Functioning of Autonomous District Council in Manipur

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Abstract

The Autonomous District Councils (ADCs) plays a crucial role in the governance framework of India's North Eastern states, addressing the aspirations of tribal communities for autonomy and self-determination. In Manipur, the legal framework governing ADCs differs from other states, with a unique history marked by the ADC Act of 1971. While the hill districts operate under ADCs, the valley districts have different local governance mechanisms. Despite persistent demands for extending the Sixth Schedule to Manipur's hill areas, the ADCs faced suspension from 1988-89 until the introduction of the third amendment in 2008. ADCs regained activity from 2010 to 2020, but elections have been pending since 2020, raising questions about the government's commitment. This paper focuses on Tamenglong district's ADC, examining its financial sources and utilization from 2010 to 2020. The study aims to provide insights into ADC performance, acknowledging achievements and challenges, with the goal of offering recommendations to enhance their crucial role in local development.

Keywords: ADC, grant-in-aid, internally-generated revenue, devolutions of functions, SFC, FC

A. Introduction

The Autonomous District Council (ADC) constitutes a fundamental and indispensable element within the framework of governance in the North Eastern states of India. Its establishment was a response to the deep-seated aspirations of tribal communities, a means for them to exercise autonomy and self-determination in shaping the course of their communities' welfare and development (Stuligross, D.,1999). However, it is essential to acknowledge a distinct legal framework governing the ADCs of Manipur, setting them apart from their counterparts in other North Eastern states such as Assam, Mizoram, Meghalaya, and Tripura. In these states, the ADCs were established under the aegis of the Sixth Schedule of the Indian Constitution.

Manipur, a state divided geographically into hills and valleys, experiences contrasting demographic and governance dynamics. The hill area encompasses a substantial 90 percent of the total land, predominantly inhabited by Nagas and Kuki tribals. The remaining 10 percent is the valley area, predominantly home to the influential Meitei community, comprising 53 percent of the state's total population. While the valley districts operate under PRI and Municipal Councils, the hill districts are administered by Autonomous District Councils (ADCs) as their local governance mechanism.

In the case of Manipur, the tribal populace fervently sought the extension of the Sixth Schedule to encompass the hill areas of the state. Yet, prior to the realization of this goal, the drafting committee opted for the enactment of the ADC Act of 1971(Guite, 1999). This legislation was ratified alongside Manipur's attainment of full-fledged statehood in 1972. Consequently, the Manipur (Hill Area) District Council Act of 1971 was enacted and implemented in 1973 after the state achieved full-fledged statehood in 1972. Six ADCs were established: Senapati ADC (formerly Manipur North), Sardar Hill ADC, Ukhrul ADC (formerly Manipur East), Chandel ADC (formerly Tengnoupal), Churachandpur ADC (formerly Manipur South), and Tamenglong ADC (formerly Manipur West). This unique approach gave rise to a simmering sense of dissatisfaction among the hill communities of the state (Kshetri, R, 2006). Their persistent demand for the extension of the Sixth Schedule to Manipur's hill districts underscores the unresolved issue. And its operational history has been marked by significant challenges (Sholounii, M., 2015).

Subsequently, following the initial functioning of Manipur's ADCs for a brief period from 1972 to 1988-89, these councils were placed under suspension. For more than two decades, they came under the administrative control of their respective deputy commissioners. Notably, significant constitutional amendments, specifically the 73rd and 74th amendments, underscored the obligation of states to establish and maintain functional local governments. In response, the state of Manipur introduced the third amendment to the ADC Act of 1971 in 2008. This amendment expanded the functions of the ADCs from 17 to 26. In 2010, ADC elections were conducted once again, despite protests from the hill communities who remained dissatisfied with the non-extension of the Sixth Schedule to Manipur's hill areas.

The resurgence of ADCs from 2010 to 2020 marked a decade of renewed activity, although it proved to be short-lived, as ADC elections have remained pending since 2020. This observation raises questions about the level of commitment and seriousness displayed by the higher government regarding the ADCs, particularly within the context of Manipur.

In light of these developments, the present paper seeks to delve into the functioning of Manipur's ADCs. The focus is on a meticulous examination of the sources and utilization of finances within the Tamenglong district's ADC for the period spanning 2010 to 2020. The insights derived from this study are expected to have far-reaching implications for all the hill district ADCs in Manipur, as they operate under the same legislative framework. We seek to explore the nuances of its financial decisions and project execution, acknowledging both its achievements and areas where it may have fallen short, providing insights into the state of the ADC's performance in Manipur. Ultimately, this study aims to offer valuable insights into the intricacies of functioning and the challenges faced by these vital local governance bodies. Furthermore, it endeavors to formulate recommendations aimed at enhancing the performance of ADCs, recognizing their pivotal role in the development of local areas due to their proximity to the forefront of action and their intimate knowledge of the local populace.

