women and Child Welfare etc. At the *Zila Parishad* level, functions related to the provision for drinking water, rural roads, secondary education, etc. would be implemented. The DPCs would not only consolidate plans from below but would take decisions on the development of the district within the given resource potential and the identified needs and constraints of the local areas.

5.5. 73rd and 74th Constitutional Amendments

- 5.5.1. As per the constitutional provisions, elections were to be held mandatorily every 5 years; to provide reservation of seats for the Scheduled Castes, Scheduled Tribes and Women in all the three-tiers of the PRIs; to appoint State Finance Commissions to make recommendations with regard to the financial powers as also to ensure devolution of State/Central resources to the PRIs; to constitute District Planning Committees for preparing development plans for the districts keeping in view the availability of local resources and the local priority areas, needs and problems. The three-tier system of Panchayati Raj was expected to consist of: (a) village level panchayat; (b) block level panchayat (Panchayat Samiti), and (c) district level panchayat (Zila Parishad).
- 5.5.2. The Powers and responsibilities to be delegated to the Panchayats at the appropriate level were also outlined for:
- Preparation of plans for economic development and social justice for the local areas.
 - Implementation of the schemes to achieve the aforesaid objectives in relation to the 29 subjects listed in the Eleventh Schedule of the Constitution.
 - To levy, collect and appropriate taxes, duties, tolls and fees.
- 5.5.3. In short, the 73rd and 74th Constitutional Amendments, 1992, aimed at establishing a genuinely democratic and decentralised development process through people's participation in the decision- making,

implementation of the development schemes and programmes as also the actual delivery of the various services to the citizens.

5.6. Evolution of Panchayats in Punjab

- 5.6.1. The State of Punjab has about 66% of its total population of 277.04 lakhs living in 12,581 villages. These villages are grouped into 141 Community Development Blocks located in 22 districts. Punjab has been one of the most progressive economies amongst the States in India, with an average growth rate of 10% per annum and with 76.7% literacy rate. Punjab has had the distinction of having the highest per capita income levels in the country.
- 5.6.2. The village panchayats were set up for the first time in the composite province of Punjab in 1912. This was facilitated by the passage of the Punjab village Panchayat Act under the British rule. Subsequently, new laws replaced this Act in 1921 and 1939. After independence and the partition of Punjab in 1947, the rural institutions were democratized through a new Act called the Punjab Panchayats Act, 1952. The new law provided for the constitution of village panchayats on a mandatory basis through universal adult suffrage.
- 5.6.3. In 1961, the Punjab State reorganised its Panchayati Raj system based on the Balwant Rai Mehta Committee's recommendations. However, the turning point in the history of the Panchayats in Punjab followed the historic 73rd Constitutional Amendment of 1992 that conferred Constitutional status and legal sanctity to the PRIs.

5.7. Empowering PRIs

- 5.7.1. With the enactment of the new Punjab Panchayati Raj Act that came into effect on 21st April, 1994, the following positive steps were initiated by the State Government:-
 - In line with the 29 items mentioned in the Eleventh Schedule of the Constitution, a number of schemes/functions and programmes were assigned to the Gram Panchayats, Panchayat Samitis and Zila Parishads under section 30,119 and 180 of the Act respectively.
 - Punjab State Election Commission was set up through another enactment in 1994 to conduct elections to the Panchayats & Municipalities every five years.
 - First and Second Finance Commissions were set up to suggest measures to improve the finances of PRIs and Municipalities.
 - Under the Panchayati Raj Act, 1994, reservation for the Scheduled Castes, Backward Classes and Women was provided and elections to the Gram Panchayats were accordingly held in 1998. Elections to the Panchayat Samitis and Zila Parishads were held in 1994 and

2002 by giving reservation to the various categories in accordance with the provisions of the Panchayati Raj Act, 1994.

- Gram Sabhas have been established.
- District Level Planning Committees have been constituted.
- District – level Monitoring and Vigilance Committees have been set up with a view to monitoring the implementation of the Central schemes including MPLAD scheme.
- Chairpersons of the District Level Zila Parishads have been appointed Chairpersons of the DRDAs (District Rural Development Agencies).

5.8. Field Survey to Assess the Priority Concerns of the Rural Community

5.8.1. The Punjab Governance Reforms Commission (PGRC) got a detailed survey conducted in the State of Punjab to elicit people's response to the various issues concerning their day to day living. The main findings of the Survey conducted on the issues of satisfaction level regarding the functioning of PRIs in the State of Punjab emerged as below.

- The Study revealed that 65 per cent respondents were totally unaware about the meetings of the Panchayats. Only 35 per cent people were aware of such meetings. It showed dismal level of participation and awareness of the members of gram sabha about the functioning of the Panchayats.
- Around 70 per cent respondents felt that of the total expenditure incurred by the Panchayats, upto 25 per cent accounted for corruption, while 5 per cent respondents felt that the corruption level was in the range of 51-75 per cent. For 3.5 per cent of the respondents, the corruption level was in the range of 76-100 per cent.
- Of the total sampled respondents, 68 per cent were of the opinion that no official ever contacted them to assess their problems in the last two years. Only 31 per cent responded in the positive. This aspect of the study also revealed that there was need for coordination/link/participation between the Panchayat as an institution and the members of gram sabha.

5.8.2. On the basis of the above findings of the study, it has been found that the Panchayati Raj Institutions are working in a vacuum without any noteworthy participation of the people. And, it can be said that the prevalent practices are substantially not in consonance with the spirit of the democratic values besides undermining the Constitutional provisions aimed at empowering the PRIs as legitimate tiers of local governance.

5.9. Interaction with Stakeholders

5.9.1. The PGRC Team visited various districts and had interaction with the various stakeholders, such as, officials, people's representatives, the common citizens etc. The following feedback resulted.

- The elected members of the PRIs feel disillusioned because of their non-participation in the decision-making processes.
- The level of awareness among the elected representatives appeared to be satisfactory, even though the majority of them are not well educated. Only about five percent happen to be graduates, and the rest of the elected members are either matriculate or below.
- Capacity-Building achieved through sporadic training programmes without sufficient back-up through refresher programmes has resulted into disinterest and lack of confidence and clarity about their role.
- The District Level Planning Committees have not been able to contribute effectively in the process of decision-making.
- The resources at the disposal of the Village Panchayats are rarely used due to lack of working capital with the respective Panchayats.
- Only a few functions have been assigned to the Panchayat Raj Institutions. As a matter of fact, even those functions have been virtually rolled back to the State-level Directorates.
- The elected representatives were found to be unhappy about the lack of proper infrastructure required to enable their functioning with dignity and convenience.
- The working equation between the elected representatives and the government functionaries is hardly professional and is dependent mainly on personal equations.

5.10. Recommendations

I. Devolution of Functions

5.10.1. Admittedly, the 29 subjects mentioned in the Eleventh Schedule of the Constitution cover overlapping areas as there are certain activities which fall under the jurisdiction of more than one agency. However, in the given scheme of things, State Governments have the freedom and flexibility to make suitable modifications within the broad framework of the GOI recommendations for effective empowerment of the PRIs.

5.10.2. As a matter of fact, it was for the State Government to take firm decisions with regard to transferring the various functions along with funds and functionaries of the concerned departments to the

Panchayati Raj Institutions. Indeed, it would have been more appropriate for the Government to initiate the process of transfer of the 3- Fs (Functions, Funds and Functionaries) to the PRIs in a phased manner. It is felt that the beginning ought to have been made by transferring to the PRIs the welfare-oriented functions and programmes. Since a sizeable proportion of the village population generally gets covered under one or the other State or Central Government-sponsored welfare scheme or programme, the first phase transition would have met the least resistance from the concerned departments.

- 5.10.3. Likewise, the Second Phase could cover the development functions. The regulatory functions could be the last to be handed over to the PRIs since these institutions, in the meantime, would acquire the much needed experience, understanding, confidence and expertise in handling the schemes and programmes at their-own level.
- 5.10.4. After careful scrutiny of the 29 subjects indicated in the Eleventh Schedule of the Constitution, an attempt has been made to suggest a possible model for affecting the transfer of the functions and activities to the PRIs in a phased manner. The suggested Multi-Stage devolution of the functions is given hereunder.

➤ Transfer of functions

- Preparation of action plan to transfer functions, functionaries and finances in phases
 - Transfer of schemes in a phased manner
 - 29 subjects mentioned cover some overlapping areas
 - The State Government has the freedom and flexibility to make suitable modifications within the broad framework of the recommendations

Short-term (2-3 months)	Welfare functions
Medium term (1 year)	Development functions
Long term (2 -3 years)	Regulatory functions

- Coordination between the PRIs and the line departments is vital

Focus Areas

1. Planning and implementation of programmes
2. Feedback and control

Advantages

- Frequent interaction between these bodies lends as element of continuity to the structure.
- A data base can be prepared through this kind of planning.
- Monitoring of the schemes can be done more efficiently and effectively.
- Homogeneity/coincidence of organizational, divisional, departmental and individual objectives.

Multi – Stage Devolution of Functions, Schemes and Programmes to the PRIs

5.10.5. The Devolution of functions and duties suggested hereunder is only indicative and could still be staggered over a definite time-frame.

5.11. Welfare- Oriented Functions: Phase I

- **Poverty alleviation programmes:** Promotion of Public awareness and participation in poverty alleviation programmes for fuller employment and creation of productive assets etc.; Selection of beneficiaries under various programmes in the open meetings of the Gram Sabhas.
- **Education including primary and secondary schools:** Promotion of public awareness and participation in primary and secondary education; Distribution of free text books and stipends amongst the SC students etc.
- **Adult and non-formal education – promotion of adult literacy programmes.**
- **Cultural activities:** The organization of mahila mandals, organization of youth clubs and promoting games and sports and execution of development, social and cultural activities in the Sabha areas; promotion of social and material well being.
- **Fairs and festivals:** Organization and celebration of public festivals and fairs other than religious festivals.
- **Women and Child Development:** Participation in the implementation of women and child welfare programmes; active participation and effective monitoring of mid-day meals scheme; promotion of nutrition programmes.
- **Social welfare including welfare of the handicapped and mentally challenged:** Participation in the implementation of the social welfare programmes, including welfare of the handicapped, mentally challenged and destitutes.
- **Welfare of weaker sections and, in particular, the Scheduled Castes:** Promotion of public awareness with regard to the welfare of the Scheduled Castes and other weaker sections; participation in the implementation of the specific programmes for the welfare of the weaker sections; Monitoring of old age and widows pension schemes.

5.12. Development functions: Phase II

- **General Functions:** Organising voluntary labour for community works; maintenance of essential data of the village; preparation of annual plans for the development of the panchayat area; preparation of annual budget; mobilizing relief in times of natural calamities.
- **Construction, repair and maintenance of community assets:** Wells, water-pumps, *baolies*, springs, ponds and tanks for the supply of water for drinking, washing and bathing; Burial and cremation grounds; lighting of

the public places; ponds for animals, sheds for carts, bicycles, rickshaws and autos; public gardens, playgrounds, establishment and maintenance of recreation parks, organization of games and sports, supply of sports materials and holding of tournaments; libraries and reading rooms; the construction, repair and maintenance of public places and buildings of public utility under its own control or transferred to it by the state government or any other authority; construction and maintenance of culverts and bridges; the laying out of new roads and pathways and maintenance of existing ones; supply of water for domestic use and for cattle; maintenance of boats, ferries and all waterways; cleaning of public roads, drains, tanks, wells and other public places; construction and maintenance of public latrines.

