

A tropical scene featuring a dense forest of palm trees in the background. In the foreground, a traditional wooden boat with a thatched roof is on a body of water. The text is overlaid on this scene.

DECENTRALIZATION IN KERALA (INDIA)

LESSONS

or

SECOND GENERATION PROBLEMS

WHY KERALA?

- Some major achievements in Decentralisation in Kerala
- Relatively better status of Social and Human Development
- Longer tradition of public action influencing governance
- Kerala's experiment in decentralization treated as a 'model'

WHAT HAVE BEEN ATTEMPTED IN KERALA?

- ☞ **35 per cent of the plan funds at the state level transferred to Local Self Governments**
- ☞ **Strategy of putting money first rather than waiting for the LSG to acquire capacity**
 - **As a way of generating more demand and support for decentralisation at the local level**
 - **In order to resist the attempts of state-level forces against decentralization**

WHAT HAVE BEEN ATTEMPTED IN KERALA?

Contd.

- **Asked LSG to plan their development programmes through discussions in Grama Sabha (GS -Village Assembly)**
- **Organisation of GS mandatory for ratifying the selection of beneficiaries of financial support and prioritization of development activities**
- **Asked LSGs to have beneficiary committees for implementing/monitoring public works to avoid the corruption associated with contractors**
- **Guidelines/conditions given to LSGs on how to use resources**

THE OUTCOMES

- ✔ **Substantial amount of resources (ex. 20 million Rupees per annum for a LSG of about 8000 households) at the command of LSG**
- ✔ **Increased interest/effort by the elected representatives of the LSG**
- ✔ **Less leakage in cash/kind transfer to identified beneficiaries**
 - Ex. Distribution of seedlings, fertilizers, or support for toilet construction
- ✔ **Increased transparency and accountability in the identification of projects, beneficiaries, and the expenditure**
 - People know who gets (and what) from the panchavath

THE PROBLEMS

Excessive competition by the elected representatives leading to division of resources and overall priorities not reflected

- **Each rep. want to have two houses to the poor within their constituency, rather than LSG providing houses first to those who need it most within the whole area**
- **Each rep. want a few kilometers of road in his constituency to be repaired, rather than spending the money on roads requiring maintenance urgently**

THE PROBLEMS

No incentive for resource mobilization locally

- **Though there are guidelines for beneficiary contribution, these are not followed**
- **Waiting for the fund from above**
- **Since most of the money come as transfer from above, there is no incentive to monitor the spending of the resources**
- **People do not mind if a road worth 0.2 million is constructed with 0.3 million as long as the road is OK**
- **Opportunity cost of the resource is not felt adequately; Ex. Citizens yet to feel that saving some money on road would mean 'something else also' for the locality**

THE PROBLEMS

Contracting problems

- **Beneficiary committee (BC) contracting not working well**
- **Many people do not have the time or interest to actively participate in BC**
- **They lack the technical and managerial skills**
 - Ex. Road construction oversight, accounting, planning
- **They lack the skills to `deal' with the government**
 - Ex. Pushing files in offices
- **BCs tend to use contractors as their proxy**
- **No effective mechanism to use the contractors's technical and managerial skills, but by avoiding corruption**

THE PROBLEMS

Monitoring Problems

- Grama Sabha (Village assembly) not effective
- Many people do not have time and interest; Attendance in GS by only less than 10 per cent of the households at the peak
- Lack of interest more among poor and richer sections
- Made participation mandatory for getting direct benefits – this made potential beneficiaries of subsidies to attend reluctantly
- Community monitoring may not work in all contexts

How to make formal mechanisms of monitoring work better?

THE PROBLEMS

Money from above with too many conditions

Guidelines on sectoral allocation of plan funds

ex. 40 per cent on productive sector, 20 per cent on infrastructure, etc.

Creating inflexibilities in using money to meet local needs

ex. Panchayaths finding it difficult to spend more money in one sector by saving in other sectors

Lack of guidelines can lead to allocations driven by 'visibility' and corruption

ex. Tendency to construct more roads and such public works (visibility and corruption)

THE PROBLEMS

- **Lack of clarity on what an LSG should (and should not) do?**
- **Need for a balance between the 'provision and maintenance of local public goods' and 'development'**
 - **Ex. Struggling to provide more agricultural support or with employment creation schemes, where as 'public toilets' or 'waste collection' not facilitated**
- **Lack of control over employees or cannot recruit own employees**
 - **If allowed LSG may employ more than needed given that the opportunity cost of resources not felt adequately**

SOME LESSONS

Several incentive problems!

Community monitoring need not work in all contexts

- Need mechanisms for using 'skilled agents' without corruption

☞ Lack of local resource mobilization creating distorted incentives

- Flexibility on how to use resources and labour can be achieved when LSG mobilise more resources locally and 'feel' the opportunity cost of its resources

Need more institutional innovations to make decentralization work 'well' in Kerala