

Centre for Multilevel Federalism

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Chairman's Foreword

It is with both pride and trepidation that we present this first issue of the *Newsletter* of a new Centre devoted to the promotion of federal studies in India. The Centre for Multilevel Federalism (CMF) is a silver jubilee year initiative of the Institute of Social Sciences. It seeks to position itself as a primary resource for issues relating to the sharing of powers and responsibilities between levels of government in India's federal system. It could profitably be read in conjunction with the Institute of Social Sciences Panchayati Raj Update and other regular publications on issues of local self-government.

Given the magnitude of India's diversity and developmental problems, it has become increasingly apparent that a multilevel federal framework alone is capable of addressing these issues. It is in furtherance of this perspective, and with a view to strengthening the roots of democracy by exploring innovative mechanisms for popular participation, that the Centre aims to contribute to the development of India's multilevel federal system.

The CMF will have as its primary focus the interaction between institutions of multilevel governance, which have grown in significance during the last two decades. It seeks to promote interdisciplinary studies on different facets of India's federal democracy, and would encourage the involvement of sociologists, economists, jurists, journalists, public policy analysts located in universities and research institutes, as also in think tanks and non-governmental civil society organisations. It also seeks to provide a platform for researchers, in India and abroad, who seek an intellectually stimulating environment for pursuing their research interests in Indian and comparative federalism.

The Centre is based on the premise that studies on the new ways in which India is governed through its multilevel federal structures are central to the understanding of its recent resurgence, as well as the contradictions that accompany it. In building upon the existing research on the third tier of Panchayat institutions at the Institute of Social Sciences, the Centre would attempt to address issues connected with autonomy and decentralisation, conflict resolution, the party system and governance through federal coalitions. It will also strive to contribute to federal theorisation, from the vantage point of a large and diverse society unified in a single polity.

The Centre would aim at the creation of a network of scholars, affiliated to it at various levels. Doctoral and postgraduate research scholars, as well as researchers working in think tanks and civil society organisations, would be encouraged to participate in the activities of the Centre as research interns.

One of the objectives of this *Newsletter* is to become an indispensable resource for researchers seeking to understand Indian federalism as a whole, and we hope to alert them to significant developments as well as draw their attention to relevant texts and documents. We plan to have some regular rubrics covering significant areas of federal functioning. Under the rubric of non-territorial federalism, we intend to deal with issues

relating to the pursuit of unity in diversity, notably with regard to the position of territorially dispersed minorities. We believe that one of the primary objectives of multilevel federalism is to ensure that all constituents of India's federal society, find space and voice in the federal system.

The rubric on economic and financial issues, contributed by our assistant editor Chanchal Sharma, intends to cover developments which are at the interface of economic growth and federal structures. The political economy of federalism is central to the understanding of how political institutions adapt to the compelling constraints of resurgent economic growth and participative political processes.

In future issues we also hope to have regular rubrics on developments in the Northeastern and the Southern States. We can only attain these objectives if we receive the whole-hearted cooperation of our readers, who are invited to send material for inclusion to the Editor, Mahendra Prasad Singh, ably assisted by Veena Kukreja and Chanchal Sharma. We are indebted to the editorial team for having accepted to take on the responsibility of bringing out this *Newsletter*.

This inaugural issue has a wider scope than what we intend for subsequent ones, because it covers significant developments that occurred during the entire year 2010, reviewed by Mahendra Prasad Singh. We will revert to some of them in greater detail in subsequent issues as they merit deeper analysis.

Balveer Arora

From the Editor's Desk

The year 2010 cannot be said to be a particularly good year for the Indian federal system. Although India is generally counted as a reasonably well-functioning federation, this is a long-range view, especially in a comparative perspective where in several federal systems in the world are still in an aspirational or fledgling stage. Federally relevant events relating to Jammu & Kashmir, Telangana, and Operation Green Hunt against the Maoist guerilla attacks on state agents and civilians that hogged the headlines through the year hardly convey the picture of a federal system at peace with itself or in a state of an institutionalized equilibrium. Jammu & Kashmir continued to suffer from federal deficit both in its relations with New Delhi and internally in terms of sub-state federal relations among the Kashmir valley, Jammu, and Ladakh.

The Telangana issue was brought out of the closet by the sudden announcement by the Union Home Minister P. Chidambaram in December 2009 of the intention to bifurcate the state. The Congress Party found itself split along regional lines and the state was plunged into competitive and chaotic political mobilization in both parts for or against statehood for Telangana. The long awaited report of the Justice B.N. Srikrishna Committee appointed by the Government of India after burning its fingers to study and report on the demand for a separate state maintained an uneasy lull through the year. The Report submitted in early January 2011 portrayed six alternative policy options or policy scenarios, none in favour of the status quo and the best step forward for unity with a credible regional political and financial autonomy through a Regional Development Council.

The class struggle waged by the various Naxalite or Maoist organizations reached an unprecedented intensity in 2010 in the central tribal belt across the states between the Indo-Nepalese border and Deccan. In the previous year Andhra Pradesh and Maharashtra governments, aided by the centre, successfully, crushed this menacing violence, forcing their remnants to flee into the neighboring states of Chhattisgarh, Orissa, West Bengal, and Bihar. That explains the escalation of their activities in these states in the year under review, and joint operation against them by these four state governments and the centre. By the year-end there was some letup in the situation, formulation of some special development schemes apparently mostly by Union's initiative but with states' role in implementation, and proposed amendment in the mines laws to allow some share/benefits to the people displaced or affected by the mining companies/corporations/governments in course of development.

The year saw the conduct of Assembly elections in Bihar, municipal elections in West Bengal, and Panchayat elections in Karnataka, Uttar Pradesh, and Jharkhand. Since the emergence of multiparty system at the national level at the top of the jigsaw puzzle of party configurations at state and local levels, these subnational polls have become significantly consequential for the forthcoming elections at the next higher levels and post-election governance and development performance.

The year 2010 was also marked by the crystallization of the phenomenon of what may be called "ecological federalism." Over the last two decades and a half, a dense framework of environment and ecology protection laws at the Union and state levels have developed. Under these laws, the Union, state, and local communities partake in the final clearance of developmental projects of industries and governments by the Union Ministry of Environment and Forests on the basis of assessment of environmental, social, and strategic impacts. During the year under review Union Minister of State Jairam Ramesh was constantly at the centre of a growing controversy with various Union ministries, state, governments, and industries on account of rejection of their projects for their adverse impacts.

The issue of institutional reforms remained central to the federal discourse during the year, thanks to the submission of the thirteenth Finance Commission Report (2010-2015) in December 2009 and of the M.M. Punchhi Commission Report on Centre-State Relations in 2010. An empowered committee of State Finance Ministers chaired by the West Bengal incumbent Ashim Dasgupta remained involved in a protracted negotiation between the two orders of governments to bring about a taxation reform merging some Union and state taxes into a goods and services tax (GST) aimed at developing a dynamic common market in the nation, but success eluded its labours.