- **Agriculture including Extension and Demonstration Programmes:** Promotion and development of agriculture and horticulture; development of wastelands, grazing lands and preventing their unauthorized alienation and use; destruction of weeds and pests; training and carrying out schemes for the improved methods of cultivation and management of land to increase production; the organisation of Farmers Clubs; promotion of agriculture credit through PACs and establishing credit centres to relieve rural indebtedness etc.
- **Animal Husbandry, Dairying and Poultry:** Promotion of dairy farming, poultry and piggery; grass-land development, preparation and distribution of improved variety of seeds of fodder and grass; collection, destruction and disposal of stray animal/carcasses; setting up of slaughter-houses under direction/guidance of health authorities.
- **Fisheries:** Promotion and development of fisheries in the village.
- **Social and Farm forestry, minor forest produce, fuel and fodder:** Planting and preservation of trees on the sides of roads and other public lands under its control; promotion of farm forestry and social forestry.
- **Khadi, Village and Cottage Industry:** Promotion of agro-based rural and cottage industries **Rural Housing:** Distribution of house sites within its jurisdiction **Non-Conventional Energy Sources:** Promotion and development of non-conventional energy schemes; Propagation of improved *chulhas* and other efficient energy devices.
- **Public Health and Family Welfare:** Implementation of family welfare and population control programmes; prevention and remedial measures against epidemics; participation in programmes of human and animal vaccination; elimination of stray dogs.

5.13. Regulatory functions: Phase III

- **General Functions:** Removal of encroachments on public properties; promotion of unity and harmony among all the sections of society in the village; allotment of places for preparation and conservation of manure

and shifting them to far away places; prevention and control of pollution; management and control of washing and bathing ghats.

- **Rural Housing:** Maintenance of records relating to the housing sites and other private and public properties.
- **Rural Electrification including Distribution of Electricity:** Providing for and maintenance of lighting of public streets and other places.
- **Non- conventional energy source:** Maintenance of community non-conventional energy devices, including bio-gas plants
- **Poverty Alleviation programme:** Participation in effective implementation and monitoring.
- **Education including Primary and Secondary schools:** Ensuring full enrolment and attendance in primary schools and its management.
- **Cultural Activities:** Promotion of social and cultural activities.
- **Fairs and Festivals:** To organise, regulate and control local markets for sale and purchase of any product including cattle fairs.
- **Public Health and Family Welfare:** Regulation of sale of meat, fish and other perishable food articles; licensing of eating and entertainment establishments; regulation of curing, tanning and dyeing of skins and hides; regulation of offensive and dangerous trades.
- **Women and Child Development:** Establishment, maintenance and management of maternity and child welfare centres and the construction and repair of all buildings connected therewith; social welfare including welfare of the handicapped and mentally challenged; public distribution system and monitoring of the fair price shops.

II. Devolution of Financial Resources to the PRIs

5.13.1. We may have a look at the major recommendations made by the State Finance Commission(SFC) for devolving statutory funds and grants to the PRIs. It has already been noted that the state government set up the state finance commission to study the wide gamut of financial

matters and to suggest the actual quantum of the resources to be passed on to the PRIs.

5.13.2. After detailed deliberations with the various stakeholders, the First and the Second Finance Commissions made a set of recommendations for effecting devolution of financial resources. The following are recommendations made by the First SFC.

5.14. On Devolution of Funds

20% of the net proceeds of the following State taxes are to be devolved to the PRIs.

- Stamp Duty
- Motor Vehicle Tax
- Electricity Duty
- Entertainment Tax
- Entertainment Tax (Cinematography)
- Total Land Revenue, including cess if any, is to be devolved to the Gram Panchayats.
- Transfer to the PRIs of 16% to 20% of the total revenue collections by way of Excise Duty on liquor.

5.15. On Grants

5.15.1. Weak Gram Panchayats possessing less than Rs.100 per capita should be given grants to bring the income level up to Rs.100 per capita. Grants for street lighting are given to the weak Gram Panchayats varying between 25 to 50% of the electricity bill. Gram Panchayats and Panchayat Samitis are given incentive grants for efforts to raise resources as per the parameters laid down by the Commission.

5.16. On Other Taxes

5.16.1. Mandatory tax on professions, individuals, traders, commission agents and shop keepers based on the income slabs to be levied by Gram Panchayats who will also levy tax on advertisements and hoardings, house tax and non- tax revenue, particularly, auction money. Panchayat Samitis are to collect the income from the built up property. Zila Parishads are to collect a part of the income from the properties and other fees and fines.

The Second Finance Commission also made a set of recommendations. These were as follows:-

- Four percent of Punjab's net tax collection (minus compensation for the abolished octroi) be divided between ULBs and PRIs, to meet their operational expenses. This amount be divided between the urban and the rural areas in the ratio of 2:3. The devolution

meant for the PRIs be used first to meet the gap in the operating costs of Zila Parishads and Panchayat Samitis, and the remaining amount be distributed amongst the Panchayats on per capita basis.

- 16% of the excise duty on IMFL and beer, and 10% of the auction money from the liquor vendes be devolved on the local bodies in the proportion of collections from the local body areas.
- Rs. 400 crore to be devolved on urban local bodies every year, through the Municipal Development Fund, to leverage finances, to improve public health and other related services.
- The devolution of the State's financial resources for rural infrastructure ought to be used more efficiently besides providing support for O&M expenditure on the basic civic services.

Transfer of Funds & Financial Autonomy

State Legislature to enact laws

- Authorising the Panchayats to levy, collect and appropriate certain taxes, duties, tolls and fees.
- Assigning to the Panchayats some taxes, duties, tolls levied and collected by the State Government.
- Providing for making grants-in-aid to the Panchayats from the Consolidated Fund of the State.
- Providing for constitution of 'Funds' for crediting all money received by or on behalf of Panchayats and also for the withdrawal of such money therefrom.
- The Panchayats are required to be given the responsibility to levy and collect certain taxes, fees, duties or tolls.

III. Mapping Resources of Panchayats: Accountability through Transparency

5.16.2. One of the major deficiencies that afflict the Panchayats is the near complete absence of an incomplete record pertaining to the assets and resources that are generated during a year. It is, therefore, strongly suggested that the Panchayats ought to be instructed to maintain basic data with regard to the assets (moveable and immoveable), income from various sources, including grants from the state and central governments as also grants received under some special package or programme, such as, MPLAD scheme etc.

5.16.3. One feels constrained to observe that the field functionaries of the Department of RD&P appear to have some vested interests in not maintaining and reporting correct details with regard to the Panchayat assets and properties.

5.16.4. It is also common knowledge that while the annual land rentals keep on increasing with regard to the private lands, the revenue from the

Panchayat lands continues to remain static for years on end. Also, there are hundreds of instances relating to the precious Panchayat lands that are under the unauthorised control and possession of the influential persons. The illegal encroachments continue to rob Panchayats of their rightful revenue.

5.16.5. Hence, it is imperative to insist on the maintenance of a composite documentation of the assets and resources of the Panchayats. In this regard, detailed proformas for mapping the assets and resources of the Panchayats have been presented as tables 1, 2 & 3 in chapter v-annexure. The Department of Rural Development may, in consultation with the stakeholders and experts, modify the suggested proformas.

IV. Accounts and Accounting Procedures

5.16.6. It has been observed that there are no formal and structured formats for the maintenance of data pertaining to the actual expenditure incurred by the Panchayats. Also, the format used for the preparation of budget estimates needs to be changed in view of the fact that it is outdated. In brief, the existing accounting data maintained can hardly be used as input information for taking managerial decisions.

5.16.7. One of the prerequisites for the successful functioning of these institutions is to ensure proper financial accountability along with transparency. These institutions must have an appropriate and yet simple systems to project a fair idea about the income and expenditure, and to reveal the financial health of these institutions as indicated by the assets and liabilities (both in physical as well as monetary terms).

5.16.8. As of now, the institution of the Controller, Panchayati Raj Finances, is rather weak and handicapped in the absence of trained accounting staff who can effectively impart training to the field functionaries for the maintenance of accounts. The Department of R.D&P may like to enlist chartered accountants to monitor and supervise the actual accounts reflecting income and expenditure being maintained by the PRIs. The audit fees payable on account of these services ought to be declared a fit charge for the PRIs.

5.16.9. In view of the above observations, a model format for Budgeting, Maintenance of Accounts by the PRIs has been suggested hereunder. The suggested format, however, may be modified in consultation with the experts so as to achieve the desired objectives.

Audit/Social Audit

Financial Audit

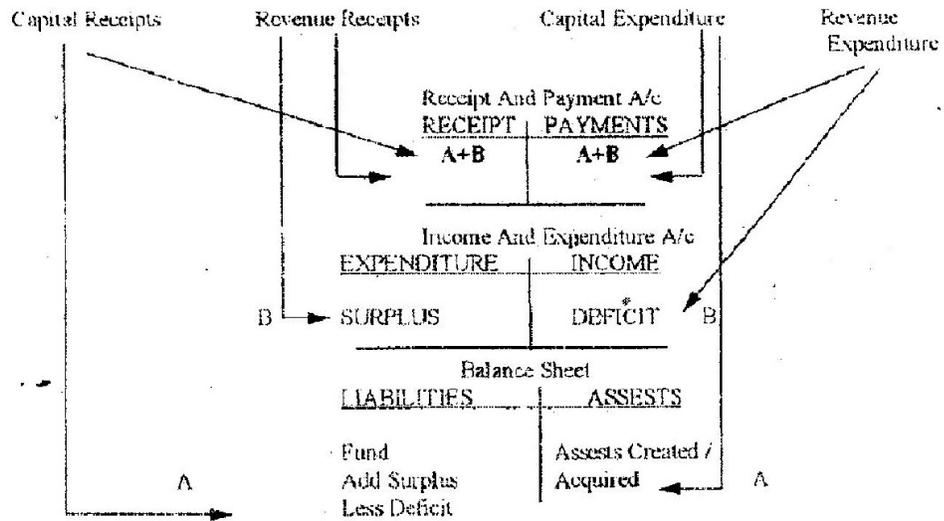
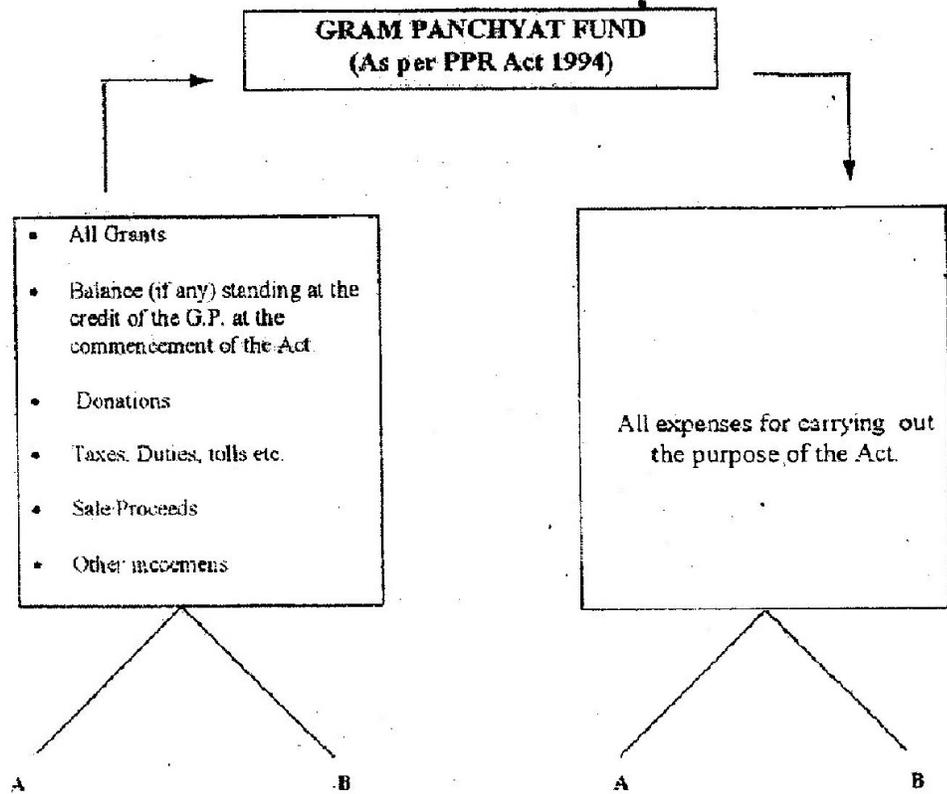
Accountant General, Punjab may be assigned the work of Audit of the Panchayati Raj Institutions so as to ensure regular and stringent adherence to the prescribed norms/procedures for timely detection of embezzlements or other irregularities.