B. Examining Financial Aspects of Autonomous District Councils (ADCs)

Within the intricate landscape of local governance, the financial stability and allocation of resources within entities like the Autonomous District Council (ADC) in Manipur hold a position of unparalleled importance. The fiscal backbone of these councils stretches far beyond numerical values; it forms the bedrock that shapes their effectiveness and stands as a testament to their commitment in achieving their core objectives. Our extensive review of the ADC's finances underscores this profound significance. Delving into revenue sources and the intricate web of financial allocation within the council unveils nuanced insights into its performance and its capacity to meet its foundational goals.

In a region characterized by its diversity, distinctive governance structures, and persistent challenges, this financial scrutiny assumes the role of an indispensable compass. It guides our comprehension of the ADC's trajectory, shedding light on its pivotal role in empowering communities, safeguarding cultural identities, and steering socio-economic progress. This exploration of finances transcends the realm of mere statistics; it seeks to discern the council's unwavering commitment to its constituents and its resolute dedication to upholding the ideals of effective local governance.

The analysis of financial frameworks within the ADC illuminates not just the numbers on balance sheets but also the heart of its operations. It reveals the strategic decisions, the prioritization of funds, and the alignment of resources with the diverse needs of the populace. Moreover, it acts as a lens through which we can gauge the council's adaptability to dynamic socio-political landscapes and its agility in responding to emergent challenges faced by the communities it serves.

Diverse Revenue Sources and Allocation

The financial resources at the disposal of ADCs are derived from multiple channels, encompassing (a) grant-in-aid from the state's annual plans, (b) transfers from the central government, and (c) internally generated funds. While the primary source of funding originates from the state's annual plans, the actual implementation deviates from the stipulations outlined in the 1971 ADC Act. In this regard, the consolidation of grant-in-aid and budgetary allocations has created a situation where the ADC lacks a distinct budgetary allocation.

Grant-in-aid from the state's annual plans is linked to Demand No. 14, associated with the Department of Tribal Affairs and Hills Development within the Government of Manipur. The entire spectrum of ADC's expenditure estimates falls under Major Head No. 3604 (Compensation & Assignments to Local Bodies & Panchayati Raj Institutions). Specific sub-heads for the grant-in-aid encompass provisions for various sectors, such as public works, elementary education, medical and public health, headquarters, soil and water conservation, animal husbandry, and salary/honorarium for council members. Supplementary allocations are also earmarked for various schemes and projects, further demonstrating the diverse funding avenues.

On the other hand, the central government and ministry transfers, typically in the form of centrally sponsored schemes, tribal sub-plan funding, non-lapsable central pool of resources, Border Area Development Programme (BADP), finance commission funds, and additional central assistance for externally aided projects, flow through the state's finance department. Despite efforts by ADCs to advocate for a dedicated and comprehensive budget for regular fund flow, no concrete actions have been taken to address this concern (ADC Churachandpur, 2017).

It's significant to highlight that a substantial majority, exceeding ninety percent, of the allocated funds are directed toward infrastructural and developmental projects, as outlined in Table 1. Both the department and ADC oversee the execution of these funds, distributing them among diverse work agencies. Notably, this allocation predominantly prioritizes investments in physical infrastructure, exemplified by endeavors like constructing inter-village roads, establishing water tanks, and managing solid waste, as depicted in Figure 1. Despite the joint efforts of multiple entities in fund execution and distribution, the focus remains heavily skewed towards advancing physical infrastructure.

Table 1: Funds allocated for Development and Non Development Purposes in ADC Tamenglong (in Lakhs)