I conclude by taking note of two incidents during the year regarding Chief Ministers of Maharashtra and Karnataka belonging to the two largest National parties - the INC and the BJP. The Congress high command successfully removed Ashok Chavan in the trail of the Adarsh Housing Society fraud in Mumbai, whereas the BJP central leadership wishing to replace B.S. Yeddyurappa (BSY) involved in a land allotment scam had to eat a humble pie, yielding to the trump card of the Lingayat Vote bank, the caste to which BSY belongs.

All in all, 2010 will go down in the chronicles of India's multilevel federalism as a year of mixed records.

Introducing the Centre

The Institute of Social Sciences, founded in 1985, has established, as its silver jubilee year initiative, the Centre for Multilevel Federalism (CMF). Dr Balveer Arora, former Professor of Political Science and Rector, Jawaharlal Nehru University, is the Centre Chairman. The CMF aims to develop and propagate the interdisciplinary study of Indian federalism in a comparative perspective. It would seek to involve economists, lawyers, journalists and public policy experts alongside political scientists and sociologists from universities and research institutes as well as from think tanks working on political institutions and processes.

The interest in how India is governed, through its multilevel structures of federal democracy, received a significant boost when constitutional recognition was given to panchayati raj local self-government institutions. The Institute of Social Sciences has been in the forefront of research on decentralization and local self-government. The CMF would contribute to theorizing federal practices in India and working on conflict-resolution mechanisms and processes.

There is nothing in federal theory or practice that limits federal systems to two levels of government. Conventionally, the dual polity framework has tended to view local self-government as the exclusive preserve and concern of the federated units, states or provinces. Given the magnitude of India's diversity and developmental problems, it has become increasingly apparent that a multilevel federal framework alone is capable of addressing these issues. It is in furtherance of this perspective, and with a view to strengthening and deepening the roots of democracy by exploring innovative mechanisms for popular participation and representation, that the Centre aims to contribute to the development of India's multilevel federal democracy.

The Centre proposes to organise/participate in seminars/symposia/conferences for dissemination of research by its members. It would encourage the creation of a network of scholars, affiliated at various levels (Senior Fellow, Fellow, Associate Fellow, Research Interns). Affiliated scholars would be expected to contribute to the research programmes and activities of the Centre, but would be free to carry on their independent research in other areas. Doctoral and postgraduate research scholars, as well as researchers working in think tanks and civil society organisations would be encouraged to participate in the activities of the Centre as Research Interns. Scholars located outside the National Capital Region would be encouraged to participate in the activities of the Centre as Affiliates at various levels. The Centre also aims to invite Visiting Scholars from time to time in order to draw upon national and international expertise.

The CMF aims to organize and participate in research through seminars/conferences and research projects. It would also organize meetings with practitioners, in variable and appropriate formats. It has been designated as a repository for the various publications of the Forum of Federations, Ottawa. It will thus provide a platform as well as a nodal point for a network of scholars and researchers on Indian and comparative federalism.

The CMF has an internship programme to encourage the involvement of young researchers, doctoral and post-doctoral. It would exceptionally involve promising Masters and M.Phil. students with a special interest in the focus areas of the Centre in order to draw young talent to research on multilevel federalism. It would encourage applications from foreign researchers for affiliation as visiting scholars and research interns.

Apart from its regular research seminars, the Centre runs 'Special Lectures' series in which senior visiting scholars are invited to share their ongoing research concerns and results. It seeks to involve young researchers through the 'Research Seminars' series which would focus on new trends and directions in the study of Indian and comparative federalism. This series is aimed at doctoral and post-doctoral researchers, either associated with the Centre as Interns or as visiting special invitees. It would provide a forum for presentations by researchers of the current status of their work to scholars with similar interests.

The Centre proposes to publish a Quarterly *Newsletter* covering recent developments in multilevel federalism in India, as also in comparative federalism. It also plans Occasional Papers Monograph series.

Economic and Financial Issues

a. Federal management of natural resources

Revision of Royalty Rates on Coal

The West Bengal Government has blamed the Centre for its partisan behaviour and for denial of coal royalty amounting to over Rs 4,800 crore. The new revised royalty rates will be announced early in 2011. A new study group has been constituted under the Chairmanship of the Additional Secretary to the Ministry Of Coal, Alok Petri, for considering the issue of next revision of royalty rates of coal and lignite. The royalty rates on coal and lignite were last revised wef August 1st 2007.

<http://www.blonnet.com/2010/12/07/stories/2010120750800400.htm>

Allocation of Coal Blocks

The West Bengal Government has been negotiating with the Centre on the issue of allocation of coal blocks. In spite of having a good coal reserve, the State has no say in the allocation because it is in the Union list. Delay in allocation of coal blocks can repel industries away from the State. The issue was raised during the Assocham summit on 'West Bengal: The Investment Destination' at Kolkata on 5th January 2011.

On coal block allocation policy see:

<http://www.thehindubusinessline.com/2010/08/22/stories/2010082252350100.htm>

<http://www.business-standard.com/india/news/centre-to-review-coal-block-allocation-policy/397002/>

b. Climate Change: The Carbon Tax

In context of the rising concern with climate change and the externalities from greenhouse gases, the 'carbon tax' has emerged as a major issue in federal taxation worldwide. Developed countries favour imposing a carbon tax on imports as a punitive measure against developing nations refusing to put in place the measures such as carbon tax and cap-and-trade schemes intended to control carbon emissions.

India has said a firm 'no' to the proposed carbon tax by western countries. India has chosen to levy non-shareable Cess instead of shareable carbon tax from FY 2010-11 onwards. The "clean energy cess" will be imposed on coal produced in India as also imported at a nominal rate of Rs.50 (USD \$1.10) per ton.

The Government of India has announced the establishment of a National Clean Energy Fund

(NCEF) for funding research and innovative projects in clean technologies. For further details see <http://www.indiaenvironmentportal.org.in/files/India%20Taking%20on%20Climate%20Change.pdf>

The Ministry of Environment and Forests.

<http://www.indiaenvironmentportal.org.in/taxonomy/term/5100>

The MoEF has blocked/delayed the following projects due to violations of environment and forest laws by the companies:

- South Korean steel major Posco's \$12-billion project in Orissa, the biggest foreign investment in the country. On 31st December 2010, an expert appraisal committee (EAC) further deferred its decision on clearing the port project. Finally the project was cleared with a score of conditionalities relating to ecological and sociological obligations to be met by the company.
- Vedanta's \$ 1.7 billion bauxite *mining project* in Orissa (rejected on 24 August 2010).
- Lavasa hill city project in Maharashtra (Lavasa Corporation has been asked to pay a substantial penalty and rectify mistakes).
- The Navi Mumbai airport, a key project of the civil aviation ministry (The environment clearance was given on 22 November 2010).

