REPORT OF THE FOURTH STATE FINANCE COMMISSION, ODISHA

2015-2020

VOLUME-I

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PREFACE

The Commission was constituted by the State Government Notification in October, 2013 for a period of six months with a subsequent extension providing a time line of 11 months for the Commission to submit its report. Preparation of such a report required detailed understanding and analysis of existing status of the de-centralisation, financial resources of the local bodies, legal issues, constraints of the State Government and its finances. Above all it was required to understand and appreciate the needs and aspirations of the local bodies, expectations of the citizens from these elected bodies and also their limitations. The Commission, therefore, prepared a road map of actions with pre-determined time lines to ensure that the report is submitted in time. As part of the exercise, the Commission concentrated in collection of information on various aspects of local bodies with the help of Panchayati Raj and Housing & Urban Development Departments. Field visits and interactions with various stakeholders provided useful feedback. Discussions with field functionaries and public representatives deepened our understanding. I must thank, on behalf of the Commission those who have facilitated our visits, shared with us useful information which have proved invaluable in preparation of this report.

Commission have had the privilege of drawing on the academic erudition of my colleague Prof. Adwait Kumar Mohanty, the distinguish former Professor in Analytical and Applied Economics of Utkal University & the rich administrative experience with sharp eyes on details of Sri Devi Prasad Ray, Retd. Special Secretary to the State Government.

The continued assistance of Sri Sailendra Narayan Dey, Director, Panchayati Raj and Sri Sanjib Kumar Mishra, Director, Municipal Administration as ex-officio Members was immensely valuable. Member Secretary Sri Pradeep Kumar Biswal is a responsible and able leader of the official team who has assisted the Commission. I would like to express appreciation of their dedicated and unstinted support to the Commission.

Prof. P.R.Jena, a senior faculty of National Institute of Public Finance and Policy (NIPFP), New Delhi, was the consultant to the Commission. He has helped in improvement of the content and composition of the report, without which this report would have been deprived of much of the lustre. I would also like to thank Smt. Simanti Bandopadhay, *Senior Economist, NIPFP, who has shared a number of her studies and other documents with us. Dr. R.K. Panda, Director of Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar was kind enough to organise on behalf of the Commission a workshop with highly renowned and reputed scholars, practitioners, academicians & civil society members. The output of this workshop has greatly enriched the Commission.*

My thanks are due to Dr. Sidhartha Kanungo, Joint Secretary, Finance Department, Smt. Ellora Mohanty, Deputy Secretary, Finance Department, Sri Pradyumna Kumar Mahakud, Under Secretary, Finance Department, Sri Bijaya Kumar Mallick, Desk Officer, Sri Pradipta Kumar Biswal, Section Officer & Sri Tapan Kumar Kar, Consultant in the State Finance Commission Cell who have worked tirelessly in framing, collating and shaping of the report. But for their unstinted and wholehearted support, this report would never have been possible. I will like to mention that, the arduous mathematical exercise involved was possible only because of Sri Mahakud's expertise.

I am thankful to Sri Jugal Kishore Mohapatra, IAS, Ex-Chief Secretary for his support and cooperation who has rich experience in development administration in the Districts, State and Central Governments. I shall be failing in my duty if I do not convey my thanks to Sri Gokul Chandra Pati, IAS,Chief Secretary for his cooperation. I also wish to record my thanks to Sri Aditya Prasad Padhi, IAS, Development Commissioner and Addl. Chief Secretary and Sri Upendra Nath Behera, IAS, Addl. Chief Secretary, Finance Department for their active help and cooperation whenever sought for, to facilitate functioning of the Commission. I would also like to thank Sri Taradatt, IAS, Addl. Chief Secretary, Revenue & Disaster Management Department for making time available on multiple occasions to discuss about revenue issues of local bodies and decentralisation.

We hope, the report would find favour with the Government in strengthening the Local Self Governance in the State. If implementation of our recommendations succeed in bringing about the difference to the waysthe local bodies function and deliver services, our efforts will be amply rewarded.

(Chinmay Basu)
Chairman

C O N T E N T S

CHAPTER-I

Introduction

Background

1.1 The Government of Odisha enacted "Odisha Panchayati Raj Finance Commission (Miscellaneous Provisions) Act, 1993", in pursuance of Article 243I of the Constitution. The municipal bodies were kept outside the ambit of State Finance Commission (SFC). Subsequently, Finance Department was identified as the servicing department for the SFC in place of Panchayati Raj Department. The aforesaid Act was amended vide Notification dated December 13, 1996 in which the Commission was renamed as Odisha Finance Commission and its ambit was enlarged to cover both rural and urban local bodies as per articles 243I and 243Y of the Constitution.

1.2 The 4th State Finance Commission was constituted by the State Government vide Notification dated October 13, 2013 with Chairman, a Member and Member-Secretary. Subsequently, the Commission was enlarged in two stages to finally have the following members.

1.	Sri Chinmay Basu, IAS (Retd.)	:	Chairman
2.	Prof. Adwait Kumar Mohanty, Professor of Economics (Retd.), Utkal University	:	Member
3.	Sri Devi Prasad Ray	:	Member
4.	Director, Panchayati Raj	:	Ex-officio Member
5.	Director, Municipal Administration	:	Ex-officio Member
6.	Sri Pradeep Kumar Biswal, Additional Secretary, Finance Department	:	Member-Secretary

On his elevation to the Indian Administrative Service, Sri Biswal was transferred as Joint Secretary in Planning and Coordination Department and was reappointed as Member-Secretary of the Commission vide notification dated September 12, 2014.

The Commission was appointed initially for a term of six months, i.e. upto April 30, 2014 and its tenure was subsequently extended upto September 30, 2014. In other words, it had around eleven months time to complete the task. The relevant notifications are at Annexures I through V.

Terms of Reference

1.3 As per the Terms of Reference (ToR), the Commission is to lay down the principles governing distribution of the net proceeds of taxes, duties, tolls & fees leviable by the State between the State and Local Bodies (LBs). In the ToR, the Commission is also stipulated to determine the inter-se sharing of the above resources amongst various levels of Local Self Governments (LSGs). Besides, the Commission is mandated to identify taxes, duties, tolls & fees which may be assigned to or appropriated by the rural and urban local bodies as per articles 243I and 243Y. The terms of reference further enjoins upon the Commission to indicate the basis on which grants-in-aid would be allocated to the local bodies from the consolidated fund of the State.

1.4 Another very crucial and onerous responsibility that the Constitution and ToR in pursuance there to entrust upon the Commission is to recommend measures needed to improve the financial position of Panchayats and Municipal bodies over and above the transfer of resources from the State as indicated in para 1.3

Meetings of the Commission

1.5 The Commission held its first meeting on November 18, 2013 and subsequently met on twelve occasions. In these meetings the Commission framed its approach and strategy, identified the institutions and organisations, departments of government, eminent persons and experts to be consulted and local bodies to be visited and interacted with and such other details.

Consultations with State Government Officials

1.6 The Commission had the privilege of interacting with government officials at various levels in the State headquarters, Divisional and District headquarters, Urban Local Bodies (ULBs) and PR Institutions (PRIs). It had very useful discussions with the Additional Chief Secretary, Finance and Additional Chief Secretary, Revenue & Disaster Management Departments. Discussions with the Secretaries and Special Secretaries of various Departments like School & Mass Education, Women & Child Development, Steel & Mines, Forest & Environment and H&UD were quite enlightening. Directors of ST&SC Development, Minorities and Backward Classes Welfare, Elementary Education, Odisha Primary Education Programme Authority (OPEPA) and National Rural Health Mission (NRHM) have met the Commission, shared their views and gave valuable suggestions. The Engineer in Chief (EIC) and Chief Engineers, Rural Water Supply and

Sanitation (RWS&S) I, II & III and Chief Engineer, Public Health Engineering Organisation (PHEO) have made themselves available to the Commission from time to time for discussions on various issues relating to drinking water supply and sanitation programmes in rural and urban areas. The Consultant to Energy Department apprised the Commission about economics and nuances of certain basic services involving energy needs. Chief Engineer (Roads) of Rural Development Department also briefed the Commission with details of the present status and future plan for maintenance and development of roads. The Commission had consultation with Managing Director, Odisha State Civil Supply Corporation, Chief Conservator of Forest (Kendu Leaf), Chief Executive Officer, Odisha Renewable Energy Development Agency (OREDA) and Member-Secretary of Odisha State Agriculture Marketing Board. Inspector General of Registration, Odisha had interacted with the Commission on issues of Stamp duty administration. Apart from this, the Commission, during its tours, had the privilege to discuss with the Revenue Divisional Commissioners, Collectors, Project Directors, District Rural Development Agency (DRDA), Block Development Officers (BDOs), District Panchayat Officers (DPOs), Sub-Divisional Panchayat Officers (SDPOs), Executive Officers of Gram Panchayats (GPs), Executive Officers of Municipal Corporations, Municipalities and Notified Area Councils (NACs) and other officials working in local bodies.

Memoranda from State Government Departments

1.7 PR and H&UD Departments have submitted memoranda indicating the requirements of Panchayats and urban local bodies in detail for their smooth functioning to serve the people better. These memoranda have been duly examined and considered. Both the departments have been very co-operative in providing a plethora of information at a very short notice as and when required. Many other departments of the government like Health, ST&SC Development, Minorities and Backward Classes Welfare, School & Mass Education also have submitted their views to the Commission. Status of their functional equations with regard to the local bodies and their suggestions for strengthening of the process of decentralisation and integration of functional structures of the line departments with local units of self-governance were discussed at length.

Conferences/Workshops & Interaction with Representatives and Officials of Local Bodies

1.8 The Commission was conscious of the fact that it would not be possible to either visit and interact with all the officials and elected representatives of the local bodies or even meet them in groups at the State headquarters because of their large number. Instead, in consultation with PR and H&UD Departments, different forums for consultation were designed. PR Department organised a conference of all DPOs, which was attended by the Secretary and Directors of PR Department and Director-in-charge of State Institute for Rural Development (SIRD). Feedbacks received in the meeting were very informative and useful. For interaction with officers of the ULBs, Revenue Divisional Commissioners of all the three Divisions, namely, Southern, Northern and Central were very cooperative in convening meetings of Executive Officers within their jurisdiction at their respective Divisional headquarters. These meetings provided excellent opportunity to the Commission to interact with the Executive Officers of municipal bodies. These meetings helped the Commission in understanding many functional inadequacies in the day to day urban administration. The District Panchayat Officers and Executive Officers of municipal bodies spoke of their problems like legal bottlenecks, administrative deficiencies, absence of technical personnel and many other issues, which if attended to, would increase their efficiency and ensure better service delivery.

1.9 On the request of the Commission, PR and H&UD Departments also convened separate meetings of selected office bearers and members of elected rural and urban local bodies of different levels. Though the Commission had occasions to interact more closely with the elected representatives of the local bodies during its field visits, the conferences provided an opportunity to get collective views of representatives from across the State on various issues and from different perspectives. The Commission came to know about many innovative and exemplary works done by some local bodies because of their elected representatives' dynamism, imagination and commitment. Some of these have been showcased in Chapter-IX where the good practices have been captured. The specific problems of individual urban and rural local bodies also were discussed and analysed. Some of the local bodies explained how some transfers as per earlier SFCs' recommendations were disadvantageous to them. These conferences were quite informative and helped the Commission plan out its recommendations by avoiding the pit falls pointed out by the local bodies.

1.10 The Commission had the opportunity to interact and discuss with Ms.Arati Devi, the Sarpanch of Dhunkapada Gram Panchayat(GP) under Polosara Panchayat Samiti (PS) of Ganjam District on various issues of panchayat administration. She advocated a more effective role of women in local governance through women empowerment, increased female literacy, larger women participation etc. She was invited to speak in the United Nations on women empowerment through decentralised governance. An educated lady with post-graduation qualification heading the lowest level rural local body is not only unique to Odisha, but also rare in the entire country. Similarly, the Commission also had the advantage of interacting with the Chairman of Jagatsinghpur Municipality and Sarpanch of Lathikata Gram Panchayat of Sundargarh district. They had adopted out of box strategies to improve the financial health of the respective local body headed by them for mobilising additional resources.

1.11 Nabakrushna Choudhury Centre for Development Studies, Bhubaneswar was requested to organise a workshop on “Issues and Challenges of Local Governance”. The Centre was able to garner participation of renowned scholars, policy makers and practitioners. The deliberations of the participants based on strong logic and robust information were of immense assistance to the Commission in shaping its approach and strategy. It also benefitted from the presence and participation of Sri J.K. Mohapatra, the then Chief Secretary whose insightful analysis of issues that plague the local bodies cautioned the Commission to tread its path carefully. Sri U.N. Behera, the Additional Chief Secretary, Finance Department also attended the conference and came forward with valuable inputs on the issues before the Commission.

1.12 Sri T.R. Raghunandan, who is an ex-bureaucrat and also internationally known for his insightful as well as in depth understanding of the matters relating to rural local bodies addressed the workshop. Sri S.M. Vijayananda, Additional Secretary, Ministry of Rural Development, Government of India with long years of experience in local self-governance model in a State like Kerala, known for its achievements in decentralised governance, participated in the discussions and outlined the significance of Finance Commission’s recommendations for rural local bodies. Dr.Harjit Singh Anand, Chairman, Glow Net Services and Dr.Simanti Bandopadhyay of National Institute of Public Finance and Policy (NIPFP) highlighted various dimensions of challenges in urban administration and critical issues in urban finances. Contributions of other experts also threw light on the specific problems faced by the local bodies in Odisha. These were of immense significance to the Commission.

1.13 The Commission invited Dr.Bindheswar Pathak, Chairman, Sulabh International for interaction on issues relating to sanitation campaign. Dr.Pathak made an excellent presentation and explained the challenges faced by the sanitation programme in both urban and rural areas. He also outlined a pragmatic approach to the urban sanitation programme.

Information from Local Bodies

1.14 Through newspaper advertisement dated November 14, 2013 and correspondences, the Commission had apprised the public of constitution of the 4th State Finance Commission and its mandate and requested all Gram Panchayats, Panchayat Samitis, Zilla Parishads, Notified Area Councils, Municipalities, Municipal Corporations, universities, other organisations, intelligentsia and individuals to oblige it with their valuable views and advices to strengthen the local self-governments of the State. Suggestions also have come from members of public, Zilla Parishad Members, Presidents/Vice-Presidents/Chairpersons/Vice-Chairpersons/ Members of Panchayat Samitis, Sarpanches and other representatives of Gram Panchayats and Chairpersons of municipal bodies. Some N.G.Os like Odisha Vikash Trust and Climate Parliament have given suggestions to the Commission. Besides, DRDAs and ITDAs also have come forward with their valuable inputs.

1.15 Certain formats were prepared and circulated among all the local bodies seeking detailed information about their finance and functions. But their response was not encouraging as a relatively small number of them obliged the Commission. In order to incentivise them to provide information, the formats were restructured and shortened to elicit functional information from the GPs and Urban Local Bodies. Collection of data was confined to GPs as they alone among the three tiers of PRIs had powers to collect taxes and non-tax revenues. The other two tiers of rural local bodies mainly performed agency functions about which detailed information were made available by the respective State Government departments.

1.16 The PR Department helped the Commission to get detailed information about tax and non-tax revenues along with expenditures of all the Gram Panchayats since 2010-11 through District Panchayat Officers. The Commission requested all the three Revenue Divisional Commissioners to use their good offices for collection of detailed information about revenue resources and expenditure etc. of all the ULBs. They were very cooperative and convened meetings of officers and office bearers of all ULBs in their Divisions and obtained information apart from first hand feedback.

Interactions with Honourable Ministers and MLAs

1.17 Honourable Minister of Finance himself being part of rural and urban local bodies in the past, spared his time and rendered his valuable advices regarding weakness of local bodies and the ways to redress them. The Commission has also sought for views and suggestions from the Hon'ble

Members of Parliament and Legislative Assembly of the State. The Commission would like to mention that two Hon'ble Members of Odisha Legislative Assembly, namely, Sri N.K. Das and Sri R.P. Swain had sent written suggestions and advices which were found to be immensely useful.

Visit of the Commission

1.18 Within the time-frame available, it was not possible to physically visit as many number of local bodies as otherwise the Commission would have been happy to do. It was decided to visit some selected local bodies, both urban and rural in different regions of the State. The Commission has visited some of the districts, and the Chairman and Members have visited a few other districts individually or in smaller groups for direct interaction with the local body representatives, local public and officials working at the grassroots level. The districts visited are Rayagada, Sambalpur, Bargarh, Ganjam, Kandhamal, Puri, Jajpur, Jagatsinghpur, Bhadrak, Bolanagir, Nayagarh, Khurda and Dhenkanal. The Commission could not cover more districts because of imposition of model code of conduct for the election to the State Assembly. The details of the persons with whom the Commission had interactions are given in Annexure-VI.

1.19 The Commission tried to visit a few States which have done well in urban and rural local body administration. The Commission could not visit these States too for the same reasons on account of general election to the Parliament. However, the Commission could contact other SFCs and procure their reports. Thus it had the advantage of consulting the reports of Finance Commissions of Uttarakhand, Kerala, Bihar, West Bengal, Karnataka, Rajasthan, Punjab, Tamil Nadu etc. which helped it to get some insight into the local body administrations of those States.

Meeting with 14th Finance Commission

1.20 In a meeting held in New Delhi on July 23, 2014 with the 14th Finance Commission responses of the States on certain framed questionnaire circulated earlier were shared. The discussions threw light on the focus and areas of concern of the Central as well as other SFCs. These discussions benefitted the Commission.

Design of the Report

1.21 The Commission has endeavoured its best to design the report adopting the template suggested for the SFC by the 13th Finance Commission in their Report. The Report is in two volumes. Important correspondences, newspaper advertisement and details of meetings, visits, person interacted with are compiled in Volume-II of the Report.

CHAPTER-II

Issues and Approach

Introduction

2.1 The fundamental task of the Commission is to fulfill the Constitutional mandate laid down in articles 243I and 243Y by taking into account the current and expected future macro economic and fiscal health of the State, and to ensure adequate resource availability for local bodies in the State to discharge their civic duties. The Constitutional provisions fairly assumed that the financial sustainability of the rural and urban local bodies could not be ensured only by assigning taxes, duties, tolls and fees. Indeed, these are less buoyant in nature and the local bodies have not been able to exploit the assigned sources of revenue. To supplement the resources of the local bodies, transfer from the State's own revenue as well as grants-in-aid, thus plays a pivotal role. The role of the State Finance Commission in determining the principles governing these transfers and for activities of the local bodies assumes significance. Addressing the vertical and horizontal imbalances is also a pertinent issue for the State Finance Commission.

2.2 The Terms of Reference sets broadly three major tasks for the Commission. The first task is to determine the principles governing the distribution of net proceeds of taxes, commonly termed as the 'divisible pool' between the State and local bodies and allocations of the proceeds to different tiers of the PRIs and ULBs. Secondly, the Commission has also to recommend assignment of revenue sources like taxes, tolls and fees to different levels of PRIs and Municipalities. Articles 243H and 243X of the Constitution make it obligatory for the State Government to empower the local bodies to collect taxes, duties etc. and assign them a share in State taxes and duties. The third task is to recommend grants-in-aid for local bodies from the Consolidated Fund of the State. The core task of the State Finance Commission, therefore, is to strengthen the fiscal domain of the PRIs and Municipalities so as to enable them to function effectively.

2.3 The resource position of the State and local bodies, their obligatory functions, own expenses, avenues of resource mobilization and such other basic parameters have to be taken into consideration by the Commission for choosing the best option to recommend. It has to keep the following considerations in view:

1. the fiscal position of the State Government, and resource requirements to discharge functional responsibilities in different sectors, administrative and committed expenditures and liabilities;
2. the functional responsibilities and liabilities of the PRIs and Municipalities;
3. the financial position of the PRIs and Municipalities and their potential for mobilizing additional resources;
4. the efficiency and effectiveness of the fiscal management practices at the local level for better service delivery; and
5. the need for incentivizing the local bodies for better resource mobilization.

2.4 Although the economy of the State has shown reasonably high growth rate in recent years and the State Government managed to improve its fiscal position considerably, the deficiencies are quite visible. Odisha continues to be among the low-income group states with high incidence of poverty. The State occupies 13th position among 17 general category States in terms of poverty ratio. Per capita income of the State is below the national average. Though the pace of urbanization in the State has gained momentum in recent years, the process is still not at par with national average. Further, the State has the distinction of having roughly 40% of the total population comprising Scheduled Tribes and Scheduled Castes.

2.5 The growth in migration of rural population to urban centres for wage employment in the last decade has led to growing demand for civic services in the urban sectors, particularly for water supply, sanitation, solid waste management, street lights etc. The demand for improved civic services in the urban areas has to be recognized as a critical area for urban planning. There is huge need for the strengthening of urban infrastructure and urban local bodies in the State have to take lead in this respect. The Commission recognizes this reality and its approach involves higher devolution to certain crucial areas of urban service delivery system.

2.6 Aspiration for better quality of life and demand for improved amenities are on the rise in rural areas also. Increased literacy rates, spread of audio-visual & audio media, wide spread telecommunication network, availability of low cost phone, increase in net income have all contributed to demand for better quality of living both in urban & rural areas. The efficiency and effectiveness of the Panchayats have to rise in terms of policy making and implementation to improve service delivery in the rural areas. The Commission recognizes the need for strengthening Panchayats through effective provision of resources and decentralized system of policy making to provide them with decision making power.

2.7 This chapter outlines the broad issues, considerations and approach of the Commission. The overall approach of the Commission is to recommend principles to facilitate resource availability to rural and urban local bodies in a sustainable manner to carry out functions entrusted to them. Keeping in view very poor income base of the local bodies, both rural and urban, the Commission endeavors to expand their fiscal domain to generate additional resources. The major objective implicit in these initiatives is to empower the local bodies to carry out the responsibility of providing greater public services and be a partner in the growth process of the State. The Commission is also to recommend to the Central Finance Commission for transfer of funds to the State for supplementing resources of the local bodies.

Interpretation of Constitutional Provisions on Resource Sharing with Local Bodies

2.8 Examination of recommendations of the 2nd and 3rd SFCs and Action Taken Reports (ATRs) by the State Government reveals that the fund transfer with regard to sharing of state resources with local bodies as per recommendations of the SFCs have been done perhaps with interpretations of the Constitutional provisions.

Central Finance Commission Grant additionality over SFC recommendation

2.9 In ATR to the 3rd SFC recommendations, it has been mentioned that since the SFC had recommended devolution of Rs.4880.85 crore and the 13th Finance Commission had recommended Rs.3270.90 crore for the local bodies, the State Government made provision of the differential amount of Rs.1209.95 crore, instead of the full amount recommended by the 3rd SFC. It seems that allocation of the differential amount arises out of an interpretation of the relevant provisions which is at variance with the letter and spirit of the Constitution. A close examination of the provisions made in the articles 243I & 243Y reveal that the SFC is mandated to arrive at net divisible pool out of State's own taxes, duties, tolls etc. and then decide on norms of sharing with local bodies. It is clear from Article 280(3)(bb) & (c) that the Central Finance Commission must take "measures" to "augment" the consolidated fund of the State to "supplement" the resources of local bodies. The Constitution, therefore, recognizes that transfer out of SFCs' recommendations from State's own resources will not be adequate for the local bodies to discharge the responsibilities as envisaged in Eleventh and Twelfth Schedules of the Constitution. Thus these articles expressly provide for augmentation of the consolidated fund of a state so that resources of the local bodies received out of SFC's recommendation is "supplemented" by such additionality as recommended by the Central Finance Commission. If

Central Commission grant not compensation to State for sharing revenue with local bodies

the intention was to compensate states because their revenue is being shared with local bodies, there would not have been any need of amendment of Article 280 at all or at least amendment would not have spoken of "supplementing resources".

2.10 The nature of transfers recommended by the 13th Finance Commission for augmenting the consolidated fund of the states to supplement the resources of local self-governments supports the above arguments. The 13th Finance Commission divided its recommended transfers for the local bodies into two parts. One is basic purpose grant and other is performance based grant. The performance-based grant would be available subject to satisfying nine conditions imposed by them. Hence a part of the transfer being uncertain, it cannot be compensatory in nature, rather it is purely an additionality.

2nd Administra-tative Reforms Commission clarifies

2.11 The Second Administrative Reforms Commission in their sixth report at para 4.3.1.1 states, "A major portion of Part-IX of Constitution covering Article 243C, 243D, 243E, 243G and 243L deals with structural empowerment of the PRIs but the real strength in terms of both autonomy and efficiency of these institutions is dependent on their financial positions (including their capacity to generate own resources). In general, Panchayats in our country receive funds in the following ways:

- Grants from Union Government based on recommendations of Central Finance Commission as per Article 280 of the Constitution
- Devolution from the State Government based on the recommendations of the State Finance Commission as per Article 243(I)……………"

The matter is clear from the observations of the Second Administrative Reforms Commission that the two grants are independent of each other and one cannot be subsumed in the other. The Commission, therefore, adheres to the spirit of the Constitutional provisions regarding resource transfer to the Panchayats and Municipalities by treating the grants of the Central Finance Commission as an additionality to what would be recommended by the State Finance Commission.

