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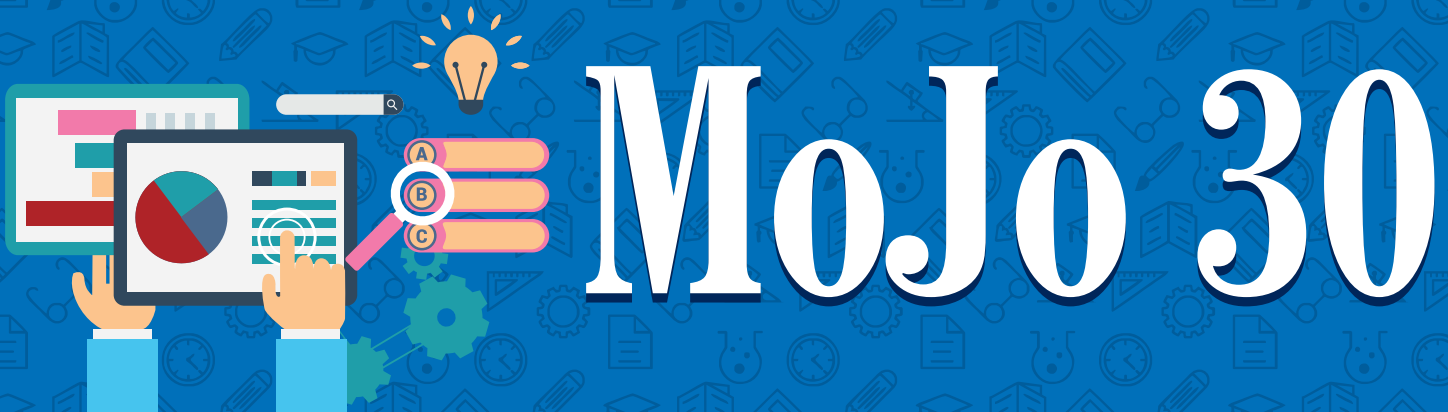
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# Index

The critical role of decentralised responses.....	2
Vigilance paramount: on State's tackling of coronavirus.....	5
Panchayats to get Rs. 10 lakh cr. till 2026.....	8

# THE CRITICAL ROLE OF DECENTRALISED RESPONSES

Relevant for: Indian Polity | Topic: Devolution of Powers & Finances up to Local Levels and Challenges therein - Panchayats & Municipalities

The [novel coronavirus pandemic](#) has brought home the critical role of local governments and decentralised responses. In terms of information, monitoring and immediate action, local governments are at an advantage, and eminently, to meet any disaster such as COVID-19. While imposing restrictive conditionalities on States availing themselves of the enhanced borrowing limits (3.5% to 5% of Gross State Domestic Product, or GSDP) for 2020-21 is unwarranted, the recognition that local governments should be fiscally empowered immediately is a valid signal for the future of local governance. This article makes some suggestions to improve local finance and argues that the extant fiscal illusion is a great deterrent to mobilisation.

Also read: [Coronavirus | Pandemic jolts prudent Tamil Nadu's calculations](#)

[COVID-19](#) has raised home four major challenges: economic, health, welfare/livelihood and resource mobilisation. These challenges have to be addressed by all tiers of government in the federal polity, jointly and severally. Own revenue is the critical lever of local government empowerment. Of course the several lacunae that continue to bedevil local governance have to be simultaneously addressed. One, the new normal demands a paradigm shift in the delivery of health care at the cutting edge level. Two, the parallel bodies that have come up after the 73rd/74th Constitutional Amendments have considerably distorted the functions-fund flow matrix at the lower level of governance. Three, there is yet no clarity in the assignment of functions, functionaries and financial responsibilities to local governments. Functional mapping and responsibilities continue to be ambiguous in many States. Instructively, Kerala attempted even responsibility mapping besides activity mapping. Four, the critical role of local governments will have to be recognised by all. A few suggestions for resource mobilisation are given under three heads: local finance, Members of Parliament Local Area Development Scheme, or MPLADs, and the Fifteenth Finance Commission (FFC).