Year	Developmental funds		Total developmental funds	Non-developmental funds	Grand total (development and non-developmental funds)	Percentage of developmental fund per year
	Departments (public works, elementary education, medical and public health, soil and water conservation, Animal Husbandry)	Scheme under 13^{th} FC, 3^{rd} SFC, 14^{th} FC, other financial Assistance		Salaries/honorarium to council members and funds for headquarter		
2010-11	1255.6	182.8	1438.4	97.4	1535.8	93.6
2011-12	2381.62	75.83	2457.45	159.35	2616.8	93.9
2012-13	2516.94	410	2926.24	150.93	3077.87	95.1
2013-14	2516.94	473.17	2990.11	150.93	3141.04	95.2
2014-15	2929.72	741.6	3671.32	148.17	3819.49	96.2
2015-16	3330.08	110.12	3440.2	148.17	3588.37	96
2016-17	3479.9	500.3	3980.2	148.17	4128.37	96.5
2017-18	3709.93	4540.62	8250.55	160.53	8411.08	99.1
2018-19	5813.53	4605.89	10419.42	174.84	10594.26	98.4
2019-20	6540.54	3062.8	9603.34	192.36	9795.7	99.1
2020-21	6428.6	3288.9	9717.5	213.45	9930.95	97.9

Source: Government of Manipur, Demand No. 14, Imphal, Department of Tribal Affairs and Hills Development.

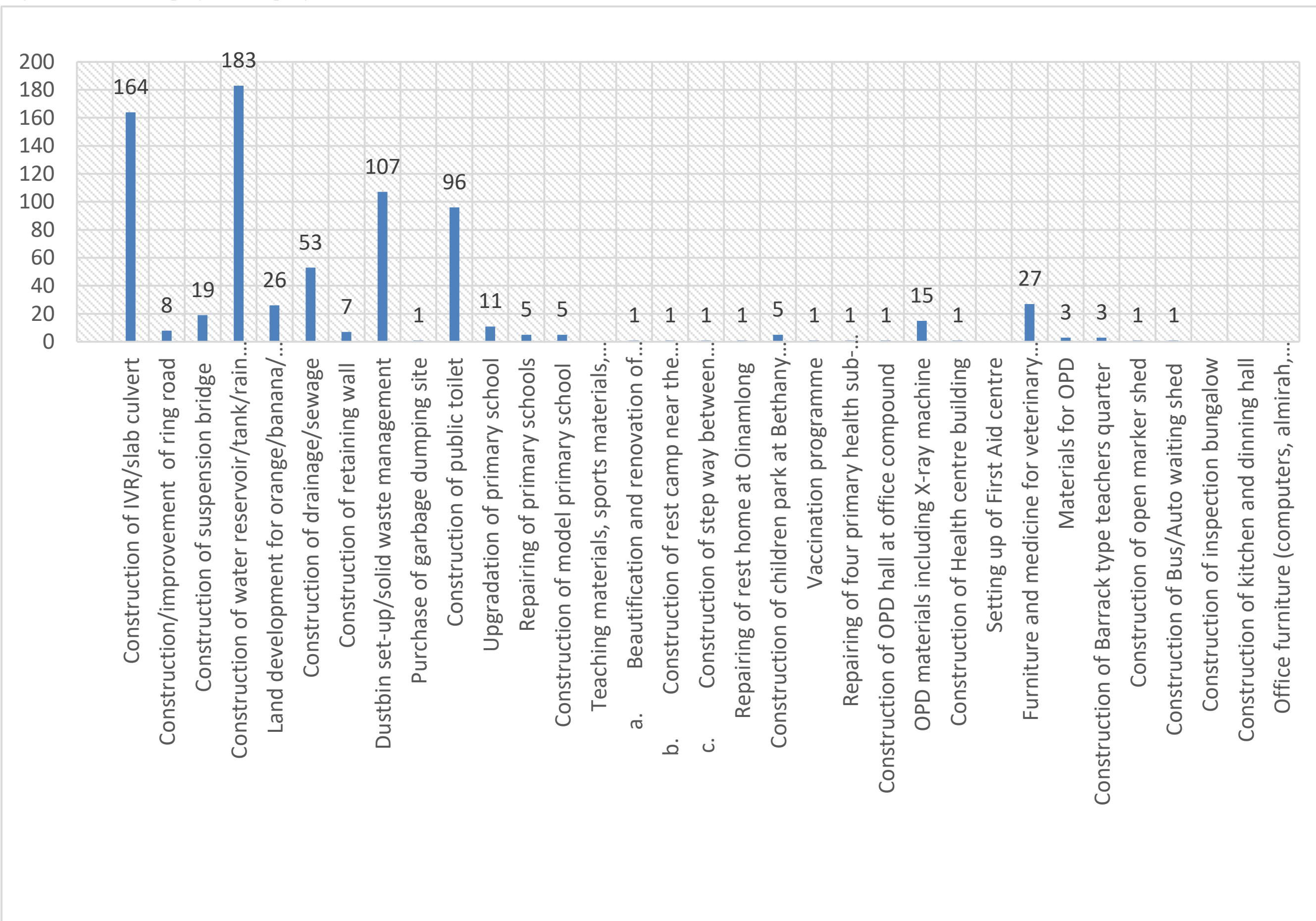
Allocation and Usage of Funds from the 3rd State Finance Commission (SFC)