Concerned over the huge delays in execution of core sector projects, an internal panel of the ministry of statistics and programme implementation (MoSPI) has called for better communication between the project authorities and the ministry of environment and forests (MoEF). [13 January 2011]

Also see: <http://www.indianexpress.com/news/to-speed-up-projects-communicate-better-panel-tells-forest-ministry/736734/0>.

c. Forest Conservation and Tribal Development

The Integrated Action Plan (IAP)

The Cabinet Committee on Economic Affairs (CCEA) on 26th November approved the Integrated Action Plan (IAP) in 60 selected tribal and backward districts. The additional central assistance will be given on 100 per cent grant basis. The scheme would focus on effective implementation of the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA) and the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 (Forest Rights Act). While the district component would be administered by the Ministry of Panchayati Raj,

the State component will be administered by the Planning Commission. The MoEF gave a general approval for diverting forest land for building critical public infrastructure in 35 worst-affected districts. Following this approval, the ministry of home affairs (MHA) has exempted 83 Naxal-affected districts from the bar.

<http://www.hindu.com/2010/11/27/stories/2010112756440100.htm>
(<http://www.hindustantimes.com/Red-tape-cut-in-83-Naxal-hit-districts/Article1-639761.aspx>)

d. Commissions/Committees: Reports and Recommendations

Thirteenth Finance Commission Recommendations

The report of the 13th Finance Commission, chaired by Dr Vijay Kelkar, covering the five year period commencing from April 1, 2010, together with the Explanatory Memorandum on the action taken on the recommendations of the Commission was tabled in the Parliament on 25th February 2010, in pursuance of Article 281 of the Constitution (see fincomindia.nic.in/TFC/13fcrExpMemo.pdf). Summary of the main recommendations are contained in Chapter 1 of the Report of the Commission.

The Commission on Centre-state relations

The Commission on Centre-state relations headed by former Chief Justice of India M.M. Punchhi submitted a seven-volume report on 20th April 2010 to Home Minister P. Chidambaram. The detailed report is available at: http://interstatecouncil.nic.in/ccsr_report_2010.htm

1. The first volume deals with evolution of Centre-state relations. <http://interstatecouncil.nic.in/volume1.pdf>
2. The second volume goes into the constitutional scheme of things, covering recommendations regarding Article 19, Article 355 and 356 and Article 263. <http://interstatecouncil.nic.in/volume2.pdf>
3. The third volume deals with economic and financial relations, and recommendations include upgrading of the planning model to remove regional imbalances. <http://interstatecouncil.nic.in/volume3.pdf>
4. The fourth volume gives recommendations regarding 73rd and 74th amendments and the Sixth Schedule. <http://interstatecouncil.nic.in/volume4.pdf>
5. The fifth volume deals with internal security, covering issues like terror, Naxalism, insurgency and communal violence. <http://interstatecouncil.nic.in/volum5.pdf>

6. The sixth volume discusses environment issues and resource-sharing, particularly of rivers and minerals. <http://interstatecouncil.nic.in/volume6.pdf>
7. The seventh volume deals with social development and good governance. <http://interstatecouncil.nic.in/volume7.pdf>

Chakrabarty Committee on public sector banks

The Chakrabarty committee chaired by Reserve Bank of India deputy governor KC Chakrabarty has recommended, on 19.1.2011, the exit of public sector banks from regional rural banks. PSBs sponsor RRBs but the panel found that they are not investing adequate capital into these “dedicated lenders”. The Centre owns 50% stake in an RRB, the sponsoring bank holds 35%, and the concerned state government the remaining 15%. The expert panel has suggested various measures to strengthen the rural banks. There are 82 RRBs in the country with a network of 15,475 branches. <http://economictimes.indiatimes.com/news/economy/finance/psbs-will-get-to-severities-with-regional-rural-banks/articleshow/7316158.cms>

e. Tax Reforms

Direct Tax Reforms:

The government of India plans to roll out the new direct tax regime from April 1, 2012. The proposed Direct Taxes Code (DTC) is intended to increase the income tax base and boost economic growth and equity. This Act will replace a plethora of laws — Income Tax Act 1961, Wealth Tax Act, Dividend Distribution Tax Act.

Indirect Tax Reform: Dual Goods and Services Tax

For updates on Goods and Services Tax (GST) see: <http://www.goodsandservicetax.in/>

A three-rate structure for GST

The Finance Minister on July 23, 2010, proposed a three-rate structure for the GST regime – under which goods will attract 20 per cent levy, services 16 per cent, and essential items a concessional 12 per cent in the first year; 18%, 16%, and 12% respectively in the second year, and finally the regime will move to a single-rate 16% (8% plus 8%) structure in the third year of its operation. **All central and state taxes like excise, VAT and service tax will be rolled into GST.** The revenue will be shared equally between the centre and states. A list of 99 essential items exempt under the value-added tax regime will not be taxed

under the GST as well. **Alcohol, petroleum and electricity would remain outside the GST structure.**

Integrated GST (IGST) regime to replace CST regime

An innovative model called IGST for taxing inter-State transactions of goods and services was discussed in the Empowered Committee meeting on October 30, 2010 in Goa. This model proposes to replace Central Sales Tax (CST) regime. Under this regime, the Centre will levy CGST and SGST on all inter-State transactions of goods and services. A Central Agency will monitor the entire process of credit movements. The Central Government will transfer to the destination State the amount of IGST used in the payment of state SGST.

The Constitutional Amendment Bill to enable the Centre to levy a dual-GST system

A Constitutional amendment is being pursued to enable the Centre to levy GST up to the retail stage and allow the States to tax services. The States, however, have objected to the provision of the bill which grants the Centre a veto on rate changes made by States. In the revised draft, this provision has been removed. The States have sought more time to study the revised bill.

The GST Council and Dispute Settlement Authority

In the initial draft of the Constitution Amendment Bill, the Central government proposed a GST Council to “determine” the rates of tax, exemptions, threshold limits, and other key parameters for both the Centre and the States.

The States rejected the draft bill in the Empowered Committee meeting on August 04, 2010. After the states’ opposition, the Centre proposed in the second draft amendment bill that the GST Council will act as a forum where the Centre and all the States can discuss and jointly decide upon critical parameters.

During the Empowered Committee meeting held on 27th December 2010, the State governments proposed a sub-committee under the proposed GST Council to resolve any disputes in the tax’s implementation.

In view of the States’ opposition, the Finance Ministry prepared a third revised draft to *make* a good-faith effort to *reach a consensus*. The draft was discussed in the Empowered Committee meeting held on 11th February 2011. However, consensus could not be reached. Thus, the original plan of introducing GST from 1st April 2011 has been postponed.

f. Urbanisation and Public Private Partnership

Funds for urban infrastructure

Fund crunch is affecting urban infrastructure projects under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in the States. Planning Commission suggests that the States should attract private capital in the development, arrangement and financing of projects, through PPP arrangements. <http://www.financial-express.com/news/fund-crunch-affecting-urban-infrastructure-projects/722537/>

New generation cities

A total of 24 new generation cities are being planned for phased development across UP, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra. Master-plans have already been prepared for seven brand new cities spanning six states along the Delhi-Mumbai Industrial Corridor. They will be ready by 2018-19. The estimated cost of building the new cities varies from Rs 30,000 crore to Rs 75,000 crore at current prices. The central and state governments will carry the burden of financing trunk infrastructure while a public-private partnership model is being tried out to build houses, schools, hospitals and other facilities.