Road Map

2.12 Enactment of the 73rd & 74th Constitutional amendments aims at bestowing upon the local bodies sufficient powers and resources in order to enable them to function as effective units of local self-government. This can be achieved if the following pre-requisites are fulfilled.

1. Adequate financial, administrative & technical support to the local bodies
2. Strong local self-governments with authority vested in the elected bodies
3. Effective accounting and auditing system

In addition, the Commission also feels that there is need for appropriate reform measures in the legal and structural framework to bring in more autonomy and freedom to function.

2.13 The core services like water supply, sanitation, solid waste management, streetlights etc. that a local body is required to provide to the citizens involve huge financial implication. With scanty own resources at their hands and grants they receive, service provision remains minimal in nature against growing demand of the citizens for better services. Scaling up of these services needs sizeable investment. The main sources of revenue of local bodies have remained inelastic because of system inadequacies and lack of initiative for reforms.

Low capacity of LBs

2.14 The task of assessing the standard of physical services to be provided by the PRIs and Municipalities in the absence of any credible data or any accepted benchmark to determine the critical gaps in different sectors remains very difficult. During the visits to different PRIs and Municipalities and in course of discussions with the officials and elected representatives, moderate to severe deficiencies in basic services available in local bodies came to the notice of the Commission. Inadequate funding, lack of capacity and structural deficiencies have proved to be hindrances in the improvement of service delivery.

Lack of faith on Local bodies

2.15 Financial empowerment is not confined to infusion of funds, but needs simultaneously the power & authority to decide how to use the same. There are varieties of requirements and varying priorities depending on the existing level of services, felt needs and aspirations of the citizens. This varies quite substantially across the local bodies and also wards/villages within a local body. Scheme specific funding being passed on from the top cannot meet such needs. The Commission therefore felt that substantial funding should go as untied fund for the local bodies to decide how best they would utilize the same for meeting their needs and priorities. There are often apprehensions in some quarters that local bodies may not use the funds in most productive & sustainable ways. The Commission believes that it is necessary to come out of this trust deficit. It is important to allow them to decide as per their best judgment the purposes which deserve support and funding to serve the people who have elected them. By allowing this privilege to the local bodies is only a means to reach the broader goal of responsible local self-governance as enshrined in the Constitution.

2.16 The Commission examined various existing taxes which are assigned or appropriated by the local bodies. While some of the assignments have lost their significance as sources of revenue, some others are being shared symbolically. Against this background the Commission tried to identify such of the assignments as would be meaningful resource base of the local bodies and do away with assignments marginal in nature. Finally, while studying sectoral needs in urban and rural areas, the Commission examined the demands and suggestions made by organisations, individuals, elected representatives, local bodies, officials and government departments. This helped the Commission design its approach to various services that require targeted attention.

2.17 The Commission is aware that during its award period, the recommendations of the Seventh Pay Commission is likely to come into effect, causing substantial outgo from the resources of the State. While estimating income of the State and projecting its expenses, growth and buoyancy were both factored in. The Commission has to make recommendations for transfers to the local bodies under the three broad heads mentioned above, but while doing so proposes to ensure that the recommended share of local bodies each year during the five years award period does not exceed a reasonable limit so that incremental transfers benefits the local bodies without causing any additional dent in the State's own tax revenue.

Increasing resources of Local bodies

2.18 The weak income base of local bodies has been spoken of in earlier paras. The Commission is conscious of the importance of own earning in self-reliance. Irrespective of the quantum of funds infused from external sources, the strength of a government local or otherwise depends quite substantially on its own financial resources. Therefore, while exploring various avenues to garner more financial support to the local bodies in doing its mandated duties, the Commission also searched for ways & means to help increase their revenue income. With this end in view, not only assignment structure need to be realigned but also specific allocation for the purpose of revenue generation is also required to be made to reduce their dependence on government grants.

2.19 To inculcate the spirit for generating more revenue generation internally, the Commission intends to provide for an incentive structure. It felt that incentivisation should be so structured as to induce competitiveness among as many aspiring local bodies as possible. It is imperative to promote self reliance in them and encourage them by rewarding more revenue generation at their end.

Special Provision for Tribal Sub-Plan Areas

TSP areas need additional support

2.20 The 13th Finance Commission recognised the need to specially support areas under the Fifth Schedule of the Constitution which are also known as Tribal-Sub-Plan (TSP) areas and carved out a small portion of the Basic Grant exclusively for the development of these areas. The State has as high as 22.10% tribal population mostly concentrated in the TSP areas. These areas suffer from severe deficiencies in physical and social infrastructure. Consequently, in the development efforts, TSP areas also have acute cost dis-advantage. Addressing horizontal imbalances through fiscal transfer is an important element of any development scheme. The Commission feels it prudent to make special provisions to address these deficiencies by means of additional allocation.

CHAPTER-III

Status of Implementation of Previous SFC Recommendations

Introduction

3.1 As per the Constitutional provisions, SFCs are regularly being constituted in the State every five years to recommend transfer of funds and such measures as to strengthen the local bodies with a view to making self-governance effective. From the Action Taken Reports submitted by the State Government in the Legislative Assembly, it appears that efforts are made to transfer funds to the local bodies as per the State Government's own assessment within the broad framework of recommendations of the SFCs. But, the government appears to be hesitant to implement the other recommendations of the Commission. They might have considered some recommendation no longer pertinent because of changes in socio-economic conditions and process re-engineering that might have taken place meanwhile. However, Commission in course of interactions with the departments concerned came to understand that the Government's decision not to accept a recommendation has not been taken after threadbare discussion at the appropriate levels. At times, acceptance of many significant recommendations of the SFCs relating to transfer of funds to local bodies by the Government too do not lead to their actual implementation. Further, recommendations of SFCs not pertaining to transfer of funds do not find place in their respective ATRs. Though an ATR is expected to portray the decisions of the Government with respect to acceptance or otherwise of the recommendations relating to transfer of finances to the local bodies and also measures for strengthening their finances, the successive ATRs in practice appear to serve as necessary rituals to meet the Constitutional requirements for transfer of funds.

3.2 The Commission has taken up an overall review of the implementation status of the recommendation of SFCs over a relatively longer period, say, a decade covering the award periods of two previous SFCs, namely, the Second and Third SFCs. The extent of implementation of recommendations of SFCs reflects actual empowerment of the units of local governance.

Implementation Status of the 2nd SFC's recommendations

Fund transfer

3.3 The 2nd SFC, as shown in Table 3.1, recommended transfer of 10% of the State's average gross tax revenue to the local bodies during the period from 2005 to 2010 and the amount to be transferred was of Rs.1916.5 crore, in which the respective shares of PRIs and ULBs were Rs.1458.3 crore (76%) and ULBs Rs.458.2 crore (24%). In addition to this, transfer for staff salaries and allowances of elected representatives of local bodies also were recommended. Taking into account release of staff salaries etc. to local bodies, the corresponding recommendations for transfer increased to Rs.2622.89 crore for all the local bodies, out of which Rs.2143.22 crore (81.7%) was for PRIs and Rs.479.67 crore (19.3%) for ULBs. The actual release by the State Government from its own tax revenue during the five years period amounted to Rs.2187.07 crore, which included Rs.984.36 crore (45%) for PRIs and Rs.1202.71 crore (55%) for ULBs. Excluding staff salaries etc., the total release of funds to local bodies works out at Rs.1480.68 crore to be apportioned between PRIs and ULBs in the ratio of 20% (Rs.299.44 crore) and 80% (Rs.1181.24 crore).

3.4 The actual release of funds by the Government to the local bodies as proportions of amount recommended by the SFC were 77.3% without and 83.4% with transfers on account of staff salaries etc. The corresponding proportions for PRIs were 20.5% without and 45% with staff salaries etc. and more than two and half times in the case of ULBs in both the situations.

Table 3.1

Financial Transfer to LBs Recommended by 2nd SFC and Actual Release by Government

(Rs. in crore)

Type of Transfer	Recommendation of the 2nd SFC			Release of Funds from the State Government's Own Tax Revenue		
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
	PRIs	**ULBs**	**Total**	**PRIs**	**ULBs**	**Total**
Devolution	847.32	211.83	**1059.15**	-	-	-
Compensation & Assignment	-	-	-	120.93	1074.26	**1195.19**
Grants-in-Aid	610.98	246.37	**857.35**	178.51	106.98	**285.49**
Total	**1458.30**	**458.20**	**1916.50**	**299.44**	**1181.24**	**1480.68**
	(76) (100)	(24) (100)	(100) (100)	(20) (20.5)	(80) (257.8)	(100) (77.3)
Salary	684.92	21.47	**706.39**	684.92	21.47	**706.39**
Grand Total	**2143.22**	**479.67**	**2622.89**	**984.36**	**1202.71**	**2187.07**
	(81.7) (100)	(19.3) (100)	(100) (100)	(45) (45.9)	(55) (250.7)	(100) (83.3)

Figure in parentheses are percentages

Source : Compiled from the State Budget documents

3.5 Table 3.1 shows no fund was released to the local bodies under devolution head though the 2nd SFC had recommended Rs.1059.15 crore for the purpose. But in lieu thereof, the Government transferred Rs.907.00crore received under the 12th Finance Commission grant on that account. As regards grants-in-aid to LBs, release of Rs.285.49 crore by the Government was one third of the 2nd SFC's recommendation of Rs.857.35 crore. The 2nd SFC was silent about compensation and assignment to local bodies. But the Government transferred for the purpose a sum of Rs.1195.19 crore, out of which PRIs and ULBs respectively received Rs.120.93 crore and Rs.1074.26 crore.

Other Recommendations

LBs to be empower-ed to impose fees

3.6 Many innovative recommendations and thoughtful suggestions of the 2nd SFC have either remained unattended even now or not been properly addressed at the appropriate levels. For example, in reply to the queries on implementation status of suggestions of the 2nd SFC regarding collection of pilgrim fees, the Department contends that local bodies have no responsibility towards maintenance of the shrines and so have no right to collect fees. On inquiry, the Commission was informed that no such Government decision has been taken. The basic objective behind collection of fees does not appear to have been appreciated. Religious shrines may not be the ideal places to collect fees for, but tourist places may bring in revenue to the local bodies, which are liable to provide proper civic services like sanitation, drinking water, street lights etc. for hundreds and often thousands of visitors thronging these places every day. Therefore, the ULBs/RLBs should be empowered to impose fees wherever they feel expedient to do so for entry of tourist vehicles and visitors to places of tourism attractions.

Imposi-tion of property tax

3.7 Levy of property tax recommended by the 2nd State Finance Commission had not been acted upon. When levy of property tax was made a precondition by the 13th Finance Commission for release of funds under "performance based grants", Bills were introduced in the 14th State Assembly for its levy in both rural and urban areas. But the same were referred to the Select Committees and had a natural death with the dissolution of the Assembly. New Bills need to be introduced if property tax is to be levied. The Commission has gone through the earlier Bills and is of the view that the goal cannot be achieved if some of their restrictive provisions are not done away with. So the Bills have to be relooked into. The LSGs being elected bodies should be given complete freedom to raise their own resources. Apart from the two issues mentioned above, there were a number of recommendations of the 2nd SFC, the details of which along with status of implementation/decisions is given in the Tables 3.2 and 3.3.

Table 3.2

Status of Recommendations for PRIs – issues not relating to fund transfer

Para No.	Recommendations	Action Taken by 1.1.2014.
1	2	3
6.27 & 6.28	GPs to be powered to levy property tax.	The amendment bill for imposition of property tax by Rural Local Body under OGP Act awaits reintroduction in the 15th State Assembly.
6.32	G.Ps. to be empowered to levy and collect Capital / Property Transfer fee on sale or exchange of any property.	No action has been taken.
6.33	Empowering GPs to impose a "Family Welfare Cess" collectable on 3rd and subsequent child.	No action has been taken
6.34 & 6.35	G.P. may be empowered to impose and collect a pisci-culture cess from private owners, lease holders, institutions, societies etc. for carrying out pisci-culture activities.	No action has been taken.
6.37	Imposition of Education, Environment and Healthcare cess to be collected and distributed among LBs by the State Government in the case of major and medium industries and by GPs in case of small village and cottage industries for their own appropriation.	No action has been taken.
6.38	Amendment of the legislation appropriately authorising the Govt. to collect 5% of the pit mouth value of the minerals as Education, Environment and Healthcare Cess on power plants to be distributed among LBs within a radius of 10 kms of the mines.	No action has been taken.
6.39	Legislative measures to be taken up by the Government for levy of "Education, Environment and Health Care Cess" from the major, medium and minor ports and harbours to be apportioned among the LBs situated within a radius of 20 kms. Besides, empowering the G.Ps to impose and collect the same cess from the fishing jetties situated within their jurisdiction.	No action has been taken.

Para No.	Recommendations	Action Taken by 1.1.2014.
1	2	3
6.40	Government to levy and collect the above mentioned cess from the power plants generating electricity both in utility and non-utility sectors and both in conventional and non-conventional energy sources to be distributed among the LBs proportionately.	No action has been taken.
6.41	G.Ps to be empowered to levy parking fees on motor vehicles halting or parking on public roads inside the G.P. and village and to impose penalty.	Some G.Ps are collecting parking fees. But G.Ps have not been empowered to impose & collect a penalty of 25% of the parking fees from those violating the parking rules.
6.42	GPs to be authorised to collect annual license fee from all shops or trading activities.	It is being collected in some G.Ps. in the State.
6.43	Repeal of Orissa Agricultural Produce Markets Act and transfer of all the markets to the G.Ps. concerned.	Implemented by some G.Ps. But the market under RMC management have not been transferred/ rested with G.P. for generating revenue for the G.P.
6.46	Empowering GPs at the first entry point to collect a toll fee from the commercial motor vehicles for using a bridge or road constructed or maintained by any of the Panchayati Raj Institutions.	Not implemented
6.48	G.Ps to be empowered to levy a 'Local Body Health Fee' on Private hospitals, nursing homes within its jurisdiction.	It has not been implemented.
6.49	Empowering Gram Panchayat to levy a pilgrim fee on every person entering any place of pilgrimage within its jurisdiction.	No pilgrim tax is imposed in the places of pilgrimage most of which are under Archaeological Survey of India. For maintenance G.Ps do not have any role to play in such matters.
6.51	Steps to be taken to authorise GPs for issue of birth and death certificate and levy of fees for the same.	It is not being implemented.
6.52	Amendment of Odisha Gram Panchayat (Minor Forest Produce Administration) Rules,2002 empowering GPs to levy and collect registration fees from P.S.U traders and empowering them to levy and collect an annual licence fees not less than 0.25% of annual turnovers of all traders.	No action has been taken.

Para No.	Recommendations	Action Taken by 1.1.2014.
1	2	3
6.56	Necessary provision may be made making it mandatory for each G.P. to contribute 5% of its net internal income to the Panchayat Samiti and another 5% to the Z.P. annually for strengthening their internal resources.	Not implemented, as the G.Ps have hardly any internal income worth the name.

Source: Compiled by the Commission

Table 3.3

Status of Recommendations for ULBs- issues not relating to fund transfer

Para No.	Recommendations	Action Taken by 1.1.2014
1	2	3
6.68	Possession tax on encroached land	Mostly encroachers in urban areas are the slum dwellers. Imposition of possession tax on encroached land is yet to be decided.
6.69	Amendment of Section 131 and 192 of the Odisha Municipal Corporation Act 2013 to enable the ULBs to impose possession tax on encroachments.	The resolution on property tax reforms in Municipal Corporations and Municipalities has not yet been published since the same is pending with Hon'ble Select Committee of Odisha Legislative Assembly.
6.70	Turnover Tax on annual sale value of Agriculture Produce exceeding Rs.1 lakh	No decision has been taken.
6.71	Livestock registration and licence fees.	As per provision under Section 131 of O.M. Act, 1950 Urban Local Bodies are empowered to impose licence fees on registration of dogs and tax on horses and other animal.
6.73	Capital / Property transaction fees.	The Revenue & Disaster Management Deptt. have reduced the Stamp Duties from 8% to 5% including 2% town area surcharges in their Order No.33267/RDM, dtd. 05.08.2008. Accordingly necessary amendment has been made i.e., Section 83 of OTP & I.T. Act, 1956 and Section 78 of ODA Act, 1982 have been omitted w.e.f. 05.08.2008.
6.73	Population Welfare Cess	Policy decision yet to be taken.
6.74	Pisci-culture Cess	Excepting a few institutional and private water bodies useful for pisci-culture, largely water bodies fit for pisci-culture belong to ULBs and municipal revenue are being earned by leasing such water bodies.

Para No.	Recommendations	Action Taken by 1.1.2014
1	2	3
6.78, 6.79 & 6.80	Education, Environment and Health Care Cess on Industries / Mines/ Ports and Jetties.	Policy decision yet to be taken.
6.82	Parking Fees	Decision yet to be taken.
6.84	Licence fees from shops	ULBs have been collecting licence fees from shops / commercial complexes in private premises. They are also paying holding tax on enhanced rate.
6.85	Transfer of markets under Regulated Marketing Committees to the Urban Local Body	Decisions yet to be taken.
6.88	Local Body Health Fee from private hospitals and nursing homes.	Private Hospitals and Nursing Homes rendering health care facilities have been paying Holding Tax for their establishment at commercial rate any further taxation shall dissuade the Health Service Provider.
6.89	Pilgrim Fee	Pilgrim Sites within ULB area being maintained by Trusts/ Boards and other Deptt. of State / GOI No. such decision has been taken to impose pilgrim fee.

Source : Complied by the Commission.

Many of the recommendations are still relevant even now, and need to be addressed and implemented.

Implementation Status of the 3rd SFC's Recommendations

Transfer of Funds

3.8 The 3rd SFC recommended transfer of Rs.7126.5 crore to LBs during its award period from 2010 to 2015, out of which Rs.5585.19 crore (78.4%) was to be received by the PRIs and Rs.1541.31 crore (21.6%) by the ULBs (Table 3.4). Besides, the Commission recommended additional transfer towards staff salaries, honorarium of elected representatives etc. of PRIs. When the latter is included, the transfer to LBs totalled to Rs.8355.81 crore. In the increased transfer recommended, the share of PRIs was Rs.6787.18 crore (81.2%) and that of ULBs was Rs.1568.63 crore (13.85%).

3.9 A different picture emerges when actual release by the Government is considered. Without the salaries and honorarium etc. component, total release to the LBs against the above recommended amount was Rs.4298.25 crore in which the shares of PRIs and ULBs respectively were Rs.1918.15 crore (44.6%) and Rs.2380.10 crore (55.4%). But with the inclusion of the salary component, the total release to LBs, PRIs and ULBs respectively increased to Rs.5527.56 crore, Rs.3120.14 crore (56.4%) & Rs.2407.42 crore (42.6%).

Table 3.4

Financial Transfer to LBs Recommended by 3rd SFC and Actual Release by Government

(Rs. in crores)

Type of Transfer	Recommendation of the 3rd SFC			Release of Funds from the State Government's Own Tax Revenue		
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
	PRIs	**ULBs**	**Total**	**PRIs**	**ULBs**	**Total**
Devolution	3360.64	1120.21	**4480.85**	906.45	241.84	**1148.29**
Compensation & Assignment	0.00	0.00	**0.00**	175.04	2022.22	**2197.26**
Grants-in-Aid	2224.45	421.10	**2645.65**	836.66	116.04	**952.70**
Total	**5585.19**	**1541.31**	**7126.5**	**1918.15**	**2380.10**	**4298.25**
	(78.4) (100)	(21.6) (100)	(100) (100)	(44.6) (34.34)	(55.4) (154.42)	(100) (60.31)
Salary	1201.99	27.32	**1229.31**	1201.99	27.32	**1229.31**
Grand Total	**6787.18**	**1568.63**	**8355.81**	**3120.14**	**2407.42**	**5527.56**
	(81.2) (100)	(19.8) (100)	(100) (100)	(56.4) (45.97)	(43.6) (153.47)	(100) (66.15)

Figure in parentheses are percentages
***Source : Compiled from* State Budget documents**

Against the 3rd SFC's request to the 13th Finance Commission for reimbursement of the devolution amount of Rs.4480.85 crore to augment the consolidated fund of the State, the Central Commission earmarked Rs.3270.90 crore only for devolution during the award period. The Government accepted the recommendations of the 3rd SFC and released Rs.4480.85 crore as devolution. Considering the transfer under the 13th Finance Commission's grant, the Government decided to transfer the differential amount of Rs.1209.95 crore as 3rd SFC grant to the local bodies.

Other Recommendations

3.10 The 3rd SFC has reiterated many of the recommendations made by the 2nd SFC as those were either not implemented or partially implemented. Apart from this, it also has made other recommendations, most of which appear not to have been attended to as yet. Details of the recommendations made by the 3rd SFC and status of their implementation are given in Tables 3.5 & 3.6.

Table 3.5

Status of Recommendations for PRIs - Issues not relating to fund transfer

Para No.	Recommendations of 3rd SFC	Action Taken by 01.01.2014
1	2	3
9.3	Implementation of orders of devolution of powers by 11 Departments.	Already complied.
9.4	Constitution of Panchayat Samiti and Zilla Parishad level Committees with their Chairman and President as Chairperson.	Yet to be complied.
9.9.2(i)	Left out items like cane, brushwood, stumps and tassar to be included in the list of minor forest produce. Local name and scientific name of each item of MFP to be mentioned in the list of MFP.	Not Complied.
9.9.2(ii)	Amendment of Odisha Gram Panchayat (Administration of Minor Forest Produce) Rules, 2002 consistent with Forest Right Act and Panchayat Extension to Scheduled Areas (PESA) Act.	
9.9.2(iii)	Ownership of GP and Gram Sabha over minor forest produces to be clearly defined.	
9.9.2(iv)	PR Institutions to be strengthened with field level officers deputed from Forest & Env. Deptt. for securing individual or community right over minor forest produce.	
9.9.2(v)	GP to be empowered to fix registration fees on the basis of availability of minor forest produces and market rates.	
9.9.2(vi)	Constitution of a minor forest board.	
9.9.2(vii)	Individual and communities traditionally dependent on minor forest produces to be given a share of profit from KL trade and bamboo trade.	Partly complied. Though KL grant has been enhanced to Rs.20 crore, the rest of the recommendation remain unimplemented
9.9.2(viii)	KL grants to be enhanced from Rs.10 crore to Rs.20 crore per annum. 50% of total KL grants to be paid to registered labourers engaged in KL trade. Rs. 1 crore to be utilised for welfare of KL worker. Balance amount to be released to PRIs for protection & regeneration of MFP Species, Development of infrastructure which benefit the KL worker and MFP gatherer.	
9.9.2(ix)	10% of the net profit accruing from bamboo trade to be paid to individuals engaged in bamboo trade operation.	Not complied
9.9.3	(i) Recommendation for untied fund of Rs.109.90 crore @ Rs.35.00 lakh per annum for each PS.	Complied, Funds have been provided under untied funds, incentive awards and celebration of

Para No.	Recommendations of 3rd SFC	Action Taken by 01.01.2014
1	2	3
	(ii) Rs.0.70 crore for celebration of Panchayati Raj Diwas. (iii) Rs.3.60 crore towards incentive to PRIs.	P.R. Diwas.
9.9.4	Government to bear the salary component of officers and staff of PRIs recruited by Govt., honorarium, sitting fees, T.A. & D.A. of elected representatives and other expenditure as usual. Total amount of Rs.293.56 crore is recommended for the purpose.	Complied
9.10.1.	Transfer of funds collected under building and other construction workers (Regulation of Implementation & Conditions of Service) Act, 1996 to PRIs and ULBs.	Not complied
9.10.2	Transfer of fund collected as per Notification No.SRO-37/2004 dated 20.2.2004,15.01.2004 of Steel & Mines Deptt. to GPs. concerned where mining activities are being taken up.	Information not furnished
9.10.3	Transfer of the control of village markets from RMC to GPs. The Commission recommended for the constitution of a Committee to identify the markets which should continue under the control of RMC and the one to be retransferred to GPs.	Not complied.
9.10.4	Gram Panchayat properties to be mutated in favour of the GP concerned. The Sarpanch and Executive Officer to be trained for Scientific Management of GP properties and should be made personally responsible for their settlement.	Partly complied.
9.10.5	Measures for accrual of income and prevention of loss to PRIs. (i) Recovery of Departmental charges from work bills. (ii) Recoupment of fund to GPs by R&DM Department. (iii) Release of funds under BRGF scheme and 12th Finance Commission award to Gram Panchayats. (iv) Exemption of royalty from earth work. (v) Economy in expenditure relating to purchase of stores and stationeries.	Not complied.
9.11	Empowering Gram Panchayats and Urban Local Bodies to impose taxes like Panchayat tax, advertisement tax, permit fees from factories, license fees from shops etc.	Not complied

Para No.	Recommendations of 3rd SFC	Action Taken by 01.01.2014
1	2	3
9.12	Provision of functionaries Government should examine creation of district and State level cadre in the light of recommendations of the Ministry of Panchayati Raj.	Under examination
9.13	Government should consider the demand of Panchayati Raj service engineers association for creation of a cadre and promotion of Panchayati Raj Junior Engineers to the post of Asst. Engineers.	Under process
9.14	Release of fund from the state budget to the Panchayati Raj Department may be put under restriction till they comply with recommendation of the 2nd State Finance Commission.	Under examination.
9.15	Miscellaneous Matters (a) Computerisation of GPs. (b) Capacity building of elected representatives. (c) Strengthening of three extension centres located at Bhubaneswar, Bhawanipatna and Keonjhar. (d) Translation of Panchayat laws into Oriya with vetting of Law Department. (e) Correspondences with PRIs in Oriya. Copies of correspondences to LBs should be sent to their respective chairperson.	Not Complied.

