

That, then, is the decision of His Majesty's Government, and in the face of that decision I do not think that it would be possible for me to accept this Resolution, and I trust that the Council will realize the position of the Government of India in the matter having regard to the very clear statement made by a Minister of His Majesty's Government. Indeed, I cannot help feeling that the Hon'ble Member is on this occasion rather beating his head against a wall....

Then, the Hon'ble Member said: 'Oh! yes, you may continue to appoint a man, but we must really select him.' That is a form of *camouflage* which, I think, will deceive nobody. Either a man is appointed by the Government or he is selected by the Council. The two things are really different and incompatible. If the Council is to select the man, why then, well and good, let them do it; if Government is to nominate him, then surely the Government must be entitled to select any man in whom they have the greatest confidence, whether that person is the man selected by the members of the Legislative Council or not. In such circumstances, however deeply members of the Council may sympathise with the aspirations which prompt this Resolution, I fear that its acceptance by Government would not be consistent with the present constitution of the Imperial Conference, which is a Conference of those who are responsible for the Government of the different parts of the Empire; and I think a gentleman who had no such responsibility and who was selected by members of the Council, who, however eminent, are not responsible for the Government of India, would be out of place in an Imperial Conference of this character.

I submit really that this Resolution is opposed to the logic of existing facts, and, on the part of the Government of India, I must oppose it. At the same time I hope that Members of Council will remember that on the occasion of the last War Cabinet the Government nominated an Indian who was not only in the confidence of the Government of India, but who also, I believe, command the respect and trust of Indians generally, a gentleman who a few years ago presided, if I am right in my recollection, over the National Congress, and whose liberal sentiments, loyalty, patriotism and devotion to his country are well known. I was glad to find that this view is endorsed by what the Hon'ble the Mover said, and I think that the Council will rest assured that the choice of the Government on this occasion will not fall on less suitable a person."

XII. NOMINATION OF REPRESENTATIVES OF INDIA IN THE IMPERIAL WAR CABINET, 1918.*

"IN a speech made by the Prime Minister in the House of Commons on May 17th, 1917, it was indicated that India would be represented at future meetings of the Imperial War Cabinet by the Secretary of State for India and a representative of the Indian people to be appointed by the Government of India.

It is now stated that His Excellency the Viceroy has nominated the Hon. Sir Satyendra Prasanna Sinha to attend the forthcoming sessions of the Imperial War Conference and the Imperial War Cabinet, and that he has accepted the nomination.

His Majesty's Government has also requested the Viceroy, as on the last occasion, to invite a ruling Prince to be present at the Imperial War Conference as representative of the Indian States. His Excellency's invitation has been accepted by His Highness the Maharaja of Patiala."

PART IX

DOCUMENTS RELATING TO PROVINCIAL AND LOCAL SELF-GOVERNMENT. (1870-1918).

1. LORD MAYO'S RESOLUTION ON PROVINCIAL FINANCE, 1870.

[No. 3334, dated 14th December, 1870.]

1. The Governor-General in Council is satisfied that it is desirable to enlarge the powers and responsibility of the Governments of Presidencies and Provinces in respect to the public expenditure in some of the Civil Departments.

2. Under the present system, these Governments have little liberty, and but few motives for economy, in their expenditure, and it lies with the Government of India to control the growth of charges, to meet which it has to raise the revenue. The Local Governments are deeply interested in the welfare of the people confided to their care ; and, not knowing the requirements of other parts of the Country or of the Empire as a whole, they are liable, in their anxiety for administrative progress, to allow too little weight to fiscal considerations. On the other hand, the Supreme Government, as responsible for the general financial safety, is obliged to reject many demands, in themselves deserving of all encouragement, and is not always able to distribute satisfactorily the resources actually available.

3. Thus, it happens that the Supreme and Local Governments regard from different points of view, measures involving expenditure ; and, the division of responsibility being ill-defined there occur conflicts of opinion injurious to the public service. In order to avoid these conflicts, it is expedient that, as far as possible, the obligation to find the funds necessary for administrative improvements should rest upon the authority whose immediate duty it is to devise such measures.

4. This is the more important, because existing Imperial Resources will not suffice for the growing wants of the Country. Writing of Roads and Communications in October 1869, the

Government of India in the Public Works Department stated that it had for some years "been satisfied that to attempt to provide and maintain all the Roads required for the inter-communications of so vast a Territory from the ordinary revenues would be to enter on an altogether impracticable task." "The matter," it was added, "has been before this Government on several occasions since 1862, and the view now taken of it has already received, in general terms, the approval of the Secretary of State. It is only by a judicious system of local assessment and control that what is needed can be accomplished. This is not less true of some other Departments of the Administration.

5. The Supreme Government is not in a position to understand fully Local Requirements ; nor has it the knowledge necessary for the successful development of Local Resources. Each Province has special wants of its own, and may have means for supplying them which could not be appropriated for Imperial purposes. A tax, adapted to the circumstances of one part of the country may be distasteful, or inapplicable, elsewhere ; and everywhere, rates may be proper for Provincial or Local Purposes which could not be taken for the Imperial Revenue.

6. These principles are now generally recognised, and important steps have been already taken to develop Provincial Resources. The Government of Bombay has, for some years, raised a considerable revenue for local purposes. Important measures to the same intent, are under the consideration of the Legislative Council of Madras. The Government of Bengal is maturing a Scheme, in accordance with the decision of the Secretary of State, for the levy of a Rate for Local Objects in the Lower Provinces of Bengal. In all the other Provinces of India Provincial Revenues have long been raised, and measures for increasing them are now being devised.

7. These measures have been promoted, chiefly, to provide for urgent administrative wants, the means for which are not otherwise forthcoming. It is inexpedient that the funds so raised should be intercepted, to any considerable extent, for objects the cost of which has been hitherto defrayed from the General Revenues, even though such objects be of an admittedly local character. Moreover, the Governor-General in Council is not desirous that the demands on the people for Provincial Purposes should be indefinitely, or too rapidly, increased.

8. It would have been satisfactory had His Excellency in Council been able to propose the enlargement of the power and responsibility of the Local Governments without charging upon Local Resources any part of the existing Imperial expenditure. This cannot be done; but it has been determined to make as small a demand upon these resources as possible. At the same time, it should be remembered that the relief of the Imperial Finances has been a principal object in the discussion of such measures on former occasions.

9. The Income Tax of six pies in the rupee imposed for the current year was never intended to be permanent; and the Governor-General in Council has, already, announced a resolution not to renew the tax for the next year at this high rate, unless some unforeseen contingency compels him to do so.

10. It was thought, at first, that the Income Tax could not be reduced to the desired extent without imposing upon Local Resources almost as large a sum as might be given up. Anticipations made so long before the beginning of the financial year must be uncertain; but, as far as the Governor-General in Council can now judge, it will be possible next year to give substantial relief from existing taxation without the substitution of any considerable new burden.

11. The Government of India is, accordingly, pleased to make over to the Governments, under certain conditions to be presently set forth, the following Departments of the Administration in which they may be supposed to take special interest; and to grant, permanently, from the Imperial Revenue, for these services, the sum of £4,688,711, being less by £330,801 only, than the Assignments made for the same services in 1870—

Jails.	Printing.
Registration.	Roads.
Police.	Miscellaneous Public Improve-
Education.	ments.
Medical Services, (except	Civil Buildings.
Medical Establishments)*	

A Statement (A) is appended explanatory of the method by which the Assignments to be thus made have been calculated.

* By Medical Establishments here is meant the first sub-division of the Grant 22, Medical Services, as hitherto made.

This Statement shows the estimated receipts and charges under the first six of these heads during the current year, the "Police" charges, in Bombay and the North-Western Provinces, having been slightly reduced by the final adjustments necessary in consequence of the Government becoming liable for the Superannuation Allowances of the force.

12. The figures entered for "Roads," "Civil Buildings," and "Miscellaneous Public Improvements" are the Grants for for this year, exclusive of the sum of £ 135, 679 reserved for certain works detailed in Appendix B, which will not, in future, be a charge upon Local Governments, but will be separately provided for by the Supreme Government. The portion of this £135, 679 reserved in each Province bears the same proportion to the Grant made to the Province for the current year that the expenditure in the Province, upon the reserved works has borne, during the last five years, to the whole expenditure under these three heads.

13. To the £1,168,701 thus assigned for "Works," £327, 236 has been added for "Establishments" and "Tools and Plant," being the proportion of the current year's Grants for these purposes, which appertains to that share of the total Grants for "Works" of all kinds which is transferred. This £327,236 has been distributed among the Presidencies and Provinces in the proportions in which the larger sum of £1,168,701 has been distributed. The Governments will, henceforth, provide themselves with "Tools and Plant" without the intervention of the Government of India. The future arrangements in regard to "Establishments" cannot be settled without detailed correspondence. For the year 1871-72, the Supreme Government will continue to provide "Establishments" as heretofore, and each Presidency or Province must bear a share of the cost, in the proportion which the estimated outlay upon "Works" from Provincial funds* bears to the total estimated outlay upon "Works," Ordinary and Extraordinary, and Imperial and Provincial, in all India. It is to be clearly understood that Local Governments must maintain in efficient repair existing lines of through communication, such as the Trunk Roads, unless authorised by the Supreme Government to abandon them.

14. The actual Permanent Imperial Assignments for "Provincial Services" will be as follows ; All Receipts heretofore

* Provincial Funds, here, does not include existing Local Funds.

credited in connection with these Services being given up to the Provinces in which they accrue :—

	£
Oudh	206,948
Central Provinces	261,263
Burma	275,332
Bengal	1,168,592
North-Western Provinces	640,792
Punjab	516,221
Madras	739,488
Bombay	880,075
	<hr/>
	4,688,711 *

15. In calculating these Allotments, £350,000 has been deducted rateably from the Grants made to the several Provinces in 1870-71. But it has been thought expedient to remit the deduction (£19,199) which would, thus, fall upon British Burma, the circumstances of that Province being exceptional. No additional deduction has been made from the other Provinces in consequence of this concession to Burma.

16. These assignments will not be classified in the Financial Statement and in the Imperial Estimates and Accounts, but will appear under a single new head, "Provincial Services." The Imperial Revenue will continue to bear such charges for the Absentee and Superannuation Allowances of officers on establishments now transferred, as have, hitherto, appeared in the Home Accounts, or under other Heads in the Indian Accounts. But it would be inconvenient and difficult to maintain any distinction between these officers and officers who are paid from other Local Funds, or who may be added, hereafter, for "Provincial Services." Questions of some importance regarding this and other like details will have to be settled, hereafter.

17. Unless some fiscal misfortune, such as a heavy loss in the Opium Revenue, or national disaster such as war or severe famine, occurs, the Governor-General in Council will maintain

* If it be found, when the accounts of the year 1870-71 are made up, that the actual expenditure, during that year, for the official postage of the services affected exceeds the amount of the Grants for that purpose, then the several Assignments will be, once for all, increased by the difference.

for the future, the Assignments for "Provincial Services" at the amounts now fixed. They will not, in any case, be reduced without previous consultation with the Governments.

18. For the coming year, the Provincial Service estimates should be immediately prepared upon the basis of these Assignments, which may be distributed, at the discretion of the Governments, among the several Departments for which they will now be responsible. Any portion of the Assignments made to any Province that may be unspent at the end of the year will not lapse to the Imperial Revenue, but will remain at the disposal of the Local Government. The Estimates and Accounts of these Governments should, therefore, open and close with balances brought and carried forward. They should show not only the Receipts and Charges of the new "Provincial Services", but also the Income and Expenditure of all existing Local Funds; it being understood, of course, that the Governments are not relieved by this Resolution from any legal or equitable obligation which may govern the appropriation of any particular Local Fund. It is essential that the Estimates and Accounts of all the Presidencies and Provinces should be uniform, and the precise forms to be used will be settled by the Supreme Government. The Imperial financial year must be the Provincial Year of Account.

19. Each Local Government will publish its own yearly Estimates and Accounts in the Local Gazette, together with a Financial exposition (which should, where possible, be made before the Local Legislative Council) analogous to that annually made in the Legislative Council of the Governor-General. The several Estimates and Accounts will be compiled, and a General Statement for all India published as a supplement to the Imperial Estimates and Accounts.

20. In preparing its Estimates for the coming year, each Government will have to consider, without delay, how any deficiency in the Ways and Means for its Provincial Services can most conveniently be supplied.

21. The financial control which is, thus, entrusted to the Local Governments is to be exercised subject to the following conditions* :—

* It must be understood that these conditions are prescribed, for the present, tentatively, and that they are subject to revision, as experience may require,

I. Without the previous sanction of the Government of India—

- (1) no appointment is to be created with a salary of more than Rs. 250 a month ; and no addition is to be made to the pay and allowances of any officer if they exceed, or would, after the addition, exceed, Rs. 250 a month.
- (2) no *class* or *grade* of officers is to be created or abolished; and the pay of no *class* or *grade* of officers is to be raised :
- (3) no addition is to be made to the pay or allowances of any individual or class of officers that would lead to increase in the emoluments of any public servants doing duty in the same Province, whose pay and allowances are charged to the Imperial Revenues. The Government of India reserves to itself the right to forbid alterations in rates of pay or allowances, which, in its opinion, would produce inconvenience in other Provinces.
- (4) no moneys are to be removed from the public treasuries for investment :
- (5) no services now rendered to other Departments at the charge of the Departments made over to the control of the Local Governments are to be diminished, and no services now rendered to these Departments at the charge of other Departments are to be increased.

II. The rules of the Supreme Government in respect to leave of absence and Absentee, Deputation, and Superannuation Allowances are to be observed.

III. Returns, Accounts, and Estimates are to be submitted to the Supreme Government in such forms, and at such times, as may be prescribed.

22. The Governor-General in Council is fully aware that this Resolution will effect a wide change in Indian Administration. It has been adopted, after long and careful consideration, in the hope that it will be received by the Governments in the spirit in which it is promulgated. The Governor-General in Council believes that it will produce greater care and economy ; that it will import an element of certainty into the fiscal system which has, hitherto, been absent ; and that it will lead to more harmony in action and feeling between the Supreme and Provincial Governments than has, heretofore, prevailed.

23. But beyond all this, there is a greater and wider object in view. Local interest, supervision and care are necessary to success in the management of funds devoted to Education, Sanitation, Medical Charity, and Local Public Works. The operation of this Resolution, in its full meaning and inte-

grity, will afford opportunities for the development of Self-government, for strengthening Municipal Institutions, and for the association of Natives and Europeans, to a greater extent than heretofore, in the administration of affairs.

24. The Governor-General in Council is aware of the difficulties attending the practical adoption of these principles. But they are not insurmountable. Disappointments and partial failures may occur ; but, the object in view being the instruction of many peoples and races in a good system of Administration, His Excellency in Council is fully convinced that the Local Governments and all their subordinates will enlist the active assistance, or, at all events, the sympathy, of many classes, who have, hitherto, taken little or no part in the work of social and material advancement.

25. The additional powers of financial control which will now be assumed by the Governments, must be accompanied by a corresponding increase of administrative responsibility. It is the desire of the Governor-General in Council to confine the interference of the Supreme Government in India in the administration of the "Provincial Services" to what is necessary for the discharge of that responsibility which the Viceroy in Council owes to the Queen and her responsible advisers, and for the purpose of securing adherence to the financial conditions now prescribed, and to the general policy of the Government of India.

26. The procedure of the Departments of "Registration," "Jails," and "police" is, to a large extent, governed by law. No law exists upon the subject of "Education" ; but the policy of the Government has been declared and prescribed in despatches from the Secretary of State, the authority of which, and of the Rules sanctioned by the Government of India regarding "Grants-in-aid" and other matters of general principle, is not affected by this Resolution.

27. Subject to these general restrictions, the Governments will, henceforth enjoy full liberty in the expenditure of the funds appropriated to "Provincial Services." It must, however, be understood that, in thus divesting himself of control, the

* Such as No. 49, dated 19th July, 1854.
 " 4, " 7th April, 1859.
 " 1, " 23rd January, 1864.
 " 5, " 19th May, 1870.

Governor-General in Council divests himself also, to a large extent, of his former responsibility. If responsibility for expenditure is retained, control cannot be renounced.

28. The Governor-General in Council delegates to the Local Governments this large additional share of the administrative power without hesitation or distrust, believing that it will be exercised with wisdom, liberality and prudence.

**II. EXTRACTS FROM THE RESOLUTION BY THE
GOVERNMENT OF INDIA ON THE EXTENSION
OF PROVINCIAL FINANCE, DATED
SEPTEMBER 30, 1881, NO. 3853.**

1. These proceedings contain the record of the existing agreements with the several Local Governments for the administration of the provincial service.

2. These agreements are the outcome of what is popularly known as Lord Mayo's Decentralisation Scheme of 1870. The principles of that scheme could in 1870 only be applied in a limited and tentative manner. Certain heads of expenditure were handed over to the more unfettered control of Local Governments, together with the means of providing for them, consisting partly of the receipts under the same heads, and partly of a fixed consolidated allotment from the Imperial revenue. The Governments were to use as they pleased any surplus, but to make good any deficit, resulting from their administration.

3. In 1877 an important advance was made by handing over to certain Governments heads of revenue, but also introducing the principle of provincial responsibility for works constructed for mere local and Provincial purposes. At the same time were issued (Resolution, Financial Department, No. 1709 of 22nd March, 1877) new "rules and conditions," which are still the standard, for the administration by the Governments of all revenues and services handed over to them. All the Governments except that of Madras, which remains under the arrangements of 1870, readily accepted the more independent position offered to them; and in 1877, or subsequently, have entered into revised agreements of more or less extended scope, the latest (for Assam and British Burma) affecting almost all heads of revenue and expenditure. These agreements were in some cases for short terms, and all either have expired already, or will expire with the current year, except the two last specified, which

extend to 1882-3. These two, it is proposed, with the consent of the Local Governments concerned, to terminate on the 31st March next, in order to secure an early establishment of the decentralisation system in all the Provinces on a uniform and extended basis.

4. In the first place, it is now proposed to apply to the whole of India the principle upon which the most recent settlement, namely, that with Burma in 1879, was framed. That principle is that, instead of giving Local Governments a fixed sum of money to make good any excess of provincialised expenditure over provincialised receipts, a certain proportion of the Imperial revenue of each province should be devoted to this object. Certain heads, as few in number as possible, are wholly or with minute local exceptions only, reserved as Imperial; others are divided, in proportions for the most part equal, between Imperial and Provincial; the rest are wholly or with minute local exceptions only, made Provincial. The balance of transfers being against the Local Governments, is rectified for each province by a fixed percentage on its Land Revenue (otherwise reserved as Imperial), except in Burma where the percentage is extended to the Imperial rice export duty and salt revenue also. The advantage of this system over that which now generally prevails is, that the Provincial Governments will be given a direct interest, not only in the provincialised revenue, but also in the most important item of Imperial Revenue raised within their own Province.

5. Another important change which is contemplated requires somewhat fuller explanation. In the Resolution No. 3334, dated 14th December, 1870, the Imperial Government, speaking broadly, announced a policy of divesting itself of both responsibility and control within certain limits, but a reservation was made (paragraph 17) of power to modify the resources granted, in the event of "some fiscal misfortune such as heavy loss in the opium revenue, or national disaster, such as war or severe famine." On two occasions already within a decade this reservation has been acted on. On the occasion of the great famine of 1876-77 in western and southern India, the Supreme Government necessarily came to the rescue of the Local Governments in meeting the enormous outlay involved; but it directed that all Provincial and Local resources must be exhausted before Imperial aid could be supplied. This decision was unexceptionable in the sense in which it was meant; but it may have led to developments which were not altogether intended. The second

occasion on which the reservation has been acted on is that of the Afgan war. The Local Governments were called upon during the years 1879-80 and 1880-81 to contribute £6,70,000 from the resources made their own by the decentralisation policy, and in the Financial Statement of 1880-81 (paragraph 170) the hope was expressed that they had been able "to afford this timely help to the general finances with little apparent-difficulty." The circumstances of the time were, without doubt, peculiar, and the strain upon the finances was undoubtedly severe. But the sudden suspension of improvements in progress, the starvation of public works, and the discouragement of care and economy by requiring a surrender of their results could not, in themselves, be otherwise than prejudicial.

6. In modification, therefore, of the reservation hitherto in force, it is proposed to declare, on the one hand, that the local Governments must look for no special aid from the Imperial Government except in the case of severe famine (and then only within limits to which allusion will presently be made); and on the other, that the Imperial Government will make no demand on them except in the case of disaster so abnormal as to exhaust the Imperial reserves and resources, and to necessitate a suspension of the entire machinery of public improvement throughout the empire.