<http://timesofindia.india-times.com/city/jaipur/Total-of-24-cities-being-planned/articleshow/7289512.cms>

g. The New Pension Scheme (NPS) and States’ Fiscal Management

Centre’s New Pension Scheme (NPS) is threatening to undo the gains of States’ fiscal management. New Pension Scheme covers central government employees who have joined service after January 1, 2004. Since then, all states except for the Left-run West Bengal, Tripura and Kerala, have adopted the pension scheme.

The scheme was meant to cut generous pension promises for civil servants and pare rising liabilities for the states and the Centre. But in the context of the burden of a sharp hike in salaries and benefits awarded by the Sixth Pay Commission, most states have failed to transfer any pension money to the fund managers. These payments can undo the gains of many States on fiscal deficit front.

<http://m.economictimes.com/PDAET/articleshow/7264535.cms>

Contributed by:

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Special Article

The Thirteenth Finance Commission Report: An Assessment

V.N.Alok, Indian Institute of Public Administration

The Constitution of India clearly divides powers and responsibilities between two levels of governments with some amount of flexibility. The Union is assigned buoyant revenue sources that accrue about two third of total revenue whereas the States are assigned about two third of total responsibilities. Under this framework, eighteen years ago, the local governments, both panchayat and municipality, were brought in the book of the statute. Though vertical imbalances between the revenue powers and functional responsibilities of different tiers of government are a characteristic feature of all federations, the balance, in India, is tilted rather heavily in favour of the Union. The favourable position set for the Union in regard to fiscal resources reflects the strong-centre theme running through the Constitution, and many feel that this has been an important factor in keeping the country united.

In India, wide variations can be seen in the capacity and resources across States. Thus, intergovernmental fiscal transfers are an integral part of the system. Such transfers were envisaged in the Constitution for vertical and horizontal redistribution of income. The Constitution has simple provisions. But, in practice the fiscal transfer system in India has become quite complex and the money flows to sub-national governments and local governments from multiple channels including the following:

- Statutory transfers (generally non-plan) through the Union Finance Commission.
- Plan transfer through the Planning Commission.
- Discretionary transfer under central and centrally sponsored schemes
- Transfers from State to local governments through State Finance Commissions.

In addition to these transfers, money also flows to the States through establishment of Central public sector enterprises, subsidised lending by financial institutions and subsidised loans to the States from the Union government and the banks.

Finance Commission: It is perceived that the Indian Constitution is not a static document, it provides continuity with change. The provision of Finance Commission under article 280 illustrates this point. The Constitution does provide for central transfers, but it neither indicates the share of the States in the divisible revenue pool¹ nor prescribes any principles for the distribution of taxes among the sub-national governments. Thus, the percentage and manner of sharing revenue and the actual determination of grants is left to the Finance Commission. Besides, the Commission suggest measures and allocate funds to States for local governments. The President of India, in every fifth year or earlier as deemed necessary, appoints the Finance Commission, consisting of a chairman and four members. The primary mandate of the Commission pertains to their recommendations on vertical and horizontal fiscal transfers with an objective to correct the vertical and horizontal imbalances in the multi-order federal setting. The Commission makes a detailed assessment of the financial position of the finances of the Union and State governments. Both Union and State governments submit their memoranda to the Commission.

So far, thirteen commissions have submitted their reports. The Thirteenth Finance Commission (THFC) was constituted by the President on November 13, 2007. The Commission submitted its report to the President on December 30, 2009 covering the five

¹ Prior to 2003, only personal income tax and the union excise duties were shared with the States. The sharing of the income tax was mandatory under Article 270 while that of the Union excise duties was discretionary under Article 272. Following the Constitution (Eightieth Amendment) Act, 2000, Article 270 was amended and all central taxes had been brought into a divisible pool for the sharing between the Union and states. Taxes under Articles 268 and 269 and cesses, and surcharges under Article 271 are kept outside the purview of the divisible pool. Later, service tax was included in the Union list but kept outside the purview of the divisible pool. Only net revenues are shared, after deducting cost of collections.

year period commenced from 1 April 2010. The Commission had its deliberations in the environment of global recession that had adversely affected the revenue growth particularly in those two years that formed base for the Commission to project revenue and make assessment for the next five year period. The issue had a bearing not only on intergovernmental fiscal transfers but also on fiscal management of the Union and State governments. But, the Commission managed to deal with it comprehensively and admirably. The terms of reference of the Commission had a wider scope compared to those of earlier commissions. New items included planned implementation of the goods and service tax (GST), environmental preservation for sustainable development, and fiscal governance reforms.

The main recommendations of the Commission relates to the sharing of net proceeds of Union taxes between Union and States, grants-in-aid of revenue to States under Article 275, revised roadmap for fiscal consolidation, Goods and Services Tax (GST), financing of relief expenditure and grant to local governments. The Commission increased the share of the States in net proceeds of sharable central taxes from 30.5 (including the share of additional excise duty) to 32 percent in each fiscal from 2010-11 to 2014-15. The Commission also ensured that the revenue accruing to a State under service taxation would not be less than the share that would accrue to it, had the entire service tax been part of the divisible pool of central taxes. The commission showed concern over the tendency of the Union government to proliferate the levy of cesses and surcharges with a view to increase their share in gross tax revenue. The Commission asked the Union Government to review it. The Commission set a new indicative ceiling on overall transfers to States on the revenue account at 39.5 percent of gross revenue receipts of the Union. The States are allowed to levy sales tax/state-VAT on additional excise duty items, i.e sugar, textile and tobacco. In addition, the Commission has enthusiastically followed the recent trend of transferring the resources through the grant-in-aid route. As many as 12 different types of grants have been recommended with detailed conditionalities. On the horizontal distribution of taxes among States, the Commission has not changed the weights to population and area. However, the Commission made a major change by replacing the distance from the highest per capita income with the distance from highest per capita fiscal capacity.

The Commission accepted, though partly, the demand of the Ministry of Panchayati Raj and the Ministry of Urban Development and recommended a share of the panchayat and municipality from the divisible pool. However, the Commission calls it a grant in two components - a basic grant and a performance grant. Both these grants in any year have been quantified based on a percentage of the divisible pool of the preceding year. For every year of the award period, the Commission has recommended a basic grant amounting to 1.5% of the size of divisible pool in the preceding year. Similarly, for 2011-12 the Commission has recommended a performance grant of 0.5% of the divisible pool of the preceding year and for subsequent years in the award period, 1% of the divisible pool of the preceding year. It has also recommended a separate special area basic grant of Rs. 20 per capita, carved out of the total basic grant, for every year in the award period for Schedule V and Schedule VI areas and areas excluded from Part IX and IXA of the Constitution. For these areas, it has recommended a special area performance grant of Rs. 10 per capita for 2011-12 and Rs. 20 per capita for subsequent years of the award period.

