



INSTITUTE OF DEVELOPMENT STUDIES KOLKATA

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Call for papers

Papers are invited for a two-day conference (December 28-29, 2015) on **Economics and Politics of Local Governments: The Indian Experience** at **Institute of Development Studies Kolkata** (Salt Lake Campus). An extended abstract of paper (800-1000 words) may please be sent to Dr Subrata Mukherjee at msubrata100@gmail.com (with a copy to idsk@idskmail.com) by **October 21, 2015**. Authors of the selected abstracts will be informed by **October 27, 2015**. Full papers will have to be sent by **November 30, 2015**. The concept note and the themes of the conference are given in the next page.

Concept Note

The 14th Finance Commission (FC), which submitted its report on 15th December 2014, has made a number of important observations and recommendations with regard to the local governments. One of the striking recommendations is an enlarged role of the Gram Panchayats and Municipalities both in terms of devolution of funds as well as provision of basic services. For rural areas, this change would mean significant move as it would reduce the roles of two upper tiers of rural local governments to a considerable extent in terms of devolved central funds.

Given the wide variation in the assignment of functions, funds and functionaries to the local bodies across Indian states, it was not feasible for the FC to carry out a detailed assessment of the finances of the local bodies in each state. Therefore it has been suggested that the local bodies should be required to spend the grants only on the basic services within the functions assigned to them by relevant legislations. The basic services were emphasised by the previous FCs (central/states) as well. The 14th FC has observed strong consensus among the local bodies and state governments in favour of providing more funds to the local bodies for drinking water, sanitation, drainage, local roads, school buildings, solid waste management, street lighting, maintenance of burial and cremation grounds and parks. The 14th FC has recommended an allocation of Rs. 2,87,436 crore for the period 2015-20 which the local governments should spend only on the basic services.

Poor information/data keeping system at the local government level has not only constrained the ability of the governments to take evidence-based policy decisions but has also hampered the work of FCs (central/state), other agencies and researchers who want to do systematic study based on available information. Since the 11th FC, four successive FCs have sought data from states on finances of local bodies but have hardly succeeded in obtaining reliable data. The 14th FC was thus forced to seek information from a small sample of local bodies and has admitted that the quality and usability of such data vary across states.

The 14th FC has given increased emphasis on performance grants with the objective of improving local governments' data management system and efforts to generate own source revenues. In addition, the urban local bodies have been recommended to measure and publish service level benchmarks for basic services. The rationale for performance based grants is to incorporate incentives into intergovernmental grants by linking funding with performance of the local government. Supporters of performance based grants argue that such grants can improve the accountability of the grant recipients by tying fund-transfer to attainment. As a result, performance based grants indirectly promote accountability by emphasising result-based, bottom-up and client-driven approach. The *economics* of performance grants merits detailed empirical scrutiny in the context of local governments in resource poor settings.

The 14th FC has found that a majority of the State Finance Commissions (SFC) has made recommendations to encourage local bodies to improve own revenue collections by providing performance grants, matching grants, cash awards to local bodies, and so on. The SFCs have also stressed the need for proper accounting and auditing of local bodies. There seems to be

considerable scope for the local bodies to augment revenues from own sources by taking steps as recommended by the SFCs and the FCs. The states may need to consider steps to empower local bodies to impose various types of taxes and levies for improving own source revenue. The local bodies may rationalise their service charges in a way that they are able to at least recover the operation and maintenance costs from the beneficiaries since improvements in the quality of basic services are likely to lead to an increase in the willingness of citizens to pay for the services.

There are other issues touching upon the economics as well as politics of decentralisation that have been highlighted in many other empirical studies in the past decade or so. For example, electoral clientelism and vote buying are widely considered as major obstacles to economic development as they limit the provision of public goods and its equitable distribution. Results based on field experiments suggest that clientelism and vote buying seem to be effective and to enjoy widespread electoral support. On the other hand, it is also found that increased access to information and political participation by women may limit clientelism, and voter education campaigns may undermine the effects of vote buying on voting behaviour.

The experience of some countries suggests that though political parties generally face significant institutional barriers to become more programmatic, structural and political factors have made significant reform possible in some cases. Several features of the electorate system may discourage programmatic parties. The challenging question is how does one manage the contradiction of legislative vote buying and less 'democratic' governance by decree, which seems to be an effective strategy for programmatic policymaking under perverse institutional incentives? When the poor are mobilised and more actively participate in local governments, their political education may improve and make them less susceptible to clientelistic politics. The growing middle class, with the presence of a neutral watchdog media, may view corruption and vote buying politics more negatively than the extremely poor and vulnerable voters do.

The importance of expertise in development planning has been emphasised by many scholars who argue that lack of expertise in planning cannot be entirely compensated by people's participation. It has also been found that too many government orders and guidelines from the bureaucrats to the local government are weakening the process of participatory planning at the local level.

Against this conceptual background, the conference seeks paper contributions in the following areas:

- Issues related to local government finance
- Local government and basic core services
- Efficiency and capacity related issues
- Collection, preservation and quality of data at the local level
- Role of the State Finance Commissions
- Clientelism versus programmatic politics
- Any other issue relevant to the theme