Source : P.R. Department

Table 3.6

Implementation Status for ULBs – issues not related to fund transfer

Para No.	Recommendation of the 3rd SFC	Action Taken by 01.01.2014
1	**2**	**3**
9.11	Collection of advertisement tax	State has already published an advertisement policy for ULBs and collecting advertisement tax from hoarding etc.
9.12	Recommendation for resource mobilisation by Urban Local Bodies.	Action is being taken by H&U.D. Department to impose such taxes.
9.12 (i)	Unit Area Value Assessment	An amendment bill to this effect lapsed with the dissolution of the 14th Assembly. Steps will be taken afresh in this regard.
9.12 (ii)	Imposition and collection fines on unauthorised use of land under municipal jurisdiction.	No step has been taken.

Para No.	Recommendation of the 3rd SFC	Action Taken by 01.01.2014
1	2	3
9.12 (iii)	Share in cess on conversion of agriculture land for non-agricultural uses.	No concerted effort has been made. However, now the matter has been taken up with Revenue & Disaster Management Department.
9.12 (iv)	Imposition and collection of capital / property transaction fee.	-do-
9.12 (v)	Imposition and collection of trade licence Fees.	Urban Local Bodies are authorised to collect Trade Licence Fees as per mandate given by the Odisha Municipal Corporation Act, 2003.
9.14	Release of fund from the State Budget to the Housing & Urban Development Department may be put under restriction till the comply with recommendation of the 2nd State Finance Commission.	Under examination.
9.15	(a) Housing & Urban Development Department, Finance Department and Revenue & Disaster Management Department to discuss jointly for creation of a cadre of Executive Officer for the ULBs. (b) A professional body to be entrusted with the task of formulating a plan relating to composition of man power requirement of ULBs and phasing out of surplus staff. (c) Establishment of a State Institute of Urban Development in the pattern of SIRD for imparting training to the elected representatives.	Urban cadre planning is on-going. It aims at creating an effective Directorate along with a holistic cadre for Executive Officers & other professional staff like Engineering, Finance, Ministerial etc. As per Finance Department instruction already 75% of base level posts have been abolished. Now the man power re-structuring plan is being done by subject experts engaged in PMU of the Administrative Staff College of India (ASCI), Hyderabad. The present urban cadre proposal has been prepared with the support of experts. Already a proposal for setting up Odisha Institute for Urban Management & Governance has been submitted with suggestion to MOUD, GoI with a 50:50 funding pattern. So far, two agencies ASCI, Hyderabad & AIILSG were engaged for imparting training for the year 2011-12, 2012-13.
9.16	(d) Odia Translation of Municipal Laws with the vetting of Law Department. (e) Correspondence with Urban Local Bodies in Odia (f) Determination of Status of Mayor of Municipal Corporation.	Not yet done. Routine letters / Correspondence are being made in Odia. All statutory notifications are done in Odia. Mayor's powers and responsibilities are spelt out in O.M.C. Act, 2003.

Source : H & U D Department

Transfer of funds arising out of recommendations of the 3rd SFC seems to be skewed in favour of the ULBs though original recommendations of the Commission were otherwise.

3.11 While recommending devolution to the PRIs, the 3rd SFC had earmarked funds for specific purposes like livelihood, education, culverts and bridges, development of water bodies and rural water supply including tube wells, up-gradation of village roads, maintenance of minor irrigation projects, improvement of street lighting, cremation/burial ground, construction of community hall/training centres, herbal garden etc. Many of the areas for which funding was suggested by the 3rd SFC did not find favour with the State Government and no allocation was made for the same.

Scepticism about PRIs

3.12 In Para 6.7.2 of its report, the Commission had recommended release of a part of grants-in-aid in the shape of untied funds to address the local needs which cannot be met with tied funds. Panchayat Samiti was identified as the appropriate PRI level for this purpose. As per its recommendations, Rs.35.00 lakh is to be released annually per Panchayat Samiti under this head. This is an insignificant fraction of total transfer. However, because of apparent trust deficit, a guideline has been issued vide letter No 22187 dt.29.08.2013 of PR Department along with a list of works to be undertaken with this amount, which undermines the spirit of local self governance. A strong scepticism that unless the items of expenditure are specified, funds may be utilised by PRIs in frivolous ways is apparent. Any fund that goes to PRIs has to be spent as per accounting and work procedures/rules and executive instructions of the Government. Only a negative list of works would suffice in serving the purpose of empowering the local bodies to take their own decision as to how and for what purpose the funds are to be used. The present Commission feels, there should not be any guideline, but a negative list of works for the use of untied funds (e.g. for religious institutions, donation, any kind of celebration).

3.13 Awards/incentives to the tune of Rs.3.60 crore for model Gram Panchayats/ best Gram Panchayat/model Panchayat Samitis and model Zilla Parishads over the entire award period were recommended by the Commission at para 6.7.3. of its report. It also has prescribed certain criteria of selection. However, Panchayati Raj Department has issued a guideline with an eligibility criteria different from that of the Commission for selection of two best performing Gram Panchayats per district for award of the incentive grants. Other two tiers have not been included in this arrangement.

Salary of employees to continue from SFC grant

3.14 The Commission in para 6.8.2 of its report recommended the State Government to continue bearing the salary component of the government officials working in PRIs as well as honorarium, sitting fees, T.A. & D.A. of the elected representatives. It is observed that the same is not being met from the State budget, but out of the 3rd SFC grant. Till about a decade back, this was not the practice, but it has changed since the implementation of the 73rd & 74th amendments and larger amounts are being transferred from the normal budgetary head under the veil of Finance Commission grants. There is hardly any or no provision for field establishment in Panchayati Raj Department budget. Almost the entire amount is being booked under the banner of SFC grant. The 3rd SFC recommended a much smaller amount for the purpose and Government accepted the same as shown in ATR. But subsequently it was raised to a much higher level. There may be an argument that since all these government employees are working under the local bodies, their salary expenditures should be met by the latter and hence from SFC grants. In the present Commission's opinion, this argument would have held good if the local bodies did not perform any agency function for the implementation of other Government schemes. However, since the State Government has already evolved a financial budgeting process for treating the establishment expenses of local bodies to be met from transfers recommended by the SFC, the present Commission thought it prudent to continue with the same arrangement.

3.15 Most of the other recommendations made by the Commission have not yet been complied with and there is hardly any justifiable reason cited for such non-compliance. Except a few recommendations like provision of functionaries (para 9.13 of the report) and demand of Panchayati Raj Service Engineers' Association for creation of their cadre and promotion of Panchayati Raj Junior Engineer to the post of Assistant Engineer (Para 9.14 of the report) which are under scrutiny at Panchayati Raj Department level, no definitive initiative on the other recommendations has been taken so far. If any recommendation of the 3rd SFC was found unacceptable for some reasons, that should have been spelt out after threadbare discussion at the appropriate level and at the same time, the ones helpful to empowering the local bodies should have been implemented in right earnest.

3.16 The Commission had not recommended any grant under entertainment tax, motor vehicle tax, stamp duty/annuity, managerial fines, pilgrim fees and grants for festive occasions etc. as in the previous years. However, Government has decided to continue with assignment of these taxes to LBs. As regards assignment of entry tax, the Commission in para 5.14(v) of its report observed, "Devolution to Urban Local Bodies will not affect the accrual of entry tax which they have been receiving before". Since the Commission did not specify any amount for this purpose, the Government decided as indicated in the ATR to provide Rs. 254 crore as the base amount on the basis of revised estimate for the year 2010-11 and this was to be increased by 10% annually in the subsequent years. But eventually Government released much higher amount. In the year 2013-14 allocation under entry tax for urban bodies went up to Rs.500.00crore.

3.17 In para 6.10.2 of its report, the Commission recommended release of Rs.82.72 crore per annum as grants-in-aid towards salary and pension of the ULB employees. Against this, Government decided to release Rs.4.44 crore as grants-in-aid towards pension fund for non-LFS employees and Rs.0.24 crore towards salary grant. Expenditure on salary and pension of the employees of ULBs were to be met out of entry tax assignment. However, it has been observed that the amount is not enough to meet the actual salary and pension liabilities of the ULBs.

3.18 The Commission recommended grants-in-aid for incentivising the best Municipality and NAC of the State on the basis of their performances in revenue collection, creation of drainage facilities, solid waste management, development & maintenance of internal roads, drinking water supply, provision of street lights in all the main roads and by-lanes of the ULBs, maintenance of accounts and public property management. After accepting the above recommendation, Government annually provides a sum of Rs.20.00 crore in addition to assignment from the proceeds of the entry tax for the purpose of creating a dedicated “performance incentive fund” to incentivise ULBs for exceptional performance in the areas like additional revenue mobilization, improvement in service delivery and implementation of innovative urban development projects.

3.19 The Commission also had made certain recommendations for augmentation of resources, structural and systemic improvements like introduction of unit area value assessment property tax system, collection of fines for unauthorised use of land under municipal jurisdiction, share in cess on conversion of agricultural land for non-agricultural use, introduction of capital / property transaction fee, trade licence fees, creation of a cadre of executive officers for the ULBs, entrusting a professional body with the task of formulating the plan relating to manpower requirements of ULBs and phasing out of surplus staff, establishment of a State Institute of Urban Development in the pattern of SIRD for imparting training to the elected representatives and making correspondences with ULBs in Odia language. Issues relating to many other important recommendations have met the same fate as those of the 2nd SFC’s recommendations.

Important Suggestions

3.20 The Commission is aware that there is a State level Monitoring Committee to ensure proper and timely utilisation of grants recommended by the 13th Finance Commission. The Chief Secretary is the Chairman of the Committee with Development Commissioner and Secretaries of the departments concerned as members. The officer dealing with the Central Finance Commission is its Member-Convener. On inquiry, it was learnt that there is no forum in the State to monitor implementation of SFCs' recommendations except the Action Taken Report submitted by the Government in Finance Department regarding financial transfers.

3.21 Action Taken reports do not contain any views or decisions of the Government in Finance Department on various recommendations of the Commission, not pertaining to transfer of funds. Departments administering the local bodies do not have any forum where they have to account for these actions on the recommendations of the SFCs and consequently, all such recommendations remain unaddressed. The Commission recommends that the ATR should incorporate commitments of PR & H&UD Departments to take action in a definite time frame.

3.22 The Commission, recommends the State Government to constitute a committee headed by the Chief Secretary with Development Commissioner, Finance Secretary, PR Secretary and H & U.D. Secretary as members to meet quarterly to examine suitability and feasibility of implementation of SFCs' financial as well as other relevant recommendations in a time bound manner. The committee may be serviced by Finance Department. This recommendation aims at strengthening local self-governance such that it does not lie in a moribund state by default.

CHAPTER- IV

State Finances: An Overview

Introduction

4.1 Para 5(a) of the ToR of the Commission stipulates that in making its recommendations, the Commission shall keep in view, among other considerations, the revenue resources of the State Government and demands thereon for expenditure on account of civil administration, police & judicial administration, education, maintenance of capital assets, social welfare, debt servicing and other committed expenditures or liabilities. The state of finances has been analysed as it has evolved over the last five years for which actuals are available. The contours of fiscal trends as reflected in the key fiscal indicators have been analysed basing on data available in the State budget documents, Finance Accounts, information from different departments and audit reports of Comptroller & Auditor General of India.

4.2 The State Government's resources include its own tax and non-tax receipts, share in central taxes, various grants-in-aid received from the Central Government and receipts of capital nature such as recovery of loan advances, disinvestment proceeds, if any and borrowings from diverse sources. However, we have confined our analysis to the State's revenue earnings from its own sources and the liabilities arising from payments made by way of salary, interest, pension, maintenance of capital assets besides the expenditures incurred on general administration, law and order and social welfare notably in sectors like health, education and food security.

4.3 The State Government went through serious fiscal stress during the late nineties and the early years of the next decade. The sharp deterioration in state finances and steady accumulation of debt invited urgency for reforms. The impact of recommendation of 5th Pay Commission increased the mismatch between revenue receipts and revenue expenditures. This has seriously impaired the fiscal capacity of the State limiting its ability to embark on an ambitious plan for development. The fiscal situation in Odisha has considerably improved in recent years after the enactment of Fiscal Responsibility and Budget Management (FRBM) Act. The steady implementation of various fiscal prudence measures has resulted in turnaround in the fiscal health of the State. Sustained efforts at augmenting revenue generation and rationalizing expenditure, the State managed to achieve fiscal consolidation.

4.4 After a gap of 22 years, the State had a revenue surplus of Rs.481.19 crore in the year 2005-06. The State continues to generate revenue surplus since then and contain the fiscal deficit relative to GSDP below 2 percent. The fiscal health in terms of revenue generation and revenue expenditure during the period from 2007-08 to 2012-13 is shown in the Table 4.1 for better appreciation of the financial scenario of the State.

Table 4.1

Revenue and Expenditure of the State from 2007-08 to 2012-13

Rs. in crore

Item	2007-08 (Actual)	2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	2011-12 (Actual)	2012-13 (Actual)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
State's Total Revenue	21967.19	24610.01	26430.21	33276.16	40267.02	43936.91
State's Total Revenue as percentage of GSDP (%)	16.99	16.57	16.22	16.85	18.65	17.2
State's total own Revenue	9509.66	11171.35	12194.54	15973.03	19885.73	23112.23
State's Own Revenues as percentage of GSDP (%)	7.36	7.52	7.48	8.09	9.21	9.05
State's Own Tax Revenue	6856.09	7995.2	8982.34	11192.66	13442.77	15034.2
State's Own Non Tax Revenue	2653.58	3176.15	3212.2	4780.37	6442.96	8078.03
Share in Central Taxes	7846.5	8279.96	8518.65	10496.87	12229.09	13964.94
Grants from the Centre	4611.02	5158.7	5717.02	6806.25	8152.19	6859.73
Total Central Transfer	12457.52	13438.66	14235.67	17303.12	20381.28	20824.67
Total Central Transfer as percentage of GSDP (%)	9.64	9.05	8.74	8.76	9.44	8.15
Total Revenue Expenditure	17723.27	21190.12	25291.59	29367.95	34660.24	38237.56
Total Revenue Expenditure as percentage of GSDP (%)	13.71	14.27	15.52	14.87	16.05	14.97
(A) General Services	7227.21	6961.87	9285.15	9936.77	10928.58	12423.27
(B) Social Services	6416.51	8284.41	9838.21	11922.01	14338.08	14976.56
Education	3171.22	4386.26	5413.18	6729.84	6647.48	7050.73
Public health	615.37	800.2	985.9	1033.07	1129.34	1467.34
Water Supply, sanitation & Urban	354.11	269.96	346.54	512.47	563.16	598.39
Other Social services	2275.81	2827.99	3092.59	3646.63	5998.1	5860.1
(C) Economic Services	3728.65	5551.08	5762.4	7077.55	8732.47	10196.24

Compensation and Assignment to Local Bodies	350.9	392.76	405.82	431.61	661.11	641.49
Revenue Surplus/ Deficit	4243.92	3419.89	1138.62	3908.21	5606.78	5699.35
Revenue Surplus/ Deficit as percentage of GSDP (%)	3.28	2.3	0.69	1.98	2.59	2.23
Fiscal deficit	1323.13	-334.03	-2265.38	-657.76	621.76	3.61
Fiscal Deficit as percentage of GSDP (%)	1.02	-0.22	-1.39	-0.33	0.29	0.00
Capital Expenditure	3276.09	3990.14	3760.36	4599.78	5117.1	5838.21
Capital Expenditure as percentage to GSDP	2.53	2.69	2.31	2.33	2.37	2.29
Debt Stock (Year end)	36311.61	36430.54	37730.04	39136.31	38589.37	37980.14
Debt Stock (Year end) as percentage of GSDP (%)	28.09	24.53	23.15	19.81	17.87	14.87
Capital Outlay	2843.41	3779.17	3647.88	4285.1	4496.09	5622.18
GSDP at current price	129274	148491	162946	197530	215899	255459

Source: Finance Accounts of relevant years

4.5 Significant features of the State finances may be summed up as hereunder:

- The overall increase in the size of the State budget from year to year is about 16 percent. To be more specific, it increased from Rs.52030.70 crore in 2012-13 to Rs.60303.09 crore in 2013-14. Viewed against the declining growth of revenue receipts from 31 percent in 2010-11 to 16.25 in 2012-13, jump in State budget outlay during this period is considerable.
- Over the years, the contribution of State's own revenue to the overall revenue earnings outpaced the aggregate central transfer. In 2012-13, State's total own revenue accounted for 9.05 percent while central transfer constituted 8.15 percent of GSDP. The latter indicates a gradual decline in the domination of central transfer over the former.
- The fiscal situation of the State has considerably improved after enactment of the FRBM Act.
- The State is consistently generating revenue surplus since 2005-06
- The fiscal deficit relative to GSDP is below 2 percent.
- There was fiscal surplus in 2006-07 and 2007-08 as in the last two years, 2011-12 and 2012-13.

- Achievement of FRBM targets has helped maintenance of fiscal discipline.
- Higher revenue receipts with central transfers playing a key role on the one hand and expenditure control on the other helped the State to achieve revenue surplus consistently.

High growth rate goes down

4.6 The Government of Odisha consistently maintained strong fiscal position during the post-FRBM period. Although the pay and pensions revision in 2009-10 increased the revenue expenditure, the fiscal outcomes remained within the limits stipulated in the FRBM Act. But the worrying aspects of the State's fiscal performance has been the relative decline of various indicators noticed in the fiscal year 2012-13. The State's own revenue and overall central transfers declined as percentage of GSDP. Some of the recent policy initiatives of the central government e.g., restructuring of the centrally sponsored schemes and implementation of National Food Security Act, 2013 may entail additional liability at the State level. Revenue raising prospects of the State Government in the medium term may be influenced by the introduction of the proposed Goods and Services Tax (GST) subsuming Entry Tax and CST. Although the overall debt position of the State Government is sustainable, a slowdown in growth momentum may affect its revenue raising capacity with adverse implication for incremental debt and debt servicing capacity.

Own tax & Non-tax Revenue

4.7 As indicated in Table 4.2, the total own revenue of the State has been rising steadily since 2007-08. It increased significantly from 7.36 percent in 2007-08 to 9.21 percent of GSDP in 2011-12, but came down to 9.05 percent in 2012-13. The composition of State's Own Tax Revenue (SOTR) in the State has remained more or less unchanged. Sales Tax (VAT) which accounts for over 60 percent of the State's own tax revenue continued to grow at an average rate of 18 percent per annum. Excise duty, the second highest revenue contributor also exhibited an annual growth rate of 24 percent per annum during the period 2008-09 to 2012-13. But revenue from some other major taxes like Stamp Duty and Registration Fees, Motor Vehicle Tax and Professional Tax do not appear to be buoyant. In comparison to the nineties, SOTR relative to GSDP remained close to 6 percent during 2001-02 to 2010-11. For the years that followed, the share of SOTR has edged past the 6 percent mark. But compared to many other States in India, the own Tax-GSDP ratio in Odisha has remained relatively low. The neighbouring states like Chhattisgarh and Andhra Pradesh have higher Tax- GSDP ratio of more than 7 percent, while the ratio is still better

(9 percent) for Karnataka. The year on year growth was fluctuating over the period from 2007-08 to 2012-13. There is enough scope to raise tax revenue.

Table 4.2

Growth of the State's Own Revenue

(From 2007-08 to 2012-13)

(Rs. in crore)

Year	Own Tax Revenue	Non-Tax Revenue	State's Total Own Revenue	GSDP
(1)	(2)	(3)	(4)	(5)
2007-08	6856.09	2653.58	9509.67	129274
2008-09	7995.2 (16.61)	3176.15 (19.69)	11171.35 (17.47)	148491 (14.87)
2009-10	8982.34 (12.35)	3212.2 (1.14)	12194.54 (9.16)	162946 (9.73)
2010-11	11192.66 (24.61)	4780.37 (48.82)	15973.03 (30.99)	197530 (21.22)
2011-12	13442.77 (20.10)	6442.96 (34.78)	19885.73 (24.50)	215899 (9.30)
2012-13	15034.2 (11.84)	8078.03 (25.38)	23112.23 (16.23)	255459 (18.32)

Note :Figures in parentheses represent annual growth rates in percentages.
Source: Estimates based on relevant Budget Document data

Mining revenue declining

4.8 Revenue earned from mineral sources account for a major chunk of State's own non-tax revenue (SONTR) with its share steadily rising from 42 percent in 2007-08 to 71 percent in 2012-13. Forest royalty, irrigation and industrial water rate, interest and dividends constitute other major sources of SONTR. It was less than 2 percent of GSDP throughout till 2005-06. Its share has consistently been more than 3 percent of GSDP since 2006-07 with a negligible slip in 2009-10. It again crossed the 3 percent mark in 2012-13 due to appreciable growth in mining revenue and receipt of dividend. But very recently because of Court cases and inquiries by investigating agencies the mining activities in the state have come down showing trend of negative growth.

Central Transfer

4.9 Central transfer as share of GSDP was of 9.64 percent and 9.05 percent in 2007-08 and 2008-09 respectively. It came down to 8.75 percent in the next couple of years (2009-11). It increased to 9.44 percent in 2011-12 owing to the expansionary fiscal stance adopted by the Central Government to counter the adverse impact of economic slowdown, but again declined to 8.15 percent in the following year with withdrawal of incentives. However, the central transfer hovered around 9 per cent of the GSDP during the six years period.

Table 4.3

Central Transfers to the State

(Rs. in crore)

Year	Share in Central Taxes	Grants from the Centre	Total Central Transfer	YoY growth rate of Central Transfer (%)
(1)	(2)	(3)	(4)	(5)
2007-08	7846.50 (6.07)	4611.02 (3.57)	12457.52 (9.64)	
2008-09	8279.96 (5.58)	5158.70 (3.47)	13438.66 (9.05)	7.9
2009-10	8518.65 (5.23)	5717.02 (3.51)	14235.67 (8.74)	5.9
2010-11	10496.87 (5.3)	6806.25 (3.45)	17303.12 (8.76)	21.6
2011-12	12229.00 (5.7)	8152.19 (3.8)	20381.19 (9.44)	17.8
2012-13	13964.94 (5.5)	6859.73 (2.7)	20824.67 (8.15)	2.2

Note : Figures in parentheses represent share in GSDP

Source: Budget Documents for relevant years

4.10 Increasing central transfers over the years have played an important role in the State's fiscal consolidation process, no doubt. But, its proportion in the State's GSDP has declined. Average growth rate of 11 percent in central transfer over the five years ending 2012-13 is less than that of GSDP (14.7 percent) during the corresponding years (Table 4.2 and 4.3). Further, though the State's share of central taxes has consistently remained above 5 percent of its GSDP during the period under reference, the proportion of grants from the Centre declined to 2.7% from its level of around 3.5% in the earlier years.

Revenue Expenditure

4.11 Over the years, revenue expenditure of the State Government has increased from Rs.17,723 crore in 2007-08 (less than 14% of GSDP) to Rs.38,237 crore (about 15% of GSDP) in 2012-13 (Table 4.4) considering the composition of revenue expenditure by broad groups it may be observed that the shares of social and economic services in total revenue expenditure has increased from 57.24% in 2007-08 to 65.83% in 2012-13 and the proportion of expenditure on general services in GSDP has declined from 5.59% in 2007-08 to 4.86% in 2012-13 (Chart 4.1).