7. The question of relief to be afforded on the occasion of severe famine presents considerable difficulties. It has been suggested that each local Government should be held responsible for a fixed share of any expenditure incurred on famine relief, and that exceptional cases may be left for exceptional treatment at the time. To this course the objections are that any fixed share of the expenditure will always be either too much or too little, and that a time of actual famine is a bad time for driving bargains and defining responsibilities. It is obvious that the Provincial Government ought to have a direct interest in keeping down relief expenditure, and equally so that a Provincial Government, emerging from a great famine, after exhausting all its resources, cannot be saddled with a further liability for interest on Imperial famine expenditure, and will even be crippled in its ordinary administration for many years to come. The real question seems to be, how far should Provincial resources be depleted before Imperial aid steps in.

8. Assuming that Provincial responsibility ought to be enforced within reasonable limits, His Excellency in Council considers that those limits must bear relation to the Provincial

resources, not to the relief expenditure. Provincial resources consist of (1) current income during the period of distress ; (2) accumulated savings of past years, in excess of the ordinary "working balance" ; and (3) the margin of provincialised income over expenditure in normal years, which is the Provincial Government's "profit on the contract" available for public improvements. Upon these, provincial responsibility will be enforced in proportion to their nature. The first should be entirely exhausted, every avoidable expense in every department being retrenched, and the Public Works grants being applied to famine works to the very utmost possible. The second should be drawn upon up to two-thirds only of their total amount. The third will, in the first place, be made liable to whatever extent may be necessary in addition to the ordinary Public Works grants, for the completion of works begun as relief works under the pressure of famine. In cases where no such need for completion remains after a famine, this third resource will be chargeable up to one-fourth, at most, for payment of interest of Imperial loans (if any) which have been raised to meet the excess cost of that famine in the province.

* * * * *

10. There is, however, another very important question which is intimately connected with the general scheme for the decentralisation of finance, namely, the development of self-government. Allusion was prominently made to this point in the 23rd paragraph of the Resolution of December 14th, 1870, in the following terms :—

"But beyond all this there is a greater and wider object in view. Local interest, supervision, and care are necessary to success in the management of funds devoted to education, sanitation, medical charity and local public works. The operation of this Resolution in its full meaning and integrity will afford opportunities for the development of self-government, for strengthening municipal institutions, and for the association of Natives and Europeans to a greater extent than heretofore in the administration of affairs."

In pursuance of the policy thus laid down, considerable progress has been made since 1870. The bulk of the local rates and cesses now existing has been imposed since that date; in some Provinces a portion of these have been entrusted to the management of Committees ; in others, such as Bombay, the committees previously existing have made great advances in resources and in efficiency. Municipalities, also, have increased in number and usefulness. At the same time, it must be admitted that there has been greater inequality in the progress

in the direction of self-government attained in the various Provinces than their respective circumstances can be altogether held to justify. There undoubtedly exists very great variety in the weight of the burdens borne by different localities, and very great diversity in the objects for which the latter are called on to provide. The inequality sometimes produces a sense of injustice ; the objects are often those the advantage or local obligation of which the people are least able to understand. Matters such as primary education and minor public works, which have in some Provinces been for many years under local management with acknowledged advantage, are in others reserved to the Provincial Government, while heavy contributions are levied from municipalities for Police, in the administration of which they necessarily can take no part.

11. His Excellency the Governor-General in Council is, therefore, of opinion that the time has now arrived when further practical development might be afforded to the intentions of LORD MAYO'S government, and that the Provincial agreements should no longer exclude from all consideration the mass of taxation under Local and Municipal management, together with the similar resources still retained in Provincial control, and ignore the question of local self-government. The Provincial Governments, while being now largely endowed from Imperial sources, may well, in their turn, hand over to local self-government considerable revenues, at present kept in their own hands, but similar in kind to many which have long been "locally" managed with success by Committees, partly composed of non-official members, and subject only to a general remedial control reserved to the State by the legislature. At the same time, such items should be generally made Local as the people are most likely to be able to understand the use of and to administer well.

His Excellency would, therefore, invite the Local Governments to undertake a careful scrutiny of Provincial, Local, and Municipal accounts, with the view of ascertaining (1) what items of receipt and charge can be transferred from "Provincial" to "Local" heads, for administration by Committees comprising non-official, and, wherever possible, elected members, and what items already "Local" but not so administered, might suitably be so ; (2) what redistribution of items is desirable in order to lay on Local and Municipal bodies those which are best understood and appreciated by the people ; (3) what measures, legislative or otherwise, are necessary to ensure more

Local Self-government. Incidentally to the scrutiny they will probably notice, and might carefully consider (4) ways of equalising local and municipal taxation throughout the Empire, checking severe or unsuitable imposts, and favouring forms most in accordance with popular opinion or sentiment. The Government of India have already made some preliminary enquiries in the same direction, the results of which will shortly be communicated to the several Local Governments for consideration in conjunction with their own.

* * * * *

13. It is deemed expedient that the Imperial and Provincial Governments should have joint and equal interests in the net revenue from Forest, Excise, Assessed Taxes, Stamps, and Registration, including Record Room Fees. Such a joint interest in the more important of these revenues already practically exists in most Provinces, although in a somewhat complex form. Regarding Registration, however, it may be observed that the present policy of the Government of India is not to look upon it as a source of revenue.

14. The Imperial Government will, henceforth, claim no share in the revenue from Provincial Rates, which will be appropriated wholly by the Local Governments.

15. The Medical Establishments have not hitherto been included in the provincial services, except in the case of Bombay and British Burma, because their cost is not immediately within the control of the Local Governments. But experience shows that these items are subject to little fluctuation ; and it seems simpler and better now to include them in the provincial allotments. The Ecclesiastical Establishments are, to some extent, in a similar position, but it appears desirable, for various reasons, that they should, for the present, be provincially administered outside the new arrangements, on the fixed allotment system.

16. With respect to Pensions some of the Local Governments have hitherto objected to become responsible for them, because the pensioners of one Government may draw their pensions from treasuries under another Government. But, as it is evidently desirable that the Government which grants a pension or gratuity should be responsible for its cost, the Governor-General in Council has lately, in order to obviate that objection, allowed the inter-provincial adjustment of expenditure on pensions.

In the same way, it is proposed to allow the inter-provincial adjustment of revenue collected by one Local Government for another (such for example, as the excise on spirit distilled, or on fermented liquors and drugs produced in India, when carried by land or sea, and under bond or otherwise, into some other province)* * *

17. RAILWAYS, IRRIGATION, AND NAVIGATION, AND OTHER PUBLIC WORKS:—* * * Under the arrangements now in force, each Local Government bears, as a provincial charge, interest on the whole Imperial part of the capital cost of every such work in its jurisdiction, of which capital and revenue accounts are kept, whether such cost has been recorded under Productive Public Works or under some other ordinary head, and is entirely responsible for its construction and administration. The connexion of the Government of India with such works is confined to the enforcement of the rules and tests prescribed by itself or the Secretary of State, and to the provision of the funds required from the Imperial Treasury under the head of Productive Public Works. The Local Governments do not, of course, pay interest upon any part of the capital cost of such works which has been provided from Provincial Revenues, or by means of Local Debenture Loans the interest on which is a Provincial charge.

18. Since the time, however, when the arrangements just described were matured, Public Works policy and prospects have altered most materially. The "Famine Relief and Insurance" annual allotment has been permanently fixed, the invocation of private enterprise is producing a response the limits and effects of which no one can now foresee, and the resources of the Empire for public works will require manipulation, as a whole, from new standpoints, and for the attainment of hitherto un-contemplated ends. Under these circumstances, it seems to be unwise, and might prove to be improvident, to stereotype, much more to alter hastily, the *status quo*. Irrigation works will, probably, still be constructed almost entirely by the State, in which case provincialisation may still be freely pursued; but as regards railways, the future is altogether uncertain.

The Governor-General in Council desires to make the administration of all these services as far as possible Provincial, but is unable, for the reasons explained, to give more than a general declaration of intention to provincialise hereafter, every work which, on mature consideration, proves suitable for

such treatment. Existing provincialisation will not be now interfered with, but should be considered to be provisional only.

* * * *

20. While thus inviting the Local Governments to assume new obligations, the Government of India has assigned to them, simultaneously, the means of discharging these obligations. The prospects of the revenues which it is proposed to divide between the Central and Local Governments, as well as of those which will be exclusively Provincial, are good, and the details of the administration will be so completely in the hands of the Local Governments, that they will be able effectually to promote economy as well as to develop the revenues. Their share of the increased resources thus obtained will be at their free disposal, subject always to standing rules to be made from time to time. After such modifications as may be made upon a consideration of the criticisms of the Local Governments, it is intended that this scheme should supersede all the existing contracts, with effect from the beginning of the financial year 1882-83.

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III. LORD RIPON'S RESOLUTION ON LOCAL SELF-GOVERNMENT, 1882.

1. The Governor-General in Council in the Resolution of the Financial Department, dated the 30th September, 1881, set out, for the information of the Local Governments, the principles upon which it was proposed to revise the agreements then in force for the administration of the Provincial Services, and to establish the decentralised system of finance on a uniform and extended basis. It was explained that intimately connected with this general scheme for the decentralisation of finance was the very important question of developing Local Self-Government. Considerable progress in the direction had, it was admitted, been made since 1870. A large income from local rates and cesses had been secured, and in some Provinces the management of this income had been freely entrusted to local bodies. Municipalities had also increased in number and usefulness. But there was still, it was remarked, a greater inequality of progress in different parts of the country than varying local circumstances seemed to warrant. In many places services admirably adapted for local management were reserved in the hands

of the central administration, while everywhere heavy charges were levied on Municipalities in connection with the Police, over which they had necessarily no executive control.

Paragraph 11 of the Resolution went on to say :—"His Excellency the Governor-General in Council is, therefore, of opinion that the time has now arrived when further practical development may be afforded to the intentions of Lord Mayo's Government, and that the Provincial Government should no longer exclude from all consideration the mass of taxation under Local and Municipal management together with the similar resources still retained in Provincial control, and ignore the question of Local Self-Government. The Provincial Governments, while being now largely endowed from Imperial sources, may well, in their turn, hand over to local self-government considerable revenues, at present kept in their own hands, but similar in kind to many which have long been locally managed with success by Committees, partly composed of non-official members and subject only to a general remedial control reserved to the State by the Legislature. At the same time, such items should be generally made local as the people are most likely to be able to understand the use of and to administer well. His Excellency would, therefore, invite the Local Governments to undertake a careful scrutiny of Provincial, Local and Municipal accounts, with the view of ascertaining (1) what items of receipt and charge can be transferred from 'Provincial' to 'Local' heads, for administration by Committees comprising non-official and, wherever possible, elected members, and what items already 'Local', but not so administered, might suitably be so ; (2) what redistribution of items is desirable, in order to lay on Local and Municipal bodies those which are best understood and appreciated by the people ; (3) what measures, legislative or otherwise, are necessary to ensure more Local Self-Government. Incidentally to the scrutiny they will probably notice, and might carefully consider (4) ways of equalising Local and Municipal taxation throughout the Empire, checking severe or unsuitable imposts, and favouring forms most in accordance with popular opinion or sentiment. The Government of India have already made some preliminary enquiries in the same direction, the results of which will shortly be communicated to the several Local Governments for consideration in conjunction with their own."

2. Accordingly on the 10th October 1881 letters were addressed to the various Local Governments indicating those

branches of expenditure which appeared to the Government of India most suited for local control, and inviting each Government to examine any other heads of accounts which might seem to cover items capable of transfer to such control. It was pointed out that it was not the intention of the Government of India that the proposed transfer of the control of expenditure of a specially local character to local bodies should involve any addition to existing local burdens; and it was, therefore, shown to be necessary to arrange for the simultaneous transfer of receipts sufficient to meet any net balance of additional expenditure which in any instances might arise. The receipts to be thus transferred should, it was suggested, be such as to afford a prospect that, by careful administration, with all the advantages due to local sympathy, experience and watchfulness, they would be susceptible of reasonable increase. In cases where larger assignments of funds were required, the receipts from pounds, or a share of the assessed taxes collected within the jurisdiction of a local body, were indicated as suitable sources of revenue to be made over. But on this, as on other points a wide discretion was left to the Local Governments.

3. As regards the character of the local bodies to whom those powers of control and administration were to be entrusted, it was remarked that already in most parts of British India there were in existence Municipal Committees whose powers might in many cases be advantageously extended, and District Committees for various purposes, which might very well be consolidated into single homogeneous working bodies, with ancillary subordinate committees for each tahsil or sub-division of the district. (It was suggested that the Magistrate and Collector should be President of the District Committee, and the Assistant or Deputy Magistrate in charge of the sub-division, President of the subordinate committees,) but in each case the local bodies should, it was said, comprise persons not in the service of Government, and elected or nominated, as might seem best, in a proportion of not less than from one-half to two-thirds of the whole numbers. For the satisfactory development of this plan, it was admitted that legislation would probably be necessary in most provinces, and the Local Governments were invited in their replies to explain the general outlines which such legislation should follow. In regard to this it was said—

"Special attention will be required in setting the relations between the various local bodies and the officers of the general

administration, and in providing for a certain measure of control and inspection on the part of Government. It would be hopeless to expect any real development of self-government if the local bodies were subject to check and interference in matters of detail; and the respective powers of Government and of the various local bodies should be clearly and distinctly defined by statute so that there may be as little risk of friction and misunderstanding as possible. Within the limits to be laid down in each case, however, the Governor-General in Council is anxious that the fullest, possible liberty of action should be given to local bodies."

4. The policy thus enunciated by the Government of India has on the whole, been loyally, and in some cases, warmly accepted by the Local Governments, several of which have already drawn up schemes for giving effect to it, and have submitted these for the approval of the Government of India. The Governor-General in Council desires to acknowledge the care and thought with which some of these schemes have been worked out. Upon each the Government of India will communicate hereafter its views in detail to the local Government concerned. Meantime, however, it will be convenient that the Governor-General in Council should explain somewhat more fully than he has hitherto done, the general mode in which he would wish to see effect given to the principle of Local Self-government throughout British India outside the Presidency Towns. This is the more necessary, as further considerations of the subject and examination of the schemes prepared for the different provinces have suggested the propriety of certain modifications of the plan sketched out in the Circular letters of the 10th October last.

5. At the outset, the Governor-General in Council must explain that in advocating the extension of Local Self-government, and the adoption of this principle in the management of many branches of local affairs, he does not suppose that the work will be in the first instance better done than if it remained in the sole hands of the Government District officers. It is not primarily, with a view to improvement in administration that this measure is put forward and supported. (It is chiefly desirable as an instrument of political and popular education. His Excellency in Council has himself no doubt that in course of time, as local knowledge and local interest are brought to bear more freely upon local administration, improved efficiency will in fact follow. But at starting, there will

doubtless be many failures, calculated to discourage exaggerated hopes, and even in some cases to cast apparent discredit upon the practice of self-government itself. If, however, the officers of Government only set themselves, as the Governor-General in Council believes they will, to foster sedulously the small beginnings of the independent political life ; if they accept loyally and as their own the policy of the Government, and if they come to realise that the system really opens to them a fairer field for the exercise of administrative tact and directive energy than the more autocratic system which it supersedes, then it may be hoped that the period of failures will be short and that real and substantial progress will very soon become manifest.

6. It is not uncommonly asserted that the people of this country are themselves entirely indifferent to the principle of self-government ; that they take but little interest in public matters ; and that they prefer to have such affairs managed for them by Government officers. The Governor-General in Council does not attach much value to this theory. It represents no doubt the point of view which commends itself to many active and well-intentioned District officers ; and the people of India are, there can be equally no doubt, remarkably tolerant of existing facts. But as education advances, there is rapidly growing up all over the country an intelligent class of public-spirited men whom it is not only bad policy, but sheer waste of power, to fail to utilise. The task of administration is yearly becoming more onerous as the country progresses in civilisation and material prosperity. The annual reports of every Government tell of an ever-increasing burden laid upon the shoulders of the local officers. The cry is everywhere for increased establishments. The universal complaint in all departments is that of over-work. Under these circumstances it becomes imperatively necessary to look around for some means of relief ; and the Governor-General in Council has no hesitation in stating his conviction that the only reasonable plan open to the Government is to induce the people themselves to undertake, as far as may be, the management of their own affairs ; and to develop, or create if need be, a capacity for self-help in respect of all matters that have not, for imperial reasons, to be retained in the hands of the representatives of Government.

7. If it be said that the experiments hitherto made in this direction have not been encouraging, the Governor-General in Council must avow his belief that the principle has not as

yet been, in any general or satisfactory fashion, fully and fairly tried. There is reason to fear that previous attempts at Local-Self-Government have been too often over-ridden and practically crushed by direct, though well-meant, official interference. In the few cases where real responsibility has been thrown upon local bodies and real power entrusted to them, the results have been very gratifying. There is even now a vast amount of assistance rendered to the administration by Honorary Magistrates, Members of Municipal Corporations and other Committees ; and there is no antecedent improbability in the theory that if non-official auxiliary agency were more thoroughly organised and more fully trusted, there would be a speedy and marked improvement, not only in its amount, but in its efficiency.

8. Holding therefore, that it is the duty and interest of the ruling power to take care that the further advance which it is now proposed to make in the direction of Local Self-Government shall be, though cautious, yet at the same time real and substantial, the Governor-General in Council will proceed to indicate, for the guidance of the Provincial Administrations, the general principles upon which, in the judgment of the Government of India, these measures should be shaped. The subject may, for the purposes of this Resolution, be divided into two parts—the first, relating to the mode in which Local Boards, whether Municipal or District, should generally be constituted ; and the second, to the degree of control which the Government should retain over such bodies, and the manner in which that control should be exercised.

9. In regard to the first of these points, the Governor-General in Council would observe that he is quite aware of the absurdity of attempting to lay down any hard and fast rules which shall be of universal application in a country so vast, and in its local circumstances so varied, as British India. It would be unreasonable to expect that any uniform system of Local Government could be applied with equal success in Provinces differing as the Punjab, for instance, from Madras, or Bengal from Burma. A large latitude of application must, therefore, in every case be left to the local authorities. Indeed, we are really as yet so much in the infancy of Self-Government, and have, perhaps, so little knowledge of the directions in which it would naturally develop itself among the people, that there is a distinct advantage in having different schemes tried in different places in order to test, by practical experience, what arrangements are best suited to the ways of thinking, habits,

and other idiosyncrasies of the heterogeneous populations of the Empire. But there are, nevertheless, fundamental principles which, after every allowance has been made for local peculiarities, must be universally followed and frankly adopted if the system is to have anywhere a fair trial.

10. The Government of India desires, then, that while maintaining and extending, as far as practicable, the plan of municipal Government in the cities and towns of each Province, the Local Governments will also maintain and extend throughout the country, in every district where intelligent non-official agency can be found, a net-work of Local Boards, to be charged with definite duties and entrusted with definite funds. The Governor-General in Council considers it very important that the area of jurisdiction allotted to each Board should in no case be too large. If the plan is to succeed at all, it will be necessary to secure among the members both local interest and local knowledge. Experience proves that District Committees are, as a rule, very badly attended by members not actually residing in the vicinity of the head-quarters' station. Those who do attend have frequently no intimate acquaintance with the wants of outlying parts of the district. The consequence is, either that undue attention is given to the requirements of the immediate neighbourhood of the central station, or that the business falls entirely into the hands of the District Officer, the Committee contenting itself by formally endorsing his proposals. Modifying, therefore, to some extent the suggestions made in paragraph 8 of the Circular letters of the 10th October last, the Governor-General in Council desires that the smallest administrative unit—the sub-division, the taluka or the tahsil—shall ordinarily form the maximum area to be placed under a Local Board. He would not indeed object to even smaller jurisdictions, were these deemed suitable. In some Provinces it may be found possible to leave these sub-divisional Boards to their own independent working, arranging for a periodical District Council, to which delegates from each Local Board might be sent, to settle such common matters as the rate of land-cess to be levied during the year, allotment to be made of district funds, and other questions of general interest. In other Provinces, again, it may be thought best to have a District Board with controlling power over the smaller Local Boards. But whatever system is followed, the cardinal principle, which is essential to the success of Self-Government in any shape, is this, that the jurisdiction of the primary Boards must be so limited in area as to

ensure both local knowledge and local interest on the part of each of the members.)

