



**RURAL DEVELOPMENTG AND  
PANCHAYAT RAJ DEPARTMENT**

**POLICY NOTE**

**2006-2007**

**Demand No. 42**

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**GOVERNMENT OF TAMILNADU  
2006**

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# RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

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### 1. INTRODUCTION

*"Village Panchayats and the Panchayat Unions constitute the bedrock of Indian democracy and unless we strengthen the Village Panchayats and the Panchayat Unions, our democracy cannot become strong and vibrant. We have to take the knowledge of the world to our people in the rural areas. There is no other way of strengthening our nation."*

-- Perarignar Anna

India is predominantly rural in character with 72% of the population living in rural areas. Tamil Nadu is no exception. As per the 2001 Census, Tamil Nadu's rural population was 3.62 crores, amounting to 58 % of the total population. Perambalur (86.7%), Villupuram (85.5%), Dharmapuri (84.9%), Pudukottai (84.6%), Krishnagiri (84.3%), Tiruvannamalai (82.1%), Tiruvarur (79.8%) and Nagapattinam (77.8%) districts are predominantly rural in character. At the same time, Kanniyakumari (34.6%), Coimbatore (38.3%), the Nilgiris (41.8%), Theni (45.9%) and Madurai (48.3%) districts are relatively urban in character with less than 50 % of their population living in rural areas.

The Rural Development and Panchayat Raj Department is entrusted with the responsibility of enabling the various Panchayat Raj Institutions (PRIs) to function as effective units of Local Self Government. The department is also responsible for the implementation of various Centrally sponsored and State schemes for poverty alleviation, provision of basic amenities, employment generation, sanitation, capacity building, women's social and economic empowerment among others.

### 2. PANCHAYAT RAJ INSTITUTIONS (PRIs)

Local Self Government in Tamil Nadu has a long history as is evident from the Uthiramerur stone inscriptions in Kancheepuram district. In a way, in those days, it was a land of village republics, with community groups undertaking many activities for their area development. This tradition reached its peak during the 10<sup>th</sup>-11<sup>th</sup> centuries under the reign of Cholas when Village Councils used to levy taxes, improve community life and administer justice in their limited area. "Kuda Olai Murai" was the process of secret ballot exercised to select members to the Village Councils. These Village Councils had effective links with the Chola rulers. With the downfall of Cholas, the State experienced a decline of the Village autonomy and rise of the centralized feudal administrative system. This continued till British rulers introduced local self-governance primarily as an administrative convenience for the imperial government.

In the post independence era, the first enactment in democratic decentralization in the State was the Madras Village Panchayat Act 1950. Pursuant to the White Paper on the "Reform of Local Administration" in 1957, the Madras Panchayat Act 1958 and Madras District Development Council Act 1958 were enacted with the following salient features:

- a) A two tier system of Village Panchayats and Panchayat Unions.
- b) Creation of Panchayat Unions co-terminus with the development Blocks.
- c) Village Panchayat Presidents to become ex-officio members of the Panchayat Union Councils with the Chairperson of the Panchayat Union Council directly/indirectly elected.
- d) Entrusting the Panchayat Unions and Village Panchayats with a large number of developmental and welfare functions.
- e) Abolition of District Boards.
- f) Creation of District Development Council as an advisory body.

This two-tier system operated on democratic lines till 1979 through periodic elections. Thereafter, elections were not held for 7 years and the Special Officers managed the rural local bodies. The Panchayat elections were held again in 1986 and the elected local bodies continued in office till March 1991. Again no elections were held till October 1996 and the Special Officers managed the rural local bodies.

In 1992, the 73<sup>rd</sup> Amendment to the Constitution was enacted and it brought about a number of changes in the Panchayat Raj system. Consequently, the Tamil Nadu Panchayats Act 1994 came into force with effect from 22.4.1994. Some of the important changes brought about by the 73<sup>rd</sup> Amendment to the Constitution and the Tamil Nadu Panchayats Act 1994 are listed below;

- a) Introduction of a three tier system – at the Village, Intermediate (Block) and the District level.
- b) Mandatory conduct of local body elections every five years.
- c) Introduction of reservation of seats and offices for Scheduled Castes/ Scheduled Tribes in proportion to their population in every local body with provision for rotation of the reserved seats and offices.
- d) Introduction of reservation of one third of total number of seats and offices for women with provision for rotation.
- e) Constitution of a State Election Commission as an independent body to conduct elections to both rural and urban local bodies regularly.
- f) Establishment of a quinquennial State Finance Commission to recommend devolution of resources from the State Government to the rural and urban local bodies.
- g) Constitution of a District Planning Committee to consolidate the plans prepared by the rural and urban local bodies in the district with a view to preparing a comprehensive development plan for the district.
- h) Introduction of the concept of 'Grama Sabha' comprising all registered voters in a Village Panchayat.

## 2.1 Panchayat Elections

### 2.1.1 Elections to seats and offices:

For the purpose of election of the members, the area of every Panchayat is divided into territorial constituencies known as wards. A Village Panchayat consists of a President, Vice-President and ward members, while the Panchayat Union and District Panchayat consist of a Chairperson, Vice-Chairperson and ward members.

The elections to the posts of ward members (seats) of Village Panchayats, Panchayat Unions and District Panchayats are direct. The elections to the posts of Chairpersons (offices) of the District Panchayat and of the Panchayat Union Council are indirect as mandated in the Constitution itself. The election to the post of Village Panchayat President (office) can be either direct or indirect according to the Constitution, with Tamil Nadu opting for direct election. **Tables 1 A** and **1 B** make the position clear.

**Table 1 A**  
**Seats and Offices that are filled through DIRECT elections**

Village Panchayat	Ward Member, President
Panchayat Union	Ward Member
District Panchayat	Ward Member

**Table 1 B**  
**Offices that are filled through INDIRECT elections**

Village Panchayat	Vice President
Panchayat Union	Chairperson, Vice-Chairperson
District Panchayat	Chairperson, Vice-Chairperson

Thus a voter in a Panchayat area has to cast four votes during the elections to the three tiers of the rural local bodies for the following 4 posts:

1. Village Panchayat ward member.
2. Village Panchayat President.
3. Panchayat Union ward member, and
4. District Panchayat ward member.

While the elections to the seats and offices of District Panchayats and Panchayat Unions are held on party basis, the elections to the seats and offices of Village Panchayats are held on non-party basis.

Further, the Panchayat Unions and the District Panchayats have single member wards while the Village Panchayats have multi-member wards. In Tamil Nadu, Village Panchayats have a minimum of 2 wards and a maximum of 5 wards, with a minimum of 6 ward members and a maximum of 15 ward members.

**Table 2** furnishes the number of seats and offices in the 3 tiers of Panchayats:

**Table 2**  
**Details of seats and offices**

1. Village Panchayat wards	40,879
2. Village Panchayat ward members	97,458
3. Panchayat Union wards	6,570
4. District Panchayat wards	656
5. Village Panchayat Presidents	12,618
6. Panchayat Union Chairpersons	385
7. District Panchayat Chairpersons	29

### **2.1.2 Reservation of seats and offices and rotation:**

Article 243 D of the Constitution relates to reservation and rotation of seats for Scheduled Castes, Scheduled Tribes and women in rural local bodies. The relevant provisions of Tamil Nadu Panchayats Act, 1994 are Sections 11, 20, 32 & 57. These are supplemented by the Tamil Nadu Panchayats (Reservation of Seats and Rotation of Reserved Seats) Rules, 1995. The Rules provide for the reservation of seats by adopting a list of wards or Panchayats arranged in the descending order of the percentage of SCs, STs and women and applying a 'cut off' at the point where the number of reserved seats and offices are equal to the prescribed ratio. The periodicity of rotation is also fixed under the Rules.

**Table 3** sums up the position regarding reservations in Tamil Nadu as per the provisions in the Tamil Nadu Panchayats Act 1994 and the Tamil Nadu Panchayats (Reservation of seats and Rotation of Reserved seats) Rules 1995.