Social Audit

The Gram Sabhas may be made active for carrying out Social Audit periodically under the provisions of law. That would generate higher levels of satisfaction for the village community in having actively participated in the execution of the developmental programmes. The elected representatives would also acquire genuine confidence.

EXHIBIT - I

ACCOUNTING MODEL FOR GRAM PANCHAYAT



V. Capacity Building of the PRIs

❖ Crash programme for imparting functional literacy to the panchayats/elected representatives.

- A special scheme to provide functional literacy to the village panchayats may be prepared. All the members of the village Panchayat may be made literate within 6 months of the launching of the scheme.

❖ Need for capacity-building in view of the following:

- General literacy and information is low.
- Working knowledge of PRI is inadequate.
- Not fully conversant with the rules of business and procedures.
- Not fully aware of the role of gram panchayats regarding development, welfare and regulatory functions.
- Limited skills to co-ordinate with government and non-government organizations.
- Low understanding of the management of finances, accounting and record keeping.

❖ Focus and objectives of capacity-building

- From dole-giving to people's productive participation.
- Requisite skills for community interaction and active participation in decision-making process.
- Efficient implementation of community-oriented programmes.

Skill Empowerment shall include techniques to regulate village level institutions, maintain systematic accounts, coordination with the village, block and district level officials etc.

VI. Honorarium for the Elected Representatives of the PRIs

5.16.10. The state governments and the GOI are generally liberal in enhancing the honorarium, pay, perks etc. of the State Legislators and the Parliamentarians respectively. By the same logic, the state government should approve token honorarium for all the elected representatives of the PRIs. It is learnt that some honorarium is already being paid to the *Sarpanches*. However, all the elected representatives ought to be covered as per the details given in Table 4 in chapter v-annexure.

5.16.11. Lack of proper training to the representatives of PRIs/ULBs in discharging their enlarged scope of functions and handling of the higher responsibilities proved too much for them. What further compounded the problems were a few additional factors, such as, lack of education of the elected representatives, the endemic and aggressive polarisation of the village communities on political lines and the statutory provisions for giving reservation to the women and the scheduled castes for the offices of the Sarpanch, Chairman of Zila Parishad etc.

VII. Constitution of New Panchayats

5.16.12. Number of new Panchayats came to be constituted since the minimum population requirement for forming a panchayat was only two hundred. As such, the State has over 13000 panchayats against just about 1000 in the State of Kerala. The new Panchayats were carved to ensure the continued control and authority of the vested interests over the elected bodies while allowing semblance of legitimacy to the provisions relating to reservations for women and SCs. A provision in this Act should be added that no new panchayat should be added to circumvent reservation.

VIII. The provision to suspend elected members of panchayat for certain violations has been frequently misused particularly for political purposes particularly at the time of election of sarpanches. These powers are vested with of the Director, panchayats under Section 19 of the Punjab Panchayati Raj Act, 1994. Members of Panchayats should be brought under Lok Pal rather than allowing departmental interference which amounts to subversion of democratic process.

5.17. Summary of Recommendations

- All the subjects should be assigned to the Panchayati Raj Institutions in a phased manner over a period of time. The multi-stage devolution has been suggested at Annexure-A.
- Provision for the transfer of Funds, Functions and Functionaries be allowed to prevail as per the provisions of the Panchayati Raj Act.
- Regular Meetings of the PRIs must be held.
- The provision for the requisite physical and financial infrastructure should be made on priority.
- Due recognition be given to the elected members of the PRIs by the State-level and district-level functionaries who are deputed to execute the various works on behalf of the PRIs.
- The District and State level authorities should be sensitive to the issues raised and demands projected by the elected members of the PRIs.
- Adequate provision for the working capital be made in the State budget and physically transferred to the PRIs on quarterly basis for meeting the O&M cost of the common services and facilities.
- The role of the elected members of PRIs in the decision-making will encourage the educated people also to be a part of the PRIs.
- The issues raised, the complaints made and the proposals put forward by the elected members of the PRIs should be duly recognized for promoting the democratic values at the grass root level.

Annexure to Chapter I

Annexure I

List of activities under Agriculture for which Stamp Duty/Registration Fee has been exempted by Punjab Government (Extraordinary Gazette) on June 21, 2001

1. Purchase of Tractor with its accessories
2. Tractor Trolley
3. Thrasher
4. Harvesting Combine
5. Installation of Tube-well
6. Boring Equipment
7. Agricultural implements
8. Spray Equipment
9. Sprinkler for Irrigation (for Agricultural purposes)
10. Purchase of Pumping Sets
11. Drip Irrigation
12. Purchase of Inputs (crop loans like fertilizer, insecticides pesticides medicines and seeds)
13. Cane Crusher
14. *Gobar* Gas Plants
15. Animal Husbandry
16. Dairy
17. Piggery
18. Poultry
19. Fisheries
20. Sheep Rearing
21. Goat Rearing
22. Rabbit Rearing etc.
23. Calf Rearing
24. Bee keeping
25. Laying of underground pipes
26. Lining of water courses
27. Levelling and redemption of land
28. Sand scraping
29. Development of horticulture
30. Floriculture

31. Grapes cultivation
32. Mushroom cultivation
33. Forestry
34. Bull Cart/Camel Card and
35. Construction of Cattle Shed etc.

Hon'ble C.M. Punjab in a meeting held on 14.10.2009, approved the following additional activities even though the notification is yet awaited.

1. Purchase of land
2. Revolving Cash Credit Limit and Kissan Credit Card
3. Rural Go-down
4. Shed for parking Agricultural Machinery

Annexure II

Table 1
Real Growth Rates of States - GSDP % at Constant Prices

No	State/UTs	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Andhra Pradesh	4.58	8.16	4.22	2.73	9.35	8.15	9.57	11.18	12.02	5.02	5.79
2	Arunachal Pr.	4.01	7.07	15.70	-4.31	10.94	16.46	2.55	4.95	12.01	7.51	22.43
3	Assam	3.18	2.53	2.60	7.07	6.02	3.74	3.40	4.65	4.82	6.82	8.08
4	Bihar	3.68	16.04	-4.73	11.82	-5.15	12.17	0.94	18.13	8.48	13.06	8.56
5	Jharkhand	-2.75	-9.85	6.79	2.54	8.03	15.21	-3.20	2.38	20.52	4.71	6.58
6	Goa	2.11	-3.74	4.50	7.08	7.49	10.19	7.83	9.65	5.63	9.45	13.03
7	Gujarat	1.02	-4.89	8.41	8.14	14.77	8.88	14.95	8.39	11.00	6.96	10.23
8	Haryana	7.65	8.16	7.81	6.52	9.86	8.42	8.80	11.55	9.80	8.61	9.95
9	Himachal Pr.	6.61	6.32	5.21	5.06	8.08	7.56	8.43	9.09	8.55	7.36	8.12
10	J & K	4.48	3.53	1.96	5.13	5.17	5.23	3.73	5.95	6.02	6.07	6.48
11	Karnataka	5.33	1.42	2.80	4.55	3.46	9.85	10.95	9.94	12.64	3.79	4.99
12	Kerala	7.54	3.53	5.17	7.30	6.25	9.97	10.09	7.90	8.77	7.22	9.73
13	Madhya Pr.	10.50	-6.93	7.12	-3.91	11.42	3.08	5.31	9.23	4.69	7.82	8.49
14	Chattisgarh	0.24	-5.17	13.20	-0.06	16.55	5.49	3.23	18.60	8.61	6.80	11.93
15	Maharashtra	9.74	-2.10	4.05	6.81	8.00	8.71	14.49	14.13	10.78	7.75	8.68
16	Manipur	12.00	-6.35	6.81	-0.46	10.84	9.70	NA	NA	NA	NA	NA
17	Meghalaya	7.79	5.45	6.89	3.79	6.78	7.11	7.26	7.74	4.02	4.51	7.28
18	Mizoram	NA	4.97	6.52	10.39	3.19	4.15	6.97	4.78	10.98	13.91	13.95
19	Nagaland	0.80	16.60	11.45	9.45	5.02	4.59	7.24	6.04	5.22	NA	NA
20	Orissa	5.17	-1.66	6.29	-0.65	15.15	13.19	5.51	12.99	10.91	7.24	10.57

21	Punjab	5.63	3.93	1.92	2.85	6.07	4.95	5.43	10.16	9.2
22	Rajasthan	2.11	-2.01	10.87	-9.90	28.67	-1.85	6.68	11.67	5.1
23	Sikkim	3.48	7.59	7.88	7.31	7.89	7.72	9.83	5.97	7.6
24	Tamil Nadu	6.11	5.87	-1.56	1.75	5.99	11.45	13.32	14.85	5.9
25	Tripura	7.11	5.88	14.07	6.41	5.88	8.14	5.82	8.28	7.7
26	Uttar Pradesh	5.49	2.19	2.17	3.72	5.27	5.40	6.30	8.19	7.4
27	Uttaranchal	0.82	12.04	5.53	9.92	7.61	12.99	13.50	14.55	18.
28	West Bengal	6.88	3.84	7.32	3.78	6.20	6.89	6.25	7.43	7.9
29	A & N Islands	8.36	-0.21	2.99	9.33	10.52	3.69	5.18	18.04	10.
30	Chandigarh	6.60	12.24	8.61	12.20	10.59	10.30	11.38	12.83	9.2
31	Delhi	4.79	4.32	3.87	7.56	5.68	11.73	10.05	12.39	11.
32	Puducherry	2.92	13.51	7.16	9.50	5.13	-10.82	24.64	3.54	8.5
	All India	6.40	4.35	5.81	3.84	8.52	7.47	9.52	9.58	9.3

Source: Planning Commission

Table 2
Per Capita Net State Domestic Product at Constant (1999-2000) Prices

		(crores) - (Data from 2004-05 at 2004-05 Prices)							
Sl. No.	States/UTs	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Andhra Pr.	15,427	16,574	17,213	17,340	18,819	25,321	27,486	30,114
2	Arunachal Pr.	13,990	14,726	16,793	15,832	17,340	27,271	27,651	28,667
3	Assam	12,282	12,447	12,529	13,072	13,675	16,782	17,050	17,579
4	Bihar	5,786	6,554	5,994	6,658	6,117	7,759	7,659	9,005
5	Jharkhand	11,549	9,980	10,451	10,563	11,173	18,512	17,408	17,430
6	Goa	42,296	38,989	39,339	40,602	42,206	76,426	80,531	85,592
7	Gujarat	18,864	17,227	18,200	19,509	22,387	32,021	36,102	38,568
8	Haryana	23,229	24,412	25,598	26,726	28,861	37,842	40,313	44,222
9	Himachal Pr.	20,806	21,824	22,543	23,234	24,377	32,564	34,741	36,813
10	J & K	13,816	13,859	13,784	14,341	14,848	21,314	22,198	23,197
11	Karnataka	17,502	17,352	17,402	18,115	18,236	26,745	29,265	31,917
12	Kerala	19,461	19,854	20,681	21,942	23,156	31,871	34,837	37,284
13	Madhya Pr.	12,384	11,150	11,715	10,880	11,870	15,442	15,927	17,073
14	Chattisgarh	11,629	10,808	12,202	11,716	13,661	18,559	18,530	21,580
15	Maharashtra	23,011	21,892	22,258	23,447	24,859	35,915	40,947	46,158
16	Manipur	13,260	12,157	12,641	12,319	13,389	NA	NA	NA