The utilization of funds from the 3rd State Finance Commission (SFC) presents a detailed picture of financial allocations within Manipur's Autonomous District Councils (ADCs) in the fiscal year 2016-17. A substantial sum of Rs. 270,180,000 was disbursed across all six ADCs during this period, with Tamenglong ADC receiving a specifically earmarked amount of Rs. 33,595,262 from this allocation. The 3rd SFC's guidelines intricately delineate the utilization of these grants, emphasizing their utilization for infrastructural and developmental projects aimed at specific purposes. These encompass the facilitation of IT facilities, computerization initiatives in the education sector, managing solid waste, and similar developmental endeavors vital for community advancement.

The meticulous allocation of these funds across various departments reflects a consistent pattern established by the commission's guidelines. The Public Work Department (PWD) emerges as the primary recipient, receiving the lion's share, which ranges between 35-40 percent of the total grant. This allocation mirrors the pivotal role played by the PWD in implementing a majority of the infrastructural provisions crucial for the district's development. Following this, the Education Department typically garners an allocation of 20-25 percent, underlining the significance of educational initiatives within the ADCs' developmental agenda. Additionally, the Medical Department, Agriculture and Horticulture Department, Small Town Committee, and the Veterinary Department each receive a 10 percent allocation, signifying their importance in community well-being and sustainable growth strategies.

Furthermore, a noteworthy fraction, approximately 2 percent, occasionally finds its way into skills and training programs, constituting an essential aspect of the software infrastructure essential for the overall socio-economic growth of the region. This distribution highlights a strategic allocation scheme designed to address multifaceted needs, prioritizing sectors pivotal for community welfare, infrastructure development, and the overall advancement of the region.

Figure 1: Number of projects and programs executed (2010-17)



Source: ADC, Tamenglong, 2010-17. Official Documents on Projects and Programs.

Additionally, a notable observation pertains to the unanimous resolution passed by council members, authorizing the deduction of a specific percentage from each section's allocated share. This earmarked deduction aims to cater to the maintenance and conveyance expenses of council members. An illustrative example occurred in the fiscal year 2016-17, wherein a resolution was enacted during a council session, mandating a deduction of 20 percent from the initial installment of the 3rd State Finance Commission (SFC) funds. This allocated deduction was directed towards funding office maintenance and facilitating conveyance for council members within the ADC (ADC, Tamenglong, 2016). This strategic practice sheds light on the internal management of allocated funds within the ADC structure.

Utilisation of Funds from the 14th Finance Commission

DOI: 10.48047/intjecse/v13i2.21138 ISSN: 1308-5581 Vol 13, Issue 02 2021

The study further delved into the allocation and utilization of funds from the 14th Finance Commission (FC) for the fiscal year 2018-2019. Two distinct sanction orders were issued, detailed in secretariat TAH letters No. 19/2/2017-CHA/FC dated 26/3/2018, amounting to Rs. 14,880,195 and Rs. 3,142,8122, respectively, summing up to a total of Rs. 18 crore designated for Tamenglong ADC (ADC, Tamenglong, 2018). In response to this allocation, the ADC took proactive steps, establishing a committee during its meeting to ensure the appropriate utilization of these funds in adherence to the 14th FC guidelines. The primary strategy involved aligning the execution of these funds with the stipulated guidelines through the formation of village-level committees within the respective villages. This strategic approach aimed to facilitate a more decentralized and community-oriented utilization of the allocated funds, ensuring alignment with the developmental priorities and needs at the grassroots level.

The sanctioned projects earmarked under the 14th Finance Commission (FC) for the fiscal year 2017-18 encompassed a range of vital infrastructure endeavors. These included the ambitious construction of 20 inter-village roads (IVRs), establishment of 10 water tanks or reservoirs, creation of 7 public toilets, implementation of 3 pucca drainage or water storm drainage systems, setting up 3 community halls or village authority offices, and construction of 3 slab culverts. Despite these approved projects, concerns arose regarding the utilization of funds designated for these developmental initiatives. Allegations surfaced, indicating that funds allocated for these projects were disbursed without undergoing proper verification of completion. Consequently, a substantial number of projects were left unfinished or were not executed in alignment with their intended objectives. This issue escalated to such an extent that it resulted in a legal dispute, leading to a pending court case (ADC, Tamenglong, 2018). The situation underscores the critical importance of not only allocating funds but also ensuring diligent oversight and verification mechanisms to guarantee the effective implementation and fruition of intended developmental projects within the ADC.