**Table 3**  
**Reservations in Panchayats**

Category	Unit of population used for	Authority competent to
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	<b>determining the proportion of seats to be reserved</b>	<b>notify the reservations</b>
Village Panchayats ward member	Village Panchayat population	Inspector of Panchayats (Collector)
Village Panchayat President	Panchayat Union population	Government
Village Panchayat President	Panchayat Union population	Government
Village Panchayat President	Panchayat Union population	Government
Panchayat Union ward member	Panchayat Union population	Government
Panchayat Union Chairperson	District rural population	Government
District Panchayat ward member	District rural population	Government
District Chairpersons	State rural population	Government

### **2.1.3 Conduct of 2006 Local Body Elections:**

Though the Tamil Nadu Panchayats Act was enacted in April 1994, only after the change of Government in May 1996, the much-awaited elections were held for all the rural and urban local bodies in October 1996. The second ordinary elections to the local bodies were conducted during October 2001. The next ordinary elections to the local bodies are due in October 2006. The following are some of the important decisions taken in this regard:

- a) As per the old section 4 of the Tamil Nadu Panchayats Act, 1994, the Inspector shall declare every local area with population of not less than 500 as a panchayat village and any area with population of less than 500 shall be included in any contiguous panchayat village. It was reported that sixty six panchayat villages which had population more than 500 as per the 1991 Census are having population below 500 as per the 2001 Census. However, representations were received against the merger of these panchayat villages with contiguous panchayat villages and there were also apprehensions of law and order problems. Therefore, the Government amended section 4 by removing the minimum population limit of 500 for the formation of a panchayat village.
- b) The next ordinary elections to the Village Panchayats, Panchayat Unions and District Panchayats have to be conducted before 24<sup>th</sup> October, 2006 as the present term of these Panchayats is due to expire on that date. The panchayat village-wise 2001 Census figures were received only in May 2006. If fresh delimitation of wards in the three tiers of Panchayats were to be taken up, the Panchayat elections cannot be conducted before 24.10.2006. It is also considered appropriate to take up the delimitation of Panchayat wards after the delimitation of Parliamentary and Assembly Constituencies. Therefore the Government decided to conduct the next ordinary elections to the Panchayats based on the existing territorial area of the wards of the Panchayats, the number of wards and the number of members to be returned from such wards, and made suitable amendments in the Tamil Nadu Panchayats Act, 1994 by the introduction of a new section 28A.
- c) After giving the Special Village Panchayats an opportunity to express their views and taking into consideration the overwhelming majority view, the Government decided to reconstitute all the 561 Special Village Panchayats covered by the Tamil Nadu Panchayats Act, 1994 as

Town Panchayats under the Tamil Nadu District Municipalities Act, 1920. Suitable Act amendments have been made.

- d) Seats and offices reserved for Scheduled Castes, Scheduled Tribes and women will be rotated for the October 2006 Panchayat elections.
- e) The appointment of election observers to oversee the October, 2006 elections has been given statutory backing.
- f) The maximum limit on election expenses has been revised upward as follows:
  - For election as ward member of a District Panchayat - from Rs.50,000 to Rs.75,000.
  - For election as ward member of Panchayat Union - from Rs.25,000 to Rs.37,500.
  - For election as President of a Village Panchayat – from Rs.10,000 to Rs.15,000.
  - For election as ward member of a Village Panchayat – from Rs.2,500 to Rs.3,750.

## **2.2 Grama Sabha**

The Grama Sabha is the grass root level democratic institution in each Village Panchayat. A vibrant Grama Sabha is essential for the effective functioning of Village Panchayats by promoting transparency and accountability in administration, enhancing public participation in the planning and implementation of schemes, and paving the way for social audit. The Government have ordered the conduct of Grama Sabha meetings a minimum of four times a year i.e. on 26<sup>th</sup> January, 1<sup>st</sup> May, 15<sup>th</sup> August and 2<sup>nd</sup> October. This Government is also taking steps to further improve the functioning of the Grama Sabhas by introducing sub-quorums for the participation of women and SCs/STs, conduct of Grama Sabha meeting in each of the wards by rotation, and for keeping photographic record of the proceedings.

## **2.3 Functional Devolution**

This Government is committed to ensuring that the PRIs function as effective institutions of local self government. In 1996, soon after the conclusion of first ordinary elections to the three tiers of Panchayats, the Government constituted a Committee under the Chairmanship of Thiru L.C. Jain, the then full-time Member of the State Planning Commission to give recommendations on the entrustment of powers to the three tiers of Panchayats. The Committee submitted its report to the Government in April, 1997. Many of the recommendations of the L.C. Jain Committee have been crystallized into action towards empowering the Panchayats. Apart from the Rural Development Department, various sectoral departments such as Agriculture, Animal Husbandry, Forests, Social Welfare, Revenue, Khadi and Village Industries, Education, Health and Family Welfare, Adi-Dravidar Welfare, Co-operation, Food and Consumer Protection, have issued Government Orders for devolution of functions in their respective spheres to the three tiers of Panchayats.

After the first phase of entrustment of powers, Government constituted a High Level Committee in November, 1997 with the Chairmanship of Thiru.Ko.Si.Mani, the then Hon'ble Minister for Rural Development and Local Administration with experienced persons including sitting MLAs of various political parties as members of the Committee to recommend additional devolution of powers to the Panchayats. This High Level Committee submitted its report on 11.1.1999 with 1209 recommendations to the Government. The Government accepted 718 recommendations and issued orders for implementation.

The decentralization and delegation of powers and functions to Panchayats is a continuous and dynamic process. This Government is always open to the idea of delegating even more powers and functions to the rural local bodies, especially the Village Panchayats and Panchayat Unions. In this connection, it is worth pointing out that this Government has always pressed for a two tier Panchayat Raj system with strong and vibrant Village Panchayats and Panchayat Unions as they existed under the old Tamil Nadu Panchayats Act, 1958. This Government is of the opinion that the reasons which led to the abolition of old District Boards are still valid and applicable to the third tier of District Panchayat. This Government will press the Union Government to bring in Constitutional amendments to give States the necessary leeway to have Panchayats either at the Block level or at

the District level or both, as deemed fit, while making the lowest tier of Village Panchayats mandatory for all the States.

## 2.4 Village Panchayats

There are 12,618 Village Panchayats in the State spread across the 29 districts and the 385 Blocks. The average number of Village Panchayats per district is 435 and per Block is 32. The Nilgiris district (35), Kanniyakumari (99), Theni (130) and Karur (158) are some of the districts with fewer Village Panchayats while Villupuram (1104), Tiruvannamalai (860), Vellore (753), Cuddalore (681) and Kancheepuram (648) are some of the districts with a large number of Village Panchayats. As can be seen from **Table 4** below, the populations of Village Panchayats in Tamil Nadu are widely varying with some Village Panchayats having populations even below 500 while others have populations exceeding 25,000.

**Table 4**  
**Classification of Village Panchayats on the basis of**  
**Population (2001 Census)**

Population	Number of Village Panchayats
Below 500	66
501-3,000	8,418
3,001-10,000	3,948
10,001-25,000	174
Above 25,000	12
<b>Total</b>	<b>12,618</b>

Similarly, wide variations are also noticed in the income levels of the various Village Panchayats as can be seen from **Table 5**.

**Table 5**  
**2005-06 Income-wise classification of Village Panchayats**

Sl. No	Income Range	Number of Village Panchayats
1	Upto Rs.50,000	16
2	Rs.50,000 to Rs.1 lakh	142
3	Rs.1 lakh to Rs. 5 lakhs	7,028
4.	Rs. 5 lakhs to Rs 10 lakhs	3,718
5	Rs. 10 lakhs to Rs. 25 lakhs	1,444
6	Rs.25 lakhs to Rs.50 lakhs	195
7	Rs.50 lakhs to Rs. 1 crore	45
8	Rs.1 crore to Rs.3 crores	29
9	Above Rs.3 crores	1
	<b>Total</b>	<b>12,618</b>

At present, 3.48% (6% of 58%) of the State Finance Commission grant is earmarked as Equalisation Fund to weaker Village Panchayats. There is need to enhance the size of the Equalisation Fund. This Government has also announced the **All Villages Anna Renaissance Scheme** as per which the financially weaker Village Panchayats will get priority in the implementation of the scheme.

### 2.4.1. Functions



Some of the important functions of a Village Panchayat are -

- a) construction, repair and maintenance of all village roads.
- b) extension of village sites and the regulation of buildings.
- c) lighting of public roads and public places in built-up areas.
- d) construction of drains.
- e) cleaning of streets and improvement of the sanitary condition of the village.
- f) construction and maintenance of public latrines.
- g) sinking and repairing of wells, the excavation, repair and maintenance of ponds or tanks and the construction and maintenance of water-works for the supply of water.
- h) maintenance of burial and burning grounds.
- i) maintenance of parks and reading rooms,
- j) implementation of schemes such as IAY, SGRY, Central Finance Commission grants.
- k) such other duties as the Government may, by notification, impose.

#### **2.4.2. Resources**

The important sources of revenue for the Village Panchayat are:

a) **Tax revenue:**

Among the three tiers, the Village Panchayat alone has the power to levy taxes. House tax, Profession tax, Advertisement tax are the commonly levied taxes.

b) **Non Tax revenue:**

Licensing fees for building plan and lay out approval, fees and charges on Dangerous & Offensive trades, water charges, fees on cart-stand, social forestry auctions, fishery rentals, 2C patta fees, income from markets and fairs, ferries, fines and penalties and so on.

c) **Assigned and shared revenues:**

Local cess, surcharge on stamp duty, entertainment tax (70% share), seignorage charges on mines and minerals.

d) **Grants:**

Central Finance Commission Grant, State Finance Commission Grant, development grants under Centrally-sponsored and State schemes.

#### **2.4.3 Administrative powers**

Since the Village Panchayats have only part-time staff, the President himself has been designated as the Executive Authority. Cheques for payment have to be signed jointly by the President and Vice-President. Where the relationship between the two is not cordial, the Collector, in his capacity as Inspector of Panchayats, can designate any other member of the Village Panchayat as joint cheque signing authority along with the President.