17	Meghalaya	14,355	14,910	15,518	15,882	16,658	23,793	25,182	26,787
18	Mizoram	16,443	16,635	17,245	18,429	18,555	24,662	25,826	26,308
19	Nagaland	13,819	15,746	16,540	17,122	17,958	20,234	20,659	20,821
20	Orissa	10,567	10,211	10,701	10,575	11,951	17,380	17,964	20,009
21	Punjab	25,631	25,986	25,992	25,955	27,075	32,948	33,741	36,759
22	Rajasthan	13,619	12,840	13,933	12,054	15,579	18,565	19,445	21,342
23	Sikkim	14,890	15,305	15,953	17,065	18,159	26,693	29,011	30,296
24	Tamil Nadu	19,432	20,319	19,748	19,662	20,707	30,105	33,968	38,851
25	Tripura	14,119	14,933	16,947	17,752	18,554	24,394	25,688	27,558
26	Uttar Pradesh	9,749	9,721	9,672	9,806	10,120	12,840	13,302	14,109
27	Uttaranchal	13,516	14,932	15,364	16,530	17,542	24,740	27,560	30,743
28	West Bengal	15,888	16,244	17,225	17,567	18,374	22,654	23,799	25,274
29	A & N islands	24,005	23,658	23,869	25,487	27,229	40,921	41,645	47,522
30	Chandigarh	44,502	48,292	50,476	55,991	59,406	74,442	78,998	84,769
31	Delhi	38,913	38,975	39,026	40,929	41,930	61,560	65,993	72,091
32	Pondichery	30,486	34,190	35,831	38,648	39,633	48,573	60,168	61,157
	All-India Per Capita NNP	15,881	16,172	16,764	17,101	18,301	24,143	26,025	28,083

Source:

Planning

Table 3
High Performing States during 11th Five Year Plan

State	Rate of Growth (In percent)	
	Target	Achieved
Maharashtra	9.10	9.42
Punjab	5.90	7.50
Bihar	7.60	11.44
Chhattisgarh	8.76	9.71
Uttar Pradesh	6.10	7.28

Table 4
Structure of Punjab Economy

Sector/Year	1970-71		2008-09	
	India	Punjab	India	Punjab
	GDP share	GSDP Share	GDP Share	GDP Share
Agriculture	48	58	18	32
Industry	20	15	26	23
Service	32	27	56	45

Table 5
Cropping Pattern in Punjab: 1960-61 to 2000-01

Crop	1960-61			2000-01			Change in Area (1960-61/2000-01) 000 Hect)
	Area	Percent of		Area	Percent of		
	(000 Hect)	Total cropped area	Net sown area	(000 Hect)	Total cropped area	Net sown area	
Wheat	1400	29.59	37.26	3408	42.95	79.92	2008
Rice	227	4.80	6.04	2612	32.92	61.26	2385
Cotton	447	9.45	11.90	473	5.96	11.09	26
Potatoes	9	0.19	0.23	64	0.81	1.50	55
Sesamum	8	0.17	0.21	19	0.24	0.45	11
Sunflower	-	-	-	7	0.09	0.16	7
Misc. Crops	908	19.19	24.17	914	11.52	21.43	6
Gram	88	17.71	22.31	8	0.10	0.19	-830
Maize	327	6.91	8.70	164	0.07	3.82	-163
Sugarcane	133	2.81	3.54	121	1.53	2.83	-12
Bajra	123	3.59	3.27	6	0.08	0.14	-117
Rape seed/ mustard	107	2.26	2.84	55	0.69	1.28	-52
Groundnut	67	1.42	1.78	4	0.05	0.09	-63
Barley	66	1.40	1.76	32	0.40	0.75	-34
Pulses	65	1.37	1.73	47	0.59	1.10	-18
Mix cereals	11	0.23	0.29	-	-	-	-11
Jowar	6	0.13	0.16	-	-	-	-6
Lin seed	3	0.06	0.07	1	0.01	0.02	-2
Total cropped area	4732	100.00	-	7935	100.00	-	3203
Net sown area	37.57	-	100	4264	-	100.00	507

Source: Statistical Abstracts of Punjab

Table 6
Sources of Expansion in Area under Wheat and Rice

Source	Wheat		Rice	
	Contribution to expansion (000 Hect)	Per cent share in expansion	Contribution to expansion (000 Hect)	Per cent share in expansion
Total expansion in area under the crop	2008	100.00	2385	100.00
Area shifted out of other crops	945	47.06	376	15.77
Expansion in double cropped area	556	27.68	1502	62.96
Expansion in net area sown	507	25.26	507	21.25

Source: Statistical Abstracts of Punjab

Table-7
Food Balance of India's Major States
(Average for Triennium Ending 1998-99)

Sr. No	State	Surplus (+), Deficit (-), (Lakh Tonnes)			Nature of food balance
		Wheat and Rice	Wheat	Rice	
1	Punjab	+170.71	+99.68	+71.03	Stable Surplus Grain Production
2	Haryana	+73.04	+51.16	+21.88	
3	Uttar Pradesh & Uttranchal	+73.14	+36.07	+37.06	
4	M.P. including Chhattisgarh	+10.41	+11.16	-1.02	Delicate Food Balance
5	West Bengal	+3.57	-7.12	+10.69	
6	Rajasthan	+2.17	+2.37	-0.20	
7	Goa	+0.01	-0.31	+0.32	
8	Himachal Pradesh	-2.71	-1.13	-1.58	Chronic Food Deficit
9	J&K	-5.27	-4.77	-0.50	
10	Karnataka	-7.30	-3.04	-3.99	
11	Andhra Pradesh	-9.90	-1.90	-8.80	
12	Tamil Nadu and Pondichery	-12.80	-2.50	-10.30	
13	Gujarat	-13.00	-10.87	-2.13	
14	Orrisa	-14.80	-1.98	-12.82	
15	Assam and N.E.S.	-16.01	-1.51	-14.50	
16	Delhi	-16.71	-13.23	-3.48	
17	Kerala	-29.11	-1.64	-27.47	
18	Maharashtra	-32.74	-23.22	-9.52	
19	Bihar and Jharkhand	-41.98	-19.20	-22.78	

Source: Ramesh Chand (2003)

Table-8
Contribution of Punjab-Haryana Region to Central Pool of Food grains
(Average for Triennium Ending 2009-10) (Lakh Tonnes)

Region	Wheat	Rice	Wheat and Rice
Punjab-Haryana	143.17 (72.56)	96.88 (33.30)	240.05 (49.17)
Rest of India	54.14 (27.44)	194.06 (66.70)	248.20 (50.83)
Total	197.31 (100.00)	290.94 (100.00)	488.25 (100.00)

Source: Govt. of India, Economic Survey 2009-10

Table-9
Demand for Cereals in India: Estimates for 2020

Source of Estimate	Estimated Demand for Cereals by 2020 (million-tonnes)
M.W. Rosegrant et. al. (Impact Model)	237.3
G.S. Bhalla et. al.	296.2
Praduman Kumar	254.5
U.S. Department of Agriculture	267.0
P.S. Rangji et. al. (wheat and rice only)	208.92 to 209.87
R.S. Paroda	260.0 to 264.0
R. Thamara Jaksi	274.0 to 287.0
Tim Dyson and A. Hanchate	223.6
P.C. Bansal	241.35
Ramesh Chand	261.5
Simple Average (Excluding Rangji Estimate)	258.0

Note: Cereals include Wheat, Rice and other grains. Source: M.W. Rosegrant M.W. et. al.(1995), G.S. Bhalla et.al. (1999), P.Kumar (1998), P.C. Bansal (2001), P.S. Rangji et. al. (2004), Ramesh Chand (2007)

Table-10
Production and Availability of Cereals in India Estimates for 2020

Source of Estimate	Estimated Production (million tonnes)	Estimated Availability (million tonnes)
M.W. Rosegrant et. al. (Impact Model)	256.2	237.0
G.S. Bhalla et. al.	251.0	232.2
Praduman Kumar	269.9 to 309.9	249.7 to 285.9
U.S. Department of Agriculture	240.0	222.0
P.S. Rangji et. al. (Wheat and Rice only)	188.82 to 218.54	174.66 to 202.15
Simple Average (Excluding P.S. Rangji estimate)	259.30	240.0

Note: 1. Cereals include Wheat, Rice and other Grains. 2. Availability = 87.5 percent of production.
Source: Same as table 3

Table 11
Trends in area under wheat and rice in Rest of Indian States
(1996-97 to 2005-06)
(Regression Results)

State	Area under Wheat		Area under Rice	
	Trend Coefficient	t – value	Trend Coefficient	t – value
Uttar Pradesh and Uttranchal	0.004	4.01*	(-) 0.007	0.73
Madhya Pradesh and Chhatisgarh	(-) 0.02	1.06	(-) 0.001	0.23
Rajasthan	(-) 0.03	3.52*	(-) 0.01	2.92**
Bihar and Jharkhand	0.001	0.35	0.08	0.07
Gujarat	0.03	0.81	(-) 0.04	11.42*
Maharashtra	(-) 0.008	0.53	0.004	4.65*
West Bengal	0.01	1.63	(-) 0.001	0.42
Himachal Pradesh	(-) 0.003	0.67	-	-
J&K	(-) 0.004	0.43	-	-
Karnataka	(-) 0.003	0.82	(-) 0.006	0.64
Assam	(-) 0.004	4.83*	(-) 0.03	0.74
Tamil Nadu and Pondcherry	-	-	(-) 0.03	2.39**
Orissa	-	-	(-) 0.009	0.45
Kerala	-	-	(-) 0.04	11.42*
Andhra Pradesh			(-) 0.02	1.41

Notes: 1. Form of Equation Estimated Logy = a + b Time. 2. For saving space only trend coefficient are reported. 3. Asterix (*), (**) indicate significant at 1% and 5% levels respectively.

Table-12
Trends in yield of wheat and rice in Rest of Indian States
(1996-97 to 2005-06) *(Regression Results)*

State	Yield of Wheat		Yield of Rice	
	Trend	t – value	Trend	t – value
Uttar Pradesh and Uttranchal	0.002	0.04	(-) 0.01	1.39
Madhya Pradesh and Chhatisgarh	(-) 0.004	0.43	0.01	0.62
Rajasthan	0.01	2.00***	-	-
Bihar and Jharkhand	(-) 0.03	6.25*	(-) 0.02	1.76
Gujarat	0.001	1.22	0.02	1.71
Maharashtra	0.01	1.02	(-) 0.006	0.36
West Bengal	(-) 0.006	1.13	0.01	6.96*
Himachal Pradesh	0.01	1.06	-	-
J&K	0.006	0.04	-	-
Karnataka	0.003	0.09	0.02	1.19
Assam	(-) 0.02	2.48**	0.01	2.91**
Tamil Nadu and Pondicherry	-	-	(-) 0.01	1.31
Orissa	-	-	0.02	1.09
Kerala	-	-	0.02	3.77*
Andhra Pradesh	-	-	0.02	3.66*

Notes: 1. Form of Equation Estimated $\log y = a + b \text{ time}$. 2. For saving space only trend coefficient are reported. 3. Asteriks (*), (**), (***) indicate significant at 1%, 5%, 10% levels respectively.