11. The Municipal Committees will, of course, remain in the Local Boards for areas included within town limits. The relations between such Municipal Boards and the sub-divisional or District Boards within whose jurisdiction the towns lie, must be carefully settled in each case. In some instances the Town Boards will be left entirely independent and apart. In others it may be found desirable to give the Rural Boards a certain share in the settlement of questions of common interest. In others, again, the Town Boards would be required to send delegates to the District Board or Council.

12. The Local Boards, both urban and rural, must everywhere have a large preponderance of non-official members. In no case ought the official members to be more than one-third of the whole, unless in places in which the elective system is followed, when there would be no ground for objecting to an elected member merely on the ground that he was in the service of Government. The Governor-General in Council is disposed to think that the non-official members of the Boards should hold office for at least two years after election or appointment; but probably the best plan to follow would be that of the compulsory retirement by rotation of a fixed proportion of members, those retiring being eligible to sit again. A detail of this description may, however, fitly be left to the Local Government.

13. Members of the Boards should be chosen by election wherever it may, in the opinion of the Local Governments, be practicable to adopt that system of choice. The Governor-General in Council does not require the adoption of the system of election in all cases, though that is the system which he hopes will ultimately prevail throughout the country, and which he wishes to establish now as widely as local circumstances will permit. Election in some form or other should be generally introduced in towns of any considerable size, but may be extended more cautiously and gradually to the smaller Municipalities and to backward rural tracts. Even as regards these last, however, the Governor-General in Council is disposed to think that if the Government officers cordially accept the principle, and set themselves to make it successful, a great advance might be made with comparatively little difficulty. Thus when the Local Governments had determined the nature of the qualifications suited to such a district (and these might ordinarily at first be fairly high), each Sub-Divisional Officer might be instructed to

prepare a list or register of candidates qualified to sit upon the Local Board and might invite all those residing in any particular area, such as a Police (thana) jurisdiction, to meet him on a day fixed at some convenient spot near their homes. He might then explain to them the objects of Government, and the nature of the duties they are invited to undertake, and call upon them to elect then or on a future day the number of representatives that had been fixed for the area in question. In the course of a few years, when the members of the Board find that they have real powers and responsibilities entrusted to them, any Government interference will become unnecessary. (The electors may safely then be left to conduct their own elections under such rules as may be from time to time laid down.)

14. As to the system of election to be followed, the Governor-General in Council would here also leave a large discretion to the Local Governments. Experience is wanting to determine the most suitable general system for each province; and it is desirable that a variety of plans should be tried in order to a future comparison of results. The simple vote, the cumulative vote, election by wards, election by the whole town or tract, suffrage of more or less extended qualification, election by castes or occupation—these and other methods might all be tried. New methods, unthought of in Europe, may be found suitable to India; and after a time it will probably be able to say what forms suit best the local peculiarities and idiosyncrasies of the different populations. The Provincial Governments should through their District officers, consult the leading Natives of each locality, not only as to the possibilities of introducing the elective system, but as to the arrangements most likely to meet their local circumstances, and should use every effort to make the schemes adopted as consonant as possible to the feelings and habits of the people.

15. Doubtless the first consequence of this mode of proceeding will be that the electoral system, viewed as a whole, will present for a time a very diversified appearance, and in some places arrangements made will turn out badly and call for change; but the Governor-General in Council is not disposed to attach undue importance to this. The problem before the Government is one of no slight difficulty; being that of discovering in what manner the people of the town and district of British India can be best trained to manage their own local affairs intelligently and successfully. The attempts hitherto made with this object have met with but little success. The

best men in many cases do not present themselves as candidates for Municipal Office. The number of voters is generally insignificant compared with the number on the registers. And yet there can be no doubt that among the more intelligent classes of the community there is a real and growing interest being taken in administrative matters. It may be suspected, therefore, that the cause of comparative failure in the efforts hitherto made is to be found rather in the character of those efforts than in the nature of the object pursued. They have been, it seems to the Governor-General in Council, wanting to a great degree in earnestness and in real endeavours to adopt the system adapted to the feelings of the people by whom it has to be worked. If this is so, the remedy must lie in ascertaining by patient and practical experiment how best to call forth and render effective the desire and capacity for self-government which all intelligent and fairly educated men may safely be assumed to possess.

16. With a view to stimulating the candidature of men of respectable standing in Native society, and to mark the importance of the functions of these Local Boards in the eyes of Government, the Governor-General in Council is pleased to direct that the courtesy titles of "Kai (or Rao) Bahadur or Khan Bahadur" shall in all official correspondence be applicable to Native members of all Local Boards during their term of office.

17. Turning now to the second division of the subject—the degree of control to be retained by the Government over the Local Boards, and the manner in which that control should be exercised—the Governor-General in Council observes that the true principle to be followed in this matter is (that the control should be exercised from without rather than from within.) The Government should revise and check the acts of the local bodies but not dictate them. The executive authorities should have two powers of control. In the first place their sanction should be required in order to give validity to certain acts, such as the raising of loans, the imposition of taxes in other than duly authorized forms, the alienation of Municipal property, interference with any matters involving religious questions or affecting the public peace, and the like.) (The cases in which such sanctions should be insisted upon would have to be carefully considered by each Government, and they would at the outset be probably somewhat numerous, but, as the Boards gained in experience, might be reduced in number.)

In the second place, the Local Government should have power to interfere either to set aside altogether the proceedings of the Board in particular cases, or, in the event of gross and continued neglect of any important duty, to suspend the Board temporarily, by the appointment of persons to execute the office of the Board until the neglected duty had been satisfactorily performed. That being done the regular system would be re-established, a fresh Board being elected or appointed. This power of absolute supersession would require in every case the consent of the Supreme Government. A similar power is reserved to the Executive Government under several English statutes; and if required in England, where Local Self-Government is long established and effective, it is not probable that it could be altogether dispensed with in India. It should be the general function of the executive officers of Government to watch, especially at the outset, the proceedings of the Local Boards, to point out to them matters calling for their consideration, to draw their attention to any neglect of duty on their part, and to check by official remonstrance any attempt to exceed their proper functions or to act illegally or in an arbitrary or unreasonable manner.

18. It does not appear necessary, for the exercise of these powers, that the chief executive officers of towns, subdivisions or districts should be Chairmen or even members of the Local Boards. There is, indeed, much reason to believe that it would be more convenient that they should supervise and control the acts of those bodies, without taking actual part in their proceedings. The Governor-General in Council is aware that many high authorities hold that the District officer should always be *ex-officio* Chairman of all the Local Boards within the district, and should directly guide and regulate their proceedings. This was indeed the view taken by the Government of India itself in the Circular letters of the 10th October last, so far as the constitution of district Boards was concerned. But even then the Governor-General in Council did not see his way to accepting the principle in the case of Municipal Boards; and further consideration has led him to the belief, that on the whole, it is better to lay down no such general rule in the case of any class of Local Boards. There appears to him to be great force in the argument that so long as the chief executive officers are, as a matter of course, Chairmen of the Municipal and District Committees there is little chance of these Committees affording any effective training to their

members in the management of local affairs, or of the non-official members taking any real interest in local business. The non-official members must be led to feel that real power is placed in their hands, and that they have real responsibilities to discharge. It is doubtful whether they have under present arrangements any sufficient inducement to give up their time and attention to the transaction of public business. There is this further objection to the District officer acting as Chairman, that if the non-official members are independent and energetic, risk may arise of unseemly collision between the Chairman and the Board. The former would be in a far more dignified and influential position if he supervised and controlled the proceedings of the Board from outside, acting as arbiter between all parties, and not as leader of any.

19. The Governor-General in Council, therefore, would wish to see non-official persons acting wherever practicable, as Chairmen of the Local Boards. There may, however, be places where it would be impossible to get any suitable non-official Chairman, and there may be districts where the chief executive officer must for the present retain these duties in his own hands. But His Excellency in Council trusts that the Local Governments will have recourse sparingly to the appointment of executive officers as Chairmen of Local Boards; and he is of opinion that it should be a general rule that when such an officer is Chairman of any Local Board, he shall not in that capacity have a vote in its proceedings. This arrangement will, to some extent, tend to strengthen the independence of the non-official members, and keep the official Chairman, where there must be such, apart from the possible contentions of opposing parties.

The appointment of Chairmen should always be subject to the approval of the Local Government, but need not be always made by it. The Governor-General in Council would be glad to see the Boards allowed, in as many cases as possible, to elect each its own Chairman. But this matter is one which must be left to the discretion of Local Governments.

20. These, then, are the principles upon which the Governor-General in Council desires to see the experiment of Local Self-Government introduced throughout the several provinces of India; and he would ask the Local Governments to revise their several schemes and shape any proposed legislation in general accordance with these principles. On such of the local schemes as have already come before the Government of

India separate orders will, as already intimated, be passed in accordance with the foregoing exposition of policy. There are, however, one or two points to which attention has been drawn by a perusal of the orders of the Local Governments, which, though matters of detail, are still of sufficient importance to warrant their being noticed in this Resolution.

21. In the orders of the 10th October last the Government of India laid special stress on the importance of entrusting to the Local Boards, not merely the expenditure of fixed allotments of funds, but the management of certain local sources of revenue. Sufficient regard does not as yet appear to have been paid to this part of the scheme. Not only should every Local Board have the entire control over the proceeds of all local rates and cesses levied within its jurisdiction for its own special purposes, but along with the charge of any expenditure that is at present Provincial should be transferred where possible, the management of equivalent revenue. The License Tax assessments and collection, for example, might very well be made over to the Local Boards, municipal and rural, in many parts of the country, subject to the control provided by the existing law. Pounds and ferry receipts have been already indicated as suited for transfer. The allotment of lump grants from Provincial revenues should be reserved as much as possible to balance receipts and expenditure of the Local Boards. The Governor-General in Council hopes that this part of the scheme will receive very careful consideration from all Local Governments, with a view to giving full effect to the policy which the Government of India has laid down on this point.

22. Another point deserving of notice is the control that should be exercised over the execution of local works. It will not always be possible for a Local Board to entertain a competent engineer of its own : and in any case when Government buildings and important works of other kinds are made over for maintenance, there must be some effective guarantee for thoroughness of execution. It will probably be most convenient that, while all subordinate establishments are entirely under the control of the Boards, Government should supply the District Engineer, and furnish professional supervision, the Boards defraying in such manner as may be determined by the Local Governments with reference to the amount of work done for each Board, the payments to be made to Government on this account. Care must, however, be taken that the Boards are left unfettered in the initiation and direction of operations and

that the Engineer is placed in the position of their servant and not of their master. The power of check vested in the District officer will suffice to remedy any carelessness or improper working on the part of the Boards. If this arrangement be carried out, it will probably be found possible to make over to the charge of the Boards most of the public buildings in the districts, and other works of various kinds which would otherwise have to be kept in the hands of the Government officers. Double establishments will thus be avoided, and public money saved.

IV. THE GOVERNMENT OF INDIA RESOLUTION ON PROVINCIAL FINANCE NO 27-F. DATED, SIMLA, THE 18TH MAY, 1912.

In connection with the Report of the Royal Commission upon Decentralization, the Government of India referred, for the opinion of local Governments, a number of specific points affecting the financial relations of the Imperial with the Provincial Governments. The particular questions on which advice was sought may be summarised as follows :—

- (a) Certain problems regarding the assignment of revenue to the provinces under the quasi-permanent settlements.
- (b) The desirability of provincial taxation.
- (c) The advisability of floating provincial loans in the open market.
- (d) The control to be exercised over the borrowing of local bodies.
- (e) The delegation of powers of reappropriation.

The reports of local Governments have been considered in detail by the Governor-General in Council ; the orders of the Secretary of State have been taken where necessary ; and the object of the present resolution is to bring together in one place the decisions which have been reached upon the various points at issue.

The reason for not issuing the Resolution earlier lies in the desire of the Government of India to see the results of the first year's working of the new financial arrangements with the provinces.

2. *The revision of the Provincial Settlements.*—In connection with the quasi-permanent provincial settlements, the scope of the reference was comparatively limited. The Government of India expressly declared their intention of retaining unchanged the principles underlying the existing settlements, and

the control which they exercised over the provincial budgets. They invited the opinions of the local Governments on three relatively minor points only ; namely, the reduction of overgrown fixed assignments, the gradual elimination of divided heads, and the policy of making special grants from Imperial to Provincial revenues. When, however, the time came to consider the replies, conditions had changed. The financial position of India was such that it was clearly desirable to take a step which would constitute a decided advance in the evolution of the settlement system. It is not necessary here to describe at any length the history of this system.

Theory of the settlements.

Its institution represents an attempt to solve a problem which must always arise where there exists a local Government in complete or partial subordination to a central authority. Certain classes of expenditure must obviously be left to the subordinate authority, while other services can be satisfactorily administered by the Central Government alone. Both these bodies require to be kept in funds. In India, where the great bulk of the revenues of the country is collected in, and credited in the accounts of, the various provinces, the problem resolves itself into the question how the Central Government can best be supplied with resources to meet the charges of the services which it must of necessity administer. The provincial settlements represent a method of attaining this object, which has been evolved by diverse and protracted experiment. To meet its own expenditure, the Government of India retains, in the first place, the entire profits of the commercial departments and, secondly, all the revenue whose *locale* is no guide to its true incidence, such as the net receipts from Customs, Salt and Opium. The income derived from these sources is, however, insufficient to cover the cost of the Imperial services, and an arrangement had therefore to be made by which the other sources of revenue should be distributed between the central and the various Provincial Governments.

3. This arrangement took a semi-contractual shape, as a separate settlement, or agreement, concluded by the Government of India with each individual province. In the stage of development which it had reached when

Their main features. the Royal Commission reported, the settlement system presented three main features. In the first place, the settlements had been declared to be *quasi*-permanent. The Government of India had, it is true, reserved the right of

revision, but they had promised to exercise that power "only when the variations from the initial relative standards of revenue and expenditure were, over a substantial term of years, so great as to result in unfairness either to the province itself, or to the Government of India, or in the event of the Government of India being confronted with the alternatives of either imposing general taxation, or seeking assistance from the provinces." The second Important principle of the system was that the distribution of revenues between the provincial and Central Governments was made, except on occasions of grave emergency, with direct reference not to the needs of the Central Government, but to the outlay which each Province might reasonably claim to incur upon the services which it administered. The first step taken in concluding a settlement was to ascertain the needs of the province and assign revenue to meet them; the residue only of the income of the province coming into the Imperial exchequer. The third feature of the system was the method by which the revenue accruing from various sources was distributed. The residue which was available for Imperial purposes was taken in the shape of a fixed fractional share in a few of the main heads of revenue, which were known as "divided heads." As, however, the distribution of these heads could never be so adjusted as to yield to the Province, when added to the revenue from the purely provincial heads, the exact sum necessary to meet provincial charges, equilibrium was effected by means of fixed cash assignments; a deficiency being remedied by an assignment to Provincial revenues from the Imperial share of the land revenue, and an excess by the reverse process.

4. In the general principles of this system the Government of India had no desire to make any change. Various alternative methods of financing the Imperial Government had from time to time been suggested, and certain of these are discussed in paragraphs 65 to 68 of the report of the Royal Commission. The Government of India were in entire agreement with the Commission that any radical change of system was undesirable, and fully accepted the grounds on which they rejected the specific alternatives which they considered. It was clearly preferable to abide by the main lines of a system which had gradually been built up to meet the needs of the country, than to look about for an untried scheme of greater abstract perfection. There was, however,

Undesirability of altering their general principles except in the direction of greater permanency.

one main feature in which the system appeared susceptible of development and this development seemed to the Government of India to be eminently desirable in the interests of both the Imperial and the Provincial Governments. The direction in which they desired to advance was that of giving greater permanency to the settlements. From the point of view of the central Government a measure of this kind was rendered vitally important by the existing situation of Imperial finances.

Simultaneously with the prospect of the loss of a considerable annual revenue from opium, the Government of India were faced by the necessity of providing large and increasing funds for the extension of education, for the improvement of sanitation, and for other kindred purposes. To ensure successful conduct of their finance in these circumstances it was essential to remove every avoidable element of uncertainty. They, therefore, decided to introduce as great a degree of finality as possible into the financial relation of the Imperial with the Provincial Governments. If Provinces could be provided, once and for all with settlements so framed that Local Governments could develop their administration from their own assigned resources and could fairly be warned that they must not, except in cases of unusual calamity, expect assistance from Imperial funds, the task before the Government of India would be greatly simplified. At the same time it was considered that, by imparting greater precision to their relations with Local Governments they would give the latter a more abiding interest in the husbanding and direction of their own resources; while a sharper definition of the limits of provincial independence in financial matters would make it possible to allow much greater freedom of action within those limits. Before detailing the steps which the Government of India decided to take in order to secure an increase of permanency in the settlements it will be convenient to discuss the minor points which were specifically referred for the opinion of Provincial Governments.

5. The first of these points was the desirability of

Conversion of unduly large assignments into shares of growing revenue.

converting over-grown fixed assignments into shares of growing revenue. As the needs of a Province inevitably grow and the Province is required to meet them from the expansion of its resources, it is frequently argued that the inclusion of a fixed and inelastic element in those resources hampers a Local Government in its task of finding funds to meet the normal growth of its expenditure. The Royal Commission

wrote with caution on this subject, but recommended the conversion of unduly large fixed assignments into shares of growing revenue by means of the gradual provincialization of heads of revenue which are now divided, and for which the Provincial Governments must always be specially responsible. As suitable subjects for provincialization they suggested the revenue from Excise and Forests. The Government of India were in entire sympathy with the cautious attitude adopted by the Commission in this matter. It is by no means always the case that a fixed assignment hampers a Province. The cardinal issue in the success of a settlement is that the normal growth of the assigned revenues should be at least equal to the necessary and carefully regulated growth of provincial expenditure. If this object is achieved, the fact that a part of the assigned revenue is fixed is of little or no importance. It is only when the normal increment of revenue falls short of the legitimate increase in expenditure that the fixed assignment becomes an evil and danger. On these grounds, the Government of India were unable to accept the suggestion of certain Local Governments for frequent and radical action in the matter of commutation. They considered that fixed assignments should be replaced by a share of growing revenue in the following circumstances only :—

(1) When an assignment is so large as to prevent the increment in revenue from keeping abreast of the legitimate and necessary growth of expenditure ; and

(2) When the financial outlook of the moment justifies the abandonment of the necessary amount of growing revenue in exchange for the reduction of fixed charges.

Such commutation will usually take the shape of the provincialization of heads formerly divided. Except in this connection, however, the Government of India were not inclined to accept the imperialization or provincialization of divided heads as an object in itself. Such heads possess the advantages detailed in paragraph 70 of the Royal Commission's Report, and constitute a factor of some value in the general system of Indian finance.

6. The second point of reference was the question of lump grants from Imperial to Provincial balances. Such grants have frequently been given to individual Provinces, in order either to admit Local Governments to a share in an exceptional increase of prosperity, or to afford the means of financing a policy which commends itself to the central authority. The

Lump grants from
Imperial to Provincial
balances.

principle of making allotments of this kind, which has been described as a "policy of doles," was subjected to considerable criticism before the Royal Commission. The chief charges brought against it are that it increases the opportunities for interference by the Government of India in provincial affairs; that a fair distribution of the grants among the Provinces is frequently a matter of extreme difficulty; and that the system often compels Local Governments to spend money on objects of less comparative urgency than other needs of their populations. From the point of view of the stability of Imperial finances, the policy has the additional disadvantage that it must tend to decrease the provincial sense of financial responsibility, by accustoming Local Governments to look for special and spasmodic assistance outside the terms of their settlements. While fully appreciative of these drawbacks attaching to the system, the Government of India were in complete agreement with the Royal Commission that the total abolition of doles is impracticable. Special grants from Imperial to Provincial revenues are almost inevitable. A line of policy pressed upon the Government of India by the Secretary of State, by the obvious trend of public opinion, or by the competition for efficiency among local Governments must frequently be passed on to the Provinces, and to insure its efficient prosecution, it is essential that the latter should be provided with funds additional to their ordinary resources. Such will doubtless be the case with the forward movement in education and sanitation, when special grants will have to be given on conditions to be settled in correspondence with Local Governments. Again, it often happens that the Imperial Government secures a surplus which cannot suitably be employed in the reduction of taxation, and it naturally wishes to share its windfall with the Provinces. In both these cases, doles are unavoidable. To minimise their disadvantages, the Royal Commission recommended the adoption of three principles :—

- (1) The system should not involve any greater degree of interference by the central with the Local Government than at present exists;
- (2) The grants should be given with due regard to the wishes of the provincial authorities.
- (3) They should not necessarily be assigned for the same object in every Province.