The Village Panchayats do not need external approvals for administrative sanction for taking up works up to Rs.1 lakh from their General fund. However, the Collector's prior administrative sanction is necessary in respect of all Centrally sponsored and State schemes. Village Panchayats have also been given freedom to execute urgent works up to Rs.2,000 at a time and up to Rs.5,000 for a year without any technical approval. The President can draw self cheque up to Rs.500 to meet contingent expenditures.

The Village Panchayats have been given necessary delegation of powers to enable them to attend to repairs and maintenance of hand pumps, power pumps and street lights promptly. They can spend upto Rs.7,500 per power pump per year without reference to engineers for preparation of estimates or passing of bills. They can buy street light materials meeting the prescribed quality norms on their own.

## 2.5 Panchayat Union Council

At the intermediate level, there are 385 Panchayat Unions (Blocks) in the State. The average number of Panchayat Unions per district is 13. The Nilgiris (4) has the lowest number of Panchayat Unions while Villupuram (22) has the highest.

### 2.5.1 Functions and Powers

Some of the important functions of a Panchayat Union Council are:-

- a) construction, repair and maintenance of all Panchayat union roads.
- b) construction of water works for the supply of water for drinking, washing and bathing purposes.
- c) construction and maintenance of elementary and middle schools.
- d) control of fairs and festivals under the control of the Panchayat Union.
- e) opening and maintenance of Panchayat Union public markets.
- f) implementing various Centrally sponsored and State schemes.
- g) preventive and remedial measures connected with any epidemic or with malaria.

### 2.5.2. Resources

Panchayat Unions can not levy any tax. The revenues of a Panchayat Union consist of the following:

**a) Non tax revenues:**

License fees, market fees, receipt from rentals and properties, fines and penalties.

**b) Assigned and shared revenues :**

Local cess surcharge and entertainment tax (30% share).

**c) Grants:**

Central Finance Commission Grants, State Finance Commission Grants, development grants under Centrally sponsored schemes and State schemes, grants for maternity centres, rural dispensaries.

The Panchayat Union Councils can sanction and execute works up to Rs.5 lakhs from their General funds without any external approvals. However for Centrally sponsored and State schemes, prior administrative sanction of the District Collector is necessary.

## 2.6 District Panchayats

There are 29 district Panchayats in the State.

### 2.6.1. Functions

The functions of the District Panchayats are mainly advisory in nature such as -

- a) preparation of development plan for the district.
- b) compilation of administration reports of Village Panchayat and Panchayat Union Councils of the district and preparation of Annual Report for the District.
- c) planning and review of Agriculture, Land Development, Animal Husbandry, Dairy, Poultry, Fisheries Sector and Rural Industries etc.
- d) planning and review of rural housing programmes particularly housing for SC/STs.
- e) identification of major water supply schemes.

### 2.6.2 Resources

The District Panchayat has no taxation powers. Its only source of revenue is from statutory grants like State Finance Commission Grants and development grants under Centrally sponsored schemes.

District Panchayats can sanction and execute works up to Rs.10 lakhs from their General funds without any external approvals. However in the case of Centrally sponsored schemes, prior administrative sanction of the District Collector is necessary.

## 2.7 State Finance Commission Grant

To augment the resources of the local bodies, financial devolution to the local bodies is made on the basis of recommendations of the State Finance Commission (SFC). Currently 8% of the State's total own net tax revenues (other than entertainment tax) is devolved to the rural and urban local bodies in the ratio of 58:42 respectively. 87% of the allocation for rural local bodies is being shared among the three tiers in the ratio of 47:45:8 among Village Panchayats, Panchayat Union Councils and District Panchayats respectively. This grant is being released every month to the local bodies. The balance 13% consists of Equalisation fund (6%), Incentive fund (5%) and Reserve fund (2%).

The SFC grant is generally utilized for the following:

- a) salaries, pensions, office maintenance, etc.,
- b) maintenance of drinking water facilities.
- c) maintenance of street lights, payment of electricity charges.
- d) maintenance of Village Panchayat and Panchayat Union roads.
- e) maintenance of minor irrigation tanks.
- f) public health, sanitation, sewerage, etc.

In 2006-07, Government has allocated Rs.1,224.76 Crores as the State Finance Commission grant for the rural local bodies.

## 2.8 Central Finance Commission Grant

On the basis of the recommendations of the Twelfth Finance Commission (TFC), the Government of India has allotted a sum of Rs. 870 crores for the period from 2005-06 to 2009-10.

The guidelines issued by the Government of India stipulate that the TFC Grant should be used for improving the service delivery in respect of water supply and sanitation. The grant can also be utilized for repairs, rejuvenation and also operation and maintenance costs incurred for water supply and sanitation. The grant is shared between the Village Panchayats and Panchayat Unions in the ratio of 80:20.

A sum of Rs. 174 crores is provided for the year 2006-07.

## 2.9 Best Village Panchayat Award

Some Village Panchayat Presidents have shown great initiative and dynamism and have made exemplary contributions in areas like alternative sources of energy, energy savings, solid waste management, marketing of SHG products.

**Table 6**  
**Outstanding Performers**

Sl. No.	Village Panchayat	District	Areas of excellence
1	Odanthurai	Coimbatore	Windmills, solar lighting, biomass gassifiers, production & marketing of bottled water through SHGs.

2	Thindal	Erode	Solid waste management & vermi-composting.
3	Michaelpattinam	Ramnad	Rain water harvesting & biofuels.
4	Kuthampakkam	Tiruvallur	Energy savings & poverty alleviation
5	Kadachanallur	Namakkal	Biomass gassifiers & energy savings

Such efforts are currently going unrewarded. Hence, from this year onwards, the Government has decided to institute an award in recognition of the innovative, outstanding and special initiatives and efforts of the Village Panchayats. This will also foster a spirit of competitiveness among Village Panchayat Presidents. To be considered for the award, the activities during the past 5 years will be taken into account. The award will consist of a certificate, a shield and a prize money of Rs.5 lakhs to the Village Panchayat. The award will also include a certificate and medal to the President of the concerned Village Panchayat. Based on the proposals received from the districts, 15 Village Panchayats would be selected at the State level and given the award.

For the year 2006-07, a sum of Rs.75 lakhs has been allotted for giving this award.

### **3. CHANGES IN DEPARTMENTAL STRUCTURE:**

Since an overwhelming majority of the 561 Special Village Panchayats were in favour of their being reclassified as Town Panchayats, this Government brought about the necessary Act amendments in both the Tamil Nadu Panchayats Act, 1994 and the Tamil Nadu District Municipalities Act, 1920 and reclassified them as Town Panchayats vide G.O.Ms. No. 55 MAWS dt. 14.07.2006.

With effect from 20.7.2006, the Tamil Nadu Corporation for Development of Women Limited (TNCDW) has been brought under the control of the Rural Development and Panchayat Raj Department in order to ensure better implementation of the self-help group movement and greater synergy vide G.O.Ms.No. 81 dt: 20.7.2006.

After this Government assumed power, the posts of Makkal Nala Paniyalar which were terminated by the previous Government on 31-5-2001, have been revived. The Makkal Nala Paniyalar will assist the Village Panchayat Presidents in the collection of taxes, maintenance of assets, etc.

### **4. CENTRALLY SPONSORED SCHEMES**

#### **4.1 Indira Awaas Yojana (IAY)**

The Indira Awaas Yojana was launched as an independent scheme from 1997-98 onwards. Its objective is construction of free houses to members of the Scheduled Castes/Scheduled Tribes, freed bonded labourers in rural areas and also to non SC/ST Rural poor people living below the poverty line. 3% of the financial allocation is earmarked for the disabled persons. Beneficiaries are selected from the Below-the Poverty-Line (BPL) list approved by the Grama Sabha. New houses as well as upgradation of kutcha houses are being taken up under the scheme. It is funded by the Centre and the State in the ratio of 75:25.

##### **4.1.1 New houses:**

From 1.4.2005, the unit cost of a new house has been fixed at Rs. 25,000 for ordinary soil and Rs. 27,500 for difficult soil. Moreover, the State Government provides a sum of Rs. 9,000 per house for RCC roofing in addition to its matching share. The minimum plinth area of a house shall be 20 square metres. All new houses are provided with the toilets and smokeless chulahs. Beneficiaries undertake the construction with locally available materials employing low cost technologies.

#### **4.1.2 Upgradation of kutcha houses:**

This can be taken up to a maximum of 20% of IAY allocation. The unit cost is Rs.12,500.

During 2006-07, it has been proposed to construct 49,850 new houses and upgrade 11,078 kutcha houses at a financial outlay of Rs. 183.33 crores, inclusive of the State Government's additionality of Rs.45.99 crores towards the RCC roofing cost.

#### **4.2 Sampoorna Grameen Rozgar Yojana (SGRY)**

The primary objective of the scheme is to give supplementary wage employment to rural labour, thereby providing food security and improving the nutritional levels in rural areas. The secondary objective of the scheme is the creation of durable community assets and development of rural infrastructure. The district allocation is apportioned in the ratio 20:30:50 among the District Panchayat, Panchayat Unions and Village Panchayats. Wages to labourers are paid partly in cash and partly in the form of rice which is given through fair price shops. The Government of Tamil Nadu have fixed the minimum wage at Rs.80 per day. The Centre and State contribute to the cash portion of the scheme in the ratio 75:25. The cost of the foodgrains portion is borne entirely by Government of India.