Table 13
Yield Gap of Different States from Punjab-Haryana Region: Wheat

State	Average for triennium ending 1968-69		Average for triennium ending 2005-06		Growth Rate
	Yield (Kg./Hect.)	Index	Yield (Kg./Hect.)	Index	1966-67 to 2005-06 (Percent/Year)
Punjab-Haryana	1851	100	4202	100	2.07
Uttar Pradesh and Uttranchal	1026	55	2608	61	2.36
Madhya Pradesh and Chhatisgarh	623	34	1712	36	2.56
Rajasthan	989	53	2798	59	2.63
Bihar and Jharkhand	834	45	1673	46	1.76
Gujarat	1165	63	2621	62	2.05
Maharashtra	432	23	1357	27	2.91
West Bengal	1279	69	2176	55	1.33
Himachal Pradesh	835	45	1726	36	1.83
Uttrakhand.	782	42	1626	31	1.85
Karnatka	307	17	710	15	2.12
Assam	565	31	1062	32	1.59

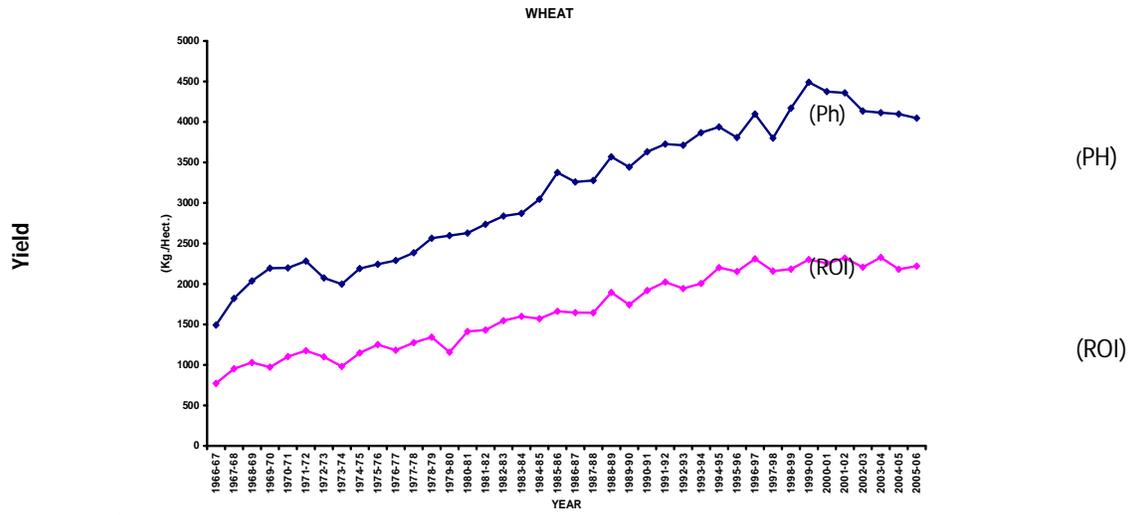
Note: Punjab-Haryana yield indicates potential yield of HYV wheat under real life conditions.

Table 14
Yield Gap of Different States from Punjab-Haryana Region: Rice

State	Average for triennium ending 1968-69		Average for triennium ending 2005-06		Growth Rate
	Yield (Kg./Hect.)	Index	Yield (Kg./Hect.)	Index	1966-67 to 2005-06 (Percent/Year)
Punjab-Haryana	1292	100	3832	100	2.76
Uttar Pradesh and Uttranchal	612	47	1991	52	2.99
Madhya Pradesh and Chhatisgarh	642	50	1193	31	1.56
Bihar and Jharkhand	653	58	1202	31	1.18
Gujarat	655	51	1882	49	2.67
Kerala	1416	110	2242	59	1.16
Maharashtra	952	74	1685	44	1.44
West Bengal	1144	89	2590	66	2.01
Andhra Pradesh	929	72	3020	79	2.99
Orissa	934	72	1496	39	1.19
Tamil Nadu and Pondicherry	1544	120	2519	66	1.23
Karnatka	1583	123	2923	76	1.54
Assam	952	74	1054	28	0.26

Note: Punjab-Haryana yield indicates potential yield of HYV rice under real life conditions.

Figure-1
Trends in Wheat Yield: Punjab-Haryana Region and Rest of India
(1966-67 to 2005-06)



PH = Punjab-Haryana Region

ROI = Rest of India

Figure-2

Trends in Rice Yield: Punjab-Haryana Region and Rest of India
(1966-67 to 2005-06)

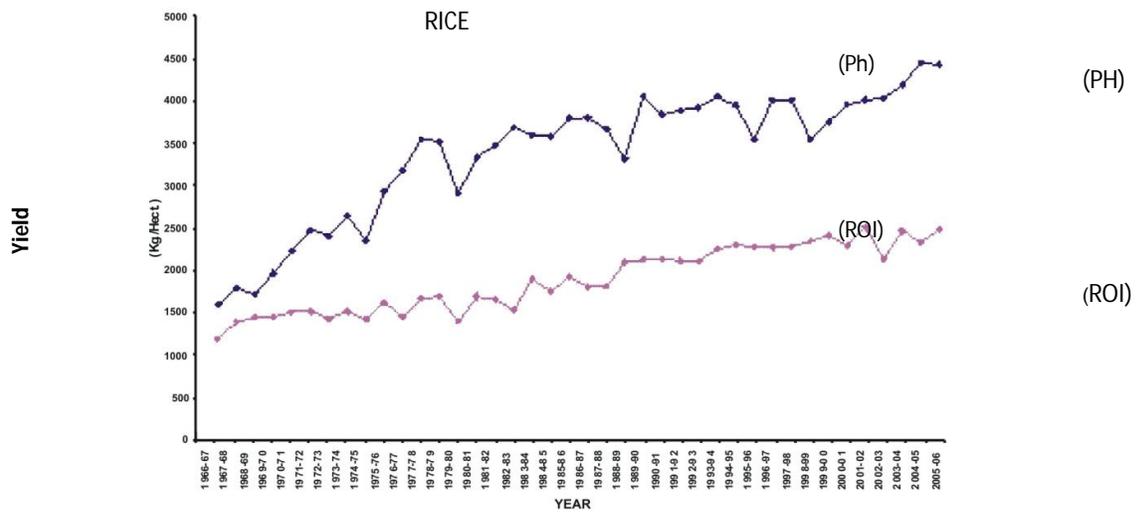


Table-15

**Growth Trajectories of Wheat and Rice Yields: Difference Between
Punjab-Haryana Region and Rest of India
(Time Period: 1966-67 to 2005-06)**

Eq. No.	Dependent Variable (log form)	Intercept (a ₀)	Slope Coefficient (b ₀)	Differential Intercept (a ₁ -a ₀)	Differential Slope (b ₁ -b ₀)	R-Sqr	Growth Rate (Percent/Year)	
							Punjab-Haryana Region	Rest of India
1	Wheat Yield	7.519* (290.45)	0.02412* (21.92)	-0.688* (18.80)	0.00202 (1.30)	0.96 9	2.44	2.65
2	Rice Yield	7.437* (188.51)	0.02142* (12.77)	-0.575* (10.31)	-0.00227 (0.96)	0.91 4	2.17	1.93

Notes: 1. Form of equation estimated $\text{Log } y = a_0 + b_0 \text{ Time} + (a_1 - a_0)D + (b_1 - b_0)D \text{ Time} + e$, where D takes value one for Rest of India, and zero for Punjab-Haryana Region. 2. Figures in parentheses are t-values. 3. * indicates significant at 1 percent level for a two-tailed test. 4. Growth Rate = $[\text{Anti} - \text{Log}(\text{slope coefficient}) - 1] \cdot 100$

Table-16

Impact of crop rotation combinations on wheat yield in Punjab

Crop Rotation Combination	Wheat Yield (Kg. / Hect.)			
	1980-81	1990-91	1998-99	Index 1998-99
Paddy – Wheat	2997	3983	4481	100
Cotton – Wheat	2858	3390	4187	93
Maize – Wheat	2906	3395	3907	87
Fodder Crop – Wheat	2679	3469	4092	91
Fallow Land – Wheat	2763	3654	4242	95

Source: Karam Singh, P.S. Rangri and S. Kalra (2004), PP. 746-71

Table-17**Extent and pattern of change in ground water level in Punjab: 1973 to 2000**

Zone	Water Table Depth (Meters)	Percent of Area with water Table Depth	
		1973	2000
Foot-Hills Zone	Less than 5.0	32	30
	5.0 to 10.0	32	47
	Above 10.0	36	23
Central Zone	Less than 5.0	39	6
	5.0 to 10.0	58	41
	Above 10.0	3	53
South-West Zone	Less than 5.0	39	41
	5.0 to 10.0	25	50
	Above 10.0	36	9

Source: Govt. of Punjab (2002)

Table-18**Growth of Farm Debt in Punjab Over 1997-2008**

Aspect of Farm Debt	Amount		2008 as multiple of 1997	Growth Rate (Percent per year)
	1997	2008		
Total farm debt at current prices (Rs. crore)	5700.91	30394.12	5.33	17.28
Total farm debt at constant prices (Rs. crore)	5700.91	13829.32	2.43	8.81
Debt per farm household at current prices (Rs. lakh)	0.52	3.05	5.86	18.36
Debt per farm household at constant prices (Rs lakh)	0.52	1.39	2.67	9.83
Debt per operated acre at current prices (Rupees)	5721	28708	5.02	16.60
Debt per operated acre at constant prices (Rupees)	5721	13062	2.28	8.18

Notes: 1. Source of Farm Debt Estimates: H.S. Shergill (1997, 2008) 2. Weighted Index of prices of 21 agricultural commodities grown in Punjab is used to estimate debt at constant prices. Source: Price Index: Statistical Abstract of Punjab, various issues.

Table-19
Growth of Farm Debt Components and Change in Farm Debt Composition

Farm Debt Component	Amount		2008 as multiple of 1997	Growth Rate (Percent per year)
	1997	2008		
Outstanding debt at current prices (Rs. crore)	2175.26 (38.16)	19165.11 (63.05)	8.81	23.03
Outstanding debt at constant prices (Rs. crore)	2175.26	8720.13	4.01	14.13
Mortgage debt at current prices (Rs. crore)	406.02 (7.12)	245.05 (0.81)	0.60	(-) 4.94
Mortgage debt at constant prices (Rs. crore)	406.02	111.50	0.28	(-) 13.09
Debt equivalent of short-term loans at current prices (Rs. crore)	3119.33 (54.72)	10983.96 (36.14)	3.52	12.74
Debt equivalent of short-term loans at constant prices (Rs. crore)	3119.33	4997.36	1.60	4.59

Notes: 1. For source of information see legend under table 18. 2. Figures in brackets indicate percent share of debt component in total farm debt.

Table-20
Growth in Debt Position of Farm Size Groups and Change in Their Share in Total Debt

Farm Size Category wise Debt (Rs. crore)	1997 (As in December 1997)	2008 (As in June- August 2008)	2008 Amount as multiple of 1997 amount	Growth Rate (Percent per year)
Debt of marginal and small farms at current prices	1229.58	3495.26	2.84	10.46
Debt of marginal and small farms at constant prices	1229.58	1590.34	1.29	2.48
Debt of medium and big farms at current prices	4471.33	26653.81	5.96	18.53
Debt of medium and big farms at constant prices	4471.33	12127.48	2.71	9.97
Marginal and small farms share in total farm debt (Percent)	21.57	11.59	(Percent points) -9.98	(Percent change) 46.27
Medium and big farms share in total farm debt (Percent)	78.43	88.41	9.98	12.73

Notes: 1. Source of Farm Debt Estimates: H.S. Shergill (1997, 2008) 2. Farm debt amount for 2008 does not include mortgage debt because it could not be apportioned between the two farm size classes owing to small number of sample observations.