After delving deeper into the matter, insights from departmental staff shed light on significant challenges faced in the execution of regular grant-in-aid funds allocated to their department. They expressed recurring difficulties in ensuring these funds reached their intended destinations, raising concerns about potential misappropriation along the way. This disruption in the flow of funds created a ripple effect, impacting the selection of beneficiaries for crucial developmental projects at the grassroots level. Contrary to the anticipated process, the on-ground selection of beneficiaries seldom transpired as intended. Instead, staff members found themselves primarily engaged in generating paperwork for proposed projects, with minimal involvement in the substantive selection process (work proposal). This disconnect between the planning stage and the actual execution significantly hampered the efficacy of developmental initiatives.

This scenario underscores the critical necessity for robust and stringent oversight mechanisms throughout project implementation. Without proper checks and balances, the allocation of funds alone cannot ensure the desired outcomes. It highlights the imperative need for a seamless integration between planning strategies and the on-ground execution process to ensure that developmental projects align with the targeted objectives and effectively benefit the intended beneficiaries.

Implementation of Other Centrally Sponsored Schemes

The evaluation of fund allocations extends beyond the purview of the 14th Finance Commission to encompass the effectiveness of other vital centrally sponsored schemes catering to the region's unique needs. Specifically, the Non-Lapsable Central Pool of Resources (NLCPR), tailored to address the distinctive requirements of India's North East region, allocated substantial funds to ADC Tamenglong district. In the fiscal year 2017-18, an amount of 53.87 lakhs was sanctioned, followed by a notable increase to 72 lakhs in 2018-19. Moreover, another significant grant-in-aid was provided through the social and infrastructure development fund (central share), totaling 211.17 lakhs during the fiscal year 2017-18. These grants were strategically directed towards various developmental initiatives, primarily focusing on the construction of barrack-type quarters, the establishment of model primary schools, and the enhancement of school facilities.

These allocations underline the concerted efforts to address critical aspects of infrastructure development and educational enhancements within the ADC Tamenglong district. The funding channeled through schemes like NLCPR and the social and infrastructure development fund signifies the acknowledgment of specific regional needs and the commitment to bolstering infrastructural and educational facets. However, an in-depth analysis of the execution and impact of these allocations is imperative to ascertain their efficacy in fulfilling the outlined developmental objectives and their tangible impact on community welfare and progress.

The investigation uncovered notable achievements within the ADC Tamenglong district, particularly in the completion of five barrack-type quarters, each accomplished at a cost of Rs. 20 lakhs. These completed quarters stand as tangible results of successful implementation within the allocated budget. However, the construction of model primary schools encountered a setback. Although five schools were completed, the project came to a halt due to the absence of a utilization certificate. This interruption in the project's continuity underscores the significance of ensuring compliance with administrative requirements for the successful conclusion of initiatives.

Recent years have highlighted the evolving landscape of project management, emphasizing crucial practices such as geotagging work locations, real-time progress monitoring, and stringent measures to ensure project completion. This shift towards embracing geotagging, in particular, represents a significant advancement in project oversight and accountability. Geotagging not only enables precise location tracking but also fosters transparency and accountability in project execution. This emerging practice, now mandated in various administrative frameworks, has the potential to significantly enhance the effectiveness of future activities undertaken by the ADC. By embracing geotagging technologies, the ADC can bolster its project management practices, ensuring better monitoring, precise location tracking, and ultimately, the successful execution of developmental initiatives.

Revenue Generation from Internal Sources and its Challenges

Internal revenue generation stands as a pivotal aspect contributing to the financial sustenance of the ADC Tamenglong district. This revenue stream originates from a diverse array of sources encompassing licenses, registrations, various fees, fines, and income generated through property rentals. However, a notable observation surfaces regarding the ADC's approach towards enforcing provisions that empower them to implement government acts under section 221 of the Manipur Municipalities Act, 1976. This aspect remains largely unaddressed, potentially impacting the maximization of revenue potential.

The internal revenue stream, though a significant facet, currently generates an approximate annual sum ranging between Rs. 4 to 5 lakhs. These funds are primarily channeled towards meeting essential expenses, including staff salaries for the small town committee, vehicle maintenance, and the imposition of garbage dumping taxes for village authorities, among other necessary expenditures (ADC, Financial Statement, Tamenglong). However, despite its significance, the mobilization of internal funds poses its set of challenges.