Table 4.4

Revenue Expenditure of the State

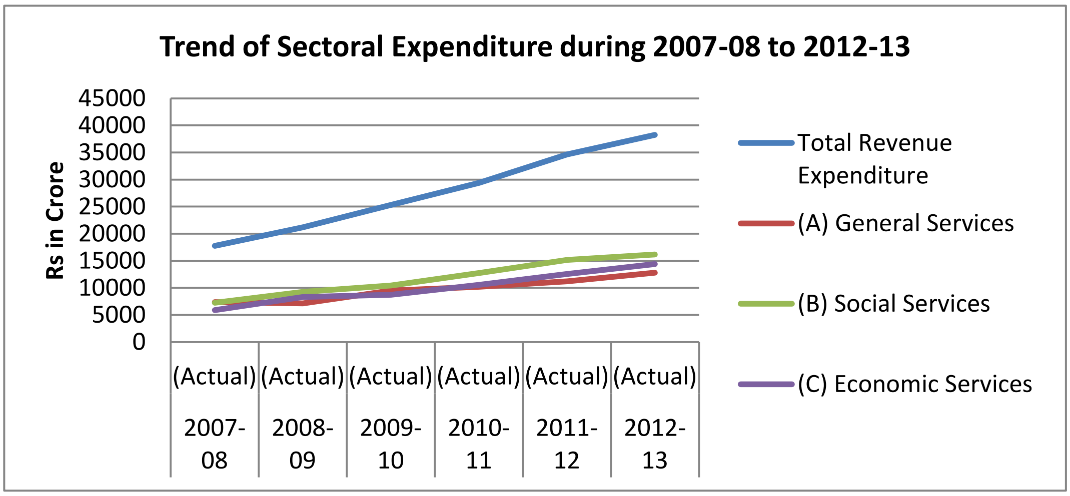
(Rs. in crore)

Components	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total Revenue Expenditure	17723.27	21190.12	25291.6	29367.95	34660.2	38237.56
As percentage of GSDP	13.71	14.27	15.52	14.87	16.05	14.97
A. Exp. on General Service	7227.21	6961.87	9285.15	9936.77	10928.6	12423.27
As percentage of GSDP	5.59%	4.69%	5.70%	5.03%	5.06%	4.86%
B. Exp. on Social Service	6416.51	8284.41	9838.21	11922.01	14338.1	14976.56
As percentage of GSDP	4.96%	5.58%	6.04%	6.04%	6.64%	5.86%
C. Economic Services	3728.65	5551.08	5762.4	7077.55	8732.47	10196.24
As percentage of GSDP	2.88%	3.74%	3.54%	3.58%	4.04%	3.99%
Total Exp. on Social and Economic Sector	10145.16	13835.49	15600.61	18999.56	23070.55	25172.8
Socio-economic sector to Total Revenue expenditure (in percentage)	57.24	65.29	61.68	64.69	66.56	65.83
D. Compensation and Assignment	350.9	392.76	405.82	431.61	661.11	641.49
As percentage of GSDP	0.27%	0.26%	0.25%	0.22%	0.31%	0.25%

Source: Budget Documents for relevant years

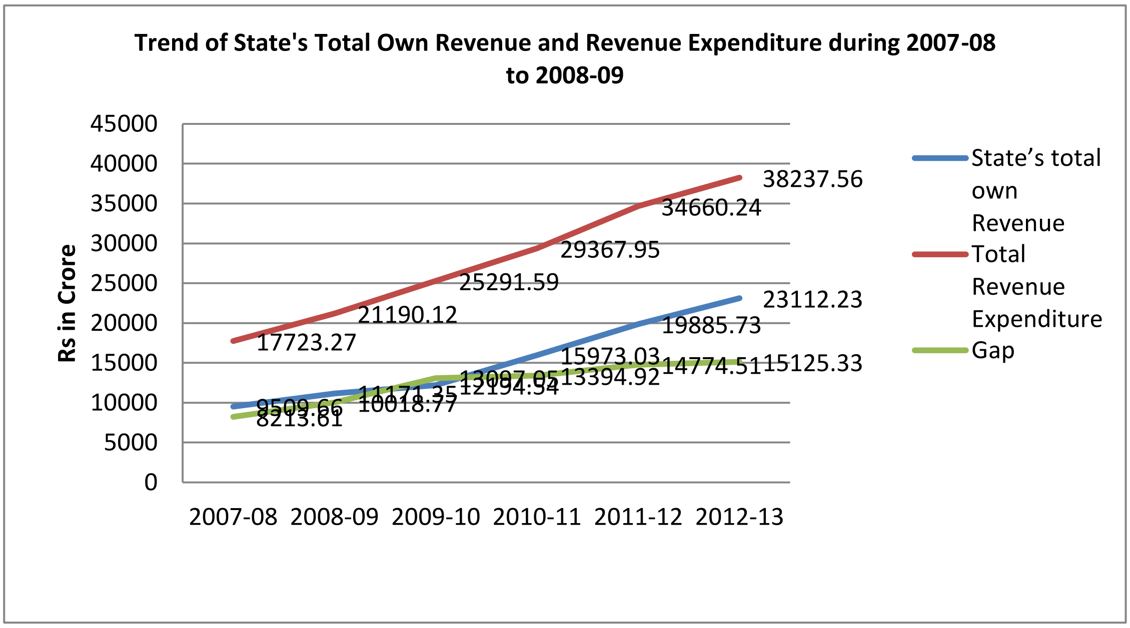
Chart 4.1

Trend of Sectoral Expenditure of the State from 2007-08 to 2012-13



4.12 It is a matter of concern that the gap between the State Government's own revenue and total revenue expenditure is increasing (Chart 4.2) and it is likely to increase in the coming years. The State's own revenue is to be affected because tax deferment of Indian Oil Corporation and introduction of GST and consequential subsumation of CST, VAT and Entry Tax in it. The State's revenue expenditure also will rise due to rolling out of many flagship schemes by the Government and award of the 7th Pay Commission in 2016-17.

Chart 4.2
Trend of State's Total Own Revenue and Revenue Expenditure during 2007-08 to 2008-09



Indebtedness

4.13 The outstanding debt as percentage of GSDP has declined substantially from 43.81% in 2004-05 to 17.87% in 2011-12 and was budgeted to come down to 15.6% in 2013-14. However, the Government's total liabilities that include debt and net of public accounts stood at around 22% of GSDP at the close of 2011-12 (Table 4.1). The GSDP ratio in the State lies below 25%, the level recommended by the 13th Finance Commission for 2014-15.

Capital Expenditure

4.14 Along with growth in total expenditure of the State Government, both revenue and capital expenditures are increasing. It may be noted that growth rate of total expenditure has taken after that of revenue expenditure, implying thereby relatively low share of capital expenditure. The share of revenue expenditure in total expenditure has increased from 84% in 2007-08 to 87% in the last two years under reference. Capital expenditure and capital formation consequent thereupon could have been accelerated through external financial flows like transfers from the Central Government. But growth rate of Central transfer in the year 2012-13, the last year considered was as low as 2%.

Table 4.5
Capital Expenditure

(Rs. in crore)

Year	State's own Revenue	State's Total Exp.	Total Revenue expenditure	Share of Rev. Exp. in total exp.	Capital Expenditure	Growth Rate	Gap between revenue expenditure and revenue receipts	Central Transfers
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2007-08	9509.67	20999.36	17723.27	84%	3276.1		8213.6	12457.52
2008-09	11171.35	25180.26 (20%)	21190.12 (20)	84%	3990.1	22%	10018.8	13438.66 (8%)
2009-10	1219.54	29051.96 (15%)	25291.6 (19)	87%	3760.4	-6%	13097.1	14235.67 (6%)
2010-11	15973.03	33967.73 (17%)	29367.95 (16)	86%	4599.8	22%	13394.9	17303.12 (22%)
2011-12	19885.73	39777.3 (17%)	34660.2 (18)	87%	5117.1	11%	14774.5	20381.19 (18%)
2012-13	23112.23	44075.77 (11%)	38237.56 (10)	87%	5838.2	14%	15125.3	20824.67 (2%)

Note : Figures in parentheses represent growth rates in percentage.
Source: Budget Documents for relevant years

Impact of Implementation of SFC Recommendations

4.15 The 3rd SFC in Para 5.14 (V) of its report recommended 15 percent of the State's average own gross tax revenue from 2005-06 to 2007-08 (for devolution to PRIs and ULBs in the ratio of 75:25). Thus calculated, the quantum of devolution to the local bodies was Rs.896.17 crore per annum, i.e. Rs.4480.85 crore for the five years period from 2010 to 2015. Out of this amount, Rs.3360.64 crore was passed onto PRIs and Rs.1120.21 crore to ULBs for providing public services and undertaking local development. Besides, the SFC in para 8.2 of its report requested the Central Finance Commission (CFC) "to appreciate and honour the constitutional obligation of the State to transfer resources to the local bodies so as to enable them to discharge the function assigned to them and in that context assess the financial position of the State *vis-a-vis* the functions the State has to perform from time to time". In this connection, the Commission further requested the Central Finance Commission to 'reimburse' the State's consolidated fund with Rs.4,480.85 crore, the amount it had recommended to be transferred to the local bodies of the state. The underlined presumption probably is that the Central Finance Commission 'augments' the State's consolidated funds to reimburse the transfers to local bodies as per the recommendations of the

SFCs. But the funds released by the Central Finance Commission as per Article 280(3) (bb) & (c) are an additionality to what the State Finance Commission recommends under Article 243G. As per the Action Taken Report on the recommendations of the 3rd SFC, the State Government, in its turn, decided to devolve to the PRIs and ULBs a sum Rs.1209.95 crore in the ratio of 75:25 during the award period from 2010-11 to 2014-15, this being the excess of transfer recommended by 3rd SFC over the amount recommended by the Central Finance Commission. The Government appears to have taken a similar stand as the 3rd SFC that the CFC grant is meant to supplant, not supplement the transfer under the recommendations of the SFCs.

High Impact of Finance Commission grants on local bodies

4.16 The local bodies with marginal own tax revenue depend heavily on government grants to discharge their mandated functions. These transfers ranged from 5% to 8% of the State's own tax revenue between 2007-08 and 2012-13 (Table 4.6).Transfer of these funds to PRIs and ULBs does not substantially impact the State resources in the sense that it constitutes only 5-8 percent of the own tax revenue and 4-5 percent of the total revenue of the State. On the other hand, these transfers have a significant bearing on the local finances in the manner that the resource starved PRIs and ULBs mostly depend on Government grants for carrying out their constitutional mandate. So far as PRIs are concerned, it is to be noted that the GPs alone are empowered to collect taxes and fees, which are inelastic in nature. But the ULBs have better sources of revenue like Holding Tax, Advertisement Tax, Rents and Fees etc. It may be observed in Table 4.6, the transfer under SFC recommendation was skewed in favour of ULBs till 2009-10 as they received larger amount than PRIs. However, the trend reversed from 2010-11 onwards (Chart 4.3).

Table 4.6

Transfer to Local Bodies

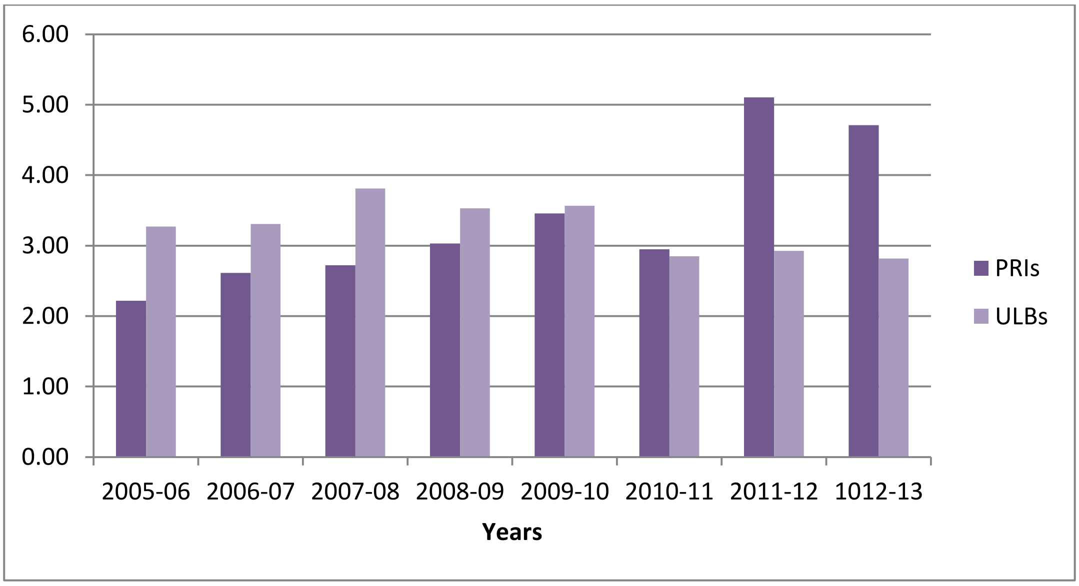
(Rs. in crore)

Year	State's own Tax Revenue	SFC's total transfer to PRIs	SFC's total transfer to ULBs	Total SFC's transfer to PRIs & ULBs
(1)	(2)	(3)	(4)	(5)
2005-06	5002.23	110.84 (2.22)	163.62 (3.27)	274.46 (5.49)
2006-07	6065.06	158.95 (2.61)	200.64 (3.31)	359.59 (5.92)
2007-08	6856.09	186.61 (2.72)	261.08 (3.81)	447.69 (6.53)
2008-09	7995.2	242.35 (2.03)	282.02 (3.53)	524.37 (6.56)
2009-10	8282.34	286.11 (3.54)	295.45 (3.57)	581.56 (7.02)
2010-11	11192.66	329.99 (2.95)	318.78 (2.85)	648.77 (5.80)

Year	State's own Tax Revenue	SFC's total transfer to PRIs	SFC's total transfer to ULBs	Total SFC's transfer to PRIs & ULBs
(1)	(2)	(3)	(4)	(5)
2011-12	13442.77	686.29 (5.11)	393.11 (2.92)	1079.40 (8.03)
2012-13	15034.14	707.72 (4.71)	423.2 (2.81)	1130.92 (7.52)

Note: Figures in parentheses represent percentage of own tax revenue.
Source: Budget Documents for relevant years

Chart 4.3



Transfers to Local Bodies by Line Departments

4.17 Panchayati Raj Department has reported that three Departments, namely, ST & SC Development, Minorities & Backward Class Welfare; School & Mass Education and W & C D Departments have been releasing funds to Panchayat Samitis for the following programmes:

1. Infrastructure Development of ST&SC Schools programme of ST&SC Development, Minorities & Backward Class Welfare Department.
2. Salaries of Teachers, Mid-Day Meals and Construction of Kitchen Sheds Programmes of School and Mass Education Department.
3. Payment of Old Age Pension Scheme of W & C D Department.

Funds are being placed with PRIs for the construction of Anganwadi Centre Building under State Plan and Centrally Sponsored Schemes. Details of the funds transferred to rural local bodies during award period of the 3rd SFC are given in Table 4.7.

Table 4.7

Transfer of Funds from Line Departments to Rural Local Bodies (From 2010-11 to 2013-14)

(Rs. in lakh)

Sl. No.	Scheme	2010-11	2011-12	2012-13	2013-14
(1)	(2)	(3)	(4)	(5)	(6)
1	Construction of Anganwadi Centre Building.	885.00	10000.00	10000.00	34776.00
2	Pre-Matric Scholarship	20371.75	27529.78	33445.01	
	TOTAL		**37529.78**	**43445.01**	**34776.00**

Source : Panchayati Raj Department

Besides, Food Supply & Consumer Welfare Department has given Rs.1988.00 lakh to GPs as a one-time revolving fund for operating PDS Scheme.

4.18 Release of funds to Panchayat Samitis cannot be categorised as transfer of resources to PRIs in true sense of the term. Block acts as an agent for the rolling out of these schemes. The Line Department issues directives to the block specifying the purpose for which funds will be utilised and modalities of its implementation without taking into account the suitability or comparative need of the scheme for the local area. The block functionaries execute the work for the government. Even though funds are directly transferred to panchayats, the Panchayat Samiti has no freedom to utilise the scheme funds for any other purpose considered urgent for the local people. This cannot be viewed as a step towards decentralisation and empowerment of PRIs as stipulated in the 73rd Constitutional Amendment

Establishment Expenditure

4.19 Salaries of PRI establishment is given out of SFC grants. This payment includes salaries of Panchayat officials and district PRI establishment. Payment under this head out of the 3rd SFC grant are indicated in Table 4.8.

Table 4.8

Release of Funds by the State Government towards Salaries of PRI Employees

(Rs.in crore)

Year	Amount (B.E.)
2010-11	219.59
2011-12	221.70
2012-13	250.82
2013-14	256.09

Sources: Budget documents and Finance Accounts for the relevant years.

Over and above the recommendations of the State Finance Commission, the Government also provides funds to PRIs towards payment of salary of the

Account Officers belonging to Odisha Taxation and Accounts Service (OT&AS) posted in different Blocks vide letter No.934 dt.17.1.14 of Panchayati Raj Department. A sum of Rs.7.82 crore was spent for this purpose during 2013-14.

School & Mass Education Department also places funds with Blocks for payment of salaries of teachers, which is indicated in the table 4.9:

Table 4.9

Release of Funds to Blocks for payment of Teacher's Salary

(Rs. in crore)

Sl. No.	Name of the scheme	Details of the scheme	2010-11	2011-12	2012-13	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Plan	Salaries of SSSs/GSs	271.6	305.82	316.9	894.32
2	Non-Plan	Salaries of Primary School Teacher under Zilla Parishad	199.16	405.16	492.29	1096.61
Total			**470.76**	**710.98**	**809.19**	**1990.93**

Source: School & Mass Education Department

Salaries of the employees of the Urban Local Bodies are also paid from the SFC grants. Year-wise allocations from 2010-11 to 2013-14 for this purpose are indicated in Table 4.10.

Table 4.10

Release of Funds by the State Government towards Salaries of ULB Employees

(Rs.in crore)

Year	Amount
2010-11	258.69
2011-12	279.40
2012-13	307.34
2013-14	500.00

Source : Budget documents for relevant years

Loan Guarantees for Local Bodies by the State Government

4.20 Local Bodies take resort to loan financing when faced with deficit. But it is difficult for them to raise loans from the market, for which they look up to the State Government for guarantee. The State Government only guarantees the loans of Urban Local Bodies, but not of Panchayati Raj Institutions. By 31.03.2013, the Government had acted as guarantor to the tune of Rs.1873.81 lakh for 73 ULBs. The details of guarantee availed, repayment made and outstanding guarantee of different ULBs are indicated in the Table 4.11. It may be mentioned here that out of loan guarantees provided to 73 ULBs, 70 ULBs have liquidated their guarantees and only 3 ULBs, namely, Rourkela, Berhampur & Puri have not repaid their guaranteed loan so far. Their outstanding loan guarantees have been indicated in Table 4.12.

Table: 4.11

State Government Guarantees on behalf of Local Bodies.

(Rs. in lakh)

Guarantee availed	Guarantee paid	Guarantee Outstanding	Interest Paid	Interest Outstanding	Guarantee Fee due	Guarantee Fee Paid	Guarantee Fee Outstanding
1873.81	1789.06	84.72	1304.75	NIL	130.74	84.56	85.68

Sources: Explanatory Memorandum of respective Financial Years

Table 4.12

Status of Guarantee outstanding position of ULBs as on 31.03.2013 in the State

(Rs. in lakh)

Name of the ULB	Total Guarantee Outstanding as on 31.03.2013
Rourkela	46.30
Berhampur	6.49
Puri	31.93
Total	**84.72**

Sources: Explanatory Memorandum for 2013-14, Finance Department.

CHAPTER-V

Review of the Status of Decentralised Governance & Devolution

Introduction

5.1 Article 243G of the Constitution enjoins upon the State legislatures to bestow, by law, such powers and authorities on Panchayats "as may be necessary to enable them to function as institutions of self-government". It further adds, "and such a law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level subject to such conditions as may be specified therein in respect of (i) preparation of plans for economic development and social justice and (ii) planning and implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule". Though the Article conceives PRIs as institutions of self-governance, it leaves the extent of devolution of powers and functions to the wisdom or discretion of the State legislatures. It is, therefore, apparent that unless the State legislature so desires, these bodies cannot play the expected role for social and economic development in their respective areas as institutions of self-governance. Variations in this have led to asymmetrical growth of self-governance in rural bodies across the states.

5.2 The Eleventh Schedule of the Constitution identifies 29 subjects for devolution to the PRIs. The present level of devolution does not conform to the said Constitutional mandate as it is limited to a few subjects without the required empowerment of the PRIs to exercise authority in discharging the devolved functions. In the process, the Panchayats have not been able to acquire the stature of a responsible local government, rather have been reduced to the position of agencies of the State Government. Empowerment of Panchayats will remain a far cry without effective and clear-cut devolution of funds, functions and functionaries along with specification of their exact roles through appropriate activity mapping. There is apparently trust deficit between the line departments and PRIs. There are parastatals at the field level to execute various schemes without properly involving the PRIs in implementation, monitoring and supervision. GoI while formulating different central schemes have preferred such parastatals to PRIs for execution of the schemes. In most of its schemes, the GoI has not assigned any specific role to PRIs leaving the responsibility to states to improvise a connection between the two. It is a clear deviation from the Constitutional mandate envisaged under the 73rd Amendment.

Status of Decentralisation in Rural Local Bodies

Trust deficit & apprehension of line departments

5.3 Pursuant to the mandate of the 73rd Amendment, various Acts governing PRIs were amended in 1994 and functions in 29 areas were assigned to PRIs in the Eleventh Schedule. These functions included activities, administration of which were being looked after by the respective line departments of the state government. Change of law ipso-facto did not make any difference to the status of PRIs as regards these functions. Each department had its decades old own established ways of administration and lines of command. It was not easy for the departments to switch over to a new system of governance, needed particularly at the cutting edge level. Panchayati Raj Institutions were seen more as independent elected bodies, not having allegiance to any line department and not amenable to the commands of its hierarchical structure. There was a lot of scepticism, unwillingness and even resistance to place functionaries at the disposal of PRIs and the same situation still continues. Functions have been entrusted to them to perform by law without placing the functionaries at their command. Bureaucracy, for obvious reasons, is concerned about financial administration. Release of funds, availing central share of a scheme and submission of utilisation certificates in time to avoid surrender of budgeted amount are some of the key concerns of routine administration. This scepticism of most of the government departments can be ascribed to their belief that responsibility to perform and achieve satisfactory physical and financial progress will lie on them, but the field functionaries at various levels will no more be accountable to them and subject to departmental discipline after becoming local body employees. So departments are averse to lose control over functionaries and financial management. These two key concerns, to be fair to different departments, held them back from going ahead with empowerment of the rural local bodies or as it appeared to them, their own dis-empowerment. Even in P.R. Department, the District Rural Development Agency(DRDA) looms large as all the centrally sponsored programmes/schemes of the Ministry of Rural Development are routed through it and it has emerged as a powerful parastatal. DRDA came up all over the country in the early eighties and the 73rd Constitutional amendment was passed much after in 1993-94. But the GoI is yet to disband it and it continues to be flooded with funds, gradually emerging as a major agency, in which the Collector and D.M. is at the helm of development administration of the district. After the 73rd amendment of the Constitution, the State Government made efforts to develop a functional relationship between DRDA and ZP such that both could oversee development administration in a district. Project Director, DRDA and Collector respectively act as the Executive Officer and Chief Executive Officer of the ZP. The dichotomy in the way of empowerment of PRIs will come to an end if DRDA is dissolved and its office merges in ZP. This will not only convey a determined attitude of the State Government to strengthen local governance, but also inspire the line departments to realign their schemes, programmes and administrative structure in tandem with the new reality.

PR Department should dissolve DRDA

5.4 Notification No.8430/PR. dt.25.10.05 at Annexure-VII was practically the first effective measure for decentralisation and devolution of powers and functions to PRIs through activity mapping in nine departments. The activity mapping spells out the activities in respect of each devolved function to be performed at various levels of the 3-tier Panchayati Raj system. The guiding principle here is the principle of subsidiarity i.e. activities which can be performed at a lower level should be undertaken only at that level and should not be scaled up to a higher level.

Indifference of PRIs to line department schemes – inappropriate activity mapping

5.5 A close scrutiny of activity mapping indicates that most of the departments devolved non-specific peripheral functions to the PRIs. Departments themselves run various schemes. Proper devolution of functions is possible only when detailed activity mapping for each aspect of a scheme is chalked out. By giving PRIs an overall supervisory power over a scheme will not serve the purpose when the implementing functionaries are not accountable to them. Senior officers of different line departments lament over lack of interest on the part of PRIs in the schemes/programmes they are supposed to oversee as per activity mapping. Because of the general nature of activity mapping and without any specific power or responsibility being assigned to them, PRIs do not take interest and remain indifferent to execution of the schemes. This scenario will not change unless the line departments come up with specific activity mapping for each scheme by indicating exactly what functions a particular level of PRI is expected to discharge in the process of implementation. The apparent trust deficit in PRIs needs to be corrected.