Table- 21
Change in Burden of Farm Debt Over 1997-2008

Sr. No.	Indicators of Debt Burden	Value of Indicator in		Change in indicator (2008 value as multiple of 1997 value)
		1997	2008	
1.	Debt per farm household at constant prices (Rs. lakh)	0.52	1.39	2.67
2.	Debt per operated acre at constant prices (Rupees)	5721	13062	2.68
3.	Debt as percent of NSDP originating in agriculture	67.60	83.86	16.26*
4.	Debt as percent of value of machinery and tubewells owned by farmers	15.04	52.88	37.84*
5.	Debt as percent of value of farm land owned by farmers	3.31	4.01	0.70*
6.	Annual interest charge of farm debt at constant prices (Rs. crore)	1102.78	2512.33	2.28
7.	Annual interest charge of farm debt as percent of NSDP originating in agriculture	10.96	14.44	3.48*
8.	Annual interest charge of farm debt per operated acre at constant prices (Rupees)	1074	2263	2.11
9.	Annual interest charge of farm debt as percent of cash rent per acre	21.48	33.15	11.67*

Notes: 1. Source of Farm Debt Estimates: H.S. Shergill (1997, 2008) 2. Price per acre of farm land prevailing in sample villages is used to compute the value of farm land owned by farmers. 3. Cash rent per acre prevailing in the sample villages is used for figures reported in row 9. 4. *indicates change in terms of percent points.

Table-22
Distribution of Farms by Debt Burden

Debt Amount Per Owned Acre (Rupees)	Number of Farms		Mean Owned Area (Acres)	Amount of Debt Per Farm (Rs. lakh)	Amount of Debt Per Owned Acre (Rupees)
	Number	Proportion			
80 thousand & Above	51	17.00	4.69	5.99	127709
60 to 80 thousand	32	10.67	8.04	5.73	71228
40 to 60 thousand	60	20.00	7.60	3.85	50651
20 to 40 thousand	74	24.67	9.24	2.71	29311
Upto 20 thousand	72	24.00	10.97	1.18	10778
Nil	11	3.67	9.27	-	-
All Farms	300	100.00	8.42	4.37	51858

Source: H.S. Shergill: Growth of Farm Debt in Punjab: 1997 to 2008, IDC, Chandigarh, January 2010

Table-23
Farms in Debt Trap: Farm Size Wise Distribution
(Debt per Owned Acre Rs.80 Thousand and Above)

Farm Size Class (Acres)	Number of Sample Farms	Number of Farms in Debt Trap	Percent of Farms of Size Class in Debt Trap	Share of Size Class in Debt Trapped Farms of State (Percent)	Debt Amount Per Farm (Rs. lakh)	Debt Amount Per Owned Acre (Rs. lakh)
Marginal upto 2.5	38	15	39.47	29.41	2.70	2.21
Small 2.5 to 5.0	51	16	31.37	31.37	4.82	1.35
Medium 5.0 to 10.0	100	16	16.00	31.37	7.56	1.16
Big 10.0 to 25.0	80	4	5.00	7.84	16.77	1.12
Large 25.0 & Above	31	-	-	-	-	-
All Farms	300	51	17.00	100.00	4.37	1.28

Source: H.S. Shergill, Growth of Farm Debt in Punjab: 1997 To 2008, IDC, Chandigarh, January, 2010.

Table-24
Change in Share of Main Credit Agencies in Farm Debt Over 1997-2008
(Amount in Rs. crore at Current Prices)

Credit Agency		1997	2008	Change Over 1997-2008 Amount: 2008 as Multiple of 1997 Share: Change in Percent Points
Commission Agents & Money Lenders	Amount	2640.52	13179.09	4.99
	Share (%)	46.32	43.36	(-) 2.96
Commercial Banks	Amount	1106.95	9659.81	8.73
	Share (%)	19.42	31.78	12.36
Cooperative Credit Institutions	Amount	1547.42	5748.85	3.72
	Share (%)	27.14	18.91	(-) 8.23
Others	Amount	406.02	1806.37	4.45
	Share (%)	7.12	5.95	(-) 1.17
All	Amount	5700.91	30394.12	5.33
	Share (%)	100.00	100.00	-

Source: H.S. Shergill (1997 and 2008)

Annexure to Chapter II

Table – 1
Level of urbanisation and contribution of urban India to GDP

Year	Level of urbanization	Urban contribution to GDP
1950-51	17.29%	29%
1970-71	19.91%	37%
1990-91	25.72%	50%
2000-01	27.78%	60%

Source: Computed from J.K. Gupta's Status Paper on Urbanisation in Punjab, 2001.

Table-2
State-wise percentage of urban population in India

State	Percentage of urban population	
	2001	2011
Jammu and Kashmir	24.85	27.21
Himachal Pradesh	9.79	10.04
Punjab	33.95	37.49
Chandigarh	89.78	97.25
Uttaranchal	25.59	30.55
Haryana	29.00	34.79
Delhi	93.01	97.50
Rajasthan	23.38	24.89
Uttar Pradesh	20.78	22.28
Bihar	10.47	11.30
Sikkim	11.10	24.97
Arunachal Pradesh	20.41	22.67
Nagaland	17.74	28.97
Manipur	23.88	30.21
Mizoram	49.50	51.51
Tripura	17.02	26.18
Meghalaya	19.63	20.08
Assam	12.72	14.08
West Bengal	28.03	31.89
Jharkhand	22.25	24.05
Orissa	14.97	16.68
Chhatisgarh	20.08	23.24

Madhya Pradesh	26.67	27.63
Gujarat	37.35	42.58
Daman & Diu	36.26	75.16
Dadra & Nagar Haveli	22.89	46.62
Maharashtra	42.40	45.23
Andhra Pradesh	27.08	33.49
Karnataka	33.98	38.57
Goa	49.47	62.17
Lakshadweep	44.47	78.08
Kerala	25.97	47.72
Tamil Nadu	43.86	48.45
Pondicherry	66.57	68.31
Andaman & Nicobar Islands	32.67	35.67
INDIA	27.78	31.16

Table -3
Urbanisation in Punjab and India during 1951-2011

Year	Total urban population (in Lakhs) Punjab	Percentage of urban population		Decadal Growth rate of urban population		No.of town in Punjab
		Punjab	India	Punjab	India	
1951	19.24	21.0	17.29	20.02	41.42	98
1961	25.58	22.9	17.97	29.06	26.06	106
1971	32.16	23.7	19.41	25.27	38.23	108
1981	46.47	26.1	23.34	44.51	46.34	134
1991	60.01	29.7	25.72	28.45	39.19	120
2001	82.45	33.95	27.78	37.58	31.13	157
2011*	103.87	37.49	31.16	25.98	---	217

Source: i) Census of India 2001, Series-4, Punjab, provisional totals, paper-2 of 2001, Rural-urban distribution of population. Govt. of India, New Delhi, p.27.,ii) Census of India 2011, Provisional Population Totals.

Table – 4 (a)
Percentage of Urban Population in Different Categories of Towns in Punjab: 1951-2001

Class of town	Census year						
	1951	1961	1971	1981	1991	2001	
I	33.11 (3)	38.5 (4)	40.62 (4)	45.40 (7)	54.31 (10)	58.39 (14)	
II	7.73 (2)	8.1 (4)	15.68 (8)	13.28 (9)	19.8 (18)	16.46 (19)	
III	25.98 (17)	28.3 (23)	21.74 (22)	21.31 (28)	12.9 (25)	12.50 (35)	
IV	14.14 (21)	11.2 (23)	13.78 (33)	11.07 (35)	10.5 (44)	9.82 (54)	
V	13.18 (30)	10.0 (34)	7.00 (30)	6.72 (41)	2.0 (16)	2.52 (28)	
VI	5.36 (25)	2.8 (17)	1.18 (11)	1.22 (14)	0.5 (7)	0.33 (7)	
Total no. of towns	98	106	108	134	120	157	

Source: Census of India 2001, Series-4, Punjab, Provisional Population Totals, Paer-2 of 2001, Rural-Urban Distribution of Population, Govt. of India, New Delhi, p.27. Note: - Number of towns in each category is given in parentheses.

Table – 4(b)
District-wise proportion of urban population to total population in Punjab

Districts	Proportion of urban population to total population in district			Decadal growth of urban population (%)	
	1991	2001	2011	1991-2001	2001-2011
Ludhiana	51.81 (20.74)	55.80 (20.51)	59.14(19.85)	36.05	21.79
Jalandhar	40.63 (11.19)	47.45 (11.24)	53.18(11.17)	38.28	24.50
Amritsar	34.08 (14.25)	40.00 (14.91)	53.64(12.86)	44.01	9.22
Patiala	30.49 (7.78)	34.98 (7.80)	40.27(7.33)	38.02	18.19
Faridkot	32.95 (2.50)	33.89 (2.27)	35.20(2.09)	24.91	12.37
Kapurthala	25.76 (2.78)	32.59 (2.97)	34.90(2.74)	47.14	15.76
Rup Nagar	25.82 (3.88)	32.46 (4.37)	26.02(1.71)	55.11	-50.93
Bathinda	26.98 (4.43)	29.78 (4.27)	35.99(4.81)	32.36	42.12
Sangrur	24.80 (6.97)	29.26 (7.09)	31.24(4.97)	39.91	-11.64
Fatehgarh Sahib	22.17 (1.68)	28.08 (1.84)	30.87(1.78)	50.26	22.55

Firozpur	25.70 (6.21)	25.81 (5.46)	27.25(5.32)	20.94	22.52
Muktsar	23.40 (2.55)	25.81 (2.40)	27.99(2.43)	29.44	27.26
Gurdaspur	21.99 (6.45)	25.46 (6.48)	28.50(6.30)	38.15	22.41
Mansa	14.85 (1.42)	20.68 (1.73)	21.26(1.57)	66.84	14.76
Moga	19.13 (2.48)	20.04 (2.16)	22.55(2.15)	19.38	25.27
Hoshiarpur	17.10 (3.71)	19.66 (3.52)	21.15(3.22)	30.84	14.64
SBS Nagar	11.00 (0.98)	13.80 (0.98)	20.43(1.20)	38.49	54.82
Taran Taran	NA	11.98	12.63(1.36)	NA	NA
SAS Nagar	NA	38.33	55.77(5.23)	NA	NA
Barnala	NA	30.47	31.97(1.83)	NA	NA
Punjab (urban)					25.72

Table – 5
Performance of India and Punjab on Key Indicators

Indicators	Basic Standard	India	Punjab
Water supply coverage (% population)	100	74	86
Water supply quantity (litres per capita per day)	150	105	150
Sewerage network (% population covered)	100	63	60
Sewage treatment plant (% of sewerage generated)	100	30	40
Storm water drainage (% road coverage)	100	20	5-15
Solid waste management (% of total waste generated)	100	72	15
Share of public transportation (% total trips)	50	30	20
Vehicular congestion (vehicles per lane kilometre)	112	170	170
Parks and open space (square meters per capita)	9	2.7	1.2
Slum population (% total population in cities)	Zero	23.1	236.
Health care (hospital beds per 1000)	5	2	1.7
Education (student to teacher ratio in primary schools)	30	48	42

Source: 1. Report of the DLG submitted to the Fourth Finance Commission. 2. Census India, 2001 3. Consultations with municipal officials, 2011

Table – 6
Estimated Housing stock and housing shortage in urban Punjab: 2001 & 2011

Sr. No		Punjab	Urban Punjab (2001)	Urban Punjab (2011)
1.	Population	24,289,296	8245,566	10500000
2.	Total Household	4265156	1489694	2019000
3.	Nuclear Families	5120010	1687766	2281500
4.	Census houses(Residence+ Residence Cum other purpose)	4185393	1455461	1892000*
5.	Minimum Housing Shortage by Conventional Method(2- 4)	79763	34233	127000
6.	Qualitative Housing Need			
A.	Inadequate Housing			
(i)	No. of household without any room	25003	11792	15950
(ii)	Overcrowded housing	808403	280882	337000**
(iii)	Serviceable/non-serviceable	209953	34392	44700***
(B)	Upgrading demand			
7.	Ideal Nuclear Housing Need****	934617	231322	389500
8.	Housing Shortage (5+6) Housing Shortage (5+6+7)		361299 626854	524650 914150

Source: Computed from Census 2001. * It is assumed that the housing stock has increased at the rate of 30% per decade. ** It is assumed that the overcrowding housing has increased at the rate of 20% per decade. *** It is assumed that the Serviceable/non-serviceable has increased at the rate of 30% per decade. **** Demand for nuclear housing unit is estimated as the difference between the nuclear families and housing stock

Table – 7
Slum Population in Punjab

Particulars	2001
Population living in slum pocket/areas in the state	11.52
Total population of the 28 towns in which slums have been identified (in lakh)	58.88
Percentage of slum population of 28 towns to the total population of these towns	19.56
Percentage of slum population to total urban population of the state	13.97
Percentage of slum population to total population of the state	4.74

Table – 8
Distribution of slum population in class I towns of Punjab

City	Total population	Slum Population	Percentage Slum Population
Ludhiana	13,98,467	3,14,904	22.51
Amritsar	966862	229603	23.74
Jalandhar	706043	134840	19.09
Patiala	303151	67411	22.23
Bathinda	217256	40602	18.68
Pathankot	157925	15663	9.91
Hoshiarpur	149668	8370	5.59
Batala	125677	33604	26.73
Moga	125573	33242	26.47
Abohar	124339	43863	35.27
Malerkotla	107009	20401	19.06
Khanna	103099	16299	15.8

Source: Census of India 2001.