The performance grants are to be released if the States meet conditions specified by the Commission. As per the revenue projections of the Commission, total grant recommended for the local governments aggregates to Rs. 87519 crore over the award period. The Commission has also recommended distribution of the grants between urban and rural areas and the inter-se distribution between States.

The Parliament has accepted in the budget session of February 2010 all the recommendations in principle.

Federal Institutions

Legislatures

Right to Primary Education Legislation

In the pursuance of the 86th constitutional amendment (2002) making the right to free and compulsory education for all children in the age group of six to fourteen years, the Parliament had enacted the right to primary compulsory education Act, 2009, in the concurrent jurisdiction of the union and states. This is one of the few instances where an item in the directive principles of state policy (article 45 as it stood before the 86th amendment) became a fundamental right, initially through liberal judicial interpretation of the right to life and liberty (article 21) and finally through a constitutional amendment and enabling legislation. This momentous legislative instrument was operationalized in the year 2010 on April 1.

The first BJP government in the south the B.S Yeddyurappa-led dispensation in Bangalore since the May 2008 Assembly elections in the state was also rocked by dissidence and threatened defection when in October 2010, 19 MLA's (14 belonging to BJP and five independents supporting the government) informed Governor H.R Bhardwaj by a joint letter that they had withdrawn support from the government. Seven of these legislatures were also ministers. Hectic political manoeuvrings by the CM at the state level and by the BJP national leadership somehow saved the situation and Yeddyurappa survived the confidence vote in the assembly.

Political instability also stared in the face of the Jharkhand government. Jharkhand Mukti Morcha (JMM)–BJP coalition government headed by Shibu Soren (JMM) was formed in January 2010. On June 1, 2010, President's rule was imposed after the BJP withdrew support from the Shibu Soren government on account of the CM's hobnobbing with the INC-led UPA government in the parliamentary proceedings in New Delhi. The assembly was, however, not dissolved and was kept on suspended animation. After about 3 months an uneasy truce was fabricated and a new BJP- JMM coalition government was sworn on September 11, 2010, with Arjun Munda (BJP) in the saddle.

Executive and Administrative Issues

Governor

The year 2010 witnessed a running spat between the BJP CM of Karnataka, B.S Yeddyurappa and the Congress led UPA government appointed Governor H.R Bhardwaj . The latter kept complaining to the central authorities in New

Delhi as well as making statements to the media against the former in the context of alleged illegal public land allotment by the former to his family members as well as being mute witness to the illegal mining by two Reddy brothers from Bellary , both state cabinet ministers. By January 2011, the Governor allowed sanction for prosecution of the Chief Minister for land scam, ignoring the latter's as well as the state cabinet's plea not to do so as the state government had already appointed an independent Judicial Commission of inquiry to probe land dealings from 1995 to 2010. The Governor justified his action in view of the rampant corruption, while the Karnataka BJP government and the central BJP leadership called him an "agent of the Congress" and appealed to the President of India to recall the 'politician Governor'. Until sometime ago, the Governor was a Congress Union Minister.

Chief Ministers

Legislative-executive scene in the states during 2010 was marked by potential or real instability in a number of units of the federation e.g., Andhra Pradesh, Maharashtra, Karnataka, and Jharkhand. All the four states underwent mid-stream changes of the heads of the governments during 2010 due to dissidence in or defection from the ruling parties or coalitions. The Andhra Pradesh Congress government has been bedeviled by instability ever since the death of Chief Minister (CM) Y.S Rajasekhara Reddy (YSR) in a helicopter crash in September 2009. K.Rosaiah who was given a nod to take over as CM was constantly discomfited by YSR's son Y S Jagamohan Reddy, who was Congress M.P from Kadapa . He lost no time in demanding what he believed was his political inheritance. With signatures of 150 out of 156 Congress MLA's in his support, he pressured Rosaiah to step aside and propose his candidature for chief ministership. Both the incumbent CM and the Congress central leadership resisted. Jagmohan undertook a sympathy yatra through the areas of his father's and his own stronghold to mobilize mass pressure. When the Congress leadership remained unmoved, Jagmohan deserted his party with a sizeable number of followers. Meanwhile, the Telangana issue hotted up towards the end of 2009 causing a complete division within Congress party in the state along the Andhra-Telangana divide. The appointment of a committee to study and report on the issue kept the lid on during an uneasy and suspenseful year. Rosaiah requested the central party leadership to relieve him on health grounds. The national leadership finally decided to put in place a new Chief Minister in N. Kiran Kumar Reddy in November 2010, who

could face the twin challenges of the agitation for a separate Telangana state and dissidence in the state congress party.

In November 2010, the Central Congress Party leadership also effected a chief ministerial change in the Congress–Nationalist Congress Party (NCP) coalition government in Maharashtra. In the wake of the expose of the Adarsh Housing Society scam in Mumbai, the incumbent CM Ashok Chavan “offered” to resign. He was replaced by Prithviraj Chavan, a Union Minister of State from Maharashtra. The new CM was acceptable to the NCP as well, which also took this opportunity to replace its nominee for the post of Deputy Chief Minister Chhagan Bhujbal, a dalit, by Ajit Pawar, a nephew of the NCP supreme Sharad Pawar, who is also the agriculture minister in the UPA government. Both the CM and Deputy CM are Marathas, the dominant cultivating community of the state, which comprises nearly 40% of the state’s population. Leading Maratha leaders like the Chavans and the Pawars mentioned above also form part of the phenomenon of sugar cooperative capitalism of Maharashtra.

Inter State Council

Despite the repeated emphasis on the need to set up and make the Inter-State Council (ISC) as the constitutionally designed forum under Article 263 for the conduct of intergovernmental relations by the Sarkaria Commission, Venkatachaliah Commission, and the Punchhi Commission, this institution remains overshadowed by the National Development Council set up by a cabinet resolution outside the framework of the constitution and the informal Chief Ministers’/Ministers’/Secretaries’ conferences. The ISC remains a constitutionally sanctified forum existing in splendid isolation on the sidelines of the aforementioned forums of “executive federalism”. Lately the changing role of the ISC Secretariat is noticeable in serving as the secretariat for both the M.M.Punchhi commission on centre-state relations and the Justice Srikrishna commission on the demand for separate statehood for Telangana.

Administrative Reforms

The second ARC report aptly considers the state administration as “the cutting edge of the public administration system in the country.” Its major recommendations are the following:-

Need for national consensus to fix the size of the council of ministers in the range of 10 to 15 percent of the strength of the legislatures (lower chamber)

Government functions should be divided between those that are critical to the mission of a

government department and those that can be carried out by executive agencies, undertakings, boards etc., existing or new.

Need for a national consensus for a uniform legislation by all states setting up of a civil services authority on the lines of the proposed Union enactment for recommending panels for appointment to the highest civil service positions to the government.

With improved communication, the district should be made the key unit of the field administration, dispensing with the commissioner.

State vigilance commissions to be appointed on the pattern of the central vigilance commission.

Every state to have a comprehensive human resource development policy with training as an important component (on the lines of the National Training Policy 1996.)