In 2006-07, this scheme will be implemented in 23 Districts only since SGRY has been merged with the National Rural Employment Guarantee Scheme (NREGS) in the remaining six districts (Cuddalore, Dindigul, Nagapattinam, Sivagangai, Tiruvannamalai and Villupuram).

It is proposed to take up the following works on priority under SGRY for the year 2006-07:

- a) Link roads to habitations with a population of 500-1,000.
- b) Anganwadis/school buildings.
- c) Desilting of supply/distribution channels.
- d) Flood protection works.
- e) Check dams, percolation ponds, gully plugging etc.
- f) Cement concrete streets.
- g) Noon meal centers / kitchen sheds.

During the current financial year, a sum of Rs.251.33 crores has been allocated for this scheme.

#### **4.3 National Rural Employment Guarantee Act 2005 – Tamil Nadu Rural Employment Guarantee Scheme (TNREGS)**

The National Rural Employment Guarantee Act was enacted in September 2005. The Tamil Nadu Rural Employment Guarantee Scheme (TNREGS) was launched on 2.2.06 and is being implemented in six districts, viz., Cuddalore, Dindigul, Nagapattinam, Sivagangai, Thiruvannamalai and Villupuram.

##### **Objectives of the Scheme:**

The National Rural Employment Guarantee Act, 2005 (NREGA) guarantees 100 days of employment in a financial year to any rural household whose adult members are willing to do unskilled manual work. This Act is an important step towards the realization of the right to work. It is also expected to enhance people's livelihoods on a sustained basis, by developing the economic and social infrastructure in rural areas.

The Village Panchayat will issue job cards to every registered household. Work should be given within 15 days to persons who apply for the same, failing which an unemployment allowance shall be payable by the State Government at the rate prescribed in the Act. Payment of the statutory minimum wage and equal wages for men and women are other notable features of the scheme.

##### **Funding Pattern:**

The cost of the scheme is shared between the Centre and the State in the ratio of 90 : 10. The Central Government will bear the following costs :

- a) The entire cost of wages for unskilled manual workers.
- b) 75 percent of the cost of material and wages for skilled and semi-skilled workers.
- c) Administrative expenses, which will include, inter alia, the salary and allowances of Programme Officers and their support staff and work site facilities.
- d) Administrative expenses of the Central Employment guarantee Council.

The State Government will bear the following costs:

- a) 25 percent of the cost of material and wages for skilled and semi-skilled workers.
- b) Unemployment allowance payable in case the State Government cannot provide wage employment within 15 days of application.
- c) Administrative expenses of the State Employment Guarantee Council.

Taking into account the field conditions in Tamil Nadu, the priority of works being taken up in our State is in the following order:

- a) New Ponds.
- b) Renovation of existing ponds, kuttais, kulams, ooranies, temple tanks etc.
- c) Desilting of channels.
- d) Desilting and strengthening of bunds of irrigation tanks.
- e) Formation of new roads.
- f) Other water conservation/soil conservation measures/flood protection measures.

So far, Rs.164.73 crores have been received from Government of India for 2005-06 and 2006-07. The expenditure incurred under this scheme till 31.3.2006 was only Rs.3 crores. One of the reasons for this was that the unskilled people coming forward to take up employment under this scheme (85% of whom are women) could get a daily wage of only Rs.40-50 as per the PWD schedule of rates since they could not deliver the required outturn of work. When it came to the notice of this Government that people seeking employment under this scheme were not able to get the statutory minimum wage of Rs.80 per day, it issued orders vide G.O.Ms.No.77 R.D. & P.R.Dept. dt.14.7.2006 for a separate **Rural Schedule of Rates** so as to enable persons working for 7 hours a day to get the statutory minimum wage as prescribed under the National Rural Employment Guarantee Act, 2005. By this decision, the Government have also removed the main bottleneck in the successful implementation of the National Rural Employment Guarantee Scheme. The Rural schedule of rates is applicable only to this scheme.

Under this scheme about 5.94 lakhs households have got registered, 80,000 households have applied for work, and 1,523 works have been taken up till date. The State has allocated Rs.26 crores as its share for the year 2006-07.

#### **4.4 Swarna Jayanti Gram Swarozgar Yojana (SGSY)**

SGSY is being implemented since April 1999 as a major anti-poverty scheme for the rural poor, by organizing them into Self Help Groups (SHGs), providing them with skill development training and helping them to get credit linkage with financial institutions and providing infrastructure and marketing support for the products produced by them. Government of India and the State Government are sharing the costs in the ratio of 75:25.

10% of the scheme fund is allocated for the training component, 20% for the infrastructure component and 70% for revolving fund-cum-subsidy component. The SHGs, after the first grading, are provided with a revolving fund of Rs.25,000 (bank loan of Rs.15,000 and Rs.10,000 as subsidy). After the second grading, the successful groups are provided with economic assistance, the maximum eligible subsidy being 50% of the project cost with a ceiling of Rs.1.25 lakhs.

In 2006-07, a sum of Rs.69.39 crores has been allocated for this scheme with the credit target of Rs.131.79 crores.

##### **4.4.1. Special SGSY Projects:**

Certain special projects sanctioned under SGSY, which are presently under implementation, can be seen from **Table 7**.

**Table 7**  
**Details of Special Projects under SGSY**

Sl. No	Name of the project	Estimate (Rs. in crores)	Implementing Agency
1	Upliftment of handloom weavers of erstwhile free distribution of sarees, dhotis scheme	25.30	Handlooms Department
2	Providing alternative livelihood opportunities to the Tsunami affected communities (Two projects)	14.37 13.79	Fisheries Department
3	Projects of the physically and mentally challenged persons at a) Ramanathapuram b) Coimbatore c) Thoothukudi	2.10 1.90 4.11	Rural Development Department
4	Project on creation of marketing infrastructure	14.64	Rural Development Department
5	Special Project on Meenavar Angadis	2.56	Fisheries Department

#### **4.5 Total Sanitation Campaign (TSC)**

Government of India restructured the Comprehensive Rural Sanitation Programme with effect from 1.4.1999 and launched the Total Sanitation Campaign (TSC). The project envisages a demand-driven approach with increased stress on awareness building and meeting the demand with alternate delivery mechanisms. With effect from 1.4.2006, the sharing pattern between the Centre and the State is as follows:

- a) 80:20 for information, education and communication (IEC) activities, administrative costs, and rural sanitary marts.
- b) 70:30 for school and anganwadi toilets.
- c) 60:20:20 for individual household toilets and solid and liquid waste management and community sanitary complexes, with 20% contribution from beneficiaries / Panchayats.

Under this scheme for the year 2006-07, Rs.33.62 crores has been allocated as State share.

A large percentage of integrated sanitary complexes (13,064) constructed during 2001-06 under this scheme as well as under a State funded scheme are reported to be unutilized or under utilized for lack of water, improper site location, want of personnel for maintenance and lack of proper assessment of demand. While reaffirming its commitment to the Total Sanitation Campaign, this Government will take up projects on a purely demand driven basis and try to revive the defunct integrated sanitary complexes if possible.

##### **4.5.1 Nirmal Gram Puraskar**

To give a fillip to the Total Sanitation Campaign, the Government of India launched an incentive scheme from June 2003 in the form of an award for total sanitation coverage, maintenance of clean environment and open defecation-free Village Panchayats called 'Nirmal Gram Puraskar'. Village Panchayats with less than 5,000 population will be awarded Rs. 2 lakhs and those with more than 5,000 population will be awarded Rs.4 lakhs.

#### **4.6 Member of Parliament Local Area Development Scheme (MPLADs)**

The objective of this Scheme is to fill the gaps existing in the provision of infrastructure through various Central and State schemes thereby enabling wholesome development. A sum of Rs.2 crore is allotted per Member of Parliament (Lok Sabha and Rajya Sabha) per year for taking up developmental works identified by the concerned M.P. In the case of Lok Sabha, the scheme is implemented in the districts falling within the constituency of the concerned M.P. In the case of Rajya Sabha, the M.P. can choose any district within the State that the M.P. is elected from. As far as the nominated members are concerned, they can choose any district in India for the implementation of the programme. The District Collector gives administrative sanction for the works. Individual works to the maximum value of Rs.25 lakhs can be taken up under this scheme. The guidelines contain a 'negative list' of works not permitted under this scheme and also an illustrative list of works that may be taken up.

In 2006-07, Rs.114 crores will be provided by Central Government for this scheme.

#### **4.7 Pradhan Mantri Gram Sadak Yojana (PMGSY)**

The Government of India launched PMGSY on 25<sup>th</sup> December 2000 to provide all-weather roads to all rural habitations with populations exceeding 1000 by the year 2003 and to all habitations with populations between 500 and 1,000 by the year 2007. This is a 100% centrally assisted scheme. The first three phases of the scheme were implemented by Rural Development Department. 3,364.62 km road works were taken up at an estimated cost of Rs.434.10 crores. So far 3,159.56 km road works have been completed with an expenditure of Rs.372.09 crores. The Highways Department was entrusted with the implementation of fourth phase. It is proposed to transfer the implementation of PMGSY from the fifth phase onwards back to the Rural Development and Panchayat Raj Department.