Table – 9
Distribution of slum population in class II towns of Punjab

Town	Total Pop	Slum Population	SC in Town	SC in Slums	% Share-Slum Population
Barnala	96,624	7,206	21805	2847	7.45
Phagwara	95788	1676	22545	978	1.74
Ferozpur	95775	25012	18823	9870	26.11
Kapurthala	85686	18187	16451	6305	21.22
Muktsar	83655	530	22128	484	0.63
Rajpura	82956	13354	7280	2563	16.09
Kotkapura	80785	25606	23435	13310	31.69
Firidkot	78265	25059	21035	15158	32.01
Sangrur	77989	14246	15877	8607	18.26
Mansa	72627	4584	16974	2371	6.31
Malout	70765	23438	19416	10722	33.12
Gurdaspur	67479	9523	13422	2394	14.11
Fazilka	67427	24014	14632	8064	35.61
Nabha	62000	7161	8973	2863	11.55
Fez.cantt	57678	1163	8065	747	2.01
Total	11,75,499	200759	250861	87283	257.91

Source: Census of India 2001.

Table – 10
Gini Coefficient in India and Punjab

India	Year			
	1983	1987-88	1993-94	2004-05
Urban	33.9	35.0	34.4	37.6
Rural	30.4	29.9	28.6	30.5
Punjab				
Urban	33.9	28.8	28.1	40.3
Rural	29.2	29.7	28.1	29.5

Source: Computed by Sandhu and Singh(2007)

Table – 11

Grants released by the Government of India & State Government to urban local bodies for urban development, poverty reduction and infrastructure (2006-07 to 2009-10)

(Rs in crore)

Sr. no.	Name of scheme	2006-07			2007-08			2008-09			2009-10		
		Centre Share	State Share	Total	Centre Share	State Share	Total	Centre Share	State Share	Total	Centre Share	State Share	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Gahara Project at Amritsar	9.60		9.60	39.15		39.15				3.35		3.35
2	Municipal Development Fund					110.00	110.00		392.32	392.32		3.12	3.12
3	Provision of Rail Bridge (ACA)							20.00		20.00			
4	Urban Renewal Programme repayment of LIC Loan(taken for w/s + Sarv Projects in ULBs)		2.93	2.93		2.77	2.77		2.62	2.62		2.45	2.45
5	Sawarn Jagariti Shehari Rozgar Yojna (75:25)	0.13	0.36	0.49		0.49	0.49		0.27	0.27			
6	National Urban Information System(70:30) (JNNURM)		0.46	0.46		0.03	0.03		0.18	0.18			
7	Urban Infrastructure and Governance (50:20:30) (UIG)				28.19	11.27	39.46	71.63	16.58	88.21	52.37	31.92	84.29
8	Accelcrated Water Supply Programmes (50:50)		1.11	1.11	1.12	0.01	1.13						
9	Laying of Main Sewar line to check contamination of water in Phagwara Town					3.00	3.00		2.00	2.00			
10	Integrated Development of small and medium town JNNURM (60:40)	2.12	1.69	3.81	0.24	0.16	0.40		0.21	0.21			
11	JNNURM (50:20:30) Basic Services to Urban Poor(BSUP)							9.04	3.62	12.66	8.32	3.33	11.65

12	JNNURM (80:10:10) Urban Infrastructure Development Scheme for Small & Medium Town (UIDSSMT)							75.87	9.48	85.3
13	JNNURM (20:10:10) Integrated Housing and Slum Development programme (IHSDP)							12.77	1.60	14.3
14	Prevention of Pollution of river Sutluj(cost of land 100% CS)	15.35	10.00	25.35	37.30	10.00	47.30	7.00	1.48	8.48
15	Amritsar Sewerage Project funded by JBIC(for land acquisition)								4.00	4.00
16	Extension and Augmentation of Water Supply in Bathinda & Mansa District(PIDB and Housing Urban Development funded scheme)(50:50)								25.00	25.00
17	Extension on daugmentation of Water supply and sewerage scheme at Moga(PIDB funded scheme)								1.00	1.00
18	Development work at Moga(PIDB funded scheme)									
19	Water Supply and Sewerage Scheme at Sultanpur Lodhi(PIDB funded scheme)									
20	Water Supply and Sewerage Scheme at Patti(PIDB funded scheme)									
21	Water Supply and Sewerage Scheme at Nangal & Ropar Town PIDB funded scheme									
22	Extension & augmentation of water supply and sewerage scheme at Gidderbaha (PIDB funded scheme)								15.00	15.00
23	Training to elected women representative in the ULBs	0.07	0.07							
	Total	27.27	16.55	43.82	106.00	137.73	243.73	196.31	475.36	671

Source: Office of the DLG and the Report of the *Fourth Punjab Finance Commission*

Table 12 (a)
Divergence in the performance of municipal functions from the norm of Article 243W of
74th CAA

Sl no	Municipal Functions listed in the 12th Schedule of CAA	Performed by
1	Urban planning including town planning	Town and Country Planning/PUDA
2	Regulation of land use and construction of buildings	Town and Country Planning/PUDA
3	Planning for economic and social development.	Deptts. of Planning and Social Welfare
4	Roads and bridges	Public Works Department (PWD)
5	Water supply for domestic, industrial and commercial purposes	PWSSB and ULBs
6	Public health, sanitation conservancy and solid waste	Solid waste management (ULBs) and management sewerage (PWSSB and ULBs)
7	Fire services	ULBs
8	Urban forestry, protection of the environment and promotion of ecological aspects.	Deptt. of Forest, State Pollution Control Board, State Council for Science, Technology and Environment & ULBs
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Social Welfare Deptt.
10	Slum improvement and upgradation	ULBs
11	Urban poverty alleviation	ULBs
12	Provision of urban amenities and facilities such as parks, gardens and playgrounds	ULBs
13	Promotion of cultural, educational and aesthetic aspects	Departments of Culture, Education and Public Relations
14	Burials and burial grounds, cremations, cremation grounds and electric crematoriums	ULBs
15	Cattle ponds and preventions of cruelty to animals	ULBs
16	Vital statistics including registration of births and deaths	ULBs
17	Public amenities including street lighting, parking lots, bus-stops and public convenience	ULBs Department of Transport
18	Regulation of slaughterhouses and tanneries	ULBs

Table – 12(b)
Status of Punjab vis-à-vis other states on JNNURM reforms, 2010

JNNURM Reform	Type of Reform	No. of cities/ states	Name of states/ cities initiating this reform	Status of Reforms in Punjab
Shift city planning and service delivery to local government	State mandatory	13	Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Maharashtra, Tamil Nadu, West Bengal, Bihar, Chandigarh, Haryana	No
Accrual accounting	Local government mandatory	23	Hyderabad, Vijayawada, Vishakhapatnam, Ahmadabad, Rajkot, Surat, Shimla, Kochi, Thiruvananthapuram, Bangalore, Mysore, Bhopal, Indore, Ujjain, Nagpur, Greater Mumbai, Bhubaneswar, Jaipur, Coimbatore, Madurai, Chennai, Allahabad, Kolkata	No
Property tax	Local government mandatory	14	Hyderabad, Vijayawada, Vishakhapatnam, Rajkot, Vadodara, Pune, Coimbatore, Madurai, Chennai, Agra, Allahabad, Chandigarh, Lucknow, Asansol	No
User charge	Local government mandatory	7	Vishakhapatnam, Nasik, Pune, Greater Mumbai, Chennai, Madurai, Vishakhapatnam	No
E-governance	Local government mandatory	11	Hyderabad, Vijayawada, Vishakhapatnam, Ahmadabad, Rajkot, Surat, Greater Mumbai, Coimbatore, Madurai, Chennai, Kolkata	No
Internal earmarking for poor	Optional	44	Hyderabad, Vijayawada, Vishakhapatnam, Chandigarh, Raipur, Surat, Vadodara, Faridabad, Kochi, Thiruvananthapuram, Bangalore, Mysore, Bhopal, Indore, Jabalpur, Ujjain, Nagpur, Nanded, Nasik, Pune, Greater Mumbai, Kohima, Amritsar, Bhubaneswar, Puri, Jaipur, Ajmer, Coimbatore, Madurai, Chennai, Dehradun, Haridwar, Nainital, Agra, Allahabad, Kanpur, Lucknow, Mathura, Meerut, Varanasi, Asansol, Kolkata	Amritsar only
Simplify building bylaws	Optional	21	Hyderabad, Vijayawada, Vishakhapatnam, Guahati, Amritsar, Ludhiana, Jaipur, Ajmer, Ahmadabad, Rajkot, Surat, Vadodara, Bhopal, Indore, Nagpur, Nasik, Pune, Asansol, Kolkata, Patna, Delhi	Ludhiana Only
Property title cert.	Optional	2	Chandigarh, Rajkot	No
Simplify land conversion	Optional	23	Hyderabad, Vijayawada, Vishakhapatnam, Ahmadabad, Rajkot, Surat, Vadodara, Kochi, Thiruvananthapuram, Bangalore, Mysore, Bhopal, Indore, Jabalpur, Ujjain, Jaipur, Ajmer, Coimbatore, Madurai, Chennai, Asansol, Kolkata,	No
Computerize land registration	Optional	17	Hyderabad, Vijayawada, Vishakhapatnam, Ahmadabad, Rajkot, Surat, Vadodara, Shimla, Bangalore, Mysore, Nagpur, Nanded, Nasik, Greater Mumbai, Jaipur, Coimbatore, Madurai, Chennai	No

Public disclosure Law	State mandatory	3	Andhra Pradesh, Assam, Gujarat	No
Community Participation Law	State mandatory	6	Andhra Pradesh, Assam, Gujarat, Maharashtra, Tripura, Uttar Pradesh	No
Implement 74 th CAA	State mandatory	18	Andhra Pradesh, Bihar, Chandigarh, Gujrat, Kerala, Madhya Pradesh, Maharashtra, Tamil Nadu, Tripura, West Bengal, Assam, Goa, Haryana, Himachal Pradesh, Karnataka, Orissa, Rajasthan, Uttar Pradesh	No
Administrative structure	Optional	5	Nasik, Madurai, Coimbatore, Chennai, Mysore	No