Central Schemes create parastatals

5.6 The Government of India have designed many schemes in recent past with grassroots level parastatals like Users' Committees, Rogi Kalyan Samities as in the Health and F.W. Department, Education Department's School Management Committee, Mid-Day Meal Committee, Anganwadi Committee etc. But unfortunately majority of the schemes are designed in such ways that local bodies are not directly involved in their execution, except being represented by a Panchayat Samiti member/Panchayat Ward member as Chairman or member of such committees. Involvement in ex-officio capacity of a member of PRI does not make the institution of PRI responsible for programme implementation. The Commission feels that the guidelines of most of the centrally sponsored schemes should mandatorily entrust implementation responsibility to PRIs with full departmental support. The scheme guidelines often make the states struggle to get the programme/scheme implemented by involving local bodies through an improvised horizontal co-ordination mechanism between the LBs and specially created parastatals for the purpose.

Exemplary effort of School & Mass Education Department- others should follow

5.7 The Commission would like to put on record its high appreciation of the School & Mass Education Department for its path-breaking effort in making the School Management Committee and Parent Teacher Association integral parts of the Panchayati Raj Institutions. The measures initiated by the School and Mass Education Department is the first genuine endeavour to involve the democratically elected local bodies in an important social sector programme with far reaching consequences. The State Government has declared the PRIs and ULBs as the Local Authorities in pursuance of The Right of Children to Free & Compulsory Education Act, 2009. A detail activity mapping has been notified entrusting specific functions to each level of institutions. The grassroots level committees, which so far acted as parastatals working under the guidance of departmental officers, have now been made integral part of local body structure. The Commission was informed that the new dispensation also includes not only placement of function and functionaries, but also funds for certain activities. This is an exemplary instance of harmonised approach towards development schemes with central government funding & support, and State's leadership, guidance & involvement of local governments in the primary education sector. It is also a first bold step by any department in the process of decentralisation and actualisation of local self-governance.

The Commission feels that all other departments, particularly those in the social sector should take note of the effort of School & Mass Education Department and try to make a similar beginning in this direction. It would like to recommend the State Government to actively encourage the departments concerned to bring forth the changes that is long overdue.

Weak PRI structure

5.8 The 73rd Constitutional amendment mandated that states with population exceeding 20 lakh should have Panchayats at 3 levels, e.g., village, intermediary and district, for which intermediary or Block Panchayats and Gram Panchayats have come to stay along with Zilla Parishads. States did not always have all the 3-tiers and some of them had a two tier structure. Synergy emanating from the harmonised system of Panchayati Raj structure will facilitate smooth functioning of these institutions for effective delivery of services to people. But nature and level of empowerment differ across the states with Zilla Parishad emerging as a powerful body in some and intermediary or Gram Panchayat in others. In Odisha, empowerment of different tiers of Panchayati Raj system is lopsided. Block Panchayats have evolved as the most powerful centres amongst the PRIs. The Zilla Parishads are virtually defunct without adequate power, responsibility and finance. Gram Panchayats too are quite ineffective due to lack of suitable infrastructure, appropriate manpower and adequate finance.

5.9 Block office is a powerful centre in development administration, but the position of Panchayat Samiti is quite weak. Odisha Panchayat Samiti Act at Section 15 states that a district will be spatially divided into different areas known as Blocks. Section 15A states that "for every Block constituted under Section 15, there shall be a Block Development Officer (BDO) to be appointed by government". This was the provision in 1961. In Section 19(2), it is mentioned that such Block Development Officer shall act as the Executive Officer of the Samiti and function under the control of its Chairman. Therefore, the Block Development Officer, as per the enactment three decades prior to the Constitutional amendment is first a BDO and then Executive Officer of the Samiti. He/She acts as the ex-officio Secretary of the Samiti in the capacity of Block Development Officer. So his accountability primarily is to the State Government through the controlling officer, but not to the Samiti and it is well manifested by his/her way of functioning. Though Panchayat Samiti is apparently the most powerful and effective body among the three levels of PRIs, practically it is the Block Development Officer who plays the pivotal role. This has to happen in the present system of dispensation

Strong BDO and weak Samiti

because, besides the social and economic development work of the Panchayat Samiti, the BDO is entrusted with multifarious functions like magisterial duties in law and order situation and represents the government in civil defence, natural calamities and other exigencies. It is the BDO, not the Secretary of Panchayat Samiti, who performs these functions under the control & direction of the district administration. All the Block Development Officers in the State now are from Odisha Administrative Services.

BDO exclusively as Secretary ofPanchayat Samiti

5.10 The State has now the distinct advantage of having almost the same number of Blocks (314) as Tehsils (317) for which, they are co-terminus. In such a situation, the Tahasildar may be entrusted with all the functions relating to land, land records, law & order, natural calamities and such other functions while the BDO may be re-designated as the Secretary or Executive Officer (EO) of Panchayat Samiti to look after development administration. It calls for amendment of sections 15 A & 19 of Panchayat Samiti Act to place a Class-I officer's services in Panchayat Samiti. This will pave the way for turning the Panchayat Samitis into an effective and vibrant institution of self-governance and change the dynamics of relationship between the Panchayat Samiti and its official Chief Executive. All employees serving under the Block administration at present should have their services placed with and salaries paid by the Panchayat Samiti. A chain of commands is to develop, so that the employees are accountable to the Panchayat Samiti. Such steps will demonstrate the Government's determination to make Samitis emerge as viable institution of local self-governance with reasonable operational area, adequate manpower and required infrastructure.

State to have road map for effective local self governance

5.11 Funds for all the schemes and programmes, irrespective of the department they flow from, are now released in favour of the Block. The BDO receives the funds for both the Government and Panchayat Samiti works, thus giving rise to unnecessary compartmentalisation of the government functions and funds at the Samiti level. This dichotomy can be avoided with the structural changes suggested above. All funds should be released in favour of Panchayat Samitis and not blocks. The Commission feels that the State should have a roadmap to reach the goal of vibrant local self-governance as in many developed countries and also to some extent, in some southern and western states of the country.

5.12 Finally Gram Panchayats, the lowest rungs of PRI ladder are in close proximity of people and according to the principle of subsidiarity, the lowest level PRI is best suited to provide civic services crucial for a decent life. Provision of adequate manpower in each Panchayat is neither physically nor financially feasible because of their small size and big number. Under the present arrangement, one Executive Officer looks after even upto three Gram Panchayats and one Junior Engineer works for two or three Gram Panchayats. PR department has informed that an account knowing person will be posted in each Panchayat very soon, which is a welcome step. They further conveyed that a Rozgar Sahayak has been posted in every Panchayat to implement Mahatma Gandhi National Employment Guarantee Programme. Wherever Panchayat is handling Public Distribution System, mostly in tribal sub-plan areas, Food Supplies & Consumer Welfare Department has placed one Jogan Sahayak. Panchayat also handles disbursement of pension to the disadvantaged groups like old, widow, physically challenged and destitute. These officials are appointed and posted by the Collector/ Director and their salaries are mostly paid by the Block office. It will not be practicable for Gram Panchayats to be effective in providing services in a meaningful way when the key functionaries are not accountable to them. There is need to place the services along with salaries/wages etc. of such officials at the Panchayat level, but not at a higher level like BDO/ Collector.

Services of officials working in GPs be placed with GPs

Number of GPs to be contained

5.13 As mentioned above, the small size of a Gram Panchayat has its own limitations. Their resource base is so small that they become unviable units of local self-governance from administrative point of view. Some lessons can be learnt from Kerala where the average population in a Panchayat is more than 40,000 and it is well endowed with technical, administrative and accounting professionals to provide basic services at people's door steps and implement economic & social sector schemes. Further because of small size, they also become administratively ill-equipped due to inadequate manpower to serve the people of the area. So number of Panchayats should be contained as much as possible and splitting of a Gram Panchayat thus always may not be in its best interest. The Commission is of the view that if needed at all, new Panchayats should be created where population has exceeded 10,000. The existing Panchayats having more than 7,500 population should be strengthened by engaging technical and other functionaries exclusively for them, while smaller Panchayats may continue to share functionaries for the time being as is the practice now. This will pave the way for evolving strong and efficient village Panchayats.

Powers to enhanced

5.14 Powers of administrative approval and technical sanction of functionaries once fixed continue unchanged for years together. With increase of rates of materials and wages etc. real power of approval and sanction shrink over the years making it difficult for the functionaries to perform, particularly in local bodies. It is therefore required to revisit existing powers and revise them.

Urban Governance

ULBs better placed than RLBs

5.15 Historically urban governance is much older than rural governance. Within a few decades of its coming to India during the rule of Moghul Emperor Aurangzeb, the then East India Company formed the first municipal body as early as 1688 under the banner of "Town of Fort of Saint George" within a radius of ten miles around the Fort, which is now known as Chennai Municipal Corporation. Britishers mainly lived in the urban areas and so took adequate care to build up urban services by and large in the pattern of what they had in their own country with necessary modifications suiting to the local condition. Mumbai and Kolkata had their respective municipal bodies with taxation powers by 1726 and 1792 respectively. The urban bodies have a long history of empowerment and running of local administration. Democratically elected rural bodies as units of self-governance were introduced in the later part of British rule and hence were relatively new. The same trend continues in local governance even in the post-independence era - urban bodies having been bestowed upon more power and functional freedom compared to their rural counterparts. Of course, it is a relative assessment as a lot of inadequacies and constraints are faced by the urban bodies too while discharging their functions. They need much more liberty to function within their legitimate domain of operation without waiting for government approval.

5.16 The Twelfth Schedule under Article 243W of the Constitution has transferred 18 functions to be performed by the municipal bodies in their respective jurisdictions. Of these, urban planning is an important function. Today all urban bodies in the State come under the territorial jurisdiction of specially constituted Development Authorities or Improvement Trusts which have been empowered, by law, to take care of planning and exercise regulatory authority in construction of buildings, while construction of roads and bridges are done either by the government departments concerned or urban local bodies depending upon the nature of work. Some important major roads and bridges are the responsibility of Public Works Department whereas smaller ones like lanes, sub-lanes and streets are to be managed by the municipal bodies. While sanitation and solid waste management are exclusively in the domain of municipal bodies, water supply is being controlled and managed by the Public Health Engineering Organisation (PHEO). Other activities excluding fire services are mostly taken care of by the municipal bodies.

Laws need ammend-ment to empower ULBs

5.17 While going through the documents regarding municipal administration in different states and comparing the same with that in Odisha, the Commission noticed ample scope for improvement. Absence of skilled manpower, inadequate own resource base and legal hindrances impair smooth and efficient functioning of the municipal bodies. Some of these problems arise because of restrictive government guidelines and instructions and in many cases, inadequate external technical and other support services. There is a need to amend the laws to empower the urban local bodies and also provide them with major infrastructural support enabling them to effectively discharge their functions.

Services of officials be placed with ULBs

5.18 Drinking water, which is managed by PHEO should ideally be the major basic service to be provided by the urban bodies. ULBs are of different sizes. Bigger ones are served by multiple PH divisions, small towns are served by small PH units. Whatever it may be, the Commission considers it feasible on the part of PH organisation to work out a system to transfer maintenance of the entire water supply system to the urban local bodies in phases. The services of the existing staff along with finance should be placed with the local bodies.

5.19 There are opposing views about continuance of the Development Authorities/Improvement Trusts and such Special Planning Authorities. Some are of the view that after the 74th Constitutional amendment, these bodies should be scrapped and urban planning should be a part of municipal administration. The alternative view is that in view of rapid urbanisation, planning should be in the hands of a technical body with adequate technical manpower. This is a difficult task, which needs to be performed by a dedicated body with well trained professionals conversant in human development issues to address the growth and change perspectives at least few decades ahead. This is beyond the capacity of the municipal bodies whose main commitment is to provide basic civic services and various other amenities to their citizens for a comfortable living.

No conflict between Special Planning Authorities and ULBs

5.20 It may rather be too ambitious to expect municipal bodies discharging two equally important and onerous responsibilities, e.g. providing living comfort and undertaking long term spatial planning in and around their area of operation. The Commission agrees that this counter argument has some force in it. The existing system does not encroach upon the domain of urban bodies. But planning of day to day operations for provision of the basic amenities is to be done by the planning unit of the municipal body. There is no room for conflict between these two separate planning units and hence no need to change the present arrangement.

Each District should have Inspector of Local Works

5.21 Till the early 1990s, the State had thirteen districts and there was one Inspector of Local Works (ILW) in each district to give technical advice to the municipal bodies for executing engineering work. This arrangement was very significant for small municipal bodies which did not have professionals of appropriate level. In most of the cases, Assistant Engineer level officers working under Public Health Engineering Organisation function as ILW. Municipal bodies have to run after the ILW officials for design, estimate and approval of works. The Commission was informed by the officers of H&UD Department that the number of ILWs would be shortly raised to nineteen. More than 100 municipal bodies spread over 30 districts approaching nineteen ILWs to help them in engineering work has delaying implication for work execution. There is no reason why each district should not have an ILW stationed in the district itself. Officials of the level of Assistant Engineer or Executive Engineer or any other appropriate level deemed suitable stationed in the district should be designated as ILW in each district. The Commission recommends that the department should expeditiously take appropriate steps in this direction.

Power of engineers need revision

5.22 As in the case of rural bodies, the powers of Junior Engineers, Assistant Engineers and other technical functionaries in the ULBs remain the same as it used to be a decade back. In view of cost escalation, the level of executive power fixed for these officials limits their functioning. The Commission recommends that their sanctioning power for execution of works should be enhanced at least two times to facilitate undertaking routine works locally without sending upwards for approval.

Expenditure exceeding Rs.5000/- needs approval of Govt.–Laws need drastic change

5.23 There are some very restrictive provisions like the proviso to Section 117 of Odisha Municipal Act, 1950 which states that any expenditure exceeding as small an amount as Rs.5000/- for which own fund is to be used, the municipal body has to obtain prior sanction of the State Government. The Commission is given to understand that even now municipalities send proposals to the Director, Municipal Administration for approval. In the present day context, this is a ridiculous provision which needs to be immediately scrapped. A blanket restriction of prior government sanction for any expenditure by municipality defeats the very purpose of local self-governance. Laws are so designed that the municipal bodies are under the tight control of the Government, and this adversely affects their functional ability. These restrictive provisions should be done away with to give functional autonomy to ULBs to act as effective institutions of local governance. The Commission recommends that the department should expeditiously take appropriate steps in this direction.

Legal restrictions and bottlenecks

5.24 Many provisions of the municipal laws are not in tune with the present times. Though municipal corporations are authorised by law to levy advertisement tax, there is no express provision in the Odisha Municipal Act, 1950 for this purpose. Advertisement tax is being collected by some urban local bodies by using various means. Vyasnagar Municipality informed that its proposal seeking permission to collect advertisement tax is lying in H & UD Department for the last three years. On query, the department informed that clarifications sought from the municipality is awaited. Companies are making advertisements by paying lakhs of rupees to the advertising agencies. There is no rationale behind the local bodies requiring permission from the State Government for earning revenue. The Commission suggests that Section 131 of the Municipal Act be amended empowering municipalities to impose advertisement tax except in the case of Central or State government advertisements.

No freedom for Municipal Bodies to collect tax

5.25 There is no express provision for collection of tax on trade/ business by the municipalities. Municipal bodies collect some fees under Section 290 of the Municipal Act in the guise of dangerous and offensive trades. The Commission recommends that the municipal bodies should be given freedom to collect annual license fees within their jurisdiction for trade and business by suitable amendment of Section 131 of the Act. The license fees need not be uniform across the ULBs nor in different localities of a municipal area. Tax rate in a major market area with more voluminous business activities and better infrastructure support may differ from that in a remote location. Choice in the matter should be the prerogative of the municipal bodies and Acts and Rules for ULBs should be amended accordingly.

Laws to be amended

5.26 Section 290 of the Act empowers the municipal bodies to issue licenses to and collect fees from industries and factories carrying on dangerous and offensive trades. The Commission was informed by various municipal officials that the rates and maximum collectable amounts have been fixed under provision 290(7) of the Act decades back. The Commission feels that these restrictions should be scrapped and the amount to be charged should be the discretion of the municipal bodies. Similarly, many other provisions in the Act also need appropriate changes.

Separate directorate of Municipal Administration needed

5.27 At present, the Directorate of Municipal Administration is a composite Directorate in H & UD Department. The municipal laws have been amended from time to time vesting a lot of control in the hands of the Director which affects functional efficiency of the municipal bodies. But the Directorate is structurally very weak. In the opinion of the Commission, it would be worthwhile to constitute a separate Directorate of Municipal Administration to be managed by senior level officers as in many States.

Urban administration

5.28 Municipal administration is mostly run by officials on deputation from different government departments and services. Municipal bodies have two categories of staff: Local Fund Service (LFS) cadre and non-LFS employees. The non-LFS employees are recruited by the individual ULB. Their number is large and many of them do not have requisite expertise. This has pushed up the establishment cost and financial burden of municipal bodies without any improvement in the quality of their services. The Municipal Act empowers the municipal bodies to recruit staff with prior government sanction. As per Amendment in the year 1997, there are provisions for severe penalties ranging from removal of the elected authorities and disciplinary action against the officials to imprisonment varying from six months to two years along with fine. But, some municipal bodies have recruited staff even as late as 2005 without government sanction. It is understood that no action has been taken against either such staff or the authorities responsible for these appointments. The Commission is of the view that it will be appropriate for the government to take stock of the situation and initiate action against the persons who have indulged in such irregularities as a deterrent to its repetition. A large number of unskilled and untrained functionaries working in municipal bodies limit the professional efficiency in quality service delivery. At present, in municipalities water supply is being managed by PHEO, major roads are maintained by Public Works Department (PWD) and so on, contrary to the spirit of the 74th Constitutional Amendment. To improve the quality of basic services as per the Twelfth Schedule of the Constitution, the urban local bodies require well organised urban cadres of appropriate expertise and abilities. It is understood that efforts are on by the department to constitute municipal cadres for eight different services.

Municipal Cadres should be put in place

5.29 The financial implication of this arrangement, as indicated by H&UD Department will be an additional annual expenditure of Rs.130.00 crore over and above the current expenditure of Rs.193.31 crore towards salary of LFS and non-LFS personnel of 106 ULBs (actual total number being 109). The present LFS and non-LFS staff can be gradually phased out and the organised cadre can be built up so that municipal bodies are served by competent professionals in due course. The Commission recommends that Municipal cadre should be put in place as quickly as possible.

List of restrictive provisions identified – not exhaustive

5.30 In course of interaction with the elected local body representatives, office bearers and officials of all levels, the Commission realised that there are many important grey areas unattended for a long period. Acts and rules are most often decades old and many of the provisions are not only too restrictive, but also irrelevant and untenable. In fact, such provisions stand in the way of empowerment of the local bodies. After a quick examination, the Commission has enlisted certain provisions of law which need to be amended. The list is not exhaustive, but illustrative. The State Government may take expeditious steps to amend these obsolete and obstructive provisions of law taking into account the recommendations of the Commission for empowering the local bodies and improving their finances. It is hoped that the administrative departments will come up with proper amendments after making exhaustive scrutiny.

Recommendations for Amendment of Legal Provisions:

A. Odisha Gram Panchayat Act, 1964

Sl. No.	Provision	Commission's Suggestions	Reasons thereof
1	2	3	4
1.	Section 20,121	Sub-Divisional office to be substituted by Sub-Collector.	Because of change of designation, Section 102, 114, 133 etc. already amended
2.	Section 55-57	Maximum licence fee prescribed as per Section 49(8) of erstwhile Odisha Gram Panchayat Act, 1948 to be enhanced and issued as per Section 57 of OGP Act, 1969.	It was issued in 1950 and even after 60 years remain in force. Rates are ridiculously low.
3.	Section 83 (b)	Schedule under the Section need to be amended.	Yearly tax on bicycle still remain at Rs.1.50 per annum. Cost of preparing a token to be given to tax payer comes to more than Rs.10
4.	Section 83 (c) & (f)	"Subject to maximum of Rs.6 per year" to be deleted already provided rule 98 and 99 and to be enhanced.	Same provision not needed in Act, as well as Rule. And amount is ridiculously low.
	Section 83(o)	"Subject to the approval of State Government" be deleted.	It is not practically feasible for 6227 GPs individually getting State Government's approval. Such restriction are counter-productive and act as disincentive. Panchayats be authorised to impose tax, toll, fees etc. at any rate as decided by them except for such items for which central or state government collect taxes.
5.	Section 94 (2)	Deposit of Gram Fund irrespective of relevant rule shall be permitted in nationalised bank savings bank accounts.	All major funds be kept in nationalised bank. Operation of which is convenient.
6.	Section 105 (2)	May be amended to increase period for recovery by distress or arrear of land revenue beyond 3 years and 6 years.	Often due to litigation etc, Gram Panchayats are losing revenue. Period of limitation needs to be extended.
7.	Section 108	May not be necessary.	In view of provision in Section 102.
8.	Section 110(2) &111(2)	"Chairman of the Samiti or of the Parishad" may be replaced by "Chairman of the Samiti or President of the Parishad as the case may be".	Zilla Parishad is headed by President and not Chairman

Sl. No.	Provision	Commission's Suggestions	Reasons thereof
1	2	3	4
9.	116 (4)	Chairman of the Samiti should be substituted by "by the Panchayat Samiti & Chairman of the Samiti respectively".	To give power of both the Gram Panchayat and Sarapanch only on the Chairman of the Samiti may not be desirable.
10.	License Fee	Provision should be incorporated to enable Gram Panchayat to impose fees on trades, shops anywhere in it's territorial jurisdiction, irrespective of whether such trade or shops are located in a declared market or not.	In the national highway and important roads many shops, eateries, hotels and restaurants come up without such places being declared as a market. They would pay fees to GP.
11.	Fees for Taxi and Auto Rickshaw Stands	There shall be provision empowering to GP to levy fees for using areas for purposes for Auto Rickshaw/ Taxi stand.	Many such informal stands are coming up in rural areas. GP should collect fees and maintain such areas properly.

B. Odisha Gram Panchayat Rules

Sl. No.	Provision	Commission's Suggestions	Reasons thereof
1	2	3	4
1.	Rule 2	Definition of Executive Officer to be incorporated.	This is a new functionary brought in the system without any locus standi in rule.
2.	Rule 34	Rule 34 to be amended and "Secretary" to be replaced by "Executive Officer". Also similar changes are needed in many other rules like 5 and 19 (1), 32(2)etc.	Rules need updation with changing scenario.
3.	Rule 34 (B) (2)	Fees of Rs.100 to be changed	It was kept about 15 years back and needs appropriate amendment to revenue increase fees of GP.
4.	Rule 36	Financial powers in 36 (1) (A), (B), (C) and 36(4)(a) (c) should be enhanced.	It was fixed 15 years back and should be re-fixed so as to remain financially pragmatic and appropriate for one more decade.
5.	Rule 37(1)	Should be enhanced.	The ceiling fixed is 15 years old.
6.	New rule to be incorporated	GP should be empowered to take up small work up to Rs.10,000/- without any technical sanction on approval of Panchayat.	Small repair and maintenance work should be attended to immediately without waiting for Junior Engineers from Block.
7.	Rule 67	License fee should be enhanced.	It is too meagre in present day context.
8.	Rule 68	Fees like 2 paisa, 10 paisa, Re.1 etc. need not continue	It is too meagre and impractical in present day.

Sl. No.	Provision	Commission's Suggestions	Reasons thereof
1	2	3	4
		and they should be enhanced.	
9.	Rule 73-79	May not be any more relevant, may be considered to be deleted.	Births and deaths registration are now done by Municipality urban areas and Medical Centres in Rural areas.
10.	Rule 87	GP should be authorised to lease out its properties for one year as per prescribed procedure without any approval of rate or upset price. Only for long term lease, permission from higher authorities be provided.	Experience in the field is that many auction of properties are not held often because approval does not come in time. Extra level of bureaucratic guardian-ship is not warranted.
11.	Rule 201	Rate of fees to be enhanced.	It is abysmally low.
12.	Rule 212	Newly amendment.	Due to changed situation.
13.	Rates of fines for impounded cattle to be amended	State government fixed rates as per section 12 of Cattle Trespass Act vide SRO 864/75 dtd.15.11.1975.	Rates are about 40 years old and so needs appropriate changes.