#### **4.8 National Project on Biogas Development**

This is a 100% Centrally sponsored scheme envisaging a subsidy of Rs.2,100 for general category and Rs.2,800 for SC/ST and small farmers and Rs.3,500 for hilly areas. The tentative allocation for 2006-07 is Rs.62 lakhs.

### **5. STATE SCHEMES**

#### **5.1 Anaithu Grama Anna Marumalarchi Thittam**

This Government has launched a landmark scheme called the '**Anaithu Grama Anna Marumalarchi Thittam**' which aims at substantial injection of resources into the Village Panchayats in the State over the next five years. In terms of allocations, this is by far the biggest among all the Centrally-sponsored and State schemes currently under implementation.

Under the scheme, the Government will allocate Rs.500 crores annually for 2,500 Village Panchayats every year at the rate of Rs.20 lakhs per Village Panchayat. Since many Village Panchayats have very low incomes and are finding it difficult to provide the statutory services or improve infrastructure, this scheme proposes to accord priority to the poorest Village Panchayats in terms of *per capita* income. One fifth of the Village Panchayats in each Block will be taken up in each year in the ascending order of per capita income so as to cover all the Village Panchayats in the State over a period of five years. The villages covered under the old Anna Marumalarchi Thittam, which was in vogue during 1997-2002, will be taken up in the fifth year (2010-11).



The Centrally sponsored schemes usually have tight guidelines and do not offer the flexibility to take up works that may be locally desirable nor do they provide funds enabling Village Panchayats to carry out their statutory functions under the Tamil Nadu Panchayats Act, 1994. The Anaithu Grama Anna Marumalarchi Thittam endeavours to plug both these gaps in the Centrally sponsored schemes by providing untied funds of Rs.5 lakhs (out of Rs.20 lakhs allocation per Village Panchayat), with the remaining funds to be spent on those items regarding which statutory duties are cast upon Village Panchayats such as provision of :

- a) Cement Concrete Roads.
- b) Street lights and Sodium Vapour lamps.
- c) Ponds.
- d) Inland fishery.
- e) Burial/Cremation grounds.
- f) Water supply.
- g) Sports and recreation facilities.
- h) Reading rooms.
- i) Village Markets and Shandies.

Unlike the old Anna Marumalarchi Thittam in which only one Village Panchayat was taken up per M.L.A. constituency in each year, under the new Anaithu Grama Anna Marumalarchi Thittam, on an average, about 12 Village Panchayats will be taken up in each M.L.A. constituency every year. Further all the Village Panchayats in the State will be covered over a period of just five years. There is also a special focus on the poorest Village Panchayats. Again unlike the Namadhu Gramam Thittam, implemented during 2004-06, in which resources were spread very thinly across all the 12,618 Village Panchayats in the State (at the rate of Rs.1.10 lakhs per Panchayat in 2004-05 and Rs.1.25 lakhs per Panchayat in 2005-06) with the result that no significant impact was visible in any Village Panchayat, under the new Anaithu Grama Anna Marumalarchi Thittam a significant injection of resources to the tune of Rs.20 lakhs will be made in each Village Panchayat. Further, funds from other schemes such as SGSY, RIDF etc. will also be dovetailed as far as possible into the 2,500 Village Panchayats to be taken up each year.

## **5.2 Member of Legislative Assembly Constituency Development Scheme (MLACDS)**

Member of Legislative Assembly Constituency Development Scheme is fully funded by the State Government. The main objective of the scheme is to take up works to bridge the critical infrastructural gaps in the Assembly constituencies. Under this scheme, each Member of Legislative Assembly shall identify the works that should be executed in his constituency. The allocation per constituency is Rs.1.00 Crore. The following items of works will be taken up on priority during the current financial year under the scheme.

1. Cement Concrete Roads (25 %)
2. Sodium Vapour Lamps (15%)
3. Upgradation of existing roads (20%)

Out of the remaining 40%, they can choose works of their choice not falling within the negative list. In Municipal Corporation areas, the earmarked 60% component can be used for taking up any work connected with basic amenities.

For 2006-07, Government have allocated Rs.235 crores for the scheme.

## **5.3 Rural Infrastructure Development Fund (RIDF)**

Rural Infrastructure Development Fund (RIDF) was started in the year 1995-96 by the Government of India to provide loan funding for the rural infrastructure projects through NABARD. Some of the important activities taken up under this project are -

- a) Rural roads, bridges, watershed development.
- b) Minor irrigation projects.

- c) Soil Conservation, flood protection.
- d) Drinking water sanitation etc.

Under RIDF, the Rural Development and Panchayat Raj Department is implementing the Comprehensive Road Infrastructure Development Programme (CRIDP) for strengthening bus plying, Village Panchayat and Panchayat Union roads. In this financial year, under RIDF XII tranche, NABARD has sanctioned Rs.107.40 crores for strengthening of 889 bus plying roads in Village Panchayats and Panchayat Unions for a total length of 1543.32 km. During 2006-07, the Government proposes to tap RIDF funds in a big way for the improvement of rural infrastructure.

#### **5.4 Village Fair Development Scheme**

Presently, the shandies maintained by Village Panchayats and Panchayat Unions are poor in infrastructural facilities. Under this scheme, it is proposed to provide facilities such as stalls, drinking water, public convenience, lighting etc.

In 2006-07, Government has allocated Rs.1 crore for this scheme.

#### **5.5 Socio-Economic Development for Dharmapuri and Krishnagiri Districts**

To curb the rise of Naxalite elements in the backward districts of Dharmapuri and Krishnagiri, a "Socio-Economic Development Programme" was launched in the year 2003-04. For the year 2006-07 a provision of Rs. 7.50 crores has been made.

### **6. SPILL OVER WORKS:**

In May 1996, nearly 1.14 lakh long-pending spill over works, relating to the period 1991-96 and earlier, were unearthed and completed over a period of two years. Surveys undertaken during May-July, 2006 reveal that once again a massive number of 1.54 lakhs spill over works relating to the period 2001-06 have accumulated. This figure excludes the individual household and other toilet works in respect of which about 19 lakh works are pending out of a total 39 lakh works that should have been completed by 31.3.2006. A special drive is being given to complete all these works on a war-footing.

### **7. PART II SCHEMES**

The following new schemes will be implemented in the year 2006-07.

#### **7.1. Modernisation of the office of the Director of Rural Development and Panchayat Raj**

It is proposed to take up modernization of the Directorate at a cost of Rs.35 lakhs. Another Rs.25 lakhs has been sanctioned for the development of an application software for monitoring schemes.

#### **7.2. Purchase of photocopier machines for 29 Assistant Director (Panchayats) offices**

In the current year, an amount of Rs.29 lakhs has been provided at the rate of Rs.1 lakh for each of the 29 Assistant Director (Panchayat) offices.

#### **7.3 Construction of quarters for 4 Project Officers, DRDAs:**

It is proposed to construct quarters for the Project Officers, DRDAs of Kanniyakumari, Tiruvarur, Tiruvannamalai and Nagapattinam at an ultimate cost of Rs. 90 lakhs. For this, a provision of Rs.36 lakhs has been made in 2006-07.

## 8. COMPUTERISATION:

Already, the offices of all the 385 Panchayat Unions and the 29 Assistant Directors (Panchayats) have been provided with computers. Out of the total of 12618 Village Panchayats, 6,522 Village Panchayats have already been supplied with computers and supply to the remaining 6,096 Village Panchayats is likely to be done before the end of this financial year.

## 9. TSUNAMI REHABILITATION SCHEMES

The coastal districts of Tamil Nadu suffered massive damage to life and property on 26.12.2004 by the tsunami. To supplement the efforts of Government of Tamil Nadu in reconstruction of damaged roads and public infrastructure, restoration of livelihood and construction of houses for people living in the affected areas, agreements for financial assistance (loan-cum-grant) were signed with the following agencies:

1. World Bank (WB) for the Emergency Tsunami Reconstruction Project (ETRP).
2. Asian Development Bank (ADB) for the Tsunami Emergency Assistance Project (TEAP).
3. International Fund for Agricultural Development (IFAD) for the Post Tsunami Sustainable Livelihood Programme (PTSLP).

Many departments of the Government including Rural Development and Panchayat Raj Department are implementing the tsunami rehabilitation projects. The Project Management Unit (PMU) established in the Revenue Department is coordinating this effort. In view of large allocation to the Rural Development and Panchayat Raj Department, a separate Project Implementation Unit (PIU) has been setup for overseeing the implementation of this Department's projects since 1.8.2005.