Source: Based on information provided at JNNURM webpage of MoUD

Annexure to Chapter III

Table 1
Physical access to core services – Punjab 1995

Services	Access
Water Supply	
Percentage of Population covered	65 percent
Average supply per capita per day	150 litres
Sewerage	
Percentage of Population covered	50 percent

Source: Report of the First Punjab Finance Commission, Page 78-79

Table 2
Physical access to core services – Punjab 2005

Services	Population covered (Percentage)
Water Supply	74
Sewerage	52

Source: Road Map for Urban Development, February 2005

Table 3
Effectiveness of complaint redress system

Response	Response (Number)	Response (Percent)
Effective	187	36.74
Ineffective	322	63.26
Total	509	100.00

Source: PGRC Survey 2011

Table 4
Improvement if any in complaint redress system

Response	Frequency	Percent
Improved	240	47.15
Not Improved	269	52.85
Total	509	100.00

Source: PGRC Survey 2011

Table 5
Performance of the public agencies

Satisfaction level	Fully satisfied		Substantially satisfied		Somewhat satisfied		Not satisfied		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%
Municipal Council/ Corporations (MCs)	70	13.75	187	36.74	246	48.33	6	1.18	509	100.0
Satisfaction level Government	8	1.57	136	26.72	112	22.00	253	49.71	509	100.0
Satisfaction level District Administration (DC/SDM)	54	10.61	112	22.00	92	18.07	251	49.31	509	100.0

Source: PGRC Survey 2011

Table 6
Information about the MC/Government's programmes of interest

Per capita monthly income	Yes	No	Total
Less than equal to Rs.1200	14	60	74
	18.92	81.08	100.0
More than Rs.1200	125	310	435
	28.74	71.26	100.0
Total	139	370	509
	27.31	72.69	100.0

Source: PGRC Survey 2011

Table 7
ULB- consultation with/encouragement of community participation

Per capita monthly income	Yes	No	Total
Less than equal to Rs.1200	5	69	74
	6.76	93.24	100.0
More than Rs.1200	46	389	435
	10.57	89.43	100.0
Total	51	458	509
	10.02	89.98	100.0

Source: PGRC Survey 2011

Table 8
Improvement in community participation

Per capita monthly income	Yes	No	Do not know	Total
Less than equal to Rs.1200	23	32	19	74
	31.08	43.24	25.68	100.0
More than Rs.1200	133	161	141	435
	30.57	37.01	32.41	100.0
Total	156	193	160	509
	30.65	37.92	31.43	100.0

Source: PGRC Survey 2011

Table 9
Bribery among Officials- Citizen Perception

Figures in percentage

Lower level officials	Middle level officials	Top level officials	Elected Councilors	None	Don't Know / Can't say
23.2	37.4	28.1	8.7	0.1	2.5

Source: Urban Governance Report 2007

Table 10
Nature of Bribery – Citizen Perception

Figures in percentage

Demanded	Voluntarily given	Don't know / Can't say
66.4	30.5	3.1

Source: Urban Governance Report 2007

Table 11
Extent of Bribery-Citizen Perception
(Change over last two years)

Figures in percentage

Increased	Decreased	No change	Don't know / Can't say
54.7	14.2	23.4	7.7

Source: Urban Governance Report 2007

Table 12
Payment of bribe over 2 years

Per capita monthly income	Yes	No	Do not know	Total
Less than equal to Rs.1200	47	26	1	74
	63.51	35.14	1.35	100.0
More than Rs.1200	191	168	76	435
	43.91	38.62	17.47	100.0
Total	238	194	77	509
	46.76	38.11	15.13	100.0

Source: PGRC Survey 2011

Table 13
Change/trends in Bribery

Per capita monthly income	Increased	Decreased	No change	Can't say	Total
Less than equal to Rs.1200	37	5	4	28	74
	50.00	6.76	5.41	37.84	100.0
More than Rs.1200	207	41	42	145	435
	47.59	9.43	9.66	33.33	100.0
Total	244	46	46	173	509
	47.94	9.04	9.04	33.99	100.0

Source: PGRC Survey 2011

Table 14
Prevalence of Bribery- Official Perception

Areas in which bribe is more prevalent (percentage)*					
Water Supply	Property Tax	Construction /building regulation	Roads	Sewerage	Prevalence of corruption generally
11.1	3.7	40.7	11.1	7.4	47.4

Note: *Percentage total is more than hundred due to multiple responses. Source: PGRC Survey 2011

Table 15
Most trusted functionaries

Per capita monthly Income	Councilors	Government Officials	Political Executive	Total
Less than equal to Rs.1200	42	29	3	74
	56.76	39.19	4.05	100.0
More than Rs.1200	213	197	25	435
	48.97	45.29	5.75	100.0
Total	255	226	28	509
	50.10	44.40	5.50	100.0

Source: PGRC Survey 2011

Table 16
Suggested Urban Governance Indicators - Punjab

<p>Efficiency</p> <p>Financial Efficiency</p> <p>Revenue expenditure</p> <ul style="list-style-type: none"> Per employee <p>Establishment costs</p> <ul style="list-style-type: none"> Per employee Per capita <p>O&M Costs</p> <ul style="list-style-type: none"> Total O&M costs per capita <p>Water supply</p> <ul style="list-style-type: none"> O&M cost per connection Electricity cost per connection <p>Sanitation</p> <ul style="list-style-type: none"> O&M cost per connection/per capita <p>Roads</p> <ul style="list-style-type: none"> O&M cost per capita <p>Capital expenditure (only new works)</p> <ul style="list-style-type: none"> Expenditure per connection Sewerage and Water supply <p>Income</p> <ul style="list-style-type: none"> 'Own' income per capita <p>Property Tax</p>	<p>Responsiveness</p> <ul style="list-style-type: none"> Single Window complaint redressal systems: Online registering, tracking /follow-up Complaint response standards Degree of compliance with response standards (through monitoring/survey) <p>Transparency</p> <p>Display/post on website</p> <ul style="list-style-type: none"> Citizens' charters- check list Performance on efficiency and effectiveness indicators Complaints and action taken Publication of service and purchase contracts (specified format) <p>Public Participation</p> <ul style="list-style-type: none"> Effective functioning of Ward/Grid/ULB level sub committees inclusive of citizens' representatives <p>Accountability</p> <ul style="list-style-type: none"> Adoption of(Accrual-based) commercial accounting
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<ul style="list-style-type: none"> • Income per capita • Recovery per assessee • Receivables to income ratio <p>User charges</p> <ul style="list-style-type: none"> • Water cess: receivables to income ratio <p>Services Efficiency & Effectiveness</p> <p>Water Supply</p> <ul style="list-style-type: none"> • Minimum assured water supply LPCD (percentage of population with access to minimum supply) • Unaccounted wastage of water (technical losses) <p>Quality of drinking water</p> <ul style="list-style-type: none"> • Water quality tests and monitoring protocols • compliance with these protocols <p>Solid Waste Management</p> <ul style="list-style-type: none"> • Garbage left unattended beyond specified time limits <p>Street lights</p> <ul style="list-style-type: none"> ▪ Replacement rate (replacements in one year/ number of total points) 	<ul style="list-style-type: none"> • Internal Audit Committee of Councilors at ULB level <p>Equity</p> <ul style="list-style-type: none"> • Protection and promotion of and incentives for micro/tiny business sector/street vending • Smart cards • Open and transparent licensing • Clear complaint redress system in licenses for informal trade <p>Prevention of Corruption</p> <ul style="list-style-type: none"> • Publication of service and purchase contracts (specified format) • Separate accounting for new works from renovation/replacement works • Monitoring service standards and compliance <p>Subsidiarity</p> <ul style="list-style-type: none"> • (Change in) the Number of administrative and financial items where ULB's require approval of government functionaries.
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Note: Indicators to be reflected in Annual Performance/Accomplishment Reports by the ULB's to be put up on the websites. Most of the ULBs could themselves monitor change over time in most of the indicators, even if comparative data across ULBs is not available.

Annexure to Chapter V

**Table – 1
Revenue/ Income Record**

(Village _____ Block _____
District _____)

Sr. No.	Source of revenue	Dimension (size)	Real ownership in records (applicable units)	Actual Possession	Revenue (Rs.)	Maintenance Cost / Expenditure	Nature of maintenance	Comments
1.	Leased out Shamlat Land							
2.	Forest land							
3.	Cess on Agriculture produce							
4.	Horticulture							
5.	Auction of village ponds							
6.	Collection from village tube-wells							
7.	Any sale of water for agriculture							
8.	Rent from shops							
9.	Rent from Village community							
10.	Cow dung (Waste of animals) etc.							
11.	Chulha Tax							
12.	Fuel Wood Sale							
13.	Fodder and sale of grass							
14.	Tax on pheriwalas							
15.	Toll Tax (if any)							
16.	Royalty from Land/Mines etc.							
17.	Collection from Libraries							
18.	Donations (any)							
19.	Fines and penalties							
20.	Entertainment Tax							
21.	Rent from playground etc.							
22.	Orchards							
23.	Tax on sale of liquor in the village							
24.								
25.								

Prepared by: _____ Verified _____

by: _____

Table 2
Revenue – Records of a Panchayat

[Financial Year: _____ to _____]

(Name of Village Panchayat _____ Block _____ District _____)

S. No	Source of revenue	Real ownership in records (applicable units)	Actual possession (applicable units)	Revenue (Rs.)	Maintenance cost (Rs.)	Nature of maintenance	Comments
1.	Shamlat Land						
2.	Forest Land						
3.	Orchards						
4.	Collection from panchayati tube wells						
5.	Land of fodder or grass						
6.	Waste of animals/dead animals						
7.	Any tax on agriculture produce						
8.	Auction of village pond						
9.	Rent from shops						
10.	Chulla Tax						
11.	Fuel Wood Sale						
12.	Any tax on pheriwalas						
13.	Toll Tax						
14.	Royalty from land/mines						
15.	Tax collection at time of fair						

16.	Any tax on sale of liquor in village						
17.	Fines and penalties						
18.	Any rent from playground						
19.							
20.							
21.							
22.							
23.							
24.							

Prepared By: _____

Verified By: _____

**Table 3
Expenditure of a Panchayat**

[Financial Year: _____ to _____]

(Name of Village Panchayat _____ Block _____ District _____)

S. No	Items	Govt. Grants (Rs.)	Expenditure out of panchayat revenues (Rs.)	Any other source (Rs.)	Dimension (mention units)	Comments
1.	Reclamation of agriculture land					
2.	Social forestry					
3.	Orchards					
4.	Installed any panchayati tubewells					
5.	Land of fodder or grass					
6.	On construction of shops					
7.	On building a community centre					
8.	School building					
9.	Panchayat ghar					
10.	Dharamshala for SCs					
11.						
12.						

Prepared by: _____ Verified by: _____

Table 4
Expected expenditure on account of Honorarium for the
Elected representatives of PRI's in Punjab

(In Rs.)

1.	Chairperson, Zila Parishad	22x 7500x 12	=001,9,80,000
2.	Vice Chairperson, ZP	22x 6000x 12	= 001,5,84,000
3.	Chairperson, Panchayat Samiti	141x 6000x 12	= 01,01,52,000
4.	Vice Chairperson, Panchayat Samiti	141x 2500x 12	= 42,30,000
5.	Sarpanches	12757x 2000x 12	= 30,61,68,000
6.	Panches	80935x 600x 12	= 58, 27, 32,000
	Total (1 to 6)		= 90,68,46,000
	Grand Total		= 90,68,46,000

No. of Districts : 22
 No. of Development Blocks : 141
 (Panchayat Samitis)
 No. of Panchayats/Sarpanches : 12757
 No. of Panches : 80935