C. Odisha Municipal Act, 1950

Sl. No.	Provision	Commission's Suggestions	Reasons Thereof
1	2	3	4
1.	Section 117 (1) Proviso	Proviso to Section 117 (1) to be deleted.	There does not appear to be any reason for this restriction.
2.	Section 131	i) Advertisement tax should be included in the Act.	No expressed provision in law. Policy is not sufficient for imposition of tax.
3.	Section 131	ii) There is no specific provision in the Act enabling collection of fees on trade and business. Appropriate provision should be made.	Presently collection is made in round about way under section 290 of Municipal Act which is not applicable in all cases.
4.	Section 132 to 135	Valuation system is inadequate. So, it should be changed. In the meantime, many other States have done.	This is 80% revenue of Municipal bodies & Municipal bodies should not lose revenue for system inadequacy.
5.	Section 176	Rates of tax should be left to the Municipality to decide.	Last time rate fixed was about 30 years back in 1986. Rates should also vary from municipality to municipality depending on local needs, difficulties and wisdom.

Sl. No.	Provision	Commission's Suggestions	Reasons Thereof
1	2	3	4
6.	Schedule – III	To be Deleted.	As such rates should be left to Municipality.
7.	Section 185	"Not exceeding four anna" may be left to Municipal bodies and not decided by State Government.	Too meagre rate and decentralisation of decision making power is needed.
8.	Section 186 (2) (iii)	"a sum of one rupee on account of charges" may be replaced by "expenditure".	Rate fixed long back and too meagre now.
9.	New provision to be made	After 186(2)(iii) a new provision as "186(2)(iv)" may be inserted "feeding charges in case of animals".	If animals are seized, feeding charges are to be recovered from auction proceeds.
10.	Section 186 (3)	"a sum of 8 anna on account of charges" may be replaced by "expenditure".	Rate fixed long back and too meagre now.
11.	Section 290	"Storing or selling materials ……. Should be included in Section 290.	These items comes under ……..
12.	Section 290 (7)	Levy of licence fees be left to respective ULBs depending on concentration and degree of pollution hazards etc. instead of government fixing a upper limit.	Should be decentralised without restriction from above. Rate fixed is ridiculously low as they have not been amended in more than 30 years.
13.	New provision to be added	Installation Telecom Tower in urban areas shall be covered under Act. Provision for yearly increase of rates should be incorporated in the Act.	Executive instructions of Commerce department and Policy of H&UD department is not legally sufficient for local bodies to earn revenues.

D. Odisha Municipal Rules, 1953

Sl. No.	Provision	Commission's Suggestions	Reasons thereof
1	2	3	4
1.	Rule, 171	To be amended as fee, taxes etc. are mentioned in terms of 3 paisa, 6 paisa One Anna etc.	No longer available such coins and make little sense in present day context.
2.	Rule 205	Distrained fees to be enhanced	Abysmally low.
3.	2nd Proviso to Rule 338	Should be deleted.	Financial limit does not make sense as number of works required to be taken up depends on nature and degree of calamity and artificial capping not necessary.
4.	Rule 345 & Rule 352	The amounts indicated should be suitably enhanced.	The financial limit fixed at Rs.2500/- and Rs.1500/-

Sl. No.	Provision	Commission's Suggestions	Reasons thereof
1	2	3	4
			respectively is quite old and too low in present day context and should be appropriately enhanced.
5.	Rule 350	Should be suitably enhanced.	Five years already passed and should be enhanced so as to take care of another five years at least.
6.	Rule 365 (2) & 367, 558 (4), 561, 563	To be suitably amended.	The amount was fixed decades back & do not appear to be meaningful now.
7.	Rule 568	Technical sanction power may be with Engineers of appropriate level as provided in Rule 350.	Low as per present cost and will delay execution.
8.	Rule 596	Should be enhanced.	Too low.

Financial Accountability

Directorate of Local Fund Audit to develop accounting standard and software

5.31 In view of voluminous transactions, particularly in the Panchayat Samitis, maintenance of accounts by the PRIs has become a major concern on account of manpower shortage, lack of capacity and non-implementation of IT in GPs. Introduction of PAMIS software by the State Government has brought about some improvement in accounts keeping system of Panchayat Samitis. The situation in Gram Panchayats is deplorable since neither there are dedicated accountants, nor the Executive officers are competent enough to maintain accounts properly. The age old system of manual accounts keeping by non-professionals has rendered the accounts of GPs unreliable. In compliance with the recommendations of the 13th Finance Commission, the State Government has engaged chartered accountant firms from among those empanelled with the C&AG for compilation of Gram Panchayat accounts since 2012-13. Besides, the State Government has recently taken a decision to engage an accountant-cum-computer assistant in each GP. This will strengthen the accounting system in Panchayats. It would be worthwhile for the Directorate of Local Fund Audit in consultation with the Institute of Chartered Accountants of India and PR Department to develop an accounting standard along with a suitable software for the Gram Panchayats. Though some of the GPs have been provided with computers used mainly for compilation of data relating to implementation of MNREGS programme, need of the hour is universal computerisation of GPs covering all aspects of their functioning.

5.32 In compliance with the recommendations of the 13th Finance Commission, substantial changes have been made in the methods and structure of auditing system for the local bodies. On the one hand, the C&AG has been entrusted with Technical Guidance & Supervision (TGS) of accounts of PRIs and ULBs; on the other hand, the statutory Auditor of the local bodies, i.e. the Examiner of Local Accounts has been given the status of an independent Director with necessary support system. Introduction of online reporting system, entry and exit conferences and laying of annual reports of Local Fund Audit (LFA) Organisation in the State Assembly have a salutary effect on the efficiency of local fund audit. Further strengthening of LFA is still a need and due care is to be taken by the State Government.

CHAPTER-VI

Physical services in Local Bodies: Availability, Access and Quality

Introduction

6.1 The Eleventh & Twelfth Schedules of the Constitution under articles 243G & 243W enlist 29 subjects to be dealt by RLBs and 18 subjects by ULBs respectively. Amongst them, the basic crucial services to be taken care of by the local bodies are drinking water, sanitation, street lights, markets, funeral places etc. Some of these services are being provided partly or fully by the municipal bodies, but very little by rural local bodies. The Commission was handicapped to assess the availability, access, coverage and quality of these services in the LBs due to non-availability of credible data. The situation in ULBs is better. For transfer to local bodies a part of the award, defined as Performance Grants, the 13th Finance Commission prescribed nine conditions. One of the conditions was for State governments to put in place standards for delivery of all essential services provided by local bodies. The Central Commission, for a start, identified four service sectors, namely, water supply, sewerage, storm water drainage and solid waste management for which service standards were to be notified before a year starts and achieved by the end of the succeeding year. The State Government has accordingly fixed up targeted standards for different urban bodies for different years. Though this could have been a good means to improve the standard of services of urban local bodies, the Commission is afraid that unless the practice of this pre-fixation of yardstick and actual evaluation of performance thereto is internalised, efforts will be unsustainable and this is already evident.

Basic services by PRIs minimal

6.2 Dr. Ishar Judge Ahluwallia Committee in their "Report on Indian Urban Infrastructure and Services" in 2011 have come up with benchmarks in service standards for various sectors like pipe water supply, sewerage, solid waste management, storm water drainage, urban transport, street lighting etc. for urban bodies with different population sizes. The Commission did not come across any such study or report for rural areas. Certain urban needs are of less priority in the rural areas due to low population density, use of less polluting materials, ways of living, availability of lot of open spaces etc. Services like distribution of old age and other social security based pensions, public distribution of essential commodities, maintenance of markets, roads, culverts, hand pumps etc. are provided by the rural local bodies in varying degrees. Services that are very important for urban population like pipe water supply to homes, street lights, systematic solid waste management, drain cleaning etc. are mostly either non-existent or are at a very rudimentary stage. At present in Panchayat areas pipe water supply is maintained by the State Government, street lights are mostly absent and other basic services are conspicuous by their absence or have symbolic presence. If PRIs are not appropriately empowered and entrusted with responsibilities, funds and functionaries fixing bench marks for services will be an exercise in futility.

Services provided by Panchayati Raj Institutions (PRIs)

6.3 RLBs are expected to look after agriculture including agriculture extension, reforms, consolidation and improvement in land, minor irrigation etc. according to Eleventh Schedule of the Constitution. But, they have actually not been assigned the responsibility. In allied sectors like animal husbandry, fisheries, forestry, small scale industry and rural electrification, their participation is only peripheral, sometimes limited to only recommendatory functions like selection of beneficiaries or villages.

Drinking Water mega projects needed

6.4 About eighty percent of the rural population have access to potable drinking water in the State. Many people in remote villages depend on tube wells and traditional sources like river bed, springs, dug wells etc. Treated pipe water is still a dream for them. Out of 1,58,000 habitations in the State, 32,785 habitations (20%) have access to water through 8384 pipe water supply schemes commissioned so far. The progress of pipe water supply scheme in the rural areas is slow. As against a target of 1300 pipe water supply schemes, achievement is as low as only 317 in 2013-14. But due to lack of proper maintenance of the system, frequent disruption in power supply and inadequate sources of water, the quality of many old projects are not very satisfactory. Water stress is particularly severe in coastal saline area and fluoride/iron affected ground water regions in the hinterlands. Only mega projects covering a number of villages with surface water can meet the needs. On the other hand, further installation of hand pumps is being discouraged by the Government of India. The Commission is of the opinion that till the piped water supply from surface sources is provided, importance of hand pumps cannot be over-looked. For the last three decades, it has

Tube well a must

been of immense help in providing water in rural areas and particularly in remote pockets and can still be of substantial help till piped water supply reaches a satisfactory level of operation.

No effective role of GPs in water supply

6.5 Maintenance of installed piped water supply schemes have not been transferred to the Gram Panchayats. It is managed by the Rural Water Supply and Sanitation organisation. Electricity bills are paid from Finance Commission grants placed with Panchayat Samiti. So practically Gram Panchayat has no meaningful role in piped water supply programmes. Maintenance of hand pumps are notionally entrusted to the Gram Panchayats. Every Panchayat has 3/4 Self Employed Mechanics (SEMs) who are supposed to repair the tube-wells as and when needed. Spare parts are not kept in Panchayats, but in Block offices. Salary of SEMs is also paid by the Block Development Officer, not by Gram Panchayat. Drinking water supply, thus, is virtually managed by the RWSS organisation and Block Development Officer. The function along with functionaries and funds be placed with GPs.

Sanitation

6.6 As regards cleaning or road clearance, Panchayats do play an important role, particularly at the time of emergency. For example, after a natural calamity, Gram Panchayats do take up cleaning of roads, tanks, drains in a big way. But sanitation in the sense of creating public awareness for sanitary latrines in individual households, installation of public toilets in market places, public institutions like schools, anganwadis etc. and their regular cleaning and maintenance are not done of by the GPs. The role of PRIs in the provision of this core service has remained peripheral and minimal.

6.7 There is no sanitation facility in nearly 85% of the rural households of the State and open defecation is almost a way of life for most of the rural people. As per Census 2011, about 70 lakh (86.5%) out of 81 lakh rural households in the State do not have sanitary latrines. More than financial constraints, the age old customs and traditions stand as a barrier to adopting modern sanitation facilities. The neo-rich in the rural areas and the residents in the semi-urban pockets voluntarily go for sanitary latrines, thanks to the impact of education and economic development. The challenge is, therefore, to bring the poor and lower middle class groups within the fold of an improved sanitary system. This can only be possible if taken up on a mission mode with active involvement and intervention of the local bodies. Besides, it should be ensured that all government offices, residential schools, anganwadi centres and such other institutions located in rural areas have functional toilets and urinals with running water facilities. It needs a two pronged strategy: vigorous awareness campaign and attractive fiscal incentive. The Commission does not propose to make any financial allocation for this purpose, as there is enough funds from schemes like Mahatma Gandhi National Employment Guarantee programme to address such needs. It is strongly recommended to attend to this aspect in rural life by the administrative department concerned.

Roads and drainage

6.8 There has been significant improvement in road connectivity to and within villages and habitations during the last few years. Gram Panchayats and Panchayat Samitis have played a very important role in the construction of concrete roads with drainage popularly called CC roads within the village habitations. 1713.72 km have been laid in the rural areas under CC road scheme in the year 2013-14, with special focus on Particularly Vulnerable Tribal Group (PVTG) and ST/SC habitations. There are total 58,559 km of internal roads in the villages. As per information shared by Panchayati Raj Department, 26579 km of roads have been upgraded to CC Roads from various central and state schemes like Sampurna Gram Swarojgar yojona (SGRY), Backward Region Grant Fund (BRGF), Gopabandhu Gramin Yojona (GGY), Area development funds of Members of Parliament, Assembly etc. all put together. The cost comes to about Rs.33 lakh per km for concretisation of the internal roads with drains within the habitations. This cost of concretisation is one third of the amount required for conversion of the main roads across the villages. Movements within a village and to the main road has become comfortable and habitations clean compared to the situation a few years back when these roads were full of mud and slush. It has improved the overall environment as well as quality of life in rural areas. To meet the demand, the State Government has made a separate scheme, but allocation per year from state resources is quite low because of competing needs. This is an area in which PRIs can make good contribution with available technical manpower they have, if funds are available.

Services of Panchayats in social sector

6.9 Keeping in view the Justice Wadhwa Committee recommendations, the State Government have abolished private retailer system in many parts of the rural areas and entrusted the GPs with distribution of essential commodities. The Gram Panchayats in 118blocks in TSP areas and also a few in non-Sub Plan areas have

PDS through GPs

been given the responsibility of managing public distribution system (PDS).The State Government has placed Rs.50,000/- with such GPs as a revolving fund to manage PDS. An educated youth of the GP is appointed as Jogan Sahayak who attends to the work relating to PDS. He gets his remuneration from the commission allowed by the State Government in the operation. Some Panchayats are able to generate additional revenue too. PDS wherever entrusted to GPs has qualitatively improved, leakages have been minimised and access to full entitlement has become much easier. Gram Panchayats, of course, manage it with difficulty due to infrastructure and manpower deficiencies.

Pension through GPs

6.10 Another major service provided by Gram Panchayats is distribution of old age, widow and handicapped pensions. The pension holders come to the Panchayat headquarters on a fixed date of the month to receive their pension in cash. These pension holders without any support base and earning are mostly destitute and vulnerable. Due to low penetration of banking in rural areas, possibility of transferring pension to the beneficiaries' bank accounts is very remote in many GPs. A few incidents of robbery have taken place while officials of Gram Panchayats were bringing pension money after withdrawing the same from banks. In fact, only about 2000 GP headquarters including those located in the Block headquarters have bank branches. During the Commission's field visit GP officials have expressed apprehension about their physical safety apart from loss of government funds. The present system of direct cash payment to the beneficiaries is the best alternative for being transparent, easy and regular. Direct transfer of wages/subsidy/grants/benefits to the accounts of the beneficiaries are being introduced in many schemes. With the programme of financial inclusion by opening bank accounts in place, it would be worthwhile to transfer the pension to the bank accounts of the pensioners. Recipients having serious difficulties to access bank can be distributed money physically.

All markets taken over by RMCs be returned to GPs

6.11 Many of the markets were transferred to the Regulated Marketing Committees (RMCs) decades back. As per the 73rdAmendmentof the Constitution and consequent amendment of the Odisha Gram Panchayat Act, all markets which were transferred to the RMCs earlier as per The Odisha Agriculture Produce Marketing Act should have been transferred back to the Gram Panchayats concerned. But nothing has been done so far. Gram Panchayats had been managing a few markets on their own which were not transferred to the RMCs. These markets in Bargarh, Ganjam & Mayurbhanj districts, to name a few, earn income exceeding Rs.10 lakh a year. They are good sources of revenue for local bodies & should be transferred back to them immediately by Cooperation Department.

ANM's jurisdiction be co-terminous with GPS

Services of ANMs &Anganwadi workers be placed with GPs.

6.12 Other than core services, many other services which are to be provided by PRIs as per Eleventh Schedule of the Constitution are mainly managed by the line departments through their usual line of command. All users' committees like the ones for primary schools, anganwadis and health centres should have a symbiotic relationship with the Gram Panchayat, which they do not have as of now and work as independent parastatals under the direct supervision of departmental officers. There is complete mismatch between the territorial areas of Auxiliary Nurse Mid-wives (ANMs) and Gram Panchayats. Senior officers of the Health Department have given the Commission to understand that there is a thinking to make the jurisdiction of an ANM co-terminus with that of a Gram Panchayat. There being 6688 sub-centres in charge of ANMs spread over 6227 Gram Panchayats, quick steps can be taken to make the jurisdiction/ area of operation of ANMs and GPs co-terminus. Services of ANMs and anganwadi workers can be placed with the GPs to make them an integral part of the institution of Gram Panchayat.

6.13 Consequent upon the enactment of the Right of Children to Free and Compulsory Education Act, PRIs have become the Local Authority under new education paradigm. Thus many of the primary and grassroots level services related to health, nutrition and pre-school education can be successfully provided by the PRIs under the overall guidance and superintendence of the departmental officials as facilitators.

Service Standards of Urban Local Bodies

Service standards & bench marking for ULBs

6.14 The 13th Finance Commission has spoken of two distinct channels of transfer to local bodies. While one is General Basic Grant which is accessible by all local bodies, the other is General Performance Grant, available if only nine conditions stipulated by the Commission are satisfied. One of the conditions is to lay down standards for delivery of essential services to be provided by the local bodies. The Central Commission stipulated that all Municipal Corporations and Municipalities need to quantify and commit the service standards in respect of the core service sectors to be achieved by the end of the succeeding fiscal year. The State Government initiated action by specifying the standard of deliveries in essential services such as water supply, sanitation and solid waste management, and storm water drainage provided by the local bodies from the year 2011-12. In case of water supply, it has components like coverage, litre per capita per day (lpcd), metering, supply continuity, water quality, cost recovery and complaint redressal. The corresponding components for solid waste management are household coverage, collection efficiency, segregation, scientific disposal and complaint redressal. Reduction in number of water logging and additional drainage facilities created are two important parameters for storm water drainage.

6.15 A perusal of the details of notified service standards with respect to water supply and related aspects reveals low level of performance in most of the urban centres. With respect to solid waste management, the situation appears to be better. Except a handful of cities like Bhubaneswar and Berhampur, no other city or town in the State has any sewerage coverage, and the coverage in Rourkela and Puri is nominal. Toilet coverage in urban areas is too poor. A town like Barbil achieved the target of 16.4% coverage in 2011-12. Balasore with a target coverage of 92.1% in 2011-12 and 92.7% in 2012-13 has the highest toilet coverage in the State. Even Bhubaneswar is behind compared to Balasore and Berhampur. However, this may be due to progressively more rural areas being annexed to Bhubaneswar Municipal Corporation (BMC) and faster growth of slums. As regards solid waste management, performance is comparatively better.

6.16 The evaluation parameters for the service standards are as per accepted norms fixed by the Ministry of Urban Development, Government of India. After evaluating the achievements of ULBs in 2011-12,the State Government notified the targets for 2012-13 in respect of the said services for 40 ULBs of the State. It is observed that the achievement of ULBs in some sectors is zero or almost negligible. For instance, metering of water supply has been introduced in no urban area in the state, except Bhubaneswar, Joda & Paradeep where the coverage lies from 0.2% to 2.0%. Similarly, as regards continuity in water supply the maximum coverage is 16 hrs a day in Paradeep, 10 hrs in Kendrpara and 8 hrs in Bhadrak. In most of the urban areas of the State supply is hardly for 1 to 2 hrs a day. Quality assurance is also poor. In case of Bhubaneswar, the treatment quality was 66.7% during 2011-12. Performance in cost recovery and collection efficiency is also low. Though performance in solid waste management is better, the level of inefficiency in the system is evident from the absence of segregation and scientific disposal. There is some achievement in case of storm water drainage.

H & UD Department to continue fixing annual targets and external agency to evaluate

6.17 Fixing of service standard has for the first time brought home the realisation to the urban body administration that performance can be quantified and evaluated. Concern is that this practice should not be given up once the award period of the 13th Finance Commission is over. There is no dependable mechanism to evaluate the performance of municipal bodies to assess their achievement as against targets or standards fixed, for which the data with regard to performance of individual urban bodies lose credibility. The Commission, therefore, recommends that H&UD Department should continue to fix annual achievement targets even beyond the present award period and put in place a monitoring mechanism involving external agencies to assess the physical progress.

6.18 The urban sanitation scenario in the State is a cause of concern. The Millennium Development Goal (MDG) envisages access to improved sanitation by at least half of the urban population by 2015 and 100% by 2025. This implies extending improved sanitation coverage to the un-served households and providing proper sanitation facilities in public places with a view to making cities open-defecation free. The National Urban Sanitation Policy, 2008 aims that all Indian cities become totally sanitized, healthy and liveable, ensure sustained good public health and environmental outcome for all their citizens with focus especially on hygienic and affordable sanitation facilities for the urban poor. As per the State Government assessment indicated in the Urban Sanitation Strategy brought out in 2011, about 40% urban households do not have access to toilets and another 11% have to share toilets. The situation in the slums and squatter settlements is worse. Socially disadvantaged groups (SC/ST households) have poorer access levels – 67% in case of SC and 73% in case of the ST households do not have access to toilets. The strategy aims at achieving year-wise target for ODF (open defecation free) status across urban areas beginning with ODF status for 5% of the wards in each ULB during the FY 2011-12 and progressively raising it to 100% by the end of FY 2017. As part of the strategy, efforts will be made to showcase Bhubaneswar as the first ODF city of Odisha. The reality is very harsh and far from the goal.

6.19 Only two of the Municipal Corporations have partial sewerage provisions and only 8% of human excreta generated in urban areas is treated by any formal sewerage treatment system (CPCB, 2009); Puri and Rourkela have nominal sewerage coverage. Cuttack city with the help of external aided project is poised to have a sewerage system in future, work being in progress.

Water metering

6.20 Water supply in the cities and towns of the State is looked after by the Public Health Engineering Organisation (PHEO). Statistics reveal that 50% of ULBs get water at less than 70 lpcd whereas the average production is 130 lpcd. Physical network has a higher spread whereas only 35% have direct pipe water connection. Dependence on ground water is higher than that on surface water. There is need to gear up the ULBs for improved service levels in the supply of quality water by achieving operational efficiency through an efficient and effective surveillance system. This will facilitate access of the urban poor to potable water at affordable cost. It will be possible by controlling Non-Renewable Water (NRW) use by progressively increasing achievement of 100% consumer level metering and undertaking energy efficiency measures. The Odisha State Urban Water Supply Policy, 2013 speaks of a Service Improvement Action Plan. The plan identifies the deficiencies in the key performance indicators, prioritize thrust areas, set annual incremental performance targets and prepare a plan for piped water supply at household level. The policy addresses the key concerns of full coverage, quality supply, conservation and cost efficiency by introducing water metering with financial outlays. The plan has worked out the projected population and demand up to the year 2027 by taking into account the present level of services provided with 2012-13 as the base year. An estimated financial requirement year-wise has been projected in the plan of action. One important part of the plan is to introduce household water meters which will help avoiding wastages and conservation.

Solid waste management

6.21 Solid waste management is a thorny issue for the urban centres of India having wide ramification in terms of environmental pollution, health hazards, river pollution, constraints of space for disposal, lack of technical know-how and non-availability of specialised agencies to take up such projects. Odisha is no exception to this. Most of the cities face the same problem, more in bigger cities. Solid wastes are of two types: organic and non-organic. While disposal of organic waste is comparatively easier, that of non-organic wastes like plastic and non-ferrous metals poses pollution hazards and needs specialised scientific treatment. The task of collection, segregation, transportation, treatment and disposal is a herculean task for the ULBs as it involves huge manpower and heavy expenditure. The solid wastes are mostly buried in dumping yards without any treatment, which is hazardous because it pollutes the atmosphere and quality of ground water in the locality. At times sewage is discharged in the nearby river which causes health problems for the people using the water downstream, and very often invites judicial interventions. Due to speedy urbanisation along with increasing migration from rural areas and even from outside the State is adding to the problem of the existing inadequate and poor sanitation facilities. Small cities face resource constraints to discharge these functions. Some positive actions have been taken in bigger cities like Cuttack, Bhubaneswar, Puri and Berhampur. A more holistic approach, long term planning and high investment are needed to tackle the problem. Most of the cities and towns which have engaged private agencies and service providers, the standard of cleanliness has improved. Interactions with field functionaries revealed that the grant from 13th Central Finance Commission has helped substantially resulting in improvement of status of sanitation in most of the towns compared to the situations earlier. So this is an area which command attention in fund allocation.