The progress in the implementation of the World Bank, ADB and IFAD-funded tsunami rehabilitation programmes executed by Rural Development and Panchayat Raj Department as on 13.5.2006 is given below:-

**Table 8**  
**Tsunami Rehabilitation Scheme - Financial Progress**

*Rs. in crores*

Sl.No	Name of the Project	Allocation to R.D. & P.R. Dept.	Funds released	Expenditure
1.	World Bank's ETRP	1350	16.11	0
2.	ADB's TEAP.	301.22	22.86	4.95
3.	IFAD's PTSLP.	283.69	0	0
	<b>Total</b>	<b>1,934.91</b>	<b>38.97</b>	<b>4.95</b>

Thus only about Rs.5 crores have been spent out of a total allocation of Rs.1,935 crores in the past one year or so of the implementation of these projects.

### 9.1. World Bank's ETRP:

This project is being implemented in 8 districts namely Tiruvallur, Kancheepuram, Villupuram, Cuddalore, Nagapattinam, Tuticorin, Tirunelveli, and Kanniyakumari. The project period is 3 years with effect from 9.8.2005. The main components of this project and the financial progress as on 31.7.2006 are shown below:

**Table 9**  
**Components of ETRP**  
*Rupees in crores*

The  
has  
Rs.1080  
the  
of new  
Rs.270  
the  
basic  
at the rate of  
lakhs per  
(inclusive of  
per house  
amenities).  
amenities  
roads,

Sl. No.	Component	Allocation to PIU, RD Dept.	Funds Sanctioned	Funds released	Expenditure
1.	Reconstruction of Houses	1080	0	0	0
2.	Basic amenities	270	67.20	30.11	0.93
3.	Implementation support		1.03	0	0
4	<b>Total</b>	<b>1350</b>	<b>68.23</b>	<b>30.11</b>	<b>0.93</b>

World Bank allocated crores for construction houses and crores for provision of amenities - Rs.1.50 house Rs.30, 000 for basic The basic such as link internal

roads, sanitary facilities, streetlights, drains, etc can be provided not only to habitations covered under this project but also to habitations where new houses are being constructed by NGOs using their own funds based on the MOUs signed with the District Collectors.

No houses have been constructed by Government under this Project till date. All the houses (about 20,898 in 154 rural habitations) presently being constructed are by NGOs. This Government has sought the approval of the World Bank for the following two schemes for the construction of houses:

- The first scheme is for constructing houses for about 20,000 families who live within 200 metres from the seashore and have not been directly affected. These houses can be built beyond 200 metres based on the consent of the people living in those habitations.
- The second scheme is for construction of about 50,000 new houses for the poor people living in huts and in old houses of conventional type in the coastal districts, which are frequently affected by natural calamities such as flood, cyclone and tsunami. If adequate land is available in the present location for *in situ* construction, pucca houses that will withstand all types of natural calamities will be constructed. If adequate land is not available for *in situ* construction, the construction of houses will be done by acquiring the required lands.

Rural Development and Panchayat Raj Department will be able to commence the construction of these new houses after getting the World Bank clearance for the above two proposals and after the processes of identification of beneficiaries and land acquisition have been completed by Revenue Department.

The World Bank's insistence upon getting prior Town and Country Planning clearance, Coastal Regulation Zone clearance and Environmental clearance before commencing the works and their stringent procurement procedures were reported to be a major hurdle in the speedy implementation of ETRP. In order to simplify procedures, this Government has accorded blanket exemption from Town and Country Planning clearance for tsunami related projects as per G.O.No.150 Housing & Urban Development Department dt.24.6.2006, and is trying to expedite the other two clearances. The Model Bid documents, which are required for initiating the tender process for the various works and were pending for many months have been approved by World Bank recently. It is expected that all the works under the basic amenities component of ETRP would commence shortly.

There was zero expenditure under this head from 9.8.2005 to 13.05.2006; in the past two months, a sum of about Rs.1 crore has been spent. From a situation wherein almost all the sanctioned posts were unfilled as on 13.5.2006, expeditious steps are being taken to fill up the vacancies.

## 9.2 Asian Development Bank's TEAP:

This project is being implemented at a cost of Rs.301.22 crores. The project period is 3 years with effect from 6.4.2005. It will benefit 12 coastal districts namely Tiruvallur, Kancheepuram, Villupuram, Cuddalore, Nagapattinam, Tiruvarur, Thanjavur, Pudukottai, Ramanathapuram, Tuticorin, Tirunelveli and Kanniyakumari.

The ADB has sanctioned 100% grant for the livelihood and sanitation components. The components of this project and the financial progress upto 31.7.2006 may be seen in **Table 10**.

**Table 10**  
**Components of TEAP**

*Rs. in Crores*

SL. No.	Component	Funds Allocated	Funds released	Expenditure
1.	Livelihood	190.10	69.50	8.20
2.	Sanitation	5.86	1.95	0.92
3.	Rural Infrastructure			
	a) Roads and drainages	77.06	38.50	1.17
	b) Public buildings	22.79	0	0
4.	Incremental expenditure	5.41	5.41	0.92
	<b>Total</b>	<b>301.22</b>	<b>115.36</b>	<b>11.21</b>

The Livelihood component of Rs.190.10 crores is meant for the restoration of livelihood to Self Help Group members and other individuals through income generating activities. Out of this, a sum of Rs.133.49 crores is sub-allocated for revolving fund and economic assistance; Rs.19 crores for capacity building; and Rs. 38 crores for restoring, upgrading and creating community based infrastructure for production, processing, quality testing, transport, storage and marketing. The Panchayat Level Federations (PLF) of SHGs will be entrusted with the management of the infrastructural assets created. This project provides for Rs.30,000 subsidy and Rs.15,000 loan from financial institutions for the revolving fund, besides an interest subsidy of 4% on the loans availed. A special initiative of this Government has been the provision of a grant of Rs. 10,000 for livelihood support of disabled persons as such persons normally find it difficult to get loans from banks. Under TEAP's Livelihood component, only Rs.5.5 crores had been released and Rs.3.02 crores had been spent between 6.4.2005 and 13.05.2006. A further amount of Rs.64 crores has been released and Rs.5.18 crores has been spent till 31.7.2006. An action plan has been prepared to spend Rs.50 crores before 31.3.2007.

Under the roads and drainages component, 496 rural roads in 225 packages covering a total length of 577.09 km have been taken up at an estimated cost of Rs.77.06 crores. So far 162 packages have been finalized and re-tenders have been called for the balance 63 packages. Under TEAP rural roads component, a sum of Rs.10 crores was released and Rs.1.01 crores was spent between 6.4.2005 and 13.05.2006. A further sum of Rs.28.50 crores has been released till 31.7.2006. An action plan has been prepared to spend Rs.52.72 crores before 31.3.2007.

### **9.3 International Fund for Agriculture Development (IFAD)- PTSLP:**

The Government of India has signed this loan agreement with IFAD on 06.10.2005. The programme is proposed to be implemented in 6 coastal districts namely Tiruvallur, Kancheepuram, Villupuram, Cuddalore, Nagapattinam and Kanniyakumari. The project period is 8 years.

The programme components are a) Coastal area resource management b) Rural finance and risk transfer instruments c) Employment generation and skill training d) Community-based sea safety and disaster management, and e) Programme management. The financial outlay is Rs.283.69 crores, which includes a loan component of Rs 130.43 crores from IFAD, Rs.13.26 crores as contribution from Government of Tamil Nadu, Rs.95.45 crores as Bank loan and Rs.44.55 crores as contribution from the beneficiaries.

In G.O Ms No 136 dated 19.10.2005 the Tamil Nadu Welfare Society (TNWS) for Self help groups, has been designated as the nodal agency for the implementation of this programme at the State level while the District Supply Marketing Societies (DSMSs)/District Rural Development Agencies (DRDAs) and other reputed organizations will implement it at the district level.

This Government is of the opinion that TNWS and the DSMSs have neither the staffing nor the expertise nor the experience to implement a programme of this magnitude. The programme implementation which is yet to take off will suffer further unless the implementation machinery is changed. On the other hand, the Tamil Nadu Corporation for Development of Women has the necessary expertise and over 17 years experience in implementing precisely this type of programme. This Corporation had successfully implemented an earlier IFAD project for the formation, training and assistance of women self-help groups between 1989 and 1995.

Since the Government of Tamil Nadu has transferred the Tamil Nadu Corporation for Development of Women from the control of Social Welfare and Noon Meal Programme Department to the control of Rural Development and Panchayat Raj Department with effect from 20.7.2006, this Government is negotiating with IFAD to change the implementing agency from Tamil Nadu Welfare Society for SHGs to the Tamil Nadu Corporation for Development of Women. The implementation of this programme is expected to take off within next three months.

## **10. TAMIL NADU CORPORATION FOR DEVELOPMENT OF WOMEN**

Tamil Nadu Corporation for Development of Women Limited was established in the year 1983 with the objective of promoting socio-economic development and empowerment of women. The Corporation was under the administrative control of Social Welfare Department from inception till July 2006. The Corporation has been brought under the administrative control of Rural Development and Panchayat Raj Department Vide G.O.Ms.No. 81 dt: 20.7.2006, in order to bring about synergy and better coordination in implementing schemes meant for Self Help Groups.