These principles, which received the full support of the Local Governments were readily accepted by the Government of India. The Government of Bombay, which discussed the

matter in some detail, made certain further proposals for the regulation of doles. They suggested, as the most satisfactory method of subsidising a Province, the remission of Imperial taxation which might, if the provincial authorities so desired, be reimposed as a provincial burden. This scheme will merit further consideration at any time when the remission of taxation becomes a practical possibility, but there is little immediate prospect of any such action. The suggestion that doles, whenever given, should take the shape of a fractional addition to the provincial share of land revenue has been sufficiently met by the decision of the Government of India, already described, in the matter of the commutation of cash assignments. In any case this system, if adopted, could not be of universal application; as it would clearly be unsuitable to a grant made against a fixed payment, such as the Famine Insurance credit, or to a dole given to a Province in which the expansion of revenue already outpaces the normal growth of expenditure. To a third opinion expressed by the Government of Bombay, the Government of India were unable to subscribe. They could not admit that the employment of a grant should, except in the rarest instances, be left to the discretion of the Local Government which receives it. While they could readily agree to abstain from critical inquiry into the objects to which a dole is applied, they held that the cases in which it would be necessary to specify the general purposes of the assignment would be the rule rather than the exception. When, for example, considerable sacrifices have been incurred in order to raise money for education, they could not contemplate with equanimity its expenditure upon hospitals or bridges. Similar considerations apply when the Government of India are engaged in distributing a windfall. The disposal of a surplus is akin to a legislative act, being decided after debate in the Imperial Legislative Council; and it is often an alternative to a remission of taxation, in which case the purposes to which it is proposed to devote the surplus are deliberately accepted as more needful and expedient than the relief of the general taxpayer. In such cases the Government of India incur a responsibility with reference to the disposal of grants made to Local Governments of which they could not consent to divest themselves.

7. Before any steps could be taken to impart greater permanency to the provincial contracts, it was clearly desirable to remove any imperfections in the various settlements
- Alleged inequality in the Settlements with the different provinces.**

which might be found to exist. The Government of India were fully alive to the charge often brought against the settlements, that they are of unequal liberality in the different provinces. The assumption underlying the existing condition of quasi-permanency is that the settlements start from equilibrium at the given point of time when the contract is made, and that the inevitable growth of provincial expenditure will be met from the expansion of the revenues which have been assigned to the Provinces. It is urged by certain critics that, to make the assumption tenable, it must also be assumed that all Provinces received equality of treatment at their settlement, and more particularly that the settlement standards provided for an equal degree of advance in the different administrations. It is perfectly well known, however, that, at the time of concluding the latest contracts, some Provinces were more backward than others; it is known that some of the previous settlements had been framed on generous and others upon less liberal lines, that the standards of expenditure were in consequence unequal and that certain Provinces have thus been placed at a definite disadvantage for all time. In this way, it is argued that the older Provinces and those which were most insistent in their demands when the earlier settlements were framed now find themselves in comfortable circumstances; while the more backward and less demonstrative administrations have to face permanent financial stringency. The Government of India were prepared to admit the extreme difficulty of giving a conclusive reply to these arguments. It is impossible to devise a satisfactory test of equality of treatment, which could be applied with safety to the results of the various settlements. They were not, however, ready to concede the justice of the criticisms. The supposed inequality of treatment, if it exist at all, is historical and inevitable rather than the outcome of administrative partiality; while its very existence is extremely doubtful. Each Province has had periodical re-settlements since 1882. During the intervening years, there has been a steady advance in the equipment of every Local Government. The pressure has been constant, both from within and from above, in the direction of greater efficiency and increased administrative comfort: while the supervision and control of the central Government have had the same tendency. All these influences have reacted on each successive revision of the provincial settlements, and have inevitably worked towards an equalization of the scale of expenditure in the different Provinces. At every periodical review, the poorer Local Governments have pressed their grievances, and the haggling of a

quarter of a century has established a rough equity which could not now be replaced by theoretical calculations. One province may be behind another in its jails, or a third in its roads, and its subordinate officials may be worse paid than in a fourth ; but it probably spends more than its neighbours on police or on education. Taking the administrative equipment as a whole, the Government of India found it impossible to believe that inequality in the settlements had gone far enough to starve one Province in its necessities in order to load another with luxuries, and they considered it entirely unnecessary, in seeking a basis for permanency, to make any radical alterations in the existing settlements which have been evolved by the slow process of years.

8. At the same time, it was undoubtedly the fact that imperfections were to be found in certain of the present contracts, which it was undesirable to confirm in perpetuity. Certain of these were due to miscalculations at the time of revision of settlement, or to an unexpected course taken after revision by the revenue of particular Provinces. In a number of Provinces the fixed assignment had reached a figure which showed signs of becoming excessive. The Government of India accordingly decided to undertake a careful revision of all existing settlements, with a view to the removal of minor defects and the replacement of large cash assignments by shares of growing revenue. With this object, they made a detailed review of the financial position of each Province on the lines ordinarily followed in framing a new settlement, checking their conclusions by means of an independent report of the working of each contract obtained from the Accountant-General of the Province concerned. As a result of this examination, it was found advisable to make variations in the terms of the settlements, before attempting to make them permanent, in order to give the Provinces a larger share in the expanding sources of revenue. The exact concessions made have been separately indicated in detail to the various Local Governments, but they may for convenience sake, be briefly recapitulated here :—

Removal of minor defects in the settlements preliminary to the introduction of permanent arrangements.

- (1) (a) Forest revenue and expenditure were made wholly provincial in all the Provinces.
- (b) Excise revenue and expenditure were made wholly provincial in Bombay, while in the Central Provinces and the United Provinces, the provincial share of these heads was increased to three-quarters.

- (c) Land revenue was made half provincial in the Punjab and five-eighths provincial in Burma.
- (d) The provincial interest of the Punjab in major irrigation works (direct receipts, working expenses and interests of debt) was raised from three-eighths to one-half.
- (2) The fixed assignments of the various Provinces were reduced by the amount which these changes of classification added to the provincial share of growing revenue.

The financial effect of these arrangements was to convert fixed assignments amounting to 350 lakhs of rupees into growing net revenue, and to deprive the Imperial Government in future years of an annual net increment of 815 lakhs in its share of divided revenue. (In the foregoing description of the new settlements no allusion is made to Bengal or Eastern Bengal and Assam, because the subsequent re-constitution of these Provinces has abrogated the permanent settlements and necessitated the formation of new and temporary arrangements.)

9. Having thus remedied the defects of the existing settlements, the Government of India approached the task of imparting greater permanency to their financial relations with provincial Governments. They realised, at the outset, that complete permanency was not attainable. The possibility of famine constitutes a danger to the settlement contracts against which it is impossible to provide adequate safeguards. The famine insurance scheme is a convenient device for distributing the expenditure on famine in its earlier stages, or on a partial scarcity; but a really widespread calamity would sweep it away and leave the Provinces dependent in large measure upon the bounty of the Imperial Government. In a crisis of this kind the Government of India must of necessity step in and supplement the provincial resources, as it has done in the past, and the contract obligations will, for the time being, remain partially in suspense. Subject, however, to provision against famine, the Government of India considered that the settlements, as now revised, might safely be declared to be fixed in perpetuity. They held that the time had come when Local Governments might reasonably be informed that certain growing sources of revenue had been placed, once and for all, at their disposal from which to meet the future needs of the Province which they administered. It would be for them to husband their resources and lay them out to the best econo-

Reservation in respect of widespread famine.

mical advantages. With the introduction of this element of fixity into the financial relations, it would be possible to allow provincial authorities far greater independence within definite limits, and to relax a great measure of the control which the Government of India have hitherto exercised over the provincial bodies.

10. The views of the Government of India on the various points discussed in the preceding paragraphs were communicated to the Secretary of State, and, with his approval, the following rules have been laid down to govern the future relations of Provincial and Imperial finance :—

Summary of rules governing the future relations of provincial and imperial finance.

- (i) With the exception indicated in rule II, the provincial settlements for Madras, Bombay, the United Provinces, Burma, the Punjab and the Central Provinces will in future be permanent and not subject to revision ; and permanent settlements will be framed, as soon as may be found convenient, for Bengal, Bihar and Orissa, and Assam. In case of serious famine in a Province, the question of assistance from the revenues of the Government of India will be considered. The Government of India reserve the right to call for assistance from provincial revenues in the event of grave embarrassment in their own finances.
- (ii) When the fixed assignment of a Province becomes unduly large and hampers the expansion of its revenue, as compared with the legitimate and necessary growth of expenditure, it will ordinarily be converted, either in whole or in part, into a share of growing revenues, as soon as the state of Imperial finances permits.
- (iii) In the event of the grant of special allotments to Local Governments out of surplus revenues not required for the remission of taxation, the reduction of debt, or other purposes, the Government of India will retain the option of declaring the purposes for which the money is provided ; but
 - (a) the grants will not involve greater interference by the Central Government than at present exists;
 - (b) they will be allotted with due regard to the wishes of the recipient Government; and
 - (c) they need not necessarily be devoted to one and the same purpose in every province.
- (iv) A Local Government may not budget for a deficit, unless it satisfies the Government of India that the excess expenditure is due to an exceptional and non-recurring cause, and also, if the deficit involves a reduction of the provincial balance

below the prescribed minimum, that suitable arrangements will be made for the restoration of the minimum.

- (v) If a Local Government exhausts its own balances and receives permission to overdraw upon the general balances, it will be required to take the necessary amount as a short loan from the Government of India. The loan will bear interest and will be repayable in such instalments as the Central Government may direct.
- (vi) Future corrections in provincial budgets by the Government of India will be restricted to
 - (a) divided heads, and
 - (b) the proposed totals of revenue and expenditure.

A limit will be fixed by the Government of India for ordinary *plus* fresh recurring expenditure, and care will be taken to secure its observance. All extraordinary receipts will be excluded from the limit and will be applied to such non-recruiting outlay on public works or other objects as the Local Governments, assisted (where these exist) by their Councils, may determine. Relief should not, however, be afforded from these receipts towards meeting the ordinary civil works budget of a Province in such a manner as indirectly to set free funds for recurring expenditure under another head. Moreover, when a Local Government has taken a loan from the Government of India under the provisions mentioned above, extraordinary receipts shall not be regarded as applicable to non-recurring expenditure on public works or other objects until the whole of such loan is repaid. In a year in which there is no object of sufficient urgency and importance to justify the expenditure thereon of such extraordinary receipts, they should be added to provincial balances to serve as a reserve against future emergencies. In framing the budget estimates, the attention of the Government of India should be drawn to the existence of these special resources and to the manner in which it is proposed to dispose of them.

These rules represent, in the opinion of the Government of India, a decided advance in the path of decentralization. They place a greater responsibility on Local Governments for the stability of their provincial finances, while at the same time investing them with wide independence. The arrangement aims at securing a clear division of duties and liabilities; and the Government of India trust that it will now be followed, on the part of each Local Government; by a careful examination

of the scale of expenditure which now prevails, particularly in the Roads and Buildings Branch of the Public Works Department. The Government of India have now conducted such an examination into their own finances, with a view to economy and retrenchment; and they think it would be well if Local Governments should now do the same, bearing in mind the rigidity of the new arrangements and the grave responsibility for keeping the growth of provincial expenditure at a ratio which shall in no circumstances be greater than the growth of provincial resources.

11. *Provincial Taxation.*—On the subject of Provincial taxation the Royal Commission wrote with studied caution. They found in existence a restriction upon the powers of Local Governments which forbade them to impose additional taxation without the previous sanction of the Government of India, and they did not advise the removal of this restriction. They thought, however, that if, in the future, there should come about a clear separation between Imperial and Provincial finance, with a more effective control over the latter by Legislative Councils, it might become practicable and necessary to allow Local Governments to levy special provincial taxation if they wished to increase their scale of provincial expenditure. They did not propose to relax the present statutory safeguards of legislation, without which no taxation can become effective. The Government of India are once again in general agreement with the Commission. Their attitude towards provincial taxation in the past has never been one of disfavour. It has frequently been employed, and still in some measure exists, as a supplement to the general revenues for purely provincial purposes. The provincial rates and taxes which have recently been remitted owed their abolition, not to their provincial character, but to the fact that they rested almost entirely on the land, which the Government of India, in pursuance of a settled policy, desire to relieve of miscellaneous burdens. The Central Government have in the past frequently advised that provincial resources should be supplemented by small and cautious measures of provincial taxation. They have assented to the theoretical considerations that, in a vast country of greatly varying conditions, Imperial taxation must of necessity be restricted in its range, as very few taxes are suitable for imposition in every part of the Indian Empire; that the incidence of an Imperial impost must be lighter in some areas than in others; that provincial taxation might not inappropriately

balance such inequalities; that a tax which would cause dissatisfaction in one part of the country might arouse no opposition in another; and that experiments in taxation might thus be made with safety on a small scale which would be imprudent or even dangerous if applied to India as a whole.

12. These considerations are, however, theoretical only. In actual practice definite schemes of provincial taxation have never been pressed with any enthusiasm, and the Government of India can see no strong reason for removing the safeguards which now surround its imposition. They fully recognise that such taxation is a necessary corollary of a fully decentralised system of finance; but pending the development of such a system they consider that no useful purpose would be served by an attempt to define its proper scope or to lay down the criteria which it should satisfy. Financial autonomy for the Provinces, if and when it arises, must carry with it the power of taxation. In existing circumstances there is nothing to be gained by varying or diminishing the control, both executive and legislative, which the Government of India now retain. These views have been reported to the Secretary of State, who has expressed his concurrence with them.

13. *Provincial Borrowing.*—The Royal Commission discussed the advisability of permitting Local Governments to raise provincial loans in the open market. The majority of its members considered that the existing embargo on such loans should be maintained, but that Local Government should be granted short-term loans from Imperial revenues to meet the cost of large non-productive works of manifest utility which they cannot finance from their own resources. With the exception of the Government of Bombay, who were particularly anxious to obtain access to the open market, these views found general acceptance with the Local Governments, and the Government of India are strongly of opinion that they should prevail. The question of loans from Imperial funds has already been settled by means of the new provisions regarding provincial overdrafts which have been incorporated in the settlement rules. An overdraft on Imperial balances will in future be treated as a short-term loan, and it is precisely in connection with works of the kind contemplated by the Commission that such overdrafts will in future be sanctioned. The chief argument for the admission of Local Governments to the open market lies in the claim that objects of purely provincial interest would

succeed in attracting, at reasonable rates, capital which is not touched by the Imperial loans. The truth of this argument could be tested by experience alone ; though it is theoretically probable that a project which aroused local enthusiasm might tap resources which are not open to the Government of India. The drawbacks attaching to such an experiment are, however, very much greater than the possible advantages which might accrue from it. It would be extremely difficult to prevent a loan of the kind contemplated from competing with the Imperial loans. The local market is narrow ; the period of cheap money is confined to a few months of the year ; and the loan business is mainly in the hands of a few large banks. On these grounds the Government of India have always been compelled to refuse to local authorities, such as Port Trusts and Municipalities, all access to the market during the months reserved for their own operations. Provincial loans would either have to be similarly held back until the Government of India had completed their own issues, a course which would certainly affect their prospects ; or they would be floated simultaneously with the Imperial loans with depressing effect upon the prices of both.

14. A further objection to the flotation of provincial loans lies in the undesirability of increasing the non-productive debt of India. For really productive projects the Government of India are ordinarily prepared to find funds from their capital account, and the effect of allowing Local Governments to enter the open market would undoubtedly be the creation of a considerable quantity of largely unproductive debt, which could not but injuriously affect the credit of India. The existence of a provincial public debt would, moreover, afford an inducement for lavish outlay upon public works and might thus lead up to a type of financial embarrassment which the Government of India could not view without grave concern. The experience of other countries has shown that debts of this kind tend to grow in volume until the magnitude of the loan charges either effects a material reduction in the margin available for current expenditure on public works or drives the Government into enhanced taxation. In these circumstances the Government of India are clearly of opinion that the grant of independent borrowing powers to Local Governments should be deferred until a more distinct separation has taken place between the finances of the Provincial and those of the Central authority. The Secretary of State has expressed his general agreement with this view.

15. *Borrowing by local bodies.*—On the subject of borrowing by local bodies, the Royal Commission reviewed the existing practice with general approval and suggested two minor changes only :—

- (a) Local Governments should have final power to sanction the borrowing in the open market of sums ~~not~~ exceeding 5 lakhs and repayable within 30 years ; and
- (b) the provision in section 2 of Act XII of 1897, which requires the previous sanction of the Governor-General in Council to every loan under the Act, should be abrogated ; general rules governing such loans should be drawn up under section 3 of the Act ; and Local Governments should then have power to sanction subject to compliance with these rules.

The former recommendation had reference to previous orders which directed that all proposals of local bodies for loans in the open market should be submitted to the Government of India, whose sanction was required in advance to the period of the loan, the date of issue and all other important features of the operation. Effect has already been given to the modifications advised by the Commission by the Notification in the Finance Department No. 6215-A, dated 30th October, 1908. The second recommendation alluded to loans raised by the local authorities to meet such temporary emergencies as the occurrence of famine or the outbreak of dangerous epidemic disease. The Government of India have accepted the proposed change, and steps will be taken to carry it out. The rules to be prescribed under section 3 of Act XII of 1897 will be framed as soon as the necessary delegation has been made of the power vested by section 2 in the Governor-General in Council.

16. *Delegation to heads of departments of power of re-appropriation.*—In paragraph 96 of their Report the Royal Commission advised that, under certain conditions, the powers of reappropriation enjoyed by Local Governments should be delegated by them to their heads of departments. The Government of India have accepted this view and have, with the approval of the Secretary of State, authorised Local Governments and the Administrations of the Central Provinces, Baluchistan, the North-West Frontier Province, Ajmer-Marwara and Coorg to delegate to Boards of Revenue, Financial Commissioners, and such other officers subordinate to them as have been declared to be heads of departments, the power of making reappropriations in connection with the budget grants of the branches of the

administration which they control. It has been laid down that such reappropriations shall be of a routine character only and shall be made from one minor head to another within the same major head, and that the power shall be exercised subject to the following conditions :—

- (1) that savings under salaries and establishment shall not be reappropriated to other classes of expenditure ;
- (2) that savings on non-recurring expenditure under supplies and services contingencies and other detailed heads shall not be reappropriated in order to provide for additional recurring expenditure under salaries or establishment, or on any other account ; and
- (3) that it will be open to the Government of India and local Governments to require, at any time of financial pressure, that the exercise by heads of departments of their powers of reappropriation shall be suspended.

These orders do not involve the curtailment of any more extended powers that may have already been delegated with the sanction of the Government of India to any authorities subordinate to Local Governments and administrations.

17. *Relaxation of the limits imposed on the spending powers of Local Governments and Administrations.*—In conclusion, the Government of India desire to intimate to Local Governments that they have had under separate consideration the recommendations regarding the relaxation of the limits imposed on the spending powers of Local Governments and Administrations which are contained in paragraphs 119 to 148 of the Royal Commission's Report. They have made extensive proposals for the increase of provincial powers in this connection which have met with the general approval of the Secretary of State ; and they hope soon to be in a position to issue separate orders on the subject.

V. RESOLUTION ON THE LOCAL SELF-GOVERNMENT POLICY OF THE GOVERNMENT OF INDIA.

Nos. 55-77.

Dated Simla, the 28th April, 1915.

Local Self-government as a conscious process of administrative devolution and political education dates, outside presidency towns, from the financial reforms of Lord Mayo's government. Consultative committees had indeed been appointed in various towns in 1850, and measures were taken in 1864 and following years to give effect to the recommendations of the report of the Royal Army Sanitary Commission, which was published in 1863, but no comprehensive scheme was introduced until the years following 1870. Legislation affecting several Provinces was then undertaken. Lord Ripon's government in 1882 carried still further the principles of Local Self-government with the object, by measures cautiously but substantially progressive, of inducing the people themselves to undertake, as far as might be and subject to necessary control from without, the management of their own local affairs, and of developing and creating, if need be, a capacity for self-help in respect of all matters that had not, for administrative reasons, to be retained in the hands of a representative of Government. Various Acts were passed, by which the elective principle, financial independence and the reduction of official control were given a wide extension. In two resolutions nos. $\frac{1}{146-164}$, dated the 24th October, 1896, and nos. 18-37, dated the 20th August, 1897, respectively, Lord Elgin's government again reviewed the subject and laid down further conditions of progress. Important principles have, from time to time, been considered by the Government of India in connection with the revision of Local Self-government Acts and otherwise, and recently the whole field of policy has, in their survey of Indian administration, been ably and exhaustively reviewed by the Royal Commission upon Decentralization.