Also read: [Coronavirus lockdown | Fifth tranche of economic package focusses on reforms, says Nirmala Sitharaman](#)

Property tax collection with appropriate exemptions should be a compulsory levy and preferably must cover land. The Economic Survey 2017-18 points out that urban local governments, or ULGs, generate about 44% of their revenue from own sources as against only 5% by rural local governments, or RLGs. Per capita own revenue collected by ULGs is about 3% of urban per capita income while the corresponding figure is only 0.1% for RLGs. There is a yawning gap between tax potential and actual collection, resulting in colossal underperformance. When they are not taxed, people remain indifferent. LGs, States and people seem to labour under a fiscal illusion. In States such as Uttar Pradesh, Bihar and Jharkhand, local tax collection at the panchayat level is next to nil. Property tax forms the major source of local revenue throughout the world. All States should take steps to enhance and rationalise property tax regime. A recent study by Professor O.P. Mathur shows that the share of property tax in GDP has been declining since 2002-03. This portends a wrong signal. The share of property tax in India in 2017-18 is only 0.14% of GDP as against 2.1% in the Organisation for Economic Co-operation and Development (OECD) countries. If property tax covers land, that will hugely enhance the yield from this source even without any increase in rates.

Land monetisation and betterment levy may be tried in the context of COVID-19 in India. To be sure, land values have to be unbundled for socially relevant purposes.

Municipalities and even suburban panchayats can issue a corona containment bond for a period of say 10 years, on a coupon rate below market rate but significantly above the reverse repo rate to attract banks. We are appealing to the patriotic sentiments of non-resident Indians and rich citizens. Needless to say, credit rating is not to be the weighing consideration. That the Resurgent India Bond of 1998 could mobilise over \$4 billion in a few days encourages us to try this option.

The suspension of MPLADS by the Union government for two years is a welcome measure. The annual budget was around 4,000 crore. The Union government has appropriated the entire allocation along with the huge non-lapseable arrears. MPLADS, which was avowedly earmarked for local area development, must be assigned to local governments, preferably to panchayats on the basis of well-defined criteria.

A special COVID-19 containment grant to the LGs by the FFC to be distributed on the basis of SFC-laid criteria is the need of the hour. The commission may do well to consider this. The local government grant of 90,000 crore for 2020-2021 by the FFC is only 3% higher than that recommended by the Fourteenth Finance Commission. For panchayats there is only an increase of 63 crore. The commission's claim that the grant works out to 4.31% of the divisible pool and that it is higher than the 3.54% of the FC-XIV is obviously because the size of the denominator is smaller. Building health infrastructure and disease control strategies at the local level find no mention in the five tranches of the packages announced by the Union Finance Minister. The claim for a higher award to LGs is loud and clear.

The ratio of basic to tied grant is fixed at 50:50 by the commission. In the context of the crisis under way, all grants must be untied for freely evolving proper COVID-19 containment strategies locally. Further the 13th Finance Commission's recommendation to tie local grants to the union divisible pool of taxes to ensure a buoyant and predictable source of revenue to LGs (accepted by the then Union government) must be restored by the commission.

Flood, drought, and earthquakes are taken care of by the Disaster Management Act 2005 which does not recognise epidemics, although several parts of India experienced several bouts of various flus in the past. The new pandemic is a public health challenge of an unprecedented nature along with livelihood and welfare challenges. The first Report speaks of mitigation funds and even prepared a disaster risk index, to map out vulnerable areas. These are redundant in the present context. The 2005 Act may have to be modified to accommodate the emerging situation.

COVID-19 has woken us up to the reality that local governments must be equipped and empowered. Relevant action is the critical need.