Urban Sanitation

6.22 The unorganised service sector is mostly maintained in urban areas by the urban poor. With IT Hubs, manufacturing and service industries, healthcare and educational institution, retail outlets etc. coming up in a big way, large number of people join the population stream of Bhubaneswar and other growing townships which in turn has accelerated the demand on various services. Floating population from hinterland and also outside the State to the cities/towns puts lot of pressure on the urban basic services. The State attracts lot of pilgrims and tourists also though these are periodical phenomenon, but they mount demand on services of the urban local bodies. The Commission had an occasion to interact with Dr.Bindheswari Pathak, the founder of Sulabh International, who is known to be an expert on the sanitation movements in the country. It appears a survey conducted by them shows need of large number of urban public toilets in different parts of the urban areas. But this area has not been addressed with adequate emphasis so far. The commission considered it appropriate to address this issue.

CHAPTER-VII

Assessment of Finances of Panchayati Raj Institutions

Introduction

7.1 Article 243H of the Constitution provides that the State Legislature, by law, may

(a) authorise Panchayat to levy, collect and appropriate taxes, duties, tolls and fees,

(b) assign the proceeds of taxes, duties, tolls and fees levied and collected by the State Government to the Panchayats, and

(c) provide for making grants-in-aid to the Panchayats from the consolidated fund of the State.

The Panchayats were empowered to levy taxes even before the amendment of the Constitution and only Gram Panchayat had taxation power. Various non-tax revenue sources not under the control of Gram Panchayat like tanks, orchards, ferries, markets etc. were transferred to the GPs. But amendment of the Constitution has not enlarged the tax base and reach of GPs. Excepting devolutions arising from recommendations of the Central & State Finance Commissions, other transfers are meagre. A major source of tax revenue of LBs all over the world is tax on land and buildings. But neither the GPs nor other tiers of PRIs have power to tax properties. There is no provision for collection of tax/fees by GPs on advertisement, entertainment, trade & business outside notified markets and such other avenues of taxation. Entertainment tax is collected by the State Government and a fraction thereof comes to LBs as assignment. The GPs are seriously handicapped in raising own revenue, for which their per capita annual income as per Panchayati Raj Department is less than Rs.7.00. PRIs survive and function on devolutions recommended by the State and Central Finance Commissions and by implementing schemes of higher tiers of governments. The sources of finance of PRIs are detailed below.

Own Revenue of Gram Panchayats

7.2 The Odisha Gram Panchayat Act, 1964 along with various amendments thereto authorises GPs to levy and collect certain taxes, duties, fees etc. One such tax is vehicle tax on bicycles, rickshaws, cycle rickshaws, four wheeled carriages drawn by horse, two seated vehicles including a cart, Jhatka and Tanga at rates fixed by the Government from time to time. The tax rate last fixed by the Government in 1975 has not been revised so far. The total tax collected by GPs on this account was Rs.6.92 lakh in 2010-11, Rs.11.15 lakh in 2011-12 and Rs.8.60 lakh in 2012-13.

7.3 A GP is empowered to levy and collect latrine, water and drainage taxes, if these services are provided. Since most of the GPs do not provide such services, there is hardly any scope for them to collect such taxes. Other sources of revenue of GPs include collection of licence fees from slaughter houses, cart stands, fees from private markets, places of public resort and entertainment, and industries/factories including dangerous and offensive trades.

7.4 Generally public markets and public properties are the most important sources of income of Gram Panchayats. They levy user fees on markets or lease them out. Leasing out of public properties like ferry ghats, pisciculture sources, orchards, wasteland, irrigation tanks etc. are some of the income sources of GPs. But, unfortunately all such sources are not available to all GPs and with a few exceptions, income of Gram Panchayats from these sources continue to be meagre. Total income of all the GPs of the State between 2010-11 and 2012-13 is given in Table 7.1.

Table 7.1

Own sources of Revenue of GPs

(**Rs. in lakh**)

Year	Vehicle Tax	Water Tax	Light-ing Tax	Licencee Fees	Total Tax Revenue	Market Fees	Ferry Ghat	Piscicul-ture Tank	Orchard	Others	Total Non-Tax Revenue	Total Income of all GPs.
1	2	3	4	5	6	7	8	9	10	11	12	13
2010-11	6.923	0.870	2.282	26.358	36.433	584.717	134.207	820.618	22.641	441.011	2003.194	2039.627
2011-12	11.150	0.910	2.432	37.594	52.086	618.082	143.237	888.652	33.694	461.684	2145.349	2197.435
2012-13	8.605	0.930	2.525	30.017	42.077	693.535	135.106	903.774	26.546	505.193	2264.154	2306.231

Sources: P.R. Department, Government of Odisha

Rates of taxes need revision

7.5 The Table indicates very narrow income base of GPs. Vehicle tax has become obsolete and is not expected to yield substantial revenue because of continuance of rates fixed decades back in 1975. Fixing of licence tokens on the vehicles costs more than the tax/fees to be collected. Many Gram Panchayats have discontinued collection of vehicle tax. Revenue collection from this tax by GPs of a district during the year 2012-13 varied from Rs.1000/- to Rs.40,000/- with the solitary exception of Keonjhar district where the collection was around Rs.2.72 lakh. As reported by P.R. Department, no GP except a few in Gajapati district has collected water tax. The situation is no different in the case of lighting tax, which is collected only in the GPs of Bolangir, Ganjam, Nuapada and Rayagada districts. Most of the GPs do not provide services for which they have been authorised and hence do not collect taxes. Licence fees from industries and factories including dangerous and offensive trades could fetch them good income, but these rates have not been revised long since. The legal provision imposing government control over the taxation power of GPs is one of the factors behind such low income base of the latter.

Gram Panchayats be empowered to fix rate of taxes

7.6 Tax revenue can be increased substantially by revising tax rates upward. This can be achieved through re-notification of different tax rates by the Government. Another way of doing this is introduction of new taxes, fees etc. through legal empowerment of PRIs by amending the relevant Acts & Rules. The best option would be to empower Panchayats to levy taxes at rates decided by the local bodies in their collective wisdom. In essence, power to decide appropriate tax rate is the fulcrum of responsible governance. It is time that the State Government transfers this power to them. There is no reason for the Government to be apprehensive when it and its representative like Collector have ample power to undo anything done against the State's stated policy or financial prudence.

Compensation and Assignment

Cess

7.7 The Gram Panchayat Act, 1964 does not provide for assignment of the proceeds of any tax, fee, duty or tolls levied and collected by the State Government. Under Section 10 of the Odisha Cess Act, 1962, the entire collection of cess is credited to the State's consolidated fund to be utilised as contribution to Gram Panchayats and Panchayat Samitis. Under Rule 6 of the Odisha Cess Rule, 1963, collection from cess is to be allocated for the purpose of primary education and contributions to Gram Panchayats and Panchayat Samitis in the proportion of 50:40:10. However, with the acceptance of the recommendations of the 2nd SFC by the State Government, collections from cess is being distributed among Gram Panchayats, Panchayat Samitis and Zilla Parishads in the ratio of 60:20:20. Collection of cess from 2009-10 to 2012-13 and its allocation to Gram Panchayats, Panchayat Samitis and Zilla Parishads is shown in Table 7.2.

Table 7.2
Allocation of Cess Collection to PRIs

(Rs. in lakh)

Year	Total Collection	Allocation to GP	Allocation to PS	Allocation to ZP	Total
1	2	3	4	5	6
2009-10	1197.44	852.02	308.45	-	1160.47
2010-11	1085.53	911.26	285.31	-	1196.57
2011-12	1313.08	863.10	308.92	295.50	1467.52
2012-13	1675.58	914.17	285.67	299.45	1499.29

Source: Board of Revenue & Annual Budgets, Finance Department.

Cess assignment be withdrawn

7.8 It is to be noted that the State Government's release to PRIs is made as per availability of funds in the budget, but not as per the amount of collection in the previous year. An amount of Rs.15 crore under the Cess grant distributed among 6227 Gram Panchayats, 314 Samitis and 30 Zilla Parishads is too meagre and has little impact on their finances. Continuance of this grant is not much of consequences. The Commission feels that suitable amendment of the law to discontinue the grant will save the Government as well as PRIs a lot of book-keeping exercises. However, till the law is amended, funds may continue to be released to PRIs as per the present distribution system.

Kendu Leaf Grant

7.9 Another assigned source of revenue of PRIs is the net profit from kendu leaf trade. After nationalisation of the trade in 1973, procurement of kendu leaves is being handled by Forest Department and sales operation by Odisha Forest Development Corporation (OFDC). With the conclusion of sales, the residual amount is deposited in government exchequer in the shape of royalty after allowing for working fund advances, commissions of OFDC Ltd. and taxes. Half of the net profit is distributed as Kendu Leaf (KL) grant among Gram Panchayats, Panchayat Samitis and Zilla Parishads of kendu leaf growing areas in the ratio of 72:10:8. The balance 10% of the profit is released to kendu leaf pluckers and binding labourers' welfare trust fund as hard cash KL grant (P.R. Department Resolution No. 32998 Dated-14.10.2009). The net profit from kendu leaf trade is finalised only after audit by the Accountant General (A.G) of Odisha, which is years behind. It was informed by Forest & Environment

Department that A.G. certification has been done up to 2005-06. Net profits from 2001-02 to 2004-05 are detailed in Table 7.3.

Table 7.3

Net Profit from Kendu Leaf Trade

(Rs. in crore)

Year	Net Profit from K.L. Trade
1	2
2001-02	17.36
2002-03	11.23
2003-04	(-) 04.53
2004-05	25.70

Source : Relevant Annual Reports of the A.G., Odisha

7.10 It is evident that profit from KL trade was not substantial and even negative in 2003-04. However, in order to protect an assured source of revenue of PRIs, a lump sum grant of Rs.20.00 crore per annum was recommended by the 3rd SFC. In the absence of any recommendation regarding the pattern of distribution among the three tiers of PRIs, the earlier pattern of distribution, e.g. 72% to GPs, 10% to PSs, 8% to ZPs and 10% as hard cash Grant is continuing. Distribution of funds under KL grant from the year 2009-10 to 2012-13 is given in Table 7.4.

Table 7.4

Distribution of KL Grants among PRIs

(Rs. in lakh)

Year	Allocation to GPs	Allocation to Panchayat Samitis	Allocation to ZPs	Total Allocation to PRIs
1	2	3	4	5
2009-10	683.56	236.44	80.00	1000.00
2010-11	653.00	248.00	75.00	976.00
2011-12	1388.00	445.00	160.00	1993.00
2012-13	1452.69	400.00	159.71	2012.40

Source: Finance Department, Government of Odisha

Sharing of KL grant with PRIs of no significance and be stopped

7.11 The release of KL grant as explained above is on a notional basis. It is unsustainable in the long run and its sharing is irrational as evident from the figures in Table 7.3. Actual net profit will be known only after audit, which is many years behind and it can be negative too as in some years. The Commission, therefore, is not in favour of recommending a specific amount of KL grant. It would rather recommend to amend the Odisha Kendu Leaves(Control & Trade) Rules, 1962 such that the grant is shared with the pluckers, not with PRIs or is withdrawn completely. The Commission is also informed that the kendu leaf trade organisation has been examining the possibility of handing over the trade to GPs. In Chhattisgarh, the trade is handled by co-operative societies. In Odisha the kendu leaf procured by the pluckers undergoes a system of processing which requires substantial domain knowledge and GPs are ill-equipped to handle this. The Commission therefore is of the opinion that the trade should not be handed over to GPs. The Gram Panchayats are primarily units of self governance and should not be burdened with the trading responsibility.

Kendu leaf trade not to be dealt by GPs

Minor Forest Produce

7.12 Keeping in view the recommendations made by the 2nd SFC regarding assignment of royalty on Minor Forest Produces (MFPs), the State Government has been assigning a part of royalty to the GPs. Under Odisha Gram Panchayat (Minor Forest Produce Administration) Rules, 2002, GPs are entrusted with regulation of 69 MFPs and collection of registration fees for each item from the registered dealers. Prior to transfer of these items to GPs, Forest Department was collecting royalties from lessees at the rates fixed by the government.

7.13 Before the aforesaid rules came into being, P.R. Department under Section 152 of Odisha Gram Panchayat Act issued an administrative order prescribing the manner in which the GPs would exercise right over the MFPs transferred to them. A token amount of Rs.100/- has been fixed as registration fee of a trader. There was no restriction on the number and volume of MFPs transacted by a trader provided he paid the fixed registration fees. The rules further detailed the norms for administration of MFP procurement and transactions, but fixation of registration fees of MFP items was left to the State Government.

GPs have no power to fix registration fee, procurement price- laws be amended

7.14 A registration fee of Rs.100/- per trader irrespective of the volume of his transactions still continues even after more than a decade. Further, the rule prescribes that Panchayat Samiti is to fix the procurement price, failing which the Collector is empowered to fix it up in one of its meetings convened by him. But, the GPs suffer for Panchayat Samitis delaying price fixation. Moreover any deviation or legal non-compliance indulged in by the traders or others is only to be reported by GPs to the Divisional Forest Officers concerned. GPs have no power to seize the collection and take penal action against the erring traders.

GPs be authorised to seize

7.15 The Commission feels there is need for modification in the Minor Forest Produce Administration Rules. A time-frame may be fixed for Panchayat Samitis to communicate the minimum procurement price of MFPs fixed by them, failing which GPs should be at liberty to fix the price at their level. Rule 4(6) also should be amended such that registration fees would be decided from time to time by the individual Panchayats, not through government notification. Further, there should also be provision in the rule authorising GPs to seize MFPs if procured illegally and inform the D.F.O concerned for final say in the matter and initiation of penal action where needed.

Table 7.5

Allocation of Royalty from MFPs to GPs.

(Rs. in lakh)

Year	Amount Allocated
1	2
2009-10	100
2010-11	86.7
2011-12	100
2012-13	85.83

(Source: Finance Department, Government of Odisha

MFP grant be discontinued

7.16 Funds under the MFP head and distributed amongst PRIs are shown in Table 7.5. It may be read off the Table that during the period of four years from 2009-10 to 2012-13, the amount shared with the large number of rural bodies never crossed Rs.1.00 crore. Therefore, the assignment on account of MFP is insignificant and the Commission does not consider its continuance worthwhile.

Sairat

7.17 Sairat sources are good and dependable sources of revenue of Gram Panchayats. A major part of the income of GPs comes from sairat. As per information available, tanks and orchards put together have yielded more than Rs.9.00 crore revenue for them. Sairat sources were earlier dealt with by Revenue Department establishments in the field. Gradually most of the sources of sairat were transferred to the GPs. Revenue from minor minerals except decorative stones is being administered by Revenue Department. Though the 3rd SFC has not made any specific recommendation, keeping in view the recommendations of the 2nd SFC, the State Government has been assigning sairat based revenue to GPs. Assignment of sairat revenue to GPs are detailed in Table 7.6.

Table 7.6

Allocation of Sairat to Gram Panchayats

(Rs. in lakh)

Year	Total Revenue from Minor Minerals	Allocation to GP
1	2	3
2009-10	202.65	96.60
2010-11	226.56	89.14
2011-12	255.69	100.00
2012-13	324.96	100.00

Source: Steel & Mines and Finance Departments, Government of Odisha

Sairat grant not to continue

As per information submitted by Steel & Mines Department, revenue from minor minerals in the year 2012-13 was Rs.3.25 crore, out of which only Rs.1.00 crore was given to GPs. Revenue of the State from this source is not very high and if its sharing with GPs is discontinued, the Commission feels that it will have no impact on financial status of the GPs too and hence should be done away with.

Entertainment Tax

Entertainment Tax be entrusted to RLB for rural areas

7.18 Out of the State's entertainment tax collection, Rs.15.00 lakh was assigned to the GPs as per recommendations of the 2nd SFC and this is also being followed during the award period of the 3rd SFC. Needless to say that it is a very negligible amount. Further, the Entertainment Tax Act, 2006 does not provide for levy of surcharge, nor assigning any part thereof to local bodies. The Commercial Tax Department collects the tax in the State, but in many states it is collected by the local bodies. Out of collections of Rs.28.62 crore in 2010-11, Rs.15.88 crore in 2011-12 and Rs.31.36 crore in 2012-13 assignments to GPs in these years were Rs.19.73 lakh, Rs.14.78 lakh and Rs.15.00 lakh respectively. Distribution of fund to the tune of Rs.15.00 lakh among a large number of local bodies is only ritualistic in nature compared to the total transfers to them under other heads. This small amount of tax is collected by an organisation which is in charge of collection of commercial taxes, the highest contribution to the total tax revenue of the State. The proposed GST structure for the country envisages administration of this tax by the local bodies. In the State, presently the tax is being levied on cinematographic exhibitions and cable TVs. The Commission recommends that the Entertainment

Tax be entirely assigned to local bodies for levy and collection and the relevant Act need to be amended accordingly.

Law be suitably amended

7.19 Many other States levy tax on other avenues of entertainment including commercial sports and game, opera, circus etc. These taxes can be good sources of revenue for PRIs and ULBs. These taxes are local event-based and best suited for collection by the lowest level governing institutions which are the rightful authorities for such taxes. The Commission therefore recommends that the State Government should take steps for appropriate changes in the laws to enlarge the tax net as in other States like Karnataka, Maharashtra etc.

Assignment from Different Sources

Insignificant transfers from different heads be dis-continued

7.20 It is clear from the above that prior to the 73rd Constitutional Amendment, transfers to PRIs as compensation and assignments were on the basis of various laws, policy decisions and executive orders like Cess Act, Kendu Leaf Control Order, etc. These used to be their major sources of revenue in the sixties and seventies. The transfers still continue, but constitute a very small part of the total transfer to PRIs. It is observed from the ATR on the 3rd SFC's recommendations that compensation and assignment to PRIs is only Rs.185.75 crore, 6.36% of the total transfer of Rs.2920 crore during the Commission's entire award period of five years. As per recommendations of the Central and State Finance Commissions, substantial amounts of resources are transferred to local bodies not only as assignment and appropriation, but also as devolution and grants-in-aid. The small quantum of transfers under various heads only increases the bureaucratic and accounting interface in a big way without much impact on either the State's resources or finances of the local bodies. These multifarious small transfers to RLBs have become redundant and should be done away with as proposed above and replaced by a few substantial transfers from such sources on which they should reasonably have a claim.

Other Tax proposals

Acts be amended for GPs to issue NOC for new const. & collect fees

7.21 A large number of buildings are coming up in rural areas around the urban centres. There are multi-crore housing and commercial building projects within the Development Authority/Improvement Trust areas outside the municipal jurisdiction, but within GP areas. Projects within the Development Authority/Improvement Trust areas pay certain fees for getting approval for construction. Some GPs in Rayagada district collect fees without any legal sanction to do so with cooperation from Improvement Trust. The Commission is not aware of any other GP in the State getting revenue from this source. These projects and their occupants use the infrastructure and services provided as such by rural bodies. Such new constructions within the village area will put pressure on its water supply system, sanitation, infrastructure and other basic services. There is no reason as to why such projects should not pay taxes to rural local bodies for this. The Commission, therefore, recommends that the laws governing Improvement Trusts/ Development Authorities should have provisions to give approval to building construction only with NOC from GPs coming under its jurisdiction and GPs too should be empowered by law to collect fees/taxes.

GP Act be amended to include advertise-ment tax

7.22 Rural areas are inundated with advertisement of consumer goods, real estates, academic institutions, tourism industries and many other varieties of hoardings and publicity materials. Some Municipal bodies collect taxes from such advertisements, but without legal sanction in most of the cases. GPs do not get any revenue from this. Therefore, the Commission recommends amendment of the Gram Panchayat Act enabling GPs to collect advertisement tax at rates decided by them.

Transfers to GPs

GPs be empowered to levy property tax

7.23 2nd State Finance Commission as well as 13th Finance Commission recommended introduction of property tax in local bodies. But till now the rural local bodies have not been empowered by law to levy such a tax. The bill introducing property tax in the 14th Assembly had lapsed and no new bill has been introduce so far. Property tax is one of the most important source of revenues of the local bodies across countries. The Commission recommends to introduce the tax at the earliest.

7.24 There have been developments from time to time giving rise to spurt in both assigned revenue and grants. It is evident from Table 7.7 that as against a little more than 3 ½ times increase in own revenue of GPs, transfers to them from higher level governments have shot up more than 14 times over a period of two decades from 1990-91 to 2012-13. In post 73rd Constitutional amendment period, transfers from the State as well as Centre have improved substantially due to growth and buoyancy in their revenues and recommendations of Finance Commissions. Substantial increase in the income of higher level governments has given rise to introduction of new Central and State schemes. As implementers of the new schemes, local bodies receive increasing grants from both the Central and State Governments though their own income did not improve appreciably. Earlier, flow of funds under State Plan used to be placed with PRIs to meet their establishment, maintenance and other development expenses. But this has declined now and the SFC grants are being used for these purposes.

Table 7.7

Resources of Gram Panchayats

(Rs. in lakh)

Year	Own resources	Transfer from government sources			Total income
		Assigned Revenue	Grant	Total	
1	2	3	4	5	6
1990-91	590.37	62.78	7441.46	7504.24	8094.61
1997-98	699.38	800.00	12349.21	13149.21	13848.59
2005-06	985.00	1113.00	50261.00	51374.00	52359.00
2012-13	2306.23	22704.00	85034.00	107738.00	110044.23

Source: Report of the 1st SFC,PanchayatiRaj & Finance Departments

Income of Panchayat Samitis & Zilla Parishads

7.25 The Odisha Panchayat Samiti Act, 1959 has not empowered Panchayat Samitis to levy taxes. Their receipts include funds from Government as share of revenue and grants-in-aid as per the SFC recommendations. Besides, they receive funds for various Central and State government schemes implemented by them.

7.26 As per Section 3 of the Odisha Zilla Parishad Act, 1991, Zilla Parishad is a body constituted at the district level empowered to prepare, execute and supervise district plan for anti-poverty programmes and implement the schemes relating to matters enlisted in Eleventh Schedule. They are not vested with power to levy taxes like GPs, but receive funds only from the government to meet their establishment expenditures like salaries and allowances of the staff, honorarium and T.A payable to the elected representatives and contingent expenses. Besides, each zone of a Zilla Parishad receives untied fund of Rs.5 lakh per annum from the 3rd SFC grant for development works within its jurisdiction. The work is executed by the Panchayat Samiti or Gram Panchayat. The functions performed by

Zilla Parishads are mainly confined to approval of schemes and programmes implemented by Panchayat Samitis and Gram Panchayats.

Expenditure of Gram Panchayats

7.27 Table 7.8 shows the expenditure of GPs out of their own income during the period from 2010-11 to 2012-13.

Table 7.8

Expenditures of Gram Panchayats out of their own Income(2011-13)

(Rs. in lakh)

Year	Establishment	Maintenance	New Dev. Work	Others	Total Expenditure
1	2	3	4	5	6
2010-11	769.59	393.44	669.17	205.06	2037.26
2011-12	744.95	442.87	759.44	238.77	2186.03
2012-13	822.40	436.41	937.58	266.96	2463.35

Source: PR Department

Since GPs hardly have any revenue of their own (Table 7.7), their participation in development work is fully dependent on the schematic funds received from various levels of Governments and through Finance Commission grants. GPs spent Rs.822.40 lakh, Rs.436.41 lakh, Rs.937.58 lakh and Rs.266.96 lakh respectively for establishment, maintenance, new development works etc. during the year 2012-13. In the total expenditure of Rs.2463.35 lakh from their own income, more than one-third goes towards establishment expenditure which includes salary of the staff recruited at GP level and office contingencies, and it is increasing over time.

Expenditure under State Government Schemes

7.28 Many government schemes, namely, CC Road, Gopabandhu Gramin Yojana (GGY), IAY etc. are being implemented through PRIs. As per the outcome budget of Panchayati Raj Department, expenditure under CC road scheme designed to provide better connectivity to rural areas increased from Rs.74.28crore in 2010-11 to Rs.97.79 crore in 2011-12. Similarly, under GGY, which aims at providing additional development assistance to the targeted 10 districts not covered under BRGF Rs.295.00 crore, Rs.164.97 crore, Rs.164.97 crore and Rs.91.50 crore have been respectively expended during the four years from 2008-09 to 2011-12. The districts covered are Angul, Balasore, Bhadrak, Cuttack, Jagatsinghpur, Jajpur, Kendrapara, Khurda, Nayagarh and Puri. The scheme has been undertaken with a view to primarily providing infrastructure facilities like electrification, roads and water supply (Bijli, Sadak and Pani) to every revenue village in these districts. Expenditures on incentive awards to the best performing PRIs at the State, Division and District levels were respectively Rs.76.08 lakh, Rs.58.00 lakh, Rs.64.00 lakh and Rs.69.91 lakh during the years from 2008-09 to 2011-12. In order to provide dwelling houses to the needy rural poor below poverty line, not covered under IAY respectively Rs.98.68 crore, Rs.59.99 crore, Rs.61.17 crore and Rs.60.54 crore have been spent under the scheme Mo Kudia in 2008-09, 2009-10, 2010-11 and 2011-12.