2. The Governor-General in Council is glad to be assured by the report of the Commission and the opinions of Local Governments and Ad-

Substantial progress.

ministrations upon it, that the results have on the whole justified the policy out of which Local Self-government arose. The degree of success varies from Province to Province and from one part of a Province to another, but there is definite and satisfactory evidence of the growth of a feeling of good citizenship, particularly in the towns. The spread of education is largely responsible for the quickening of a sense of responsibility and improvements in the machinery. In certain Provinces, beneficial results have followed the elaboration of a system of local audit. On all sides there are signs of vitality and growth.

3. The obstacles in the way of realising completely the ideals which have prompted action in the past are still, however, by no means inconsiderable. The smallness and inelasticity of local revenues, the difficulty of devising further forms of taxation, the indifference still prevailing in many places towards all forms of public life, the continued unwillingness of many Indian gentlemen to submit to the troubles, expense and inconveniences of election, the unfitness of some of those whom these obstacles do not deter, the prevalence of sectarian animosities, the varying character of the municipal area, all these are causes which cannot but impede the free and full development of Local Self-government. The growing demand among the educated classes in towns for greater efficiency, involving more direct expert control, in matters affecting public health and education, is a further influence of a different character. A similar tendency, it may be observed, is discernible in England and in other European countries, the Governments of which have shown a growing disposition to place on central authorities the duty of stimulating and encouraging local bodies in cases of default or deficiency on their part, and to give to the former powers of intervention and, in case of need, of actual supersession of the latter. These and similar considerations indicate the need for caution in delegating powers to non-official bodies, when they are not as yet adapted nor prepared for them. But on the whole the Government of India declared unhesitatingly in favour of a general policy of further progress, limited only by such conditions as local circumstances may dictate. (Uniformity, even were it attainable, would be undesirable as tending to monotony, lifelessness and discouragement of new experiments.) But, in fact, any attempt to exact uniformity in local administration would be foredoomed to failure. In each Province, sometimes in each part of a Province, the administra-

tive system has grown up on lines of its own with reference to local needs and the wishes and abilities of the people. On a review of all the circumstances, the Government of India have decided to accept in almost every case the conclusion of the Local Government or Administration as to the degree of progress possible at the present time. But in the more backward provinces in particular, it is their conviction that there is room for advance, and that the aim to be steadily pursued is abstention from interference in detail and increased reliance on the non-official element in local bodies.

4. Local Governments and Administrations in general are prepared to advance in the direction of the main recommendations of the Commission. They propose in varying degrees to expand the electoral element in the constitution of local bodies, to extend the employment of non-official chairmen in municipalities, to allow local bodies more ample control over budgets and freer powers of reappropriation, to concede increased authority to local bodies over establishments and to relax existing restrictions in regard to outside sanction for expenditure on works of importance. These changes will mark a real and immediate extension of the principles of Local Self-government.

5. The Government of India now propose to state the principal conclusions that have been reached after full discussion in the public press, in debates of the Legislative Councils, and in consultation with Local Governments and, in certain matters, with His Majesty's Secretary of State, on the questions that arise respecting (1) towns, (2) districts, (3) villages, or other small local areas ; in other words, in relation to (1) municipal boards, (2) district and sub-district boards, and (3) panchayats or other unions. In each case they will consider the constitution of the local body, its ability to tax and its powers in regard to its budget and its establishment. Finally, they will deal with the recommendations of the Commission in connection with presidency towns and Rangoon.

MUNICIPAL BOARDS.

6. The Commission recommended that Municipal Boards should ordinarily be constituted on the basis of a substantial elective majority and that nominated members should be limited to a number

sufficient to provide for the due representation of minorities and official experience. This recommendation has already been adopted in several provinces and is generally accepted by Local Governments and the Government of India, subject to the proviso that the principle should in places, where its success is doubtful, be introduced gradually, and after experiment in selected municipalities.

7. The Commission also proposed that the municipal chairman should usually be an elected non-official, that Government officers should not be allowed to stand for election, and that where a nominated chairman might still be required he should be an official. The following statistics show how in the different provinces chairmen of municipalities are at present secured :—

Number of chairmen of municipalities, elected and nominated, officials and non-officials.

Province.	Elected non-officials.	Elected officials.	Nominated non-officials.	Nominated officials.	Total.
Madras	38	2	15	8	63
Bombay	53	37	3	60	153
Bengal	74	10	8	19	111
United Provinces ...	20	34	19	11	84
Punjab	15	77	1	11	104
Burma ... ..	..	41	...	4	45
Bihar and Orissa ...	7	7	5	36	55
Central Provinces and Berar ...	12	36	...	8	56
Assam	3	4	...	8	15
North-West Frontier Provinces	...	..	..	6	6
Coorg ... ..	...	...	...	2	2
Delhi ... ..	...	...	...	1	1
Total	222	248	51	174	695

8. { The majority of Local Governments are in favour of substituting, so far as possible, non-official for official chairmen, and the Government of India are in full sympathy with the proposal. The increasing burden of administration, apart from other considerations, renders it desirable that the district officer should be relieved of the executive control of municipal bodies. The Governor-General in Council recognises, however, that the change must be made gradually, and that in the absence of suitable

candidates, it may not be possible to make it finally and once for all in particular places. He agrees with the opinion expressed in several quarters that discretion should be reserved to a Local Government to nominate a non-official as chairman. Many gentlemen of influence, well fitted to be chairmen of boards, are not prepared to offer themselves for election, and insistence on election as the only alternative to the nomination of an official would unnecessarily narrow the field of choice. Nor does it appear necessary to prohibit boards under any circumstances from electing an official as their chairman.) It may be desirable, however, to require the election of an official as chairman to be confirmed by the Commissioner, or even higher authority.

9. The Commission suggested that some of the largest cities should adopt the system in force in Bombay city, where there is an elected chairman, who is the official mouthpiece of the corporation as a whole, the executive administration, however, vesting in a full-time nominated official subject to the control of the corporation and of standing committee thereof. In the Bombay District Municipal Act, 1901, also there are provisions under which a Chief Officer can be appointed by a city municipality, on its own initiative or at the instance of the Governor in Council. (The Governor in Council may also appoint an executive officer known as the Municipal Commissioner for any municipal district which contains one hundred thousand inhabitants, or for any other municipal District on the application of the municipality, provided that such application has been previously supported by not less than two thirds of the whole body of councillors.) A Municipal Commissioner has in some respects more extensive powers than a Chief Officer. Under this arrangement the direction of the general policy of a municipality vests in the whole body of councillors, while the executive power, with certain reservations, vests in the Municipal Commissioner. The Municipal committee may cause him to furnish any returns and reports on matters appertaining to municipal administration and they retain financial control. The Chief Officer or Municipal Commissioner is not removeable, except by order of the Governor in Council, or by the vote of three-fourths of the whole number of councillors. These officers exercise certain executive powers specifically conferred on them by the Municipal Act, and such other powers as may be delegated to them under the provisions

of the Act; and the Governor in Council may require that they shall be invested with any powers which can be lawfully delegated. The system works well in Bombay. The Government of India do not desire to press for its adoption in Provinces where it may not be suited to the local conditions. They are, however, of opinion that it has the advantages of ensuring a continuous and strong executive administration by an efficient paid staff, while maintaining the corporate control and activity of the municipal board. It is in fact not dissimilar to the system in force in England. They commend it to Local Governments as a means of overcoming, at any rate, in large cities, the difficulties inherent in the introduction of the important changes contemplated, especially when non-official chairmen are busy professional men. In smaller towns they suggest that the object aimed at might be attained by the wider delegation of executive functions to responsible secretaries, engineers and health officers and that power to enforce such delegation might be secured by legislation.

10. The aggregate income of 701 municipalities in existence at the close of the year 1912-1913 (excluding the presidency towns and Rangoon) amounted to £3,282,845 (Rs. 4,92,42,675) apart from loans, sales of securities and other extraordinary receipts, or an average of about £4,683 (Rs. 70,245) a year. This income was distributed as follows:—

	£
Madras	454,908
Bombay	586,054
Bengal	339,979
United Provinces	592,391
Punjab	435,039
Burma	292,524
Bihar and Orissa	145,270
Central Provinces	177,496
Berar	37,594
Assam	34,764
North-West Frontier Province	72,560
Coorg	3,700
Delhi	110,566*

£3,282,845 (Rs. 4,92,42,675)

* Note—The figures are abnormal on account of large grants from Government during the year.

The following further statements show the proportions under various heads of municipal income and expenditure respectively in the different Provinces for the year 1912-1913.

Income.

Province.	PERCENTAGE OF TOTAL INCOME FROM MUNICIPAL RATES AND TAXES DERIVED FROM								PERCENTAGE OF TOTAL INCOME EXCLUDING LOANS AND ADVANCES DERIVED FROM				
	Octroi.	Tax on houses and lands.	Tax on animals and vehicles.	Tax on professions and trades.	Tolls.	Water rate.	Conservancy tax.	Other taxes.	Taxation.	Under special Acts.	Municipal property.	Grants from Government and other sources.	Miscellaneous.
Madras ... ..	...	45.0	10.2	8.6	19.0	16.8	...	0.4	44.0	0.3	15.1	36.4	4.2
Bombay	46.9	16.3	3.2	0.3	4.5	16.9	8.0	3.9	62.6	0.5	16.4	17.1	3.4
Bengal ... ..	...	37.2	5.5	1.8	2.1	13.9	25.1	14.4	75.8	2.1	8.4	11.5	2.2
United Provinces	69.2	5.4	1.0	3.8	2.8	6.6	1.1	10.1	62.8	1.6	19.7	13.6	2.3
Punjab	89.7	6.8	0.8	...	...	1.3	1.2	0.2	63.1	0.8	19.3	13.7	3.1
Burma ... ..	...	42.5	3.7	...	14.0	9.2	20.6	10.0	38.1	1.1	48.3	17.2	1.3
Behar and Orissa	1.7	40.7	9.5	1.8	5.6	3.5	21.6	15.6	62.5	1.4	2.9	25.1	1.1
Central Provinces	61.6	3.3	4.3	0.1	1.2	15.3	10.9	3.3	60.3	2.7	16.3	16.4	4.3
Berar ... ..	...	20.7	4.3	26.8	10.4	4.6	20.5	12.7	47.9	8.2	13.5	29.5	0.9
Assam ... ..	...	40.5	7.6	...	9.9	11.6	22.1	8.3	36.8	4.0	10.8	47.3	1.1
North-West Frontier Province	98.0	0.6	0.1	...	...	1.2	0.1	...	42.1	0.2	15.9	41.1	0.7
Coorg ... ..	...	62.7	3.9	18.9	7.1	7.4	...	...	28.7	2.6	11.0	56.8	...
Delhi	80.2	13.1	4.8	...	1.9	...	...	...	38.5	0.3	19.8	39.5	1.9

Expenditure.

Province.	PERCENTAGE OF MUNICIPAL EXPENDITURE ON								
	General administra- tion.	Public safety.	Water- supply and drainage.	Conser- vancy.	Public works.	Other measures for public health and convenience.	Public instruc- tion.	Miscel- laneous.	
Madras	6·9	4·2	10·5	20·3	27·6	13·2	10·2	7·1	
Bombay	8·5	5·2	25·1	14·1	14·3	10·5	15·2	7·1	
Bengal	7·2	6·9	24·7	26·8	16·4	7·5	3·3	7·2	
United Provinces	10·2	6·0	27·7	17·2	13·9	6·2	4·5	14·3	
Punjab	12·0	6·1	16·8	13·8	15·5	15·9	10·6	9·3	
Burma	10·1	6·6	10·7	19·3	18·3	25·5	4·3	5·2	
Bihar and Orissa	8·2	5·5	12·7	28·3	15·7	21·9	3·0	4·7	
Central Provinces	11·1	3·2	30·4	15·9	10·3	11·9	10·2	7·0	
Berar	9·4	4·6	24·4	21·5	8·9	10·5	18·3	2·3	
Assam	5·7	3·8	32·6	23·3	19·4	7·9	4·2	3·1	
North-West Frontier Province	10·8	7·4	11·1	16·5	13·7	21·3	14·3	4·9	
Coorg	10·8	3·4	1·6	19·3	9·6	8·4	16·5	30·4	
Delhi	7·4	4·0	33·5	18·0	10·9	11·0	1·8	13·4	

11. The taxes, tolls and fees which may ordinarily be levied by municipalities are provided for in the municipal enactments in force in the different Provinces. They are imposed in most cases with the previous sanction of the Local Government concerned and within the limits laid down in the Acts. They usually take one or other of the following forms :—

- (1) Tax on arts, professions, trades, callings, offices and appointments.
- (2) Tax on buildings, lands, and holdings.
- (3) Water, drainage, sewage, conservancy, scavenging and lighting tax.
- (4) Tax on vehicles, boats, palanquins and animals kept for use or used within municipal limits.
- (5) Tax on circumstances and property.
- (6) Tax on private menials and domestic servants.
- (7) Tax on private markets.
- (8) Octroi on animals or goods or both, brought within municipal limits for consumption or use.
- (9) Tolls on vehicles and animals entering municipal limits, and tolls on ferries, bridges and metalled roads.
- (10) Fees on the registration of cattle sold within municipal limits and of carts and other vehicles.

The taxes provided for in the Acts vary, however, in the different Provinces, and not all these taxes are actually levied in any one Province. Any tax other than those specified in the Acts, which is proposed to be levied, ordinarily requires and should continue to require the sanction of the Governor-General in Council.

12. The most important taxes now in force are octroi duties, levied principally in Bombay, the United Provinces, the Punjab, the Central Provinces and the North-West Frontier Province, and the tax on houses and lands which holds the chief place in the other Provinces as well as in Bombay city.

13. The octroi system in the existing circumstances of the country has certain obvious advantages. As a tax octroi is productive and grows with the prosperity of the town. Its imposition is sanctioned by immemorial usage, and the people are habituated to the system by long custom. The tax is usually paid in small amounts and the effect of the payment

Octroi and the terminal tax.

is not generally felt as a burden. On the other hand, there is no doubt that it provides constant opportunities for fraud, delay and oppression owing to the necessity of entrusting large discretionary powers to a subordinate agency, that it is expensive to collect and wasteful and, finally, that in many places it constitutes a serious burden on trade in general, and in particular on through trade, notwithstanding the provision made for refunds. On the recommendation of a strong representative committee and the Local Government, the Government of India have sanctioned an experiment in the United Provinces, which involves (a) the substitution of direct taxation for octroi in the smaller towns, and (b) the application to a large number of other towns in which conditions are suitable of the system of a terminal tax, or light transit dues on imports or exports, subject to no refunds. The Government of the United Provinces consider that some of the main benefits of such a system, and in particular a reduction of the high cost of collection can only be secured if the tax is collected through the agency of the railway companies, who should be adequately remunerated for their services. The Government of India are prepared to facilitate negotiations to this end. The Government of Bombay have assented to the tentative replacement of octroi by a terminal tax in a few municipalities selected from those desirous of making the experiment. The question is under consideration or experiment in other Provinces also. The Government of India while adhering to the principle that municipal taxation should not operate, so far as can be avoided, as a transit duty on through trade, are prepared to concede that a light terminal tax with no refunds may in practice prove less burdensome to through trade than the octroi system as hitherto administered, provided that the following conditions are observed—*viz.*, (1) that the terminal tax, wherever imposed, should be substantially lower in its rates than the octroi which it replaces, (2) that it should be limited to places where there are special grounds for applying it, which must be adequately demonstrated, (3) that it should be regarded as facilitating the transition to a system in which direct taxation will form an increasingly important factor, and not as an elastic means of progressively increasing the resources of municipalities apart from normal development due to increase of traffic and (4) that it should not be adjusted with the primary object of compensating municipalities for the loss of octroi.

14. The house and land tax is the chief source of municipal income in Madras, Bengal, Burma, Bihar and Orissa, and

Assam and it has been imposed with some success in portions of Northern India. This tax, however, is difficult of assessment, in many places, where it is the custom to own rather than to rent dwelling houses, because in such cases the house affords no indication of the financial status of the owner. (Many aristocratic but impoverished families live in large buildings which are merely relics of vanished prosperity, while the rich trader often remains content with the humble dwelling in which he was born.) There is, however, a growing tendency on the part of the professional and trading classes to spend a larger proportion of their incomes on securing sanitary accommodation, so that it is reasonable to anticipate that the house tax revenue will gradually expand, and will generally be contributed by those best able to pay. The technical and administrative difficulties of assessment have in places been overcome by entrusting the preparation and periodic revision of registers to outside agency.

15. A tax on professions and trades yields a considerable revenue in certain Provinces, *e. g.*, £17,239 (Rs. 2,58,591) in Madras, £4,697 (Rs. 70,465) in Bengal, £14,106 (Rs. 211,599) in the United Provinces and £4,809 (Rs. 73,036) in the Central Provinces. It has also been imposed in some towns in Northern India. But neither it nor the tax on circumstances and property is likely to yield a large revenue, and there is always danger lest local taxation of this kind encroach on the field of Imperial taxation.

16. In Benares there is a form of terminal tax which is imposed, with certain exceptions, on passengers coming to or leaving that station by rail. There is a radius of exemption beyond which the tax is levied and it is collected by the railway companies as a surcharge on railway fares. A similar tax is also in force in Calcutta which is levied by the Calcutta Improvement Trust and is collected from passengers entering or leaving that city by rail or steamer. In Hardwar, Ajudhia and Thanewar, there is a tax on pilgrims and other persons who enter the limits of those municipalities. The tax at Hardwar is levied on railway passengers throughout the year, while that at the other two municipalities is imposed only on the occasion of certain special fairs. In Bombay a pilgrim-tax may be levied under section 59 (b) (x) of the District Municipal Act, III of 1901.

17. (The Commission were of opinion that municipalities should have full liberty to impose or alter taxation within the limits laid down by the municipal laws but that the sanction of an outside authority to any increase in taxation should be required where the law did not prescribe a maximum rate.) Subject to the general control of the Government of India over the principles to be followed, the sanction of the Local Government is at present necessary to every proposal for the imposition of taxation. A maximum rate is prescribed in Madras, Bengal, and Burma Acts, and in the Punjab, United Provinces and Central Provinces, so far as regards the tax on buildings and lands ; but none is laid down in Bombay. The recommendations of the Commission do not command general assent. It is pointed out, for instance, that a municipality might reduce its taxation without due consideration to the needs of the administration and the security of loans. The Government of India, while recognizing the force of such objections, are, on the whole, in general sympathy with the Commission's recommendations. They think, however, that power to vary any tax might be reserved by such Local Governments as are unable to accept in full the recommendations of the Commission and that in the case of indebted municipalities the previous sanction of higher authority should be required to any alteration of taxation.

18. Municipal finance has shown a marked expanse during the last decade. The total income of 701 municipalities in 1912-1913 was £3,282,845 (Rs. 4,92,42,675) as compared with £1,844,081 (Rs. 2,76,61,215) for 753 municipalities in 1902-1903. Contributions from Government have materially assisted this expansion. Since 1911, the Government of India have made grants amounting to £3,076,466 (Rs. 4,61,47,000), of which £368,200 (Rs. 55,23,000) are recurring, for urban sanitation. Municipalities have also received their share—the exact figure is not easily ascertainable—of the large educational grants made by the Government of India since 1911, amounting to about £3,987,800 (Rs. 5,98,17,000) of which £826,666 (Rs. 1,24,00,000) are recurring. (Municipal boards have been relieved of all charges for the maintenance of police within municipal limits.) In almost every Province the recommendation that municipalities should be relieved from financial responsibility for famine relief and should receive assistance from Government in the case of severe epidemics,

has been already given effect to, or the principle has been accepted.

There is a growing demand on every side for improvements and it is not possible for all municipalities to finance large schemes of water-supply and drainage without substantial aid. Such aid has been freely given by the Imperial and Local Governments. The power of the Government to make grants is, however, limited and financial assistance of this nature cannot be expected unless the rate-payers are prepared to bear a reasonable proportion of the burden. Where, however, further taxation is not possible the Government of India trust that municipalities will bear in mind the possibility of supplementing taxation by development of municipal property, so as to ensure the best possible returns and by maintaining the principle that special services such as the supply of water, electric lighting, etc., should, as far as possible, pay for themselves.