Public Service Commission should handle only class I jobs, leaving class II jobs to be filled under their broad guidelines by subordinate service commissions, school teachers selection commissions, and district recruitment boards

Surveys and measurements of landholdings and property ownership in rural and urban areas using new technologies.

Reorientation of district administration to new political and administrative concerns of the political system, civil society groups, and media.

Activities and functions transferred by state government to the panchayati raj institutions/urban local bodies need not remain with district administration.

Judiciary

The year 2010 witnessed a number of instances of corruption in the higher judiciary e.g.: those relating to the Chief Justice of the Karnataka High court P.D. Dinakaran, and the move to remove Justice Saumitra Sen of the Kolkata High court. The UPA government addressed a letter to the Chief Justice of India conveying its intention to review the system of appointment of judges to the Supreme Court and high Courts through a collegiums of senior most judges, whose recommendation has become binding on the Union cabinet and the President of India under the *Supreme Court Advocates on the Record Vs Union of India* (Supreme Court, 1993) and a presidencies reference advisory opinion of the supreme court (1998).

The Union cabinet also cleared the Judicial Standards and Accountability Bill 2010, to replace the Judges Inquiry Act of 1968, under which, the Union Law Minister, Veerappa Moily, said not a single case of impeachment took place that gives the impression that there is no corruption in the judiciary which is not really the case.

Contributed by: Mahendra Prasad Singh

Federal Processes

State Parties and Electoral Federalism

Consolidation of an Alternative Regional Party and Leader in Bihar

The Nitish Kumar-led NDA Alliance government dominated by the Janata Dal (United) (JD-U) was voted back to power in Bihar in 2010, increasing its tally from 147 in 2005 to 206 in a house of 243. The major opposition, Rashtriya Janata Dal-Lok Janashakti Party combine got only 25 seats, a climb down from 52(RJD) + 13 (LJP) in 2005 (not allies then).

The Congress could get only four seats while the residual others accounted for 8 (down from 18 previously). An alternative regional party in JD-U has replaced the dominance of the RJD led by Lalu Prasad Yadav for 15 years (1990-2005). The vote in Bihar was widely interpreted as a vote for good governance and development, turning its back to sordid caste and communal calculus and vicious cycle of amoral familism, crime, corruption, and poverty (During the first term of the NDA government in Bihar, the state registered a very impressive annual economic growth rate next only to Gujarat, the highest in India.)

In terms of federal coalition governance, the Bihar elections are a shot in the arms of the official NDA opposition in the Parliament.

Local Self-Government Elections

The year 2010 saw municipal elections in West Bengal and Panchayat elections in Karnataka, Uttar Pradesh, and Jharkhand. In West Bengal municipal polls the left front ruling in the state continuously since 1977 suffered reverses at the hands of the Trinamool Congress. In Kolkata civic polls, Trinamool Congress won 97 seats out of 141. In a total of 81 municipal councils, the left front won only 18. Trinamool Congress won 26, the INC in 7, an anti-left alliance in 4, while 23 local urban councils were hung, and 3 ended up in a tie. The decline of the left front in the 2009 Lok Sabha elections as well as the 2010 civic polls presage a major electoral re-alignment in the west Bengal in the forth-coming 2011 assembly elections.

In the January panchayat polls in Karnataka, the ruling BJP in the state won in 423 Zila Panchayats, the INC in 332, the Janata Dal (Secular) in 161, and others in 30.

The same trend was reflected in the taluk panchayats: BJP controlled 1226 of these bodies, Congress 1055, JD (S) 663, and others 123.

In the multi-phase panchayat polls in Jharkhand, marred by Maoist violence and 'uncontested' returns in some parts of the state, the NDA (BJP + JMM) was the major political force, though the elections were formally held on non-party lines.

Contributed by: Mahendra Prasad Singh

Non-Territorial Federalism: Minority Affairs

India is a secular nation that treats all religions equally with no discrimination against any religion. The post-independence period saw a nation in turmoil due to the partition and sectarian riots which sealed India's commitment to secularism as one of defining parts of the ethos of our written constitution.

As per Indian demography, Indian Muslims are the second largest population in the country. However, this community is not homogenous in its composition; there are class and caste differences within it, irrespective of Islamic teaching of One God and universal brotherhood.

The trauma of partition left the baggage of 'us versus them', which inflicts the Muslim population till date. There have been numerous reports about marginalisation of this community even after six decades of independence (see Gopal Singh Panel Report, NSSO1993, 1999-2000, Report of the National Commission of Minorities, 1995; The Sachar Committee Report, 2006).

The Ministry of Minorities Affairs was created on 29 January, 2006, with the objective of ensuring a focused approach to issues relating to minorities and to play a pivotal role in the overall policy, planning, coordination, evaluation and review of the regulatory and development framework for the benefit of the minority communities and driving policy initiatives for minorities in consultation with other ministries and state governments.

Whether the creation of this infant ministry is a mere act of tokenism by the government of the day to appease the Muslim community was one of the main critiques of this ministry. However, keeping its rationale in mind, the ministry initiated a plethora of schemes and programmes under its mandate, such as free coaching for minority students, multi-sectoral development Programme (MSDP for school buildings, additional class rooms, hostels, laboratories for primary, secondary, higher secondary / college education in 90 minority concentration districts (MCDs) where there is substantial minority population including Muslims.

The plan outlay for Ministry of Minorities Affairs witnessed an enhancement from Rs 1,000 crore in 2008-09 to Rs 1,740 crore in 2009-10 registering an increase of 74 per cent. As per the latest 2009-2010 budget, the main initiatives for this ministry were the total allocation of Rs 990 crore to be spent for multi-sectoral development programmes for the community in 90 minority-concentration districts. The government doubled the grants-in-aid for Maulana Azad Education Foundation (MAEF). The allocation also covers

provisions for National Minority Development and Finance Corporation (NMDFC) and pre- and post-Matric scholarships for the minorities. Allocations have also been made for new schemes like National Fellowship for students and grants-in-aid to Central Wakf Council for computerisation of state Wakf Board records, amongst others things.

After nearly five years, there is a feeling that initially the ministry started with a big agenda yet failed to deliver in substantial terms and got mired in controversies and rejections.

Sheer overlapping of functions with other ministries, rejection of demands by Planning Commission, inadequate attention to the Sachar Committee recommendations has made this ministry a mute spectator with the issues of development of minorities taking a back seat.

Contributed by:

Amna Mirza, Research Affiliate, CMF

Activities of the Centre

A. Special Lectures

Coordinated by: **Rekha Saxena**, Honorary Fellow, CMF

1. **Professor Baldev Raj Nayar, Professor Emeritus, McGill University, Montreal**

"The Paradox of Globalization and India's Halting March to Common Market: The Political Economy of Tax Reform under Federalism", 11 November 2010.

Abstract

Prof. Nayar discussed the paradox of India's shift to globalization and the subsequent policy adjustment that together seem to have favoured the fostering of a common market, even as it took account of the difficulties that are involved in working within a framework of federalism and a partisan multiparty system.