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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# VIGILANCE PARAMOUNT: ON STATE'S TACKLING OF CORONAVIRUS

Relevant for: Indian Polity | Topic: Issues and Challenges Pertaining to the Federal Structure, Dispute Redressal Mechanisms, and the Centre-State Relations

On June 20, a month after 1,00,000 novel [coronavirus cases](#) were reported, India crossed a grim milestone of 4,00,000 cases. If it took 13 days to double to 2,00,000 cases, India added another one lakh cases in 10 days on June 12. From a test positivity rate of 4.6% in mid-May, it is 7.9% as on June 21, reflecting a wider spread in the community, particularly in the hotspots — Mumbai, Delhi, Chennai and Ahmedabad. Mortality, which was initially low, has been steadily increasing. The [first death was reported on March 13 and the figure crossed 1,000 only on April 28](#). But it has taken just three days for each additional 1,000 deaths after the toll touched 4,000 to reach 13,703 deaths as on June 21. The lower mortality figures are a reflection of the low median age (nearly 27 years) of the Indian population, the stage of the pandemic in India, health-seeking behaviour and the health-care system. While the low median age has helped keep mortality low, high prevalence of high-risk factors even among younger people might put them at great risk if infected with the virus. The [health-care system in Mumbai, Delhi, Chennai and Ahmedabad](#), already strained, could witness more deaths if the virus spreads unabated. With India now in the unlock phase, this is the time to be most vigilant.

Kerala, Karnataka and Andhra Pradesh have done exceptionally well in containment. If Kerala was fully geared even before the first case was reported, the other two States utilised the early phase of the lockdown to track, test and isolate those infected and trace contacts. Nothing else can explain why Bengaluru has bucked the trend while Delhi, Mumbai and Chennai have become pandemic epicentres. Maharashtra has adopted the correct approach of enhanced testing unmindful of the large number of cases getting reported each day. Aggressive testing enabled Maharashtra to achieve the remarkable feat of containment in Dharavi. In stark contrast, till a few days ago, Delhi had used every trick in the textbook to keep cases and deaths low. That fewer cases are reported from Telangana, West Bengal, Uttar Pradesh and Bihar raises suspicion about their testing and counting. While many States have reported migrant workers testing positive on arrival, it is inconceivable that Uttar Pradesh, Bihar and West Bengal, which have recorded the most returnees, should not see a spike. Through fever clinics and testing of people with influenza-like illness in certain areas in Chennai that have high spread, Tamil Nadu is making up for lost time. But true containment will remain difficult and will depend on door-to-door surveillance and large-scale testing in these areas. Going by the cases reported, Gujarat seems to be the only place where the virus spreads to a definite number of people every fortnight even when tests are increased incrementally. The only way to contain numbers is by not hiding them.

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## PANCHAYATS TO GET RS. 10 LAKH CR. TILL 2026

Relevant for: Indian Polity | Topic: Devolution of Powers & Finances up to Local Levels and Challenges therein - Panchayats & Municipalities

Desilting on at a village in Andhra Pradesh.K.R. DEEPAK

The Panchayati Raj Ministry has pitched for a fivefold increase in Finance Commission funding for rural local bodies.

In a meeting with the 15th Finance Commission on Thursday, the Ministry asked for Rs. 10 lakh crore to be allocated for the 2020-21 to 2025-26 period, in comparison to the Rs. 2 lakh crore allocated under the 14th Finance Commission. It noted that allocations had tripled between the 13th and 14th Commissions as well.

An impact evaluation study showed a 78% utilisation rate for FC grants between 2015 and 2019, the Ministry told the Commission, according to a presentation seen by *The Hindu*.

Road construction and maintenance, as well as drinking water supply have been the major projects carried out by panchayats using FC grants. The 2.63 lakh panchayats across the country have 29 functions under their ambit, according to the 11th Schedule of the Constitution.

Panchayats have also gained importance as crucial nodal points in times of crisis. During the COVID-19 pandemic, they ran 38,000 quarantine/isolation centres, apart from medical camps and contact tracing.

However, the Ministry admitted that a major challenge during the pandemic and lockdown was that most panchayats could not provide cooked food at short notice. It has proposed that community kitchens be set up in each panchayat to be operated by local self-help groups.

Going forward, the new Garib Kalyan Rozgar Abhiyan will depend on panchayats to generate employment for newly returned migrant workers. The Chief Ministers of Bihar, Jharkhand, Punjab, Himachal Pradesh, Rajasthan, Kerala, Odisha are holding regular video-conferences with sarpanches to review COVID-19 control and employment generation measures, said the Ministry presentation.

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