The Government of India have also accepted a further recommendation of the Commission, namely, that assistance may legitimately be given by Government to poorer municipalities which, without it, would be unable to carry on the normal standard of administration required from them. In such cases, the Government of India agree with the Commission that assistance can best be given, when it is given, by a general recurring grant-in-aid, which should be at the discretion of the Local Government and met from its own resources.

19. The Commission proposed that if a municipal or rural board has to pay for a service it should control it, and that where it is expedient that the control should be largely in the hands of Government, the service should be a provincial one. The Government of India, while not prepared to accept the proposal in full, have approved it in a somewhat modified form. They consider that charges should be remitted in cases where a local body contributes to Government for services inherent in the duty of supervision and control by Government officers, or for services which cannot expediently be performed except by Government agency. For example, Government may properly cease to charge for clerical establishments in the offices of supervision and control, or for the collection of District cesses which it is clearly expedient to realise along with the Government revenue. On this principle they have made assignments which will relieve both muni-

Payment and control
of services.

palities and rural boards of payments amounting to £40,000 (Rs. 6,00,000) a year approximately.

20. It was suggested by the Commission that municipalities should be empowered to levy a special rate for the construction or promotion of tramways.

Tramway cess.

Local Governments generally are doubtful as to the value of the proposal. The Government of India will, however, be prepared to consider any practical proposal to this end, which they may receive.

21. Commenting on the minute control exercised in some Provinces over municipal finance, the Commission recom-

Budget and financial control. mended that municipalities should have a free hand with regard to their budgets ; the only check required should, they

thought, be the maintenance of a minimum standing balance to be prescribed by the Local Government. They acknowledged that relaxed control might lead to mistakes and mismanagement, but they were of opinion that municipal bodies could attain adequate financial responsibility only by the exercise of such powers and by having to bear the consequences of their errors. Further checks would be provided by the control which Local Governments would exercise over loans, and by the power which should be reserved to compel a municipality to discharge its duties in case of default. The system proposed is stated to be in force in the Bombay Presidency where, however, no minimum balance is required by law. The Government of the United Provinces accept the recommendations subject to the condition that Commissioners should pass and that Government should see the budgets of indebted municipalities. The Punjab Government also agree subject to the proviso that the budget of an indebted municipality should be forwarded to the Government for information. The Government of Bengal are prepared to introduce the change experimentally in certain selected municipalities. They intend also to issue general instructions to Commissioners in this Province to abstain from interference in details and to restrict their supervision to securing (1) a minimum closing balance, (2) provision for the service of loans, (3) the observance of the provisions of the Act or statutory rules and of any standing orders of Government. Other Governments concede certain relaxations of existing rules. The Government of India accept these opinions for the present, but they nevertheless

regard the recommendations of the Commission as expressing a policy to be steadily kept in view and gradually realised.

22. The Commission proposed that the existing restrictions on municipalities, which require outside sanction for works estimated to cost more than a certain amount, should be removed, but that Government should scrutinize and sanction estimates of projects to be carried out from loan funds. The majority of the Local Governments are prepared to relax the existing rules in the direction of giving more freedom to municipal boards. The Government of India are in favour of extended freedom subject, where necessary, to proper precautions against extravagant and ill-considered projects. They are content, however, to leave the precise extent of relaxation to be determined by Local Governments. One important factor in this connection will be the quality of the professional agency available in the various boards. In their resolution No. 1019-A., dated the 10th November, 1914, promulgating rules relating to the grant of loans to local bodies under the Local Authorities Loans Act, 1914, the Government of India have emphasised the necessity for a proper scrutiny of projects financed with borrowed money and they trust that the rules in question will be carefully observed.

23. It was recommended by the Commission that the degree of outside control over municipal establishments should be relaxed, that the appointment of municipal secretaries or other chief executive officers, of engineers and health officers, where these exist, should require the sanction of the Local Government in the case of cities, and of the Commissioner elsewhere, and that the same sanction should be required for any alteration in the emoluments of these posts, and for the appointment and dismissal of the occupants. As regards other appointments, they proposed that the Local Government should lay down for municipal boards general rules in respect to such matters as leave, acting and travelling allowances, pensions or provident funds and maximum salaries, and that their sanction should be required for any deviation therefrom. Almost all Local Governments have expressed their willingness to relax outside control over the appointment of the staff employed by local bodies. In Bombay, the system is generally that recommended by the Commission. In some other Provinces, the existing rules give a free hand to municipalities,

subject to outside control in the case of certain appointments. The Government of India, while considering that Government control over other posts might reasonably be relaxed (accept the view that outside sanction should be required to the appointment or dismissal of secretaries, engineers and health officers) and they have already advised Local Governments to take powers where these do not exist, to require a municipality to appoint a health officer and to veto the appointment of an unfit person. Such powers already exist in the Bombay Presidency and have recently been taken by legislation in Bengal. The Imperial and Provincial Governments have given liberal grants to selected municipalities in order to establish a trained service of health officers and sanitary inspectors, the conditions of these grants being, as in England, such as will ensure the appointment of qualified men and reasonable security of tenure.

24. The Commission thought that the Collector should retain certain powers, given under the existing Acts, *e.g.*, the power to suspend in certain cases the operation of municipal resolutions and that the Commissioner should be able to require a municipality which had neglected a particular service to take such action as he may consider necessary. The Local Governments generally and the Government of India are of opinion that special powers of outside control are necessary and should continue.

25. The question of extending the powers of selected municipalities to enable them to relieve the pressure of population in congested areas, and to undertake schemes of orderly town-planning in order to provide for future needs, has been dealt with by the Government of India in paragraphs 43 and 44 of their Sanitary Resolution Nos. 888-908, dated the 23rd May, 1914. A Town Planning Bill, combining many original features with others derived from the latest English and Continental legislation, has now been passed into law in the Bombay Presidency, and the Government of India will watch with deep interest the results of this experiment, which will, they trust pioneer a fruitful expansion of municipal activities in India.

RURAL BOARDS (DISTRICT AND SUB-DISTRICT).

26. The Commission desired that sub-district boards should be universally established and that they should be the

principal agencies of rural boards administration. They noted that there was a considerable body of evidence that the sub-district boards existing in Bombay, Bengal, the Punjab, Bihar and Orissa and the Central Provinces had not been efficient or successful bodies, and this they attributed largely to the circumscription of their powers and resources. They thought that these boards should have adequate funds and a large measure of independence, and that their jurisdiction should so limited in area as to ensure local knowledge and interest on the part of the members, and be at the same time a unit well known to the people. For this purpose they suggested the taluka or tahsil as a suitable unit. The system recommended by the Commission is in force in Madras, where, however, the territorial jurisdiction is conterminous with the revenue division. In Bombay the taluka board is universal and is the principal agency in rural boards administration. In Bengal and in Bihar and Orissa the sub-district boards are merely the agents of the district boards and have restricted powers. The Local Governments concerned deprecate such a reconstitution as would involve sapping the vitality of district boards while in entire agreement with the Commission that sufficient use has not hitherto been made of these bodies. In the Central Provinces where also sub-district boards with limited powers exist, a scheme has been introduced for enlarging their scope by entrusting them with the management of minor public works, sanitation, water supply, etc., and placing an adequate share of the district council funds at their disposal for these purposes. In Assam the rural boards have jurisdiction over sub-divisional areas, and perform the duties assigned elsewhere to district boards. The Governments of the United Provinces and the Punjab and the Chief Commissioner of the North West Frontier Province consider the scheme unsuitable in view of local conditions. (Districts in Northern India are comparatively small and form an easily controlled unit, communications are good, and moreover under existing conditions in the Provinces concerned it would be more difficult to secure competent boards in tahsils than in districts. The Lieutenant-Governor of the United Provinces considers, moreover, that there is every prospect of a steady advance in the reality and utility of district boards by a continuous and orderly development of the existing system of delegation to tahsil or sub-divisional committees. The Punjab Government favour the formation of sub-committees within a district board on a local basis.

The Government of India accept the views of the several Local Governments in regard to their own Provinces.

27. District and sub-district boards, in the opinion of the Commission, should contain a large **Elective majority**, preponderance of elected members, together with a nominated element sufficient to secure the due representation of minorities and of official experience.)

In the United Provinces, the number of nominated members on a district board cannot exceed one-third of the elected members, while in the Central Provinces the number of such members cannot exceed one-third of the total number. The Government of Madras are prepared to raise the proportion of elected members to two-thirds and one-half of the maximum strength on district boards and sub-districts respectively. In Bombay, the Governor in Council regards it as inadvisable, in present conditions to provide for an elected majority on the boards. There is already a substantial majority of elected members both in district and sub-district boards in Bengal, and in Bihar and Orissa. In the Punjab, the elective system has been applied to many districts and the Local Government has expressed its readiness to extend it. The Chief Commissioner of Assam has adopted the principle of granting an elective majority. In the North-West Frontier Province, the change is not yet practicable owing to factional and tribal feeling. It will be seen that Local Governments in general are in sympathy with the Commission's proposal.

28. The Commission were of opinion that an official **Chairmen.** should remain, as he usually is at present, chairman of every district and sub-district board. They considered that the removal of the district and sub-divisional officer from the presidentship of rural boards would have the effect of dissociating them from the general interests of the district in such matters as roads, education, sanitation, etc., and would divorce them from healthy contact with instructed non-official opinion. They differentiated the circumstances of rural boards from those of municipalities, in that the latter are less connected with general district administration, that they have reached a higher level of political education and that the jurisdictional area is much smaller and more compact. All Local Governments have accepted this view with which the Government of India are in agreement, though they will have no objection to non-official chairmen being retained

where such exist, or appointed where a Local Government or Administration desires to make the experiment.

29. The funds of district boards are mainly derived from **Financial resources,** a cess levied upon agricultural land over and above the land revenue, with which it is collected, and not usually exceeding one anna in the rupee ($6\frac{1}{2}$ per cent.) on the annual rent value. Since 1905 this income has been specially supplemented by a Government contribution amounting to 25 per cent. of the then existing income. Besides this, special grants are frequently made to district boards by Local Governments. The total number of district and sub-district boards in 1912-1913 was 199 and 536, respectively, with an aggregate income of £3,787,219 (Rs. 5,68,08,292). In the same year they received specially large grants from the sums allotted by the Imperial Government for education and sanitation. Prior to 1913 the district boards of several Provinces did not receive the whole of the land cess. For example, this cess in Bengal and Bihar and Orissa was divided into two parts, *viz.*, the road cess and the public-works cess. The district boards only enjoyed the benefits of the road cess, while the public-works cess belonged of right to the Local Governments which returned, however, a portion in the shape of discretionary grants. In other Provinces, *e.g.*, the United Provinces, the Punjab and the North-West Frontier Province, considerable deductions were made by the Local Governments concerned from the cess for various purposes. In 1913 the Imperial Government made assignments to the Local Governments concerned to enable them to hand over the entire net proceeds of the cess to the boards. The relief thus given amounted to £548,866 (Rs. 82,33,000) a year and the Provinces which benefited were Bengal, the United Provinces, Bihar and Orissa, and to a smaller extent the Punjab and the North-West Frontier Province. The income of district boards in Bengal, the United Provinces and Bihar and Orissa has mainly by this measure been increased by 44, 43 and 55 per cent., respectively, in the year 1913-1914. This notable expansion will enable them in future to undertake or develop many beneficent activities from which they have hitherto been debarred by lack of financial means.

The following statements show the proportions under various heads of income and expenditure of the district boards in the different Provinces for the year 1912-1913.

THE RESOLUTION ON LOCAL SELF-GOVERNMENT, 1915. 687

Income:

PROVINCE.	PERCENTAGE OF TOTAL INCOME EXCLUDING LOANS AND ADVANCES DERIVED FROM							
	Rates.	Cattle-pound receipts.	Educational receipts.	Medical receipts.	Miscellaneous receipts.	Receipts from civil works.	Contributions.	
							From provincial to local.	From other boards.
Madras...	36.8	...	1.9	0.4	5.1	10.5	34.0	0.9
Bombay ...	43.2	2.0	2.5	0.1	0.3	6.4	40.5	1.7
Bengal ...	46.2	5.7	0.9	0.1	0.4	7.4	34.3	2.6
United Provinces ...	45.8	6.3	3.6	0.3	0.4	8.4	27.2	6.5
Punjab...	45.8	1.4	4.0	0.3	1.3	10.2	30.7	2.1
Bihar and Orissa ...	53.9	4.9	0.7	...	0.4	7.6	29.5	1.5
Central Provinces ...	33.3	20.9	0.5	0.1	3.5	4.0	34.2	2.7
Berar ...	41.4	16.7	0.1	...	16.1	1.6	18.0	5.2
Assam ...	32.8	3.2	0.9	...	0.1	5.4	55.4	0.3
North-West Frontier Province ...	36.5	0.6	1.5	0.1	0.2	3.3	52.9	1.2
Coorg ...	28.2	3.1	2.9	1.8	4.0	15.7	39.3	0.3
Delhi ...	48.5	3.3	2.1	0.2	0.2	5.7	35.1	1.8

Expenditure.

PROVINCE.	Education.	Medical.	Civil works.	Refunds and drawbacks.	Administration (general establishment of local funds).	Cattle pound charges.	Miscellaneous.	Famine relief.	Contribution.	Other items.
Madras ...	10.3	10.0	50.6	0.1	2.9	...	2.6	...	8.4	15.1
Bombay ...	38.6	4.5	46.6	...	2.3	0.1	1.3	0.4	2.9	3.6
Bengal ...	25.3	5.9	53.7	...	3.3	0.4	0.3	...	0.5	10.6
United Provinces ...	31.7	12.5	45.2	...	2.7	2.0	0.1	...	2.2	3.6
Punjab ...	23.7	7.8	41.4	...	2.7	1.1	1.0	...	13.6	8.5
Bihar and Orissa ...	17.1	6.4	56.3	...	2.9	0.3	0.3	...	1.4	15.4
Central Provinces ...	30.0	6.3	33.0	...	2.8	6.3	0.3	...	1.0	19.3
Berar ...	31.7	8.4	37.8	...	3.8	3.2	0.2	...	4.6	10.3
Assam ...	26.4	8.7	57.8	0.2	1.5	...	0.9	...	1.6	2.9
North-West Frontier Province ...	30.0	12.5	34.5	...	3.8	0.1	0.3	...	7.5	11.3
Coorg ...	21.8	11.6	51.3	...	2.3	1.8	1.4	...	1.2	8.6
Delhi ...	24.4	9.2	51.0	...	3.5	1.3	0.9	...	3.3	6.4

30. It was the opinion of the Commission that district boards should not be empowered to raise the land cess beyond one anna in the rupee on the rent value, as this would be an unpopular measure. Under present conditions any proposal to raise the limit imposed by the existing law, would require the previous sanction of the Government of India. Such proposals would need the most careful consideration on their merits, and the Government of India do not consider it necessary for the present to make any pronouncement on the subject.

31. The Commission proposed to allow district boards to levy a special extra land cess of 3 pies in the rupee on the annual rent value of land for the construction of light railways or tramways conditional on the approval of the tax by not less than three-fourths of the members of the board. This resolution would be subject to confirmation after a period of six months by an equal majority, at a like meeting and to the sanction of the Local Government. The Government of India, after consulting Local Governments, have, with the sanction of the Secretary of State, empowered Local Governments to undertake legislation, if they so desire, in accordance with the Commission's proposals. The scheme is to be commended from many points of view. It has an educative value by associating Local Self-government with responsibility for taxation for local objects and it opens up great possibilities of economic development. The actual imposition of the tax will in many instances probably not be necessary; the power to impose it, if necessary, will be sufficient for purposes of guarantee. In a few districts in Bengal the ordinary resources of district boards have proved sufficient for the construction of railways within the limits of the district. The eminently satisfactory results which have attended the construction of district board lines in the presidency of Madras encourage the Government of India to hope that the financial results of carefully selected schemes will in the course of a few years materially strengthen the financial resources of district boards which are in a position to undertake the construction or guarantee of these lines. Legislation to carry out the proposal has already been undertaken in Assam and is under consideration in the Punjab. The Government of India trust that other Local Governments will take steps to confer the necessary powers on the local authorities and that selected boards throughout the country will experiment on the lines suggested.

32. There are two general methods by which district boards, which possess the necessary resources, may secure the construction of a railway within the limits of the district.

Methods of railway construction.

A district board may wait until the surplus funds, which it has accumulated from the levy of a special cess or otherwise, are adequate to justify it in undertaking construction at its own cost, or it may decide to allow to a company floated for the special purpose of the construction of the proposed railway a firm guarantee on the capital paid up. In such cases in return for the guarantee, the district board will become entitled to a share of the surplus profits over a certain fixed percentage accruing from the working of the feeder railway. If the former method be adopted, it will usually be found convenient and economical to entrust the construction and working of the railway owned by the district board to the main line—whether worked by the State or by a company—with which the district board railway connects. In the latter case, the Branch Line Company receiving the district board's guarantee may itself undertake construction and working, or may arrange for construction and working through the agency of the main line. The Government of India are of opinion that when a light railway using steam locomotives is projected outside urban limits it will ordinarily be preferable to deal with the project as a railway under the Railways Act rather than as a tramway under the Tramways Act. In any event the sanction of the Railway Department is necessary in order to ensure that the project shall not conflict with others which that Department may have under their consideration, and the Railway Department will at all times, when so desired, endeavour to arrange suitable terms for construction and working on behalf of the district board, or on behalf of a Company which has received a district board guarantee. As a result of a recent reference from the Government of Madras the Government of India have decided that when a district board has accumulated a sum which, though substantial, is insufficient to meet the entire cost of a railway project which a district board desires to carry out, there is no objection to the raising of a debenture loan on the security of the railway to be constructed and the potential resources which a district board possesses through the power to continue the levy of a railway cess. For the redemption of such debentures a special sinking fund need not be accumulated. By this expedient a district board may become the owner of a district railway at a much earlier date than would formerly have been

possible. A large field is thus offered for district board enterprise. This recent decision will, it is hoped, be of substantial assistance in accelerating the construction of local feeder railways outside the Imperial programme.

33. A further recommendation was that ^{*rural boards} should be given full power to pass their budgets subject only to the maintenance of a prescribed minimum balance. The procedure recommended by the Commission is stated to be already in force in the Bombay Presidency. Other Local Governments generally are not prepared to accede to this complete removal of restrictions, although some of them propose some relaxation in the existing rules. The Government of India consider that the present restrictions on the powers of the boards with regard generally to budget expenditure should be gradually relaxed with due regard to local conditions and requirements. The fact that an official is almost invariably president of a rural board and that powers of inspection and control by certain officers of Government are provided under the Acts relating to rural boards should ordinarily, in their opinion, be sufficient safeguards against gross inefficiency or mismanagement.

34. The Commission also proposed that the existing stringent restrictions on rural boards with regard to estimates for public works should be removed. At present rural boards have to obtain outside sanction in respect to roads and other public works, the estimates of which involve any considerable amount, the limits varying for different Provinces. In the opinion of the Government of India, which has the general support of Local Governments, the grant to rural boards of full powers in the allotment of funds and the passing of estimates cannot, for the present at least, be conceded, but the extent of the necessary financial control might depend in the case of rural boards on the competence of the staff employed, and, where this varies, it would not be desirable to lay down hard and fast rules for the whole Province. In such cases district boards might be placed in different classes according to the staff employed. The Government of India accept the view of the Commission that in districts where there are sufficient works to justify the special appointment of a trained engineer, a district board which desires to entertain such an officer and can afford to pay him an adequate salary should be permitted to do so.

35. The Government of India have come to the same conclusions in the case of establishments of rural boards as in the case of municipalities (paragraph 23 *supra*). They have recently, in their Sanitary Resolution, Nos. 888908, dated the 23rd May, 1914, expressed the opinion that the appointment of well-qualified and wholetime district sanitary officers to control and organise all sanitary arrangements and experiments in the district is one of the urgent needs of the present time.

36. Special powers of control over rural boards are vested in outside authorities under the existing Acts, and the Commission recommended that these should continue. The Local Governments in general as well as the Government of India accept this view.

VILLAGE ORGANISATION—PANCHAYATS OR OTHER COMMITTEES.