The paradox arises from the juxtaposition of the critique directed against globalization and the actual political process on the ground. The critics of globalization have posited market segmentation, even economic and national disintegration, as one of the preeminent consequences of globalization and the associated phenomenon of economic liberalization. But, contrary to the prognostications of the critics, it seems to Nayar that globalization has, paradoxically, been instrumental in engendering a process of transforming India's existing highly segmented economy into a genuine common market, though the last mile in the journey toward such a market has yet to be traversed.

In short, he argued that globalization and common market are integrally joined together,

with globalization compelling India, as it were, to endeavour to foster a common market. There seems to be a certain inexorable logic that leads globalization to make for the paradoxical result of developing a domestic common market, rather than tending toward market segmentation as the critics believe. The connecting link between globalization and common market is the quest for *economic efficiency*. Of course, needless to add, the state as an institutional variable that sits astride as a gatekeeper between globalization and common market has had a critical role in the final outcome.

In analyzing the paradox of globalization and moving forward to a national common market, Nayar focused on one of the crucial elements in promoting a common market – the establishing of an appropriate system of indirect taxation that fosters, rather than hinders, the free flow of goods and services in the domestic market. In exploring this theme, he looked at (1) the relationship between globalization and tax reform; (2) the evolution of tax reform after economic liberalization, including the role of the state in that evolution; and (3) the motivations in tax reform.

2. **Dr. Rupak Chattopadhyay**, Vice-President, Forum of Federations, Ottawa

"Financing and Governance of Capital Cities in Federal Systems", 6 December 2010.

Abstract

Dr. Chattopadhyay argues that Capital cities, like other cities, are places where people live and work, use local services, and engage in political activity. Yet capital cities are different than other cities. Not only do they host the national government and principal national institutions, they also play a unique cultural and symbolic role in the country. The national capital role and the local role sometimes come in conflict with each other. This conflict can be exacerbated in federal countries where, if the capital is treated like any other city, it would normally fall under the jurisdiction of a state or province and leave a limited role for the federal government. Capital cities in federal countries also differ from capital cities in unitary countries because federal countries are more diverse and this means that federal capitals have the added responsibility of reflecting this diversity while at the same time being as neutral as possible with respect to individual states or provinces. Even within federal countries, there are significant differences among capital cities in terms of governing structures, roles and responsibilities, resources, and the treatment of capital cities by the federal government. He presented findings on the governance of capital cities and draws on their earlier work comparing eleven federal capitals.

3. **Prof. Jan Wouters**, Jean Monnet Chair Ad Personam EU and Global Governance, Professor of International Law and International Organizations and Director of the Leuven Centre for Global Governance Studies - Institute for International Law at the University of Leuven

"Current State and Outlook for Federalism in Belgium and the European Union", 12 January 2011.

Abstract

Belgium, at the heart of the European Union, is a country whose federal system displays a number of unique features that go some length in the direction of confederalism. Interestingly, Belgium's federalism has shown a "centrifugal" tendency over the past four decades, coinciding with another "federal" process affecting the same people and territory, namely, the European integration process. Over the past six decades, the European Community, succeeded in 2009 by the European Union, have seen a remarkable transfer of important powers from Member States to the European level. The Lisbon Treaty, which entered into force on 1 December 2009, constitutes the newest phase in this "centripetal" process of an "ever closer union". In his lecture, Professor Wouters contrasted both evolutions and sketched the outlook for federalism in Europe and Belgium.

4. **Dr. Louise Tillin**, Lecturer at the India Institute at King's College, London.

"Remapping India: What can we learn from the creation of Chhattisgarh, Jharkhand and Uttarakhand?" 25 January 2011.

Abstract

India is one of the most populous and diverse countries in the world, yet its people are divided into the fewest subunits of any federal system. Her paper addressed the dynamics of post-linguistic reorganisation, focusing in particular on the reasons for the creation of Chhattisgarh, Jharkhand and Uttarakhand, all formed in the year 2000 from the large, predominantly Hindi-speaking states of Madhya Pradesh, Bihar and Uttar Pradesh. It will set out a framework drawn from historical institutionalism to explain border change in India's federal system, and an argument for state creation in 2000 that focuses on dynamics at three levels of the federal system - the sub-state, state, and national levels. She goes on to ask to what extent ongoing debates about the possible future reorganisation of borders in Andhra Pradesh, Maharashtra or Uttar Pradesh, for example, bear similarities with the political process that lay behind the last episode of state creation in 2000.

5. **Prof. Christophe Jaffrelot**, former Director of the Centre for International Studies and Research, Sciences-Po, Paris and a Member of the Centre National de la Recherche Scientifique (CNRS) France

"Minorities in Urban Areas: Case Study of Bhopal and Ahmadabad", 15 February, 2011.

Abstract

Using the contours of Geography, Prof. Jaffrelot made an attempt to understand the configuration of the two cities. Ahmedabad has never been a Muslim city. It presents a case of communal tensions in 1969 Hindu workers clashed with Muslim workers; in 1985 caste and communal conflicts; in 1992 Ramjanmabhoomi movement; and in 2002 state-sponsored pogrom to cleanse the Rashtra.

There are Muslim groups like Boras Memons, yet business hardly goes beyond local issues. Juhapura, called as "mini Pakistan", presents the case of locality of ghettoisation and marginalisation of Muslims. It is a deprived locality which moves by self help group education. Safety and security are the two issues concerning the ghetto. From old city to the industrialised belt to Juhapura, ghettoisation has paradoxical effects in this city.

Bhopal presents a different pattern, where instead of marginalisation at the end of city, the Muslims are marginalised at the centre. The walled city is on the bank of the lake. The percentage of Muslim population has increased with the time. Abolition of jagirdari system lead to palaces being converted into hotels. "Emotional" politics leads to local political elites driven and chosen from community sentiments. Irrespective of vote bank politics, new buildings have come up. Muslims have withdrawn from the walled city.

The ray of hope in the two scenarios lies in the development of the middle class, and informal movements towards integration.

6. **Prof. Sumanasiri Liyanage**, Department of Economics, University of Peradeniya, Sri Lanka

"Identities and Autonomy: Forgotten Issues in Post-Conflict Policy Perspective in Sri Lanka", 28 February 2011.

Abstract

The armed conflict in Sri Lanka finally came to an end on May 18, 2009 as the security forces of the Government of Sri Lanka (GoSL) had succeeded in defeating comprehensively the Liberation Tigers of Tamil Eelam (LTTE). The way in which the armed conflict between the GoSL and LTTE

came to an end on May 18, 2009 was substantially different from that of February 22, 2002. In the latter case, it came to an end through the signing of a ceasefire agreement (CFA) by two contending parties facilitated by the Royal Norwegian Government. Even prior to the CFA of 2002, the armed conflict ended on many occasions as an outcome of written or unwritten agreement between the two contenders of the armed conflict. However, all these agreements failed to produce perpetual or long-lasting peace for multiple reasons and the failures had eventually led to more atrocious resumption of armed confrontation between two contending parties.