One of the foremost challenges pertains to data gaps in the revenue collection process, leading to potential inefficiencies and inaccuracies in financial management.

Additionally, the methods employed for revenue collection and the existing manpower constraints pose hurdles in maximizing the revenue potential from internal sources. This necessitates a renewed and concerted focus on enhancing internal revenue generation strategies within the ADC.

Addressing these challenges involves implementing robust data management systems, revisiting revenue collection methodologies for improved efficiency, and potentially augmenting manpower or employing innovative methods for revenue mobilization. Strengthening internal revenue generation not only bolsters the financial autonomy of the ADC but also ensures a sustainable financial base, enabling the council to effectively address community needs and developmental initiatives in a more self-reliant manner.

The analysis of the proportion of internally generated revenue in relation to the total revenue received by the ADC exposes a persistent trend of concern – the internal revenue contribution consistently languishes below 1 percent (Table 2). This observation underscores a crucial imbalance in the revenue streams, depicting a significant over-reliance of ADCs on external funding sources from the state and central governments. Such heavy dependence on external funds heightens vulnerabilities to fluctuations in government allocations and underscores the necessity for proactive measures to fortify internal revenue generation.

The perpetually low percentage of internally generated revenue indicates a critical need for the ADC to reassess its financial strategies. This assessment should focus on fostering robust mechanisms to augment internal revenue streams. Initiatives aimed at diversifying revenue sources, streamlining collection processes, and implementing innovative methods to tap into unexplored avenues become imperative. By reducing the disproportionate reliance on external sources, the ADC can attain greater financial autonomy, ensuring a more stable and sustainable financial base. This shift towards bolstering internal revenue generation not only mitigates the risks associated with overdependence on external funding but also cultivates a more resilient financial framework capable of sustaining developmental initiatives and addressing community needs more effectively.

Table.2: Percentage of internal revenue to total revenue of ADC Tamenglong (2015-2020)

Year	2015	2016	2017	2018	2019	2020
Percentage of internal revenue to total revenue	0.13	0.11	0.05	0.04	0.04	0.04

Source: Calculated from table 1& ADC, Tamenglong, 2015-16. Internal Revenue and Expenditure Statement

C. The Audit Procedure

The audit procedure within the ADC government follows standard practices akin to other government offices, conducting audits twice annually with separate teams assigned to scrutinized project-related expenditures and overall financial outlays. These teams, representing the state government and the Accountant General’s office in Imphal, established temporary bases at council offices for about a week to thoroughly examine the ADC’s financial accounts. Despite its apparent routine nature, critics argue that this auditing process lacks a genuine commitment to ensuring financial accountability, with some suggesting potential incentives for audit teams to expedite the process. Consequently, there is a growing consensus advocating for a comprehensive overhaul of this standard procedure, occasionally supplemented by social audits conducted through reputable local non-governmental organizations (NGOs) or similar entities to enhance effectiveness and accountability.

D. Devolution of Authority by Government Departments

The study also examined the devolution of subjects from government departments, which could serve as another source of revenue for the ADCs, but this aspect has not materiliazed as anticipated. The 3rd amendment in 2008 expanded the number of subjects under the control and administration of the ADCs from the original 17 subjects stipulated in the 1971 Act to 26 subjects (Singh 2008). Following this, the state cabinet, in its meeting on August 25, 2010, outlined the modalities for subject devolution to the ADCs after their revival in 2010 (Lhangum, 2010). However, most departments issued orders indicating only partial, symbolic, and inconsequential devolutions (Jha 2010; Sharma 2010, 2011; Singh 2010; Under Secretary 2010; Babu 2011). Among the 24 concerned departments were works, rural forest and environment, adult education, cooperative, agriculture, arts and culture, consumer affairs, public distribution system, transport, minor irrigation, power, soical welfare, tribal development, veterinary and animal husbandry, public health engineering, youth affairs, sports, fishery, commerce, and industry.

Several reasons were cited for this limited devolution, including reluctance by departments and their ministers to relinquish existing powers, and the ADCs lacking the necessary manpower, expertise, and infrastructure to take over from line departments. An example from the department of Tribal Affairs and Hills Development highlighted the technical nature of agriculture schemes, making their transfer to ADCs unfeasible due to the ADCs lack of technical staff. Furthermore, certain schemes’ structures and functions did not permit devolution to external bodies, as it would entail significant involvement in project site selection, beneficiary selection, scheme monitoring, and other critical aspects.