37. The Commission recommended the constitution and development of village panchayats possessed with certain administrative powers, with jurisdiction in petty civil and criminal cases, and financed by a portion of the land cess, special grants, receipts from village cattle pounds and markets, and small fees on civil suits. This proposal, favourably commended by the Government of India, who expressed their readiness to acquiesce in some form of permissive taxation, if need be, has in general been sympathetically received. The practical difficulties are, however, felt to be very great in many parts of India. The Government of Burma and the Chief Commissioner of the Central Provinces deprecate the introduction of a system which, in their judgment, is alien to the customs of the people and will not command public confidence. Other Governments are willing to experiment, but on different lines. The Punjab Government have already established panchayats for civil cases only and of a voluntary character. Sir LESLIE PORTER, when officiating as Lieutenant-Governor of the United Provinces, expressed his willingness to entrust selected panchayats with criminal as well as civil jurisdiction. The Madras Government are desirous of experimenting in the establishment of Panchayats but consider that action should be confined for the present to the encouragement of voluntary

self-contained organisms independent of statutory sanction and consisting of village elders conferring together for common village purposes. So far as judicial functions are concerned they are content to rely on the provisions of the Madras Village Panchayats Regulation, 1816, and the Madras Village Courts Act, 1888, which authorise the assembling of Panchayats and the convening of village bench courts for the settlement of particular civil suits on the application of the parties and to encourage the operation of these enactments wherever practicable. The Governments of Bengal and of Bihar and Orissa are of opinion that their existing laws sufficiently provide for the establishment of Panchayats with administrative duties, while powers to dispose of criminal cases could be given under the existing Acts dealing with these matters. The Chief Commissioner of Assam has expressed his readiness to develop village government, and the local self-government Bill which has recently passed the Legislative Council of that Province permits the constitution of village authorities, the grant of funds by local boards and from other sources, and the delegation of minor powers of local control. The whole question has now been raised again in the discussions contained in the report of the Bengal District Administration Committee, 1913-1914.

38. The Commission recognised that any policy of establishing panchayats would be the work of many years, would require great care and discretion, and much patience and judicious discrimination between the circumstances of different villages. The Government of India desire that where any practical scheme can be worked out in co-operation with the people concerned, full experiment should be made on lines approved by the Local Government or Administration concerned. Throughout the greater part of India the word "Panchayat" is familiar. The lower castes commonly have voluntarily constituted panchayats, to whom they allow quasi-judicial authority in social matters. The more artificial administrative committees such as *chaukidari* panchayats, local fund unions, and village sanitation and education committees, and, in places even village panchayats, already exist. The spread of co-operative societies and the distribution of Government advances in times of famine and scarcity on joint security are educative influences. Village tribunals for the disposal of petty civil suits have got beyond the experimental stage in some places and are in the experimental stage in others. There is, therefore, some material with which to

build. The Government of India agree, however, with the view prominently brought forward by the Bengal District Administration Committee that much will depend on the local knowledge and personality of the officers who may be selected to introduce any scheme.

39. With this general commendation, the Government of India are content to leave the matter in the hands of Local Governments and Administrations. They are disposed to consider that the following general principles indicate the lines on which advance is most likely to be successful :—

General principles.

- (1) The experiments should be made in selected villages or areas larger than a village, where the people in general agree.
- (2) Legislation, where necessary, should be permissive and general. The powers and duties of panchayats, whether administrative or judicial, need not and, indeed, should not, be identical in every village.
- (3) In areas where it is considered desirable to confer judicial as well as administrative functions upon panchayats the same body should exercise both functions.
- (4) Existing village administrative committees, such as village sanitation and education committees, should be merged in the village Panchayats where these are established.
- (5) The jurisdiction of Panchayats in judicial cases should ordinarily be permissive, but in order to provide inducement to litigants reasonable facilities might be allowed to persons wishing to have their cases decided by panchayats. For instance, court fees, if levied, should be small, technicalities in procedure should be avoided and possibly a speedier execution of decrees permitted.
- (6) Powers of permissive taxation may be conferred on Panchayats where desired, subject to the control of the Local Government or administration, but the development of the panchayat system should not be prejudiced by an excessive association with taxation.
- (7) The relations of panchayats on the administrative side with other administrative bodies should be clearly defined. If they are financed by district or sub-district boards, there can be no objection to some supervision by such boards.

PRESIDENCY CORPORATIONS AND RANGOON.

40. The Commission recommended that all the Presidency Corporations should be invested with the powers possessed by the Corporation of Bombay, and that the system of ad-

Recommendations of the Commission.

ministration in force in that city, *viz.*, that of a nominated official Commissioner in combination with an elected chairman, should be extended to the other towns. They also considered that the same privileges should be conferred on the Rangoon municipality in view of its population, the large future which lies before it, and the strength of its commercial community.

41. The presidency municipalities are regulated by special Acts, and their resources and powers are far greater than those of any district municipality. In Calcutta and Madras, the municipal chairman is appointed by Government. In Bombay, he is elected, but the executive administration is vested in a Commissioner nominated by Government. He is assisted by a Deputy Commissioner appointed by the Corporation subject to the confirmation of Government. The Commissioner possesses wide executive powers; in some matters he must obtain the sanction of the standing committee (a statutory body, one-third of whose members are nominated by Government); in others again of the Corporation. The Corporation enjoys a very full discretion in the work of municipal administration; it passes its own budget, and may impose taxation within the limits of the law; and the sanction of Government is necessary only to the appointments of health officer and engineer.

The Corporation of Calcutta possesses similarly wide powers. The sanction of Government is, however, required to the execution of works costing one lakh of rupees or more and to the salary of any employee drawing more than Rs. 1,000 a month, as well as to the appointments of health officer and engineer.

In Madras, the Government possess numerous powers which are not reserved to the Governments of Bengal and Bombay.

42. As regards the main proposal of the Commission, the Government of Bengal were in 1909 disposed to agree with the preference expressed for the constitution of the Bombay municipality in respect of the offices of municipal Commissioner and chairman, but stated that the point would be considered hereafter, should the amendment of the Calcutta Municipal Act be undertaken. The Government of Madras agree with the Corporation as to the advisability of introducing the Bombay system, and they have no objection to the general emancipation of the Corporation from Government control, provided that the Municipal Commissioner is placed in a position substantially as strong as he occupies in Bombay.

43. The Government of India have accepted in the main recommendations of the Local Governments which will go far towards carrying out the proposals of the Commission. They have expressed to the Government of Madras the opinion that a free hand might be left to the Corporation to impose, without the sanction of Government, any tax specifically sanctioned by the Act with regard to which maximum rates have been laid down therein. They consider that in order to provide security of tenure, the health officer, revenue officer, and engineer should not be removeable without the sanction of Government. In the case both of Calcutta and Madras, the limit of cost of works which may be undertaken without the sanction of Government will be raised to Rs. 2½ lakhs, and, with regard to Calcutta, the Government of Bengal have agreed to remove the restriction requiring the sanction of Government to salaries carrying more than Rs. 1,000 a month. The appointments of health officer and engineer will continue to require this sanction.

44. With regard to Rangoon, the Government of Burma are not prepared to make the concessions recommended. The circumstances of Calcutta, Madras and Rangoon are in many respects widely different, and the Government of India defer, at any rate at present, to the views of the Local Government on this point. But they observe, as a general proposition, that in cities where there is a responsible public press and representation in the Provincial councils, the case for entrusting large powers and extended freedom to the municipal bodies appears to be specially strong.

45. The suggestion that Government control over rural boards and municipalities should be exercised in each Province by a Local Government Board, which should contain a proportion of non-official members was not accepted by the Commission. They considered that, since their proposals would greatly reduce the outside control exercised over the proceedings of municipal and rural boards and would provide for the delegation in large measure of such powers of guidance as are necessary to Commissioners and other local officers, no benefit would be derived from the creation of a special controlling board of this nature. The Government of India also are not prepared to support the proposal, which is not only unnecessary in the opinion of the Local Governments consulted but is undesirable as tending to

perpetuate the very centralisation in local affairs, which it is the object of Government to diminish.

46. In conclusion, the Governor-General in Council hopes that this declaration of policy may lead to steady and sound progress, without hampering Local Governments and Administrations on unduly fettering local self-government.

Conclusion. It is designed to mark a definite advance in devolution and political education. His Excellency in Council trusts that it will be interpreted in the spirit in which it is framed, a spirit of prudent boldness, calculating risks but not afraid to take them in the cause of progress.

VI. RESOLUTION ON THE LOCAL SELF-GOVERNMENT POLICY OF THE GOVERNMENT OF INDIA.

No 41.

Simla, the 16th May, 1918.

It was announced in the House of Commons on the 20th of August 1917 that the policy of His Majesty's Government, in respect of the future of this country, was that of increasing the association of Indians in every branch of the administration and the gradual development of self-governing institutions with a view to the progressive realisation of responsible government in India as an integral part of the British Empire. It was added that progress in this policy could only be achieved by successive stages and that the British Government and the Government of India, on whom the responsibility lay for the welfare and advancement of the Indian peoples, must be the judges of the time and measure of each advance and must be guided by the co-operation received from those upon whom new opportunities of service would thus be conferred and by the extent to which it was found that confidence could be reposed in their sense of responsibility.

2. In commenting on this pronouncement in the Imperial Legislative Council on the 5th of September 1917, His Excellency the Viceroy explained that there were three roads along which an advance should be made towards the goal indicated in the above pronouncement. Of these the first road was in the domain of local self-government, the village or rural board

Declaration of 20th August 1917.

Progress to be made in local self-government.

and the town or municipal council. The domain of urban and rural self-government was the great training ground from which political progress and a sense of responsibility have taken their start, and it was felt that the time had come to quicken the advance, to accelerate the rate of progress and thus to stimulate the sense of responsibility in the average citizen and to enlarge his experience.

The object of the present Resolution is to indicate the manner in which the Government of India would desire to initiate the progress to be made along this road of local self-government.

3. Although the beginnings of local bodies can be traced to an earlier epoch, the course of local self-government, as now understood, was first set out by the government of Lord Ripon more than 30 years ago. A determined effort was made by the Government of India in 1881 to 1884 to implant a system of local self-government in the country and much was said and written on the subject in those years. During and shortly after that period a number of Acts were passed to form the foundation of the new arrangements. There was, however, little enthusiasm about the further development of the system either in official circles or outside and the advance during subsequent years, though not inconsiderable, has on the whole been slow. As might be expected, it has been more rapid in the great towns, but it has lagged behind over the country at large.

In 1907-09 the whole field of local self-government came under the consideration of the Decentralization Commission, and that Commission made a number of detailed proposals on the subject almost all of which were in the direction of giving greater scope and freedom to local bodies. These proposals were referred in 1909-10 to local Governments, and a large mass of opinions was received during the ensuing three or four years. The Secretary of State had, meantime, intimated his opinion that the time had come to undertake a general review of the results obtained by the policy of Lord Ripon's government; and the Government of India after an intermediate correspondence with the Secretary of State and Local Governments complied with this desire by embodying their views on the proposals of the Commission in a comprehensive Resolution on the main problems of local

The policy of Lord Ripon's government.

The Decentralization Commission and the Resolution of 1915.

self-government. This Resolution was issued in April 1915. After pointing out the degree of substantial progress that had already been achieved and the signs of vitality and growth that were everywhere apparent, it proceeded to explain the obstacles in the way of realising completely the ideals which had prompted action in the past. The smallness and inelasticity of local revenues, the difficulty of devising further forms of taxation, the indifference still prevailing in many places towards all forms of public life, the continued unwillingness of many gentlemen to submit to the troubles, expense and inconveniences of election, the unfitness of some of those whom these obstacles did not deter, the prevalence of sectarian animosities, the varying character of the municipal area—all these were causes which could not but impede the free and full development of local self-government. The growing demand among the educated classes in towns for greater efficiency involving more direct expert control in matters affecting public health and education was a further influence of a different character ; but, while these and similar considerations indicated the need for caution, the Government of India, on the whole, declared themselves unhesitatingly in favour of a general policy of further progress limited only by such conditions as local circumstances might dictate. At the same time, the Resolution emphasized the fact that any attempt to exact uniformity in local administration would be foredoomed to failure, and on a review of all the circumstances the Government of India decided to accept in almost every case the conclusions of each Local Government as to the degree of progress possible at the present time. The Resolution, therefore, while indicating in broad outlines the ideals which the Government of India had before them, left the Local Governments in most respects to move towards these ideals in the manner and at the pace which was considered best fitting to local circumstances. In some provinces—as in the United Provinces, Bengal and Assam—legislation has since been effected or initiated and in others action has been taken in other ways towards securing further progress on the lines suggested by the Commission, but as a rule the statutory provisions for local self-government have remained unchanged since the Resolution of 1915 was issued and no remarkable departure of a general character has been made from the previously existing arrangements.

In their recent correspondence with the Secretary of State on the general subject of constitutional reforms the Government

of India have considered afresh the whole subject of local self-government and have laid before the Secretary of State a scheme of expansion suited to the altered circumstances of the present time. Having received his approval to their recommendations they now desire to intimate the lines upon which they would wish Local Governments to move in the direction of more complete local self-government. The Government of India fully recognise that it will not be possible to make all the injunctions formulated below of absolutely uniform application and are, therefore, willing to reserve to the Local Governments the power to modify their application in specific cases and for specific reasons: but they expect that in the absence of such specific occasions a substantial advance should now be made on the lines laid down, and from indications received in the course of their recent communications with heads of Local Governments, they believe that the Local Governments, each in its own degree, are also anxious to adopt a forward policy in general conformity with the wishes of the Government of India.

4. As the whole subject has been so recently dealt with in the Resolution of 1915, the Government of India do not propose to re-state the history or the objects and principles of local self-government in this country at any length. The first and foremost principle which was enunciated in Lord Ripon's Resolution of May 1882 and which has since been emphasized by successive Secretaries of State, is that the object of local self-government is to train the people in the management of their own local affairs and that political education of this sort must, in the main, take precedence of considerations of departmental efficiency. It follows from this that local bodies should be as representative as possible of the people whose affairs they are called on to administer, that their authority in the matters entrusted to them should be real and not nominal, and that they should not be subjected to unnecessary control, but should learn by making mistakes and profiting by them. The general policy, therefore, must be one of the gradual removal of unnecessary Government control and of differentiating the spheres of action appropriate for Government and for local bodies respectively. So far as education is concerned, the views of the Government of India have been already communicated in their circular no. 873 of the 19th September 1916 and the present Resolution will not deal with the educa-

The main principles involved.

tional aspects of the policy. The control of Government over local bodies is at present exercised both from within and from without, and it is mainly by the substitution of outside for inside control and by the reduction of outside control, so far as is compatible with safety, that progress in the desired direction will be achieved. The internal control is capable of relaxation by the introduction of a greater use of election in the selection of members and chairmen of boards; and the external control by such means as the removal of unnecessary restrictions in connection with taxation, budgets, the sanction of works and the local establishments.

5. In dealing with the election of members to local bodies the Decentralization Commission proposed that municipal boards and rural boards—district and sub-district—should ordinarily have a substantial elective majority, nominated members being limited to a number sufficient to provide for the due representation of minorities and of official experience. In their Resolution of 1915 the Government of India approved this policy as regards municipalities, subject to the proviso that where its success might be doubtful it should be introduced gradually; and as regards rural boards, they observed that Local Governments in general were in sympathy with the Commission's proposals. At present something over a half of the members in municipalities and something under a half in rural boards are elected, and the Government of India are now of opinion that as a general principle the Commission's proposals in favour of a substantial elective majority, both as regards municipalities and as regards rural boards, should be accepted and carried out by the Local Governments. Where the members of district boards are elected by the sub-district boards there is no reason to interfere with this arrangement, but the observance of the principle should be enforced as regards the elective element in the membership of the sub-district boards which make the elections for the district boards. As regards the special representation of minorities where this is necessary, the Government of India would prefer that this should be effected by retaining the practice of nomination rather than by introducing some system of communal or proportional representation. But as regards the special representation of official experience, they consider that this might often be adequately secured by the nomination to the board of men possessed of such experience for purposes of advice or discussion only and without the right

**Internal control :—
Elective majorities on
boards.**

of voting. It has been suggested that, apart from the officials who would count as supernumeraries under the above arrangement, the proportion of nominated members on a board should not ordinarily exceed one-fourth } and it will be open to local Governments* to adopt a standard of this character, but the Government of India recognise that in the case of boards to which the elective system has not hitherto been applied there may be local opposition to the immediate introduction of election on so extensive a scale and the proportion of nominated members on boards must necessarily vary from place to place.) In cases where it is considered advisable to retain the power to nominate to a certain number of posts for the purpose of retaining the services of men who would not stand for election, it should be considered whether a system by which a proportion of the members should be co-opted by the remainder and hold office for a period longer than that ordinarily prescribed would not serve to meet the same object. In one province proposals are now under consideration for dispensing altogether with nomination by (i) omitting the official members in view of the existence of expert servants of the boards, (ii) meeting the case of minorities by communal representation, and (iii) introducing a system of co-opted 'aldermen' on the lines above described in order to attract men who will not stand for election. Except so far as it provides for communal representation, a scheme of this character coincides with the principles which the Government of India themselves advocate and, in the cases where the question of communal minorities does not arise, it indicates a line of action which ensures the full exercise of the right of election to local bodies. It should be recognised that by whatever method this may be effected a substantial increase should be secured in the present elective element in local bodies and in view of this contemplated increase the Government of India desire that district officers should as recommended in paragraph 534 of the Decentralization Commission's Report utilize their district boards more fully than at present for consultation and advice in matters of general concern which lie outside the sphere prescribed for the activities of these boards.

6. In accepting the proposals of the Decentralization Commission with regard to the provision of a substantial elected majority on local bodies, the Government of India desire to add the important corollary that the franchise for such election should be sufficiently low to obtain constituencies which will be

Extension of the franchise.

really representative of the body of the rate-payers. So far as information is at present available, it would appear that the average electorate in municipalities in India represents some 6 per cent. of the population and the electorate in district boards some 6 per cent. It is recognised that a full elective system analogous to that which obtains in the West (such as the municipal franchise in England which is understood to include some 16 per cent. of the population concerned) cannot be immediately or universally applied, but it should be regarded as the end to be kept in view and worked up to. The relation of the electorate for local bodies to that which may hereafter be provided for purposes of elections to the provincial legislatures is a matter which will have to be taken up separately : but several Local Governments have already under consideration and extension of the existing franchise for rural boards and where such extension can be made without recourse to special legislation there is no objection to their being carried out at once if the Local Government concerned are of opinion that this can be done without inconvenience. An enlarged franchise is in any case an essential condition of an extension of the elected element on boards and it should be understood that the increase in the elective element on local bodies must, if it is to be of value, be accompanied sooner or later by a substantial extension of a franchise upon which that election is based.

7. In dealing with the appointment of chairmen in municipalities the Decentralization Commission desired that the municipal chairmen should ordinarily be elected non-officials, that Government officers should not be allowed to stand for election and that if a nominated chairman was required, an official should be elected. The Government of India in their Resolution of 1915 accepted this view, subject to the qualification that in special cases in which it was necessary to nominate the chairman (election being the ordinary method) discretion should be reserved to Local Governments to nominate non-officials as well as officials, and subject also to the further condition that although boards should not be absolutely prohibited from elective officials, the election of an official should be a special matter requiring confirmation by the Commissioner or by some higher authority. It may be roughly laid down that at the present time one-third of the chairmen in municipalities in India are nominated officials, one-third are elected officials and one-third are elected non-officials, but certain Local Governments have latterly evinced

Elected chairmen in
municipalities.

a desire to increase the proportion of elected non-official chairmen within their respective areas. The Government of India accept the proposals of the Decentralization Commission as qualified by the Resolution of 1915 on the understanding that when an official is elected to be a chairman the election should be by a majority of the non-official votes. In certain Provinces, such as Burma and the United Provinces, it is already the ordinary practice for municipalities to elect their chairmen. In others, as in Bihar and Orissa and the Punjab, efforts have been made of recent years, but have not always met with the consent of the municipalities concerned, to increase the number of elected chairmen. In others, as in Bengal and Bombay, the principle of election has in practice been extended and further extensions have been seriously considered. The Government of India trust that the principles which they have laid down above will commend themselves to Local Governments and they hope that under the arrangement now prescribed there will be a general replacement of nominated official chairmen of municipalities by elected non-officials, though municipalities should be able to elect an official as chairman, or if they so desire, to ask the Government to nominate a chairman.