This Government pioneered the Self Help Group (SHG) concept in the country by forming SHGs as early as September 1989 in Dharmapuri district with the assistance of International Fund for Agricultural Development (IFAD). Later this scheme was extended to the erstwhile Salem and South Arcot districts in the year 1991-92. It was further extended to Madurai and Ramanathapuram districts in the year 1992-93.

### **10.1 Mahalir Thittam:**

Following the astounding success of the IFAD Project, the now popularly called "Mahalir Thittam" project was introduced during 1997-98 with State Government funding in Villupuram,

Dharmapuri (Krishnagiri), Namakkal, Cuddalore, Ramanathapuram, Madurai, Theni, Karur, Virudhunagar, Salem, Tiruvarur, Thoothukudi, Vellore and Tiruvallur districts.

In the year 1998-99 it was extended to Tirunelveli, Tiruvannamalai, Erode, Pudukottai, Sivagangai, Nilgiris and Tiruchirapalli districts.

During 1999-2000 the scheme was further extended to Kanniyakumari, Coimbatore, Dindigul, Kancheepuram, Perambalur (Ariyalur), Thanjavur and Nagapattinam districts. Finally, it was extended to Chennai in the year 2001-02.

"Mahalir Thittam", is implemented in partnership with Non-Governmental Organisations (NGOs) and Banks. Under the scheme, SHGs are formed and monitored through NGOs affiliated with the Tamil Nadu Corporation for Development of Women Ltd.

## **10.2 Self Help Groups:**

An SHG is a small homogeneous group of poor women consisting of 12 to 20 members voluntarily formed to promote savings and mutually agreeing to contribute a common fund to be lent to its members as per the group's decision. The members have to be in the age group of 18-60 years.

The great merit of the SHG is its ability to inculcate among its members sound habits of thrift, savings and banking. SHGs have been recognised as useful vehicles to help the poor in accessing financial resources not available to them previously and help them break away from the grip of exploitative moneylenders.

Regular meetings, compulsory attendance and savings are the main features of the SHG concept. The meetings are conducted weekly or fortnightly depending upon the convenience of the members. Normally, each SHG member saves around Rs.100 per month. To lead the group, the members select one animator and two representatives from among themselves. The animator is responsible for providing leadership to the group and to maintain the various registers. The representatives assist the animator and maintain the bank accounts of the group.

One of the primary reasons for the success of the SHGs has been their excellent track record of repayment of loans. The percentage of repayment of loans by SHGs is as high as 98%. The SHG members use their collective wisdom and peer pressure to ensure proper end use of credit and timely repayment.

## **10.3 Capacity Building:**

After the SHGs are formed, their capacities have to be built to function effectively. Towards this end, they are imparted basic training (i.e.) SHG member training and animator and representative training within 6 months of the formation of the group.

### **10.3.1 SHG Member Training:**

This training is imparted to all the members of the SHG in 4 modules in 4 days. The objective of this training is to bring out the hidden talents and capacity of all the SHG members. In the year 2005-06, the training duration was reduced to 2 modules in 2 consecutive days.

### **10.3.2 Animator and Representative Training:**

The animator and one representative of the SHG are given this training in 3 modules in 6 days. The duration was reduced to 3 modules in 3 days in the year 2005-06. The objective of the training is to enhance the leadership quality, team building spirit and to build their capacity to maintain books of accounts.

#### 10.4 Credit Rating:

The SHGs after being in existence for 6 months become eligible for credit rating. Credit rating is an exercise in rating the group and ascertaining its credit worthiness. This is done by a committee consisting of a representative from DRDA, a Banker, an Assistant Project Officer from Mahalir Thittam and a NGO representative. Regularity of savings, frequency of meetings, proper maintenance of registers, internal lending and repayment are some of the criteria that are used for credit rating. Those SHGs, which have passed credit rating successfully, become eligible for credit linkage. They are given revolving fund through schemes like SGSY, TAHDCO or directly provided loans by banks.

The groups also undergo a second credit rating after the lapse of a further six months to ascertain their readiness and suitability to undertake an economic activity. After successfully passing the second credit rating, the groups are provided financial assistance to start an economic activity through SGSY / TAHDCO schemes along with bank funding.

#### 10.5 Non-Governmental Organisations:

Mahalir Thittam is implemented through NGOs who help in the formation of SHGs, provide training and monitor the SHGs. The NGOs are provided formation cost and monitoring cost for the above activities. The NGOs who are interested in implementation of Mahalir Thittam are affiliated if they satisfy the norms prescribed. Experience in forming 100 SHGs, at least three years unblemished track record were some of the conditions considered for affiliation. In July 2005, these norms were relaxed to 50 SHGs and 1 year's unblemished track record. It is proposed to restore the earlier norms and methodology for affiliation in order to improve the quality of the SHGs.

There are at present 638 approved NGOs under Mahalir Thittam.

#### 10.6 Present Status of SHGs:

The SHG movement, which was started in 1989 in a small way, has emerged as a powerful and vibrant movement spread over the length and breadth of the state. As on 30.6.2006 there are 3,19,713 SHGs under Mahalir Thittam. **Table 11** gives the details of SHGs as on 30.06.2006:

**Table -11**  
**Details of SHGs**

Total No. of SHGs	3,19,713
Total No. of Group Members	51.68 Lakhs
No. of Rural Groups	2,62,270
No. of Rural Group Members	42,68,195
No. of Urban Groups	57,443
No. of Urban Group Members	9,00,067
Total Savings (Rs. in Crores)	Rs.1,127.89
Credit rated groups	2,50,678
Credit linked groups	2,29,562
Amount of loan disbursed (Rs. in Crores)	Rs.1,837.61



### **10.7 Panchayat Level Federation:**

Under Mahalir Thittam, it is envisaged that a federation of SHGs will be formed at the Village Panchayat Level. The Panchayat Level Federation (PLF) comprises two representatives from each SHG in the Panchayat. The PLF is expected to provide a common platform for the SHGs to share their experiences and to voice their problems. The PLFs can help achieve what individual SHGs cannot, by pooling in talent and resources and exploiting economies of scale both in production and marketing. They can also oversee the proper functioning of SHGs in a Village Panchayat and can be used to form and train new SHGs. Strengthening the PLFs is the key to achieving sustainability in the long run.

Even though orders were issued as early as 2002 to form Panchayat level federations in all the Panchayats and 12,263 PLFs have been formed so far, systematic training about their role and responsibilities is yet to be given to them. This government proposes to strengthen the PLFs and transform them into vibrant organizations serving the needs of the SHGs by training the PLF office bearers in the year 2006-07 and giving them responsibilities.

### **10.8 Entrepreneurship Development Training Programme for Women (EDP)**

EDP training is conducted by TNCDW to expose the SHG women to various business opportunities and to motivate them to start economic activities. Till March'2006, Tamil Nadu Corporation for Development of Women Ltd., being the nodal agency for implementation of the programme, has trained 6,34,991 women (of which the share of TNCDW is 1,14,747 women) in coordination with other Government departments such as Rural Development, Agriculture, Industries & Commerce, Backward Classes, TAHDCO, Slum Clearance Board etc. In 2006-07, this scheme will be strengthened and 22,000 SHG women will be provided EDP training by TNCDW.

### **10.9 Skill & Skill Upgradation Training Programme:**

TNCDW provides skill training to SHG women so as to enable them to start their own income generating activities. The duration of the training and the cost depends on the nature of the trade selected by the members. Till March 2006, 60,957 women have been provided skill training. It is proposed to train 23,000 women in 2006-2007.

### **10.10 Impact Of Mahalir Thittam:**

Because of the sustained activities under Mahalir Thittam like SHG formation, training and skill development, there has been perceptible change in the social status of women in general and rural women in particular. The SHG movement has brought about the following:

- Increased awareness among poor women about the various welfare schemes of the Government
- Women have come together breaking the social barriers of caste, creed and religion.
- Increased self confidence in SHG women
- Improved communication skills
- Large-scale participation in Gram Sabha and Panchayat Raj activities.
- SHGs functioning as alternate conflict resolution mechanism
- Easy access to banking sector for poor women
- Higher participation of SHG women in grass root democracy reflected by the election of 2597 SHG women in local body elections in 2001.
- Elimination of "kandhu vatti" system of money lending.

The SHG movement has led to wide spread economic empowerment of poor women. Today SHGs are involved in multifarious economic activities with substantial success. 452 ration shops are run by SHGs. Running mini buses, courier services, departmental stores, canteens, stone quarries, Internet kiosks, floriculture, paper cup making, trawler fishing, vermicompost manufacturing, ready made garments and production of low cost sanitary napkins are a few of the successful ventures among the many undertaken by SHGs.

### **10.11 Quality of Self Help Groups:**

The hallmark of the SHGs promoted by Mahalir Thittam and the primary reason for their success is the systematic training provided to SHG members, which led to qualitative changes in their attitude and behaviour. In 2002, Mahalir Thittam was restructured and the following changes were made:

- The training cost paid to the SHG members, which used to be Rs.45 per day per member (basically to compensate the wage loss) was reduced to Rs.7.50 per day per SHG member.
- The group formation cost, monitoring support cost payable to NGOs for promoting and monitoring the groups was also substantially reduced.
- The strength of Assistant Project Officers that used to be 6 per district was reduced to 3.