The ADCs in response, submitted memoranda to the Prime Minister in 2014 and to the Chief Minister of Manipur in 2017, calling attention to the non-compliance by departments with devolution of power and requesting a review of the situation. An exception to this lack of substantial devolution was observed in the devolution of 40 per cent of all development schemes by the department of Tribal Affairs and Hills Development to the ADCs. The ADC chairman was made the chairman of the District Rural Development Agency (DRDA), replacing the Deputy Commissioner. However, the remaining 40 per cent is allocated to the MLA, and the remaining 20 per cent is with the line department (Deputy Commissioner and Sub-Divisional Officer). Additionally, during the 2010-2015 period, the ADCs were given control over 25 per cent of the funds allocated for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) within the district. However, this allocation was discontinued during 2015-2020 as the ADC members themselves decided not to reduce the funds available for developmental activities at the village level. Besides these instances, no other departments have implemented a devolution policy to the ADCs. Both the ADC members and the concerned MLAs do not appear to be actively pursuing the matter of devolution. These issues have led to instances where schemes are not executed as intended, resulting in a disconnection between planning and execution. While there have been memoranda submitted by ADCs highlighting non-compliance by departments with devolution of power, there have been limited substantial devolutions, apart from select instances.

E. Performance and Challenges of the State Finance Commission

The state Finance Commission (SFC) in Manipur, much like in other states, has faced challenges in carrying out its function effectively. For instances, as per constitutional mandates, the establishment of the fifth SFC was due for all states in the year 2014-15. However, up to the present time, Manipur has only established three SFCs: the 1st SFC in 1994, the 2nd SFC in 2003, and the 3rd SFC in 2013. Moreover, the SFC in Manipur encounters similar issues to other state SFCs, such as a lack of office space, technical staff, and essential facilities including computers and office furniture, as well as inadequate data regarding local governments and delays in appointing chairpersons/members. These factors have resulted in significant delays in the submission of their reports, ultimately leading to challenges in fully implementing the recommended actions. For instance, the constitution of the 3rd SFC in Manipur was significantly delayed, its report for the state faced a delay of 1 year and 10 months, and the state government postponed the Action Taken Report (ATR) by an additional year (SFC, 2015-16. Reports of Manipur state).

Conversely, despite clear terms of reference for devolution outlined in constitutional amendments, most SFCs have struggled to closely adhere to these guidelines. In the case of Manipur, the 3rd SFC endorsed the recommendation of the 2nd SFC and proposed a 10 per cent share for rural local bodies, encompassing District Councils and Municipalities, in the state's own revenue, which also includes the state's share of central taxes. While this recommendation was accepted with some modifications, it highlights a disparity between the SFC's role and the terms of reference outlined in constitutional amendments. Notably, the vital recommendations from the 3rd SFC to allocate 30 per cent of transfers as untied funds, crucial for allowing the ADC discretion in addressing local needs, has not been implemented by the state government.

In other words, the state Finance Commission (SFC) in Manipur, like in other states, faces challenges in effective functioning. Several issues, including a lack of office space, technical staff, and essential facilities, as well as inadequate data and delays in appointing chairpersons/members, contribute to significant delays in the submission of reports and challenges in implementing recommended actions. Furthermore, most SFCs have struggled to adhere closely to guidelines outlined in constitutional amendments. In the case of Manipur, despite the 3rd SFC's recommendation to allocate 30 percent of transfers as untied funds for the ADCs, this has not been implemented by the state government. The gap between the SFC's role and the terms of reference specified in constitutional amendments remains.

F. Summary

In essence, the fiscal well-being of the Autonomous District Council (ADC) in Manipur is intrinsically tied to its core mission and its effectiveness in achieving its objectives. A thorough examination of the sources of revenue and the allocation of financial resources serves as a litmus test to determine if the council has succeeded in fulfilling its fundamental goals. This analysis delves into the council's financial stability and the judicious allocation of resources, transcending the mere realm of numerical data to serve as a mirror reflecting the council's unwavering dedication to its core purpose.

The predominant revenue streams, the consolidation of budgets, and the undue emphasis on investments in physical infrastructure raise pertinent concerns, underscoring the need for a more balanced and holistic approach. Furthermore, the council's reliance on state and central funding presents a substantial challenge, necessitating the formulation of strategic initiatives to augment internal revenue generation. Instances of misappropriation and mismanagement erode public trust, making it imperative to establish robust mechanisms for effective implementation. Addressing these financial challenges isn't solely a matter of fiscal rectification but a vital and pressing step in advancing the overarching mission of the ADC in Manipur.