8. The Decentralization Commission, however, indicated that in the larger cities it would be desirable to adopt the practice which has been worked with success in the city of Bombay. In order that the large amount of every day administration necessary should be efficiently carried on, this administration is in Bombay placed under a special nominated Commissioner, who is, however, subject to the general control of the Corporation and of its standing committee. This proposal was commended in the Resolution of 1915, and it appears to the Government of India to be worthy of consideration. So long as the executive officer of a city is protected from the possible caprices of a board by provisos requiring that, though his nomination may be by the board, his appointment should be approved by Government and that he should not be removed without the sanction of the Government unless by the vote of a substantial majority of the board, it is not necessary to require that the executive officer should be a Government official, and competent men can be appointed to the post who have not been or no longer are in Government service. A system of executive officers on the above general lines has been rendered possible in the cities of the Bombay Presidency by legislation passed in 1914, and

in the United Provinces by the United Provinces Municipalities Act of 1916 : while a similar system is contemplated by the legislation now under consideration for the Corporations of Calcutta and Madras.

9. As regards rural boards the Decentralization Commission found that in practice the Collector was nearly always the president of the district board either *ex officio* or by nomination or by election, and that the sub-district boards were also, as a rule, presided over by official subordinates of the Collector. They recommended that the Collector should remain as president of the district board as it was undesirable to dissociate him from the interests of the district and it was important to utilise his administrative experience. They differentiated the circumstances of rural boards from those of municipalities in that the latter are less connected with general district administration, that they had reached a higher level of political education and that their jurisdictional area was much smaller and more compact. For these reasons, they held that it was desirable that the presidency of rural boards should continue to vest in the Collector and his assistants, but they added that the vice-presidents should, in each case, be elected non-officials. The Government of India in their Resolution of 1915 accepted the view of the Commission above cited. They added, however, that they would have no objection to non-official chairmen being retained, where they already existed, or freshly appointed where a Local Government desired to make the experiment. From statistics provided in 1916 it would appear that at that time out of 191 district boards only 13 had non-official presidents (elected), all but one of these being in the Central Provinces : and as regards sub-district boards, out of a total of 525, the chairmanship of 41, mostly in Bengal, was held by elected non-officials and of 20, nearly all in Madras, by nominated non-officials. Since these figures were collected, however, fresh experiments have been made, more especially in Bengal and Bombay, to extend the principle of elected non-official chairmen ; and other Provinces also have evinced their desire to move in this direction.

The circumstances of district boards and of large sub-divisional boards, such as those in Madras, are materially different from those of municipalities, since they need much more time and widely extended travelling on the part of the head of the board if the work is to be satisfactorily carried out.

The Government of India would urge provincial Governments to arrange for the election of chairmen, wherever this is possible, and where this is not possible to encourage the appointment of non-official chairmen. When the chairman is a non-official, however, they think it essential in regard to district boards and to such sub-district boards as deal with large areas that, as in the case of large cities, the ordinary official work should be largely in the hands of a special executive officer, whose appointment should require the approval of the Government and who should not be removed in ordinary circumstances without Government sanction. If such a board, wishing to save the expense of a special officer, or desirous of remaining under the presidency of the Collector or of one of his assistants, should wish to elect such an official as chairman, the Government of India think that its wishes might be acceded to, subject to the condition that the election should be made by the non-official members of the board and that it should be a special matter requiring confirmation by the Commissioner or some higher authority.

10. In the above paragraphs the views of the Government of India have been expressed in favour of a liberalization of the constitution of local bodies and the consequent substantial reduction of what is ordinarily termed the "internal control" of local bodies by the Government. Turning to the other aspect of the case, namely, the possible reduction of external Government control, they would first deal with the matter of local taxation. Under this head the Decentralization Commission were of opinion that municipalities should have full liberty to impose or alter taxation within the limits laid down by the municipal laws, but that the sanction of an outside authority to any increase in taxation should be required where the law did not prescribe a maximum rate. The Government of India in their Resolution of 1915 expressed a general sympathy with the Commission's recommendations. They thought, however, that power to vary any tax might be reserved by such Local Governments as were unable to accept in full the recommendations of the Commission and that in the case of indebted municipalities the previous sanction of higher authorities should be required to any alteration of taxation. The suggested proviso that Local Governments should have power to vary any tax is one that practically renders the general principle nugatory as it enables Local

**External control :—
Powers of taxation in
municipalities.**

Governments to decline to act upon it, and the Government of India consider that this proviso should now be given up in the case of boards which contain substantial elected majorities. The further proviso with regard to indebted municipalities is undoubtedly sound in cases where the Government has lent money to a municipality or guaranteed repayment of its loans and in that case the sanction of Government should obviously be required to any alteration in taxation which might reduce the municipality's resources. Subject to this proviso, the Government of India consider it most important that municipal boards should be allowed to vary taxation in the manner proposed by the Commission. In cases where the constituencies are (as the Government of India consider it essential that they should be) so organized as to be really representative of the body of the rate-payers a municipal board which abuses its powers of taxation will be open to correction by its own constituents and, as will be observed from the remarks made in paragraph 17 below, it is proposed that in cases of grave abuse the Government should retain special powers of intervention.

II. The bulk of the income of rural boards is derived from a cess levied upon agricultural land over and above the land revenue and not usually exceeding 1 anna in the rupee, or $6\frac{1}{4}$ per cent. on the rent value or on the land revenue according to the circumstances of the Province. Subject to an exception in favour of railway construction, the Decentralization Commission held that district boards should not be empowered to raise the land cess beyond the above mentioned limits. They represented that the policy of the Government was in favour of lightening the burden on land, that district boards were not fully representative, and that changes in the rate of cess would lead to misunderstanding and fraud. (They accordingly declined to recommend the grant of unlimited powers of taxation to rural boards, but thought that they should have power to raise the ordinary land cess up to a rate of 1 anna in the rupee on rental value and to levy rates and fees at their discretion within the limits laid down in the various Acts, the sanction of the Commissioner being required for proposed changes in the rates where no limits had been laid down by the law.) In their Resolution of 1915 the Government of India observed that under present conditions any proposal to raise the limit imposed by the existing law would require the previous sanction of the Government of India, that such proposals would need the most

careful consideration on their merits and that the Government of India did not consider it necessary for the present to make any pronouncement on the subject. Under the general principle indicated above in respect of municipalities the Government of India would now accept a somewhat similar position. Where no limit has been imposed by the law on the rate of the cess, a change in the rate at which the cess is levied will need the sanction of outside authority : but where a limit is imposed, either by existing or by future legislation, a rural board will be at liberty to vary the rate at which the cess is levied within the limits imposed by law without the interference of outside authority.

12. The Commission proposed that, if a municipal or rural board had to pay for a service, it should control it : and that, where it was expedient that the control should be largely in the hands of Government, the service should be a provincial one. The Government of India, though not prepared to accept the proposal in full, declared in their Resolution of 1915 that they approved of it in a somewhat modified form. They considered that charges should be remitted in cases where a local body contributed to Government for services inherent in the duty of supervision and control by Government officers or services which could not expediently be performed except by Government agency. For example, Government might properly cease to charge for clerical establishments in the offices of supervision and control or for the collection of district cesses which it was clearly expedient to realise along with the Government revenue. The Government of India are now of opinion that in this matter it would be well to go the whole way with the Commission, in accordance with the general principle that if local bodies have to raise funds for any particular object they should have the control of these funds. If a board is to provide, for instance, for civil works or medical relief, it ought, subject to such general principles as the Government may prescribe, to have real control over the funds thus provided, and should not be under the constant dictation of Government departments in matters of detail.

13. Commenting on the minute control exercised in some Provinces over municipal finances, the Decentralization Commission recommended that municipalities should have a free hand with regard to their budgets. The only check required

should, in their opinion, be the maintenance of a minimum standing balance to be prescribed by the Local Governments. They acknowledged that relaxation in control might lead to mismanagement but they were of opinion that municipal bodies could attain adequate financial responsibility only by the exercise of such powers and by having to bear the consequences of their errors. Further check would be provided by the control which Local Governments would exercise over loans and by the power which should be reserved to compel a municipality to discharge its duties in cases of default. In dealing with these proposals in their Resolution of 1915 the Government of India, while introducing exceptions suggested by various Local Governments, declared that, though they would accept these reservations for the present, they nevertheless regarded the recommendations of the Commission as expressing a policy to be steadily kept in view and gradually realised. The Government of India now desire that Local Governments should make every effort to attain the full realization of the recommendations in question as soon as possible.

A similar recommendation was made by the Decentralization Commission in respect of rural boards, and the Government of India in their Resolution of 1915 considered that the present restrictions on the powers of these boards with regard to the general principle of budget expenditure should be gradually relaxed with due regard to local conditions and requirements; the fact that an official would almost invariably be the chairman and that powers of inspection and control were retained by Government being sufficient safeguard against gross mismanagement. In this case, as in that of municipalities, the Government of India desire that the recommendations of the Commission should be realised as soon as possible subject only, as in the case of municipalities, to control in the case of rural boards which are indebted to Government and in cases of gross default.

14. The Government of India would similarly endorse the recommendation made in the Decentralization Commission's report that the system of requiring local bodies to devote fixed portions of their revenues to particular objects of expenditure should be done away with as unduly limiting their freedom of action, subject, as indicated by the Commission, to outside intervention in cases of grave neglect or

Specification of income
and earmarking of
grants.

disregard. If the Government give a grant for a particular object, the money must, of course, be applied thereto, but the Government of India endorse the Commission's recommendation that grants-in-aid should normally take the form of a lump grant or a percentage contribution towards specific services rather than be more definitely earmarked. If, again, funds have been raised locally for particular objects, they must necessarily be applied to those objects ; but otherwise the general principle laid down by the Commission is one which the Government of India would wish to see ordinarily observed.

15. The Decentralization Commission further proposed that the existing restrictions on municipalities which require outside sanction for works estimated to cost more than a certain amount should be removed, but that Government should scrutinize and sanction estimates of projects to be carried out from the loan funds. In their Resolution of 1915 the Government of India observed that the majority of the Local Governments were prepared to relax the existing rules in the direction of giving more freedom to municipal boards, and the Government of India expressed themselves in favour of extended freedom subject, where necessary, to proper precautions against extravagant and ill-considered projects. With reference to a similar recommendation made by the Decentralization Commission in respect of rural boards the Government of India in their Resolution expressed their opinion that the grant to rural boards of full powers in the allotment of funds and in the passing of estimates could not for the present at least be conceded, but the extent of the necessary financial control might depend in the case of rural boards on the competence of the staff employed, and where this varied it would not be desirable to lay down hard and fast rules for the whole of a Province. The Government of India still adhere to the views expressed by them in 1915, but they desire to go somewhat beyond the general pronouncement then made and would ask for a definite indication on the part of Local Governments that, allowing for the necessarily different circumstances of different boards, there will now be made a material advance in the direction of the proposal made by the Decentralization Commission. It may be found convenient to arrange for this advance by a classification of bodies according to the character of their local technical staff, and to divide them into three or more classes according as sanction is not required, or is required in the case of works whose cost is calculated to exceed certain specified figures.

16. It was also recommended by the Decentralization Commission that the degree of outside control over municipal establishments should be relaxed, but that the appointments of municipal secretaries or other chief executive officers or engineers and health officers, where these existed, should require the sanction of the Local Government in the case of cities and of the Commissioner elsewhere, and that the same sanction should be required for any alteration in the emoluments of these posts and for the appointment and dismissal of the occupants. As regards other appointments, the commission proposed that the Local Government should lay down for municipal boards general rules in respect of such matters as leave, acting and travelling allowances, pensions or provident funds and maximum salaries, and that their sanction should be required for any deviation therefrom. The system recommended by the Commission is already substantially in force in Bombay, and almost all the Local Governments expressed their willingness to relax outside control over the appointment of the staff employed by local bodies. The Government of India are now of opinion that steps should be taken to carry out into practice the general recommendations of the Commission in respect of municipalities : and that as regards rural boards, for which the Commission made similar recommendations, similar action should be taken. They consider, moreover, that the requirement of Government sanction to the appointment and dismissal of the special officers above mentioned may properly be accompanied by the right on the part of Government to require their dismissal in cases of proved incompetency.

17. In addition to the specific forms of outside control to which reference has above been made, the existing legislation confers certain special powers of intervention on the part of Government officers. The Decentralization Commission were of opinion that the Collector should retain certain powers given under the existing Acts, such as the power to suspend in certain cases the operation of municipal resolutions and that the Commissioner should be able to require a municipality, which had neglected a particular service, to take such action as he might consider necessary. The Local Governments generally, and the Government of India in 1915, were of opinion that special powers of outside control were necessary and should continue. The Commission also recommended that the special powers of

control over rural boards vested in outside authorities under the existing Acts should continue, and the Local Governments in general and the Government of India accepted this view.

It is certainly necessary to maintain such ultimate powers of intervention which are in no way peculiar to India, and which carry out the view expressed in paragraph 17 of the Government of India's Resolution of the 17th of May 1882, that the control of Government over local bodies should be exercised from without rather than from within, and that the Government instead of dictating the acts of local bodies should revise and check them. In view of the relaxations which are contemplated in respect of the powers of external control exercised by Government in respect of taxation, budgets, public works and local establishments, it might be expected that the powers of Government officers in respect of external intervention should, if altered at all, be altered in the direction of greater stringency. In consequence of the increasing demand for sanitary improvements, it may indeed be necessary to provide a special agency for enforcing modern requirements in the matter of sanitation, and to provide that agency with adequate powers, and this is a matter upon which the Government of India will, if necessary, address Local Governments separately at a later date. It is moreover possible that very important changes may be necessary hereafter in the procedure and organization of public works establishments as a consequence of the inquiries recently made by the Public Works Department Reorganization Committee whose report is at present under the consideration of the Government of India. But, as has been already remarked at the outset of this Resolution, the general principle before the Government of India is that, except in cases of really grave mismanagement, local bodies should be permitted to make mistakes and learn by them rather than be subjected to interference either from within or from outside. The Government of India do not, therefore, with the possible exceptions above noted, suggest the addition of any substantial powers of intervention on the part of Government officers, and they trust that in the exercise of such powers as the law allows the principle which has above been referred to may be borne in mind. They would further suggest that penal action from outside might in some cases be dispensed with if the Government took power to itself to dissolve a municipal council or rural board and require a fresh election before making use of the more drastic powers conferred upon it by the legislature.

18. As regards the agency through which the outside control of Government should be exercised the proposal has from time to time been put forward that the main powers of control should be concentrated in the hands of a central board at provincial headquarters working under Government and invested with powers of compulsion similar to those enjoyed by the Local Government Board in England. A proposal to constitute a board of this character was put forward for Bengal in 1882 and was negatived by the Secretary of State. It was again examined by the Decentralization Commission and rejected by them in 1909. The Local Governments concurred in the conclusions of the Commission and the Government of India, in their Resolution of 1915, vetoed the scheme as not only unnecessary but tending also to perpetuate the very centralization in local affairs which it is the object of Government to diminish. The Government of India recognise that the powers of Collectors and Commissioners should be maintained but they would suggest for the consideration of the provincial Governments the constitution of a central body which should co-ordinate the experiences of the local bodies and provide improved control and guidance by entertaining further expert inspecting establishments, if necessary. Such a central body should be in direct touch with the Government and might fitly be presided over by a member of the Executive Council where such exists. It should further be considered whether in place of a formal board there might not be a Standing Committee for local and municipal affairs in direct contact with the Government, to be largely drawn from elected members of the Legislative Council.

19. In the above paragraphs the Government of India have indicated a few of the main principles which they consider should be borne in mind in the future relations of Government to the local bodies ordinarily known as municipalities and district or sub-district boards. They do not consider it necessary to lay down any general principle in regard to embryonic municipalities whether these be styled "notified areas", or "village unions" as in Madras, or "town panchayats" as suggested by the Decentralization Commission. Many of the bodies dealing with these areas will in due course develop into municipal councils, but until they are fit for this stage they must obviously be subjected to greater control and be less non-official in character. (It might often be undesirable, for instance, that the chairman should be a non-

official. The development of these bodies is left to the discretion of Local Governments subject merely to the general instruction that they should be allowed as full authority as is possible and their powers should be gradually enhanced.

20. The policy initiated by the Resolution of Lord Ripon's government related solely to the machinery of local self-government as represented by municipal or sub-district boards, but reference has, from time to time, been made during subsequent years to the possibility of providing some organization for the development of village life and this aspect of the question was brought into special prominence by the Decentralization Commission of 1909. A special section of their report was devoted by that Commission to the question of village panchayats and the Commission indicated the principles upon which such panchayats should, in their opinion, be instituted. As, however, there is some misapprehension as to the nature of the recommendations of the Commission, it is advisable to bear in mind the crucial point that in their proposals in this respect, the Decentralization Commission were not contemplating an additional machine for the promotion of local self-government in the sense in which that term is used in the Resolution of Lord Ripon's government and in subsequent official literature but desired to develop the corporate life of the individual villages and to give the villagers an interest in, and some control over, local village affairs. Consequently, they made a clear distinction between the panchayat organization which they recommended and artificial agglomerations, such as the Madras local fund unions, the chaukidari unions in Bengal and the sanitary committees to be found in the United Provinces, Bombay and the Central Provinces. These artificial organizations may be found useful as an adjunct to local self-government in the sense in which that word is used in the Resolution of 1882 by affording smaller administrative areas in that connection than those administered by municipal or sub-district boards; but such organizations are quite unconnected with the development of individual village corporate life. The Decentralization Commission have pointed out that the common traditions of the village, the fact that the inhabitants are largely connected by ties of blood and caste and by many interests in common and the measure of corporate life still existing in Indian villages which is shown occasionally by voluntary taxation for special purposes warrant the action recommended by the Commission

for the organization of panchayats. The Government of India consider that the distinction drawn by the Commission is a real one and that in dealing with the principles governing general proposals in respect of panchayats attention should be confined either to individual villages or to villages which are so closely connected that their people habitually act together.

21. The Decentralization Commission recognised, however, very clearly that the different character of the villages not merely in different Provinces but in a single Province and even within the parts of a Province would necessitate caution in taking up the policy of developing panchayats, and the Government of India while recognising the necessity of making some effort in the direction of developing village government are constrained to emphasize the note of caution sounded by the Commission. Similarly, while the Commission indicated certain general functions and powers which might be allotted to panchayats, they were careful to explain that there should be no question of developing these on any uniform system. They contended that functions must be gradually and cautiously assigned and must vary with the circumstances of the locality and the manner in which the panchayat discharge the duties first placed upon it. They recommended that the panchayats should be placed under the district authorities, and, if possible, under special assistants, that they should be confined, as a rule, to one village, and that the members should be informally selected, the headman being ordinarily *ex officio* chairman. They proposed that to these panchayats should be attached civil and criminal jurisdiction in petty cases but that the courts might be given special revisional jurisdiction in cases where there appeared to be some grave miscarriage of justice. The administrative functions of the panchayats were to include sanitation and education and the power of taxation being likely to lead to unpopularity was not to be conferred, but the panchayat was to obtain part of the land cess and grants from sub-district boards or Collectors together with small fees, etc.

22. With the general line of the Commission's proposals the Government of India in their Resolution of 1915 expressed their concurrence, and in leaving the matter in the hands of Local Governments they suggested the following general

Proposals of the Decentralization Commission in respect of village panchayats.

Views expressed in the Resolution of 1915.

principles as indicating the lines on which advance was most likely to be successful :—

- (i) The experiments should be made in selected villages or areas larger than a village, where the people in general agree.
- (ii) Legislation, where necessary, should be permissive and general. The powers and duties of panchayats, whether administrative or judicial, need not and, indeed, should not, be identical in every village.
- (iii) In areas where it is considered desirable to confer judicial as well as administrative functions upon panchayats the same body should exercise both functions.
- (iv) Existing village administrative committees, such as village sanitation and education committees, should be merged in the village panchayats where these are established.
- (v) The jurisdiction of panchayats in judicial cases should ordinarily be permissive, but in order to provide inducement to litigants, reasonable facilities might be allowed to persons wishing to have their cases decided by panchayats. For instance, court fees, if levied, should be small, technicalities in procedure should be avoided and possibly a speedier execution of decrees permitted.
- (vi) Powers of permissive taxation may be conferred on panchayats, where desired, subject to the control of the Local Government but the development of the panchayat system should not be prejudiced by an excessive association with taxation.
- (vii) The relations of panchayats on the administrative side with other administrative bodies should be clearly defined. If they are financed by district or sub-district boards, there can be no objection to some supervision by such boards.

23. The development of the panchayat system has since attracted considerable attention in several Provinces and legislation has been introduced in Assam for the purpose of instituting a system of this kind, while a special committee has investigated and reported on the subject in the United

Modifications now suggested in the above views.