The drastic reduction in training cost paid to SHG members resulted in drop in attendance and only 30% of the SHG members have undergone all the 4 modules of the training after the restructuring.

In the year 2005-2006, Government Orders were issued for forming 2 lakh SHGs within a short span of 7 months by the following agencies – 1,15,000 groups by TNCDW, 60,000 by DRDAs and 25,000 by Agriculture Department.

Since a large number of SHGs were formed in a very short span of time, adequate training could not be imparted to these new SHGs. About 1.20 lakh SHGs (including those formed by BDOs) have not been imparted the basic training and 1.29 lakh SHGs have not qualified for credit rating.

This Government proposes to give prime importance to the quality rather than the number of groups formed and to address and resolve the various problems created by the hurried formation of large number of groups especially in 2005-06. The SHG member training cost will be restored to Rs.45 per day per member from the current year. Assessment of training needs of the 2 lakh newly formed SHGs will be carried out and adequate training will be provided to these SHGs in order to strengthen them.

### **10.12 Action Plan for 2006-07:**

The focus areas of Mahalir Thittam for 2006-2007 will be:

- Efforts will be made to increase the membership of women in SHG movement to 1 crore in the next 5 years. Enrolment of women from minority communities, SC/ST categories and urban slums will be given special focus. In the current year 2006-07, 25,000 new SHGs will be formed.
- The Panchayat Level Federations will be strengthened by imparting training to the Office Bearers of the PLF so as to enlighten them about their roles and responsibilities.
- The per diem payable to SHG members who are attending the member training and A&R training will be increased to Rs.45 per day instead of Rs.7.50 paid at present.
- SHGs would be assisted to participate in the National, State, District level Sales Melas / Exhibitions organized by Government departments to enhance the sale of SHG products.

- An amount of Rs.10 lakhs per district will be given for provision of infrastructural facilities for marketing SHG products, like purchase of van, packing machines etc.
- 10,000 youth SHGs will be formed and assisted on the lines of women SHGs at a cost of Rs. 10 crores.
- SHGs of transgendered persons will be formed.
- 22,000 women will be provided EDP training at a cost of Rs.88.00 lakhs.
- 23,000 women will be provided Skill Training at a cost of Rs. 350.00 lakhs

Negotiations are on with International Fund for Agricultural Development (IFAD) to transfer the implementation of the 8 year long Post Tsunami Sustainable Livelihood Programme (PTSLP) from Tamil Nadu Welfare Society for SHGs to this Corporation.

#### **10.13 Mutram:**

The Mutram Society was formed under the aegis of TNCDW with the main objective of collecting and disseminating information about women related issues through the publication of regular newsletters and periodicals. Accordingly, the society is publishing a popular monthly magazine by name "MUTRAM" for the benefit of the SHG members. At present, 1,10,000 copies of Mutram magazine is published every month.

#### **10.14.Tamil Nadu Non Governmental Organization and Volunteers Resource Centre (TNVRC) :**

TNVRC is a resource centre promoted by TNCDW from the year 2001 for the purpose of capacity building of development agencies (Government / NGO / Community). In 2006-2007, TNVRC has proposed to conduct various trainings and workshops to empower and capacitate community-based organizations like PLFs apart from NGOs.

#### **10.15.World Bank-Aided Tamil Nadu Empowerment and Poverty Reduction Project**

The Government of Tamil Nadu is committed to addressing inequity and poverty by implementing various development interventions. While Mahalir Thittam and other initiatives have been successful in mobilising and forming SHGs of the poor, more efforts are required to

- Reach the poorest of the poor and vulnerable groups
- Strengthen existing SHGs to enhance their skills, capacities and resources to make them self-sufficient and self-reliant.
- Provide financial resources and linkages required for generating significant increase in income of SHG members and thereby enhance their livelihoods.
- Promote greater interaction and stronger linkages among the SHGs and Gram Panchayats.

With these objectives in mind and building on the strong foundation already laid by Mahalir Thittam, Tamil Nadu Empowerment and Poverty Reduction Project was prepared and posed to World Bank for assistance. The project was approved by the World Bank in 2005. This project will be implemented over a 6 year period at an outlay of Rs.717 crores.

This project is a community driven development based project with shift in focus from group formation and social empowerment of Mahalir Thittam to livelihood promotion and economic empowerment. The target population of this project will primarily be very poor households, the most vulnerable sections, marginalized communities and the physically challenged.

The targeting will be based on participatory identification of the poor from the above categories.

### **10.15.1 Salient Features of the Project:**

- Community driven development approach wherein village communities will identify their own needs, design and plan interventions and implement them.
- Focus on the poorest of poor and other vulnerable sections like disabled, widows, destitutes etc.,
- Assisting existing SHGs of the poor and also form new SHGs of the left out poor.
- Sustained technical support to SHGs (skill development, marketing, technology) by establishing partnerships and linkages.
- Higher level economic activities and federations will be promoted for sustainability.
- Intensive handholding support will be provided by Project Team of 5 members for every cluster of 10 – 15 Panchayats.
- Gram Panchayats will be motivated to facilitate the implementation of this project by providing incentives.
- A Community Organisation by name Village Poverty Reduction Committee will be formed in each Panchayat under the leadership of the Panchayat President and with representation from SHGs of poor women to implement the project.

This project is different from Mahalir Thittam in the following aspects.

- Decision making and implementation by community
- Direct funding to community
- Facilitation / support through project staff as against NGOs
- Involving Gram Panchayats in implementation through incentives
- Thrust on livelihood activities through skill development, market linkages and federations.
- Special focus on the poorest of the poor, disabled, tribals and vulnerable apart from women.

### **10.15.2 Project Area:**

The Project will be implemented in 2432 Gram Panchayats in 70 backward blocks spread over 15 districts. The project blocks and districts have been selected based on the following criteria:

- 50% weightage accorded to percentage of SC/ST population of the blocks as per the 1991 census.
- 50% weightage given to the Below Poverty Line population.

### **10.15.3 Institutional Arrangements:**

The Institutional arrangements for implementing the project are:

- A Society at State level
- Separate district Societies at the District level
- Project Facilitation Teams at the Cluster level covering about 10 – 15 Project Panchayats.
- At the Panchayat level, an inclusive and representative Village Poverty Reduction Committee will be the key implementing agency.

The State and the District Units will function as separate societies under the Societies Act. The State Society and District Societies in all the 15 districts have been formed and are functional.

#### **10.15.4 Project Staffing:**

The recruitment of the project staff at the District level, i.e., the District Teams and Project Facilitation Teams at a cluster level was outsourced to an independent Human Resource Agency as mandated by the World Bank. A Human Resource Agency M/S SRIJAN INFRA TECH Ltd., had been selected by following the World Bank procurement procedures. The Human Resource Agency has completed the recruitment process and furnished the list of selected candidates.

#### **10.15.5 Project Status:**

Out of the total project cost of Rs.717 crores, Rs.38 crores was budgeted for the year 2005 – 06. Out of the budgeted amount of Rs.38 crores for the year 2005 – 06, only Rs.2.17 crores have been spent till 31.3.2006.

After the new Government has taken over, the implementation of the Project has been expedited. The following tasks have been accomplished.

- Appointment orders have been issued for 105 Assistant Project Managers and 17 Project Facilitation Teams.
- The Community Operational Manual and the Project Implementation Plan of the Project have been finalised.
- Induction Modules for training the project staff have been finalised.
- 15 blocks to be taken up for project implementation in the 1<sup>st</sup> phase have been finalised in consultation with District Collectors.

It is proposed to implement this project in a phased manner to cover all the 70 project blocks as detailed below:

**Table –12**  
**Project Implementation Plan**

<b>Phase</b>	<b>No.of Districts</b>	<b>No.of Blocks</b>	<b>Probable month</b>
I	15	15	Oct. 2006
II	15	15	Feb. 2007
III	15	20	June 2007
IV	15	20	Oct. 2007

A sum of Rs. 162.10 crores has been provided in the Budget Estimate for the implementation of this project during the year 2006 - 07.

#### **11. BUDGET FOR 2006-07:**

A sum of **Rs. 3,212.52 crores** has been provided in the **revised budget for 2006-07** out of which the projected revenue expenditure is Rs.2,368.16 crores and capital expenditure is Rs.844.36 crores.

#### **12. CONCLUSION:**

This government is faced with the challenge of completing a large number of unfinished works. However, we do not like to dwell upon the past indefinitely. We believe in looking ahead and discharging the onerous responsibilities cast upon us by the people of Tamil Nadu with unflinching devotion. We shall not only clear the massive backlog but also implement the various schemes relating to poverty alleviation, employment generation, women's development, rural infrastructure and tsunami rehabilitation on a war footing and with due attention to quality of implementation. We will also tone up the various aspects of Panchayat administration. We are hopeful that under the inspiring leadership of our Honourable Chief Minister, we will be able to live up to the expectations of our various stakeholders.

**M. K. Stalin,  
Minister for Rural Development  
and Local Administration.**