G. Recommendations

1. Budgetary Autonomy: To ensure financial autonomy, it is recommended that the grant-in-aid from the state's annual plans be separated from the overall budget, aligning it with the stipulations outlined in the 1971 ADC Act. This will empower the ADC to have a distinct and more flexible budgetary allocation, allowing for better tailoring of funds to specific developmental needs. There are papers that emphasize the significance of a well-structured budget in local governments for effective governance and service provision. Black (1993) highlights that an effective budget system encourages creativity, assigns responsibility, and promotes responsive user service. Schaeffer (2008) emphasizes the role of budgeting in promoting local government accountability and transparency, which supports better decision-making. Lacobeli (1986) states that government budgeting enables the prioritization and implementation of programs and policies within financial constraints. Overall, a well-structured and reliable budgeting system enables local governments to allocate resources efficiently, align financial resources with community needs, and facilitate effective decision-making, while fostering public trust, civic engagement, and accountability in financial management.
2. Diversification of Allocation: Another notable observation pertains to the predominance of short-term, tangible projects aimed at garnering public visibility and generating appreciation for local political leaders. As a result, the implementation of projects was skewed in favor of physical infrastructure provisioning, such as water facilities, and inter-village roads. Virtually all the projects executed fell under the category of physical infrastructure, complemented by sporadic mentions of software infrastructure, which encompassed training and skills development programs and initiatives. This predilection for physical infrastructure underscores the level of emphasis placed by the ADC on such provision. It is imperative to recognize that effective local economic development promotion encompasses three pivotal dimensions: hardware, software, and "orgware" schemes, as articulated by Vasquez-Barquero (1999). To enhance its capacity for economic development promotion, the ADC government should strive to strike a harmonious balance between these diverse aspects. The ADC should diversify its allocation to focus not only on physical infrastructure but also on equally essential sectors such as skills training and programs. A more balanced allocation can address multifaceted local needs and contribute to the empowerment of indigenous communities and the preservation of cultural identities. Despite the noted deficiencies in the implementation of ADC government plans pertaining to economic development within the district, these plans retain their fundamental significance as a crucial tool for advancing economic development. Consequently, the implementation of their content warrants enhancement by the ADC to fulfill its developmental mandate more effectively.
3. Transparency and Accountability: Implementing robust transparency and accountability mechanisms within the financial management of the ADC is imperative. This includes regular financial audits, clear reporting structures, and mechanisms for public access to financial information. These measures will not only foster public trust but also ensure responsible governance.

4. Capacity Building: The ADC should invest in capacity building for its staff, particularly in the area of revenue collection, monitoring, and project implementation. Training and skill development will enhance the effectiveness of revenue collection and project execution, reducing underreporting and mismanagement.
5. Devolution of Authority: The ADC should actively pursue a more substantial devolution of subjects from government departments, as stipulated in the 1971 Act. This will enable the ADC to take control of essential matters, including developmental projects and infrastructure, providing them with greater authority and resources to meet local needs.
6. Internal Revenue Generation: The ADC should explore strategies to enhance its internal revenue generation. This may include the enforcement of mechanisms such as taxes and fees, along with the modernization of revenue collection systems. A reduced reliance on external sources will provide greater financial stability.
7. State Finance Commission: The state government should expedite the establishment of the 4th and 5th State Finance Commissions, providing them with the necessary resources, technical staff, and infrastructure to fulfill their constitutional mandates. This will enable the effective implementation of recommended actions and enhance the devolution of untied funds to ADCs.
8. Comprehensive Project Monitoring: The ADC should establish comprehensive project monitoring systems, including geotagging work locations, progress tracking, and verification of project completion. This will ensure that allocated funds are utilized as intended and prevent misappropriation.
9. Alignment with Constitutional Mandates: State and central governments should align with the constitutional mandates for devolution outlined in amendments. This includes the allocation of untied funds and the transfer of subjects from government departments to ADCs.
10. Public Engagement: Encourage public engagement and participation in financial planning and decision-making processes. This will ensure that the ADC's financial resources are allocated in line with the community's actual needs and priorities.

Implementing these recommendations presents a pivotal opportunity for the ADC in Manipur to fortify its financial standing. Aligning its financial strategies with these proposals ensures a more robust operational framework, aligning the council's mission with the overarching goals of local governance, community empowerment, and the preservation of cultural identities. This proactive approach not only strengthens financial resilience but also fosters a more impactful and sustainable framework for the council to effectively serve its constituents and uphold its core mandates.

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