Forthcoming Events:

Dr. Wilfried Swenden, University of Edinburgh, UK, and currently visiting faculty, Delhi University, will deliver a special lecture on 14th April, 2011 on "Is the United Kingdom Federal: Devolution and Plurinationalism in Comparative Perspective".

Research Notes, Book Reviews and Publications

Coordinated By: Veena Kukreja

Uneasy Peace in Sri Lanka

By Sumanasiri Liyanage

The peace process may be separated into two phases. The ending of an armed conflict and/or direct violence marks the first phase of peace-building, while the second phase includes an addressing of deep-rooted issues that are linked with the genesis and the development of the conflict. Are these two phases inter-linked? Is the second phase independent from and neutral to the way in which first phase is concluded?

The conventional conflict discourse posits that there is a nexus between distinct phases of peace-building or conflict transformation although reversibility of the process especially in the short and medium term has not been ruled out. The implicit assumption is that peace process to progress through these distinct phases, negative phase or peace-writ-small or peace-making should be achieved through negotiation between two or more conflict parties. However, conflicts always do not end through negotiations. Negotiated settlement is only one way of ending armed conflicts. Internal wars in which the state is a party may be ended in multiple ways.

- through negotiated agreement;
- one party winning the war;
- the state unilaterally addressing issues to the satisfaction of the rival parties;
- both parties feeling exhaustion after a long period of war;
- through an arbitration by a third party.

Two Post-Armed Conflict Situation: A Comparison

In the first decade of the twenty-first century, Sri Lanka has experienced two post-armed conflict situations, (1) February 22, 2002-05 and (2) May 18, 2009 to the present. The LTTE and the GoSL signed a formal CFA on February 22, 2002 that had resulted in about 4 year-long post-armed conflict. This period was depicted as a period of "no war, no peace".

The second post-armed conflict situation had become a reality as a result of the victory of the security forces of the GoSL over the LTTE on May 18, 2009.

In my opinion, both the post-CFA period and the post-war period generated equal opportunities and challenges as to how the peace process can be advanced to its second phase. Now, it is a historical fact that the first post war situation created by the CFA failed to make such an advance. Although it is premature to make a definite conclusion, it seems that the GoSL has not been taking the advantage of war ending in order to create a long-lasting solution to the conflict. Table 1 gives a summery view of the outcomes on varying subjects in the two periods.

Building peace in a diverse society is an extremely difficult and complex task. If the conflict unleashes in economically underdeveloped context, the task would be more and more difficult. Attending the root causes of the conflict in the process of peace-building may lead to an emergence of new and different conflicts. This section addresses the question why Sri Lankan process remains a process unfinished even after it has achieved what is called negative peace or peace-writ-small in the sense that the armed conflict had come to an end on May 18, 2009.

The post-war tasks may be classified under two categories the overlapping of some tasks notwithstanding. Using Sandole's formulation, I would divide them into (1) resolving conflict-as-process issues, and (2) resolving conflict-as-start up conditions. Conflict-as-process issues include (1) return, resettlement and integration; (2) removal of landmines; (3) rehabilitating former militants and reintegration of them; (4) reconstruction social and physical infra-structure; (5) returning to normalcy; and (6) improving law and order situation. Addressing conflict-as-start conditions include (1) political reforms to accommodate the autonomy demands of the Tamils; (2) review of existing laws; (3) economic and social development and reduction of poverty; (4) removal of regional unevenness; (5) reconciliation; (6) building local capacities; and (7) reforms in police and security forces. As Table

Table 1: Two Post-War Situations: A Comparison

Subject	Post February 2002 After the signing of the CFA	Post May 2009 After the defeating LTTE
1. Return, resettlement and Integration	Slow progress in spite of the active participation of the INGOs and NGOs Many weaknesses as far as the provision of facilities were concerned.	Process is relatively fast and basically state-guided. Many weaknesses as far as the provision of facilities were concerned. The number has reduced to about 13000 by November 2010.
2. Rehabilitation	The issue has not risen	Rehabilitation of around 10000 LTTE cadres was completed.
3. Reconstruction of war-ravaged areas	Slow process	Slow process
4. Provision of Public Entitlement	Reasonably satisfactory	Reasonably satisfactory
5. Political Reforms	A sub-committee was appointed to discuss political issues, but it failed to function. The leaders of the LTTE began to study different modalities of power-sharing	Eastern Provincial Council was set up; However, many development works have been done by the centre; Provincial Council for the Northern Province is yet to be set up; Only two local government bodies were formed.
6. Reconciliation	NGOs and civil society actors began some reconciliation work	Lesson learnt, commission was appointed
7. Law and Order situation	Many non LTTE Tamil leaders were killed; Attacks on Muslims in the Eastern Province	Increasing deterioration of law and order situation in Jaffna Peninsula
8. Removal of landmines	Slow but steady progress	Slow but steady progress
9. Decommissioning and High Security Zones	No	No Limited access to listed HSZs
10. Payment of compensation	No	Small payment prior to return
11. Settlement of Land disputes	No	No
12. Normalcy of day-to-day life	Yes	Yes

1 shows, the GoSL has taken positive steps in addressing conflict-as-process issues.

How is this explained? I will identify the following reasons: (1) The political leadership tend to avoid the fact that there is a specific national question that has to be addressed; (2) over-securitization of the state in the last 3 decades; (3) an unbridgeable vacuum in Tamil nationalism in Sri Lanka; (4) continuing insecurity of the Sri Lankan state that the West and Tamil diaspora are trying to work against it; (5) the muted Indian pressure as a result of change of Indian priorities and the presence of China.

Faculty Publications

Balveer Arora, "The Indian Republic", in Luis Moreno and Cesar Colino, eds. *Diversity and Unity in Federal Countries*, Montreal: McGill Queens University Press, 2010.

Balveer Arora, "Governing Federal India: Political Institutions for a Diverse Society and a Resurgent Economy", *AGIR* (Paris) No 44, December 2010.

Rekha Saxena and M.P Singh, "Role of Judiciary in Federalization of the Indian Polity", in Jan

Erk and Wilfried Swenden eds. *New Directions in Federalism Studies*, London: Routledge, 2010.

Rekha Saxena, "Federalism, Intergovernmental Mechanisms, and Coalition Governments: Continuity and Change", in Amitabh Mattoo and Happymon Jacob, eds. *Shaping India's Foreign Policy: People, Politics and Places*, Delhi: Har anand Publications, 2010.

Mahendra Prasad Singh, "Functioning of Coalition Governments in Various Democracies of the World", A Research Studies Paper Commissioned by the Commission on Centre-State Relations, Chair Justice M. M. Punchhi, 2010. <http://interstatecouncil.nic.in/ccsreport2010.htm>

M.P Singh and Kyoung-Hee Koh, "Transformation of the Indian Party System", in Achin Vanaik and Rajeev Bhargava, eds., *Understanding Contemporary India: Critical Perspectives*, New Delhi: Orient Blackswan, 2010.

Mahendra Prasad Singh, "India: Federalization of a Predominantly Parliamentary System", *Raj-Yashti: Journal of Social Sciences*, Volume III, No.1, Jan-Mar 2010.

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