Expenditure under Central Government Schemes

7.29 The Central Government implements in the States a number of schemes called Centrally Sponsored Schemes to alleviate rural poverty and provide improved quality of life to the rural poor, especially below poverty line. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is being implemented to provide livelihood security to the household whose adult members volunteer to do unskilled manual labour through guaranteed days of wage employment in a financial year and thereby creating rural infrastructure of durable nature. Expenditure under this scheme amounted to Rs.99.51 crore in 2008-09, Rs.50.36 crore in 2009-10, Rs.150.00 crore in 2010-11 and Rs.99.74 crore in 2011-12. Expenditures under BRGF scheme were Rs.227.83 crore, Rs.223.67 crore, Rs.323.99 crore and Rs.165.71 crore respectively in the same period. Now the scheme is being implemented in 20 districts namely Bolangir, Boudh, Bargarh, Deogarh, Dhenkanal, Gajapati, Ganjam, Jharsuguda, Kalahandi, Kandhamal, Keonjhar, Koraput, Malkangiri, Mayurbhanj, Nabarangpur, Nuapada, Rayagada, Sambalpur, Subarnapur and Sundergarh. To provide dwelling units to rural poor respective amounts spent under IAY from 2008-09 to 2011-12 were Rs.70.55 crore, Rs.233.55 crore, Rs.124.61 crore and Rs.153.00 crore.

Expenditure out of the 3rd SFC Award

7.30 Out of the 3rd SFC award, year-wise expenditures on remuneration of GP secretaries, honorarium/ daily allowance/ sitting fees of Sarpanches, Naib Sarpanches and Ward Members as the case may be in the years from 2008-09 to 2011-12 respectively were Rs.19.62 crore, Rs.18.02 crore, Rs.18.63 crore and Rs.22.60 crore. In the corresponding years, Rs.3.55 crore, Rs. 5.76 crore, Rs.7.47 crore and Rs.8.44 crore have been expended towards honorarium and allowances of Panchayat Samiti Chairpersons and Vice- Chairpersons. The honorarium and allowance to ZP Presidents/Vice-Presidents and their telephone bills, salaries of P.As. to ZP Presidents, house rent and T.E. have also been met out of SFC grant and Rs.3.33 crore, Rs.4.27 crore, Rs.8.59 crore and Rs.4.02 crore have been spent in the respective years mentioned above.

7.31 It is observed from the above that own revenue of PRIs being minimal, their main sources of finance are the Central and State Government grants. Further, Gram Panchayats do not have power to introduce new taxes and modify/enhance the existing tax/ fee rates without Government approval. The Gram Panchayats have been entrusted with provision of basic civic services like village road, cleaning, lighting, drainage system, drinking water etc. in their respective areas, which they fail to discharge satisfactorily due to paucity of funds and authority.

GPs to have freedom in taxation and grants be untied

7.32 Rural Local Bodies are forced to act as the executive arms of the higher level Governments for implementation of the scheme-based and purpose specific grants at the base level. With a high level of financial dependence and low level of fiscal autonomy, these local bodies are bereft of any trait of self-governance. The flow of funds to them is mostly tied and whatever little untied funds they receive are earmarked for specific purposes mentioned in the guidelines of the administrative departments. They have no freedom in decision making, planning and utilization of funds as per the felt needs of the people a sensivisioned in the 73rd Constitutional Amendment. The grants-in-aid and share of taxes released to RLBs are mostly allocation oriented and controlled at the State level. Transfer of huge amount of funds will not raise the ability of these institutions to perform as responsible entities of self-governance, unless they are enabled to take independent decisions for utilisation as per the felt needs of the people they serve. The objective behind the Constitutional Amendment will not be realised unless the present practices and patterns of devolution or transfer change and PRIs are simultaneously strengthened to take decision.

CHAPTER-VIII

Assessment of Finances of Urban Local Bodies

Introduction

8.1 As per the 74th Amendment of the Constitution, ULBs are to perform a number of functions. Article 243W deals with powers, authorities and responsibilities of municipalities. It provides that the state legislature may, by law, endow:

(a) the municipalities with such powers and authorities as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon municipalities, subject to such conditions as may be specified therein with respect to

  (i) the preparation of plans for economic development and social justice and

  (ii) performance of functions and implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule, and

(b) the committees with such powers and authorities as may be necessary to enable them to carry out the responsibilities conferred upon them including those in relation to the matters listed in the Twelfth Schedule.

The ULBs are empowered to raise their own revenue. Besides, they receive grants from the State as well as Central governments.

Revenue of Urban Local Bodies

8.2 These local bodies are empowered to collect both tax & non-tax revenues as per relevant laws with prior approval of the government. While tax revenue mainly comes from holding tax, lighting tax and advertisement tax, the non-tax revenue of ULBs comprises of rental income from properties, fees/user charges, sale proceeds and hiring charges etc. The trend of own tax revenue of ULBs is indicated in Table 8.1

Table 8.1

Tax Revenue of the ULBs

(Rs. in crore)

ULB Category	TAX REVENUE						Total Non-Tax Revenue	Total Revenue
	Year	Holding Tax Revenue	Lighting Tax Revenue	Advertisement Tax Revenue	Other Own Tax Revenue	Total Tax Revenue		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Municipal Corporation	2010-11	14.60	7.32	4.55	10.34	**36.81**	**70.98**	***107.79***
	2011-12	12.91	6.58	9.80	7.36	**36.65**	**91.07**	***127.72***
	2012-13	14.18	7.12	10.83	6.54	**38.67**	**98.65**	***137.32***
Total (A)		***41.69***	***21.02***	***25.18***	***24.24***	***112.13***	***260.70***	***372.83***
Municipalities	2010-11	4.67	2.34	0.86	10.46	**18.33**	**61.76**	***80.09***
	2011-12	5.03	2.80	1.12	10.35	**19.30**	**74.19**	***93.49***
	2012-13	5.47	3.09	1.25	11.36	**21.17**	**92.33**	***113.50***
Total (B)		***15.17***	***8.23***	***3.23***	***32.17***	***58.80***	***228.28***	***287.08***
NACs	2010-11	1.45	0.95	0.06	5.41	**7.87**	**26.75**	***34.62***
	2011-12	1.53	0.93	0.10	5.80	**8.36**	**32.16**	***40.52***
	2012-13	1.69	1.08	0.11	6.76	**9.64**	**38.12**	***47.76***
Total (C)		***4.67***	***2.96***	***0.27***	***17.97***	***25.87***	***97.03***	***122.90***
GRANDTOTAL(A+B+C)		***61.53***	***32.21***	***28.68***	***74.38***	***196.8***	***586.01***	***782.81***

Source: Compiled from data provided by ULBs

Tax Revenue

8.3 It is observed from Table 8.1 that holding tax is one of the important sources of tax revenue of ULBs. It includes property tax, conservancy tax and lighting tax. Though as per Odisha Municipal Corporation Act, 2003 holding tax has been renamed as property tax, Municipal Corporations are yet to effect the change. It is a very important source of revenue of ULBs not only in the State, but also in urban local bodies across the countries. In some countries, it accounts for about 80% of revenues of municipal bodies. But its share in the total revenue of the municipalities of the State is not so high because of lack of buoyancy. The tax rates have not changed in a large number of ULBs during the last decade and even since 1990s in some cases. Any initiative in this direction has been throttled by litigation. Not much energy and resources appear to have been spent to overcome these legal barriers either. Proactive steps needed on the part of the ULBs to get their cases expedited for the interest of their own financial health. For this purpose, municipal bodies should have total freedom to engage reputed legal professional through a conscious decision of the council instead of seeking clearance from the Government.

Stagnation of holding tax

8.4 Holding tax collection in ULBs of the State is based on annual rental value or estimated construction cost of the holdings and its type e.g., residential or commercial. Annual rental value of a holding is computed on the basis of its plinth area. The per unit cost has remained unchanged for years together. Rate applicable in the state capital of Bhubaneswar at present was last fixed in the year 1975 i.e. 29 years back. As per Section 146 of the Municipal Act, value of the holdings should be revised at an interval of every five years and per unit cost needs to be revised regularly as per law. But it is hardly done in any ULB of the State. Because of delay in fresh valuation, revenue collection from holding tax has stagnated and so revenue of the ULBs. In the face of increasing cost, the quality of services provided by the ULBs is bound to deteriorate without supplementation by grants from the Finance Commissions and state budgetary support. This is certainly not a welcome situation.

Property tax be introduced

8.5 The 2nd SFC advocated to replace holding tax on rental income basis with property tax on unit area basis. The 13th Finance Commission made it mandatory to be eligible for "Performance Grant" which the State has mostly lost. But, though Bills were introduced, law was not enacted. Sooner the change to property tax takes place better it is for the financial health of the ULBs.

Non inclusion of new property under tax net

8.6 Another major problem of the Municipal bodies is non-assessment of properties under tax net. As per an estimate (2006-07) of a study conducted by the National Institute of Urban Affairs in March, 2010, 50% of the urban properties remained outside the tax net. In the absence of recent assessment of the extent of exclusion, it cannot be presumed that situation has substantially changed. Urbanisation and proliferation of real estate business are taking place at high speed. In contrast to this, municipal administration is gradually becoming weaker because of non-recruitment of skilled manpower and the problem is likely to become more acute over time. As a result of this, the rate of collection of taxes do not register improvement. This is one common malady and the department should periodically evaluate performance of Executive Officers in this regards.

Collection of holding tax low

8.7 A test check of 17 ULBs by the Accountant General for the years from 2003-04 to 2007-08 revealed that tax collection rates were below 30% in seven ULBs, ranged from 31% to 50% in six ULBs and only four had collection from, 51% to 71%. During its visit to a few municipal bodies, the Commission tried to find out the existing situations compared to the above reported status. As test cases, the situation in Basudevpur NAC in coastal Bhadrak district and Rayagada Municipality, one of the rather bigger urban bodies in Tribal Sub-Plan area and also Bhubaneswar Municipal Corporation the biggest urban body of the state are presented in Table 8.2.

Table 8.2

Comparative Position of Collection of Holding Tax (2012-13)

(Rs. In lakh)

Name of urban body	Holding tax collection		
	Demand	Collection	Percentage
1	2	3	4
Basudevpur NAC	414.12	186	45
Rayagada Municipality	24.59	16.41	67
Bhubaneswar Municipal Corporation	3171.50	2021.87	65

Source: Collected from the ULBs

Table 8.2 above reveals that holding tax collection in these ULBs ranges from less than half to two-thirds of annual demand.

Low rates of tax fixed by municipal bodies

8.8 The Municipal Act empowers ULBs to mobilise resources for various services they are mandated to provide. The Municipal Law provides for levy of taxes on drainage, latrine, water and lighting apart from holding taxes. But despite legal authorisation, they are not eager to raise tax rates. For example, holding tax/lighting tax/drainage tax can be charged up to 10% and water tax up to 5% of the property value, the maximum fixed by the State Government. But in many cases, the rates fixed are much lower than the maximum. The local bodies in their own interest should provide better services by collecting higher revenues.

Reform in valuation organisation

8.9 The responsibility to revise property value every five years lies with the valuation organisation under Sections 146 and 147 of the Act. The valuation organisation in the State is not an independent agency, but a sub-ordinate office of the Directorate of Municipal Administration. The 13th Finance Commission has recommended West Bengal type of independent Valuation Board for all the States. In fact many states like Tamil Nadu and Madhya Pradesh have constituted boards of similar nature, which are functioning quite well and their tax revision has been reasonably regular with some exceptions. However the Municipal Corporation Act of the State provides for constitution of an independent valuation organisation. The Commission had examined the relevant provisions and is of the opinion that the law enacted may not help the corporations in the long run. The Commission would like to recommend that the law should be amended such that the valuation organisation is constituted in the line of those in Tamil Nadu and West Bengal. The Municipal Act too should have similar provision.

Law to authorise yearly increase in property/ holding tax

8.10 Some states have mandated by law the Executive Officers of the ULBs to act as valuation officer in the interim period between two valuations and effect certain percentage of increase in property tax every year. Similar provisions also exist in Municipal Act of the State. The Executive Officers of Municipal Bodies are empowered to act as Valuation Officers in the interregnum period between two valuations. Because of non-revision of rates over decades as discussed in the preceding para, the amount of tax paid by a big old structure is less than that of a small new structure. The Commission recommends appropriate amendment in municipal law of the State to make it mandatory for municipal bodies to levy 5% more tax in every succeeding year after a valuation is made till the new valuation is in place.

Reluctance to increase holding tax

8.11 There are ample instances of reluctance of local bodies to hike holding tax though they are legally competent to do so. Bhubaneswar Municipal Corporation continues with the same tax regime for about 35 years from 1975 to 2010 and its attempt to raise it got thwarted due to litigations. Similar difficulties were faced by many municipal bodies. On the other hand there are also instances of revised rates of taxation not getting clearance of the municipal council. Rapid cost escalation without concomitant increase in revenue income will derail municipal services. Laws should be amended so that the main taxes including holding tax are periodically increased as a mandate

Advertisement tax

Section 131 of municipal act to include advertise-ment tax

8.12 Table 8.1 clearly indicates that advertisement tax has become an important source of revenue of ULBs. It was as high as 47% of their total holding tax revenue between 2010-11 and 2012-13, and incremental revenue from it was more than that of holding tax. The Municipal Act does not have any explicit provision for the urban bodies to levy advertisement tax, though the Municipal Corporation Act has clear provision in Section 192 empowering the Corporation to do so. Municipalities now take recourse to round-about ways for collection of the tax. During field visit, the Commission came across the case of a municipal body having sent proposals and after meeting queries, still awaiting approval to impose the tax. Commercial interests are driving companies to aggressive publicity campaigns by using valuable public space and skyline, often spoiling aesthetics of urban areas. There is no reason as to why ULBs should not regulate advertisement and earn revenues to serve the citizens better. Section 131 of the Municipal Act should be amended empowering the municipal bodies to impose and collect advertisement tax at rates decided in their council, not by the government.

Innovative methods of tax collection

8.13 In course of interaction with the municipal bodies, certain novel methods of revenue generation came to the notice of the Commission. Tax defaulters who seek services like birth and death certificates, additional water connection and clearance for construction etc. are urged upon to clear their tax dues before obtaining such facilities. To exert moral pressure on the tax/fees defaulters, their names are displayed in prominent public places for the knowledge of all. Hotels & restaurants are fined for deviation from strict waste disposal discipline. This not only helps revenue generation, but also maintenance of cleanliness and sanitation. These innovative methods proved effective for arrear tax collection. Each municipal body can find its own innovative ways to augment the resources.

Non-Tax Revenue

8.14 Non-tax revenue mainly consists of rental income from properties, fees, user charges, sale proceeds and hiring charges, interest accruing from own investment etc. There is marked buoyancy in non-tax revenue compared to tax revenue. Details of non-tax revenue position in municipal bodies during the first three years of last five years period is shown in Table 8.3.

Table 8. 3

Non-Tax Revenues of ULBs from 2010-11 to 2012-13

(Rs. in crore)

ULB category	Year	Rental Income from properties	User/ Hiring charges etc.	Other non-tax revenue	Total non-tax revenue	Total revenue
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Municipal Corporation	2010-11	2.16	12.47	56.35	**70.98**	***107.79***
	2011-12	2.43	27.55	61.09	**91.07**	***127.72***
	2012-13	3.29	17.83	77.53	**98.65**	***137.32***
A. Municipal Corporation Total		***7.88***	***57.85***	***194.97***	***260.70***	***372.83***
Municipalities	2010-11	7.07	2.99	51.70	**61.76**	***80.09***
	2011-12	8.60	4.06	61.53	**74.19**	***93.49***
	2012-13	8.53	3.66	80.14	**92.33**	***113.50***
B. Municipalities Total		***24.20***	***10.71***	***193.37***	***228.28***	***287.08***
NACs	2010-11	3.22	2.12	21.41	**26.75**	***34.62***
	2011-12	3.75	2.52	25.89	**32.16**	***40.52***
	2012-13	4.77	2.77	30.58	**38.12**	***47.76***
C. NACs Total		***11.74***	***7.41***	***77.88***	***97.03***	***122.90***
ULBs Grand TOTAL (A+B+C)		***43.82***	***75.97***	***466.22***	***586.01***	***782.81***

Source: Compiled from data provided by ULBs

Tax revenue poor compared to Non-tax revenue

Non-tax revenue was 75% of total revenue of all the ULBs during the period from 2010-11 to 2012-13. The figures above exhibit an upward trend in income earnings from all the non-tax sources of revenues. However as shown in column (4), revenue collection of Municipal Corporations in the year 2011-12 have zoomed past double the amount collected in 2010-11 to again nose dive in 2012-13. It was ascertained that the deviation from the trend has arisen because of one-time high deposit of more than Rs.8.00 crore by a telecom company for laying of underground cables. Tolls, markets, vending zones, pisciculture, earnest money, sale of tender papers, auction prices of disposals, ambulances and diagnostic charges, sale of scraps, fines and penalties etc. contribute substantially to the overall revenue of the ULBs. The figures in Table 8.3 are indicative of citizens' preparedness to pay for the quality services received. It makes a case for provision of various basic services by ULBs, may be in PPP mode.

It can be surmised that by improving service provision, the ULBs can raise their revenue collection.

Water metering to boost revenue

8.15 With the introduction of metering, water user charges can be collected in the same way as electric charges from commercial, industrial and domestic consumers at different rates. This is likely to boost revenue of the municipal bodies substantially and help control misuse of the treated water.

Recommen-dations on taxation to be addressed in totality

8.16 It is evident that the non-tax revenue of ULBs is almost three times their tax revenue. The relative weak position of taxes as sources of revenue for any level of government, local or otherwise has to be a matter of concern. Need of the hour is to address the entire issue of municipal taxation in its totality by chalking out a road map in the line of various policy documents evolved by the State's urban administration. The Commission, therefore, would like to urge that all its recommendations relating to revenue enhancement measures should be addressed in totality within a definite time frame.

Transfers to Urban Local Bodies from State Government

Entry Tax

8.17 Entry tax has been introduced in Odisha since 1999 in lieu of Octroi tax. The Commissioner of Commercial Taxes is entrusted with collection and administration of entry tax. The Government decided to compensate the ULBs out of entry tax collection as their resources shrank with the abolition of Octroi tax. Collection from entry tax had increased manifold to Rs.1500.00 crore by 2013-14. As per ATR on the recommendations of the 3rd SFC, the State Government decided to assign to the ULBs Rs.254.00 crore in 2010-11 to be increased by10 percent annually during the subsequent years of the award period. Salaries and pensions of the employees of ULBs are being met out of this assignment, supplemented by their own resources or surplus used for basic services, as the case may be.

ULBs be permitted to clear arrear pension and pension rates be revised

8.18 The existing scales of pay and dearness allowances of the majority of ULB employees in the State are less than that of their counterparts in the Government. The Commission was informed that employees of a few municipal bodies are still getting their salaries at the scale prescribed by the 5th Pay Commission. Arrear pension dues of the retired employees is huge. Entry tax has been substantially hiked in the budget for the year 2013-14. Against an indicative allocation of Rs.338.08 crore as per ATR on the recommendations of 3rd SFC submitted in the Legislative Assembly, Rs.500.00 crore was provided in 2013-14 and the allocation in 2014-15 budget is also the same. Further, the present low level of pension of the retired employees of the ULBs need to be revised upward. The Commission is given to understand that a proposal to this effect is under active consideration of the Government. The Commission recommends that arrear pension of retired employees should be cleared from the entry tax and pension level be reviewed.

Entry tax distribution amongst ULBs be revised

8.19 The issue of entry tax assignment needs to be re-visited on account of emergence of many new ULBs and changes in their population, area and demand for basic services. Entry of goods from one local area to another attracts levy of entry tax. The State is a conglomerate of local areas as per the spirit of Para-52 of List-II (State list) of the Seventh Schedule of the Constitution as well as the Entry Tax Act. Besides, the Hon'ble Supreme Court of India clearly mandates that the tax proceeds from entry tax must be expended for the benefit of the tax payers to provide services and amenities needed to improve people's quality of life. So, not only the ULBs, the RLBs too have a right on the Entry Tax.

Incentive Award

8.20 In addition to the above, the government has been setting aside a sum of Rs.20.00 crore annually from the proceeds of entry tax to create a dedicated "performance incentive fund" to award ULBs for exceptional performance in the following areas:

- Additional revenue mobilization.
- Improvement in service delivery.
- Implementation of innovative urban development projects.

Incentive to increase own revenue

This system of selection of ULBs for incentive award is in a way better than that for the well performing PRIs because only a few significant parameters is considered. But as discussed in Chapter V, data on service delivery standards lack credibility for not being assessed by independent professional agencies. The crucial message for the urban local bodies is that increasing own revenue and reducing dependence on the State and Central Governments is the yardstick of their success as units of self governance. The Commission is of the view therefore the ULBs should be rewarded for their performance in revenue collection.

Entertainment Tax

Entertainment tax to be entrusted on ULBs

8.21 Odisha Entertainment Tax Act, 2006 empowers the State Government to levy and collect tax from any cinematographic exhibition including exhibition of news reels, documentaries, cartoons, advertisement shots or slides both before or during exhibition of a feature film or separately, any other exhibition, performance, amusement and entertainment through cable service. As in the case of entry tax, the Commissioner of Commercial Taxes collects entertainment tax. It may be pointed out that unlike the repealed Act, the latest Entertainment Tax Act does not provide for sharing of the tax with the local bodies. Collection of the tax was very meagre (Rs.31.36 crore) in 2012-13, out of which only Rs.19.86 lakh was transferred to the ULBs. It is an insignificant amount for more than 100 ULBs. Besides, the proposed 115th constitution amendment for the introduction of GST also envisages administration of entertainment tax by the local self-governments. The Commission, therefore, reiterates its recommendation as in para 7.18 that levy and collection of entertainment tax be entrusted to the local bodies, both urban & rural.

Motor Vehicle Tax

MV tax sharing be enhanced

8.22 Motor vehicle tax is being collected and administered by the Transport Commissioner. As per ATR on the recommendations of the 3rd SFC, out of total vehicle tax collection of Rs.746.19 crore in 2012-13, a sum of Rs.25.00 crore is being assigned annually to ULBs for road maintenance. Considering the total number of ULBs, the amount transferred is very insignificant. The 2nd SFC had recommended assignment of Rs.25.00 crore to ULBs. Although the 3rd SFC did not make any specific recommendation in this regard, the State Government decided to continue with the same amount of transfer. The local bodies have justifiable claim over this resource. Maintenance of roads in urban areas is an important function of ULBs. Urban roads, which are not included in the books of Works, Water Resources Departments etc. are to be maintained by the municipal bodies. The State Government provides some grants for this purpose annually. But compared to their needs, resources received by the ULBs for road maintenance grant along with the small proportion of motor vehicle tax are inadequate. The present level of share of ULBs in motor vehicle tax need to be enhanced.

Stamp Duty

8.23 Stamp duty is not a source of revenue of ULBs long since. It is collected by Revenue and Disaster Management Department at the rate of 5% of the value of land/property etc. As per Odisha Town Planning & Improvement Trust Act,1956 and Odisha Development Authority Act,1982, a surcharge of 3% is also being collected for the benefit of Development Authorities/Improvement Trusts and such special planning authorities. As per the ATR on 3rd SFC recommendations, Rs.3.00 crore was assigned to these planning bodies out of Rs.383.98 crore stamp duty collected during 2012-13. Improvement Trusts and Development authorities are created by State Acts and are manned by persons nominated by the State Government. They are not democratically elected urban local self-governments as enshrined in the 74th amendment of the Constitution. These are parastatals mandated to perform certain regulatory and development functions relating to planning and development in urban areas which may extend beyond the existing limits of municipal bodies.

No recommendation for sharing stamp duty with ULBs

8.24 Since stamp duty is an assignment to elected local bodies in many States and also finds place in the reports of the previous SFCs, the Commission felt it imperative to take a stand on the issue. Sharing of Rs.3.00 crore in a total collection of Rs.383.98 crore is abysmally low and its distribution amongst more than 100 ULBs will not make any significant impact on their resources. The Commission recommends that there is no necessity of sharing of stamp duty with ULBs. As regards sanction of grants to the special planning authorities by the State Government, the Commission has no jurisdiction to make any recommendation.

Other Transfers

8.25 Apart from the above mentioned assigned taxes, the State Government also provides funds to ULBs on the basis of recommendations of the SFCs and for different schemes and projects. ATR on the recommendations of the 3rd SFC mentions of the State Government's decision to transfer Rs.2128.10croreto ULBs towards devolution, compensation, assignment and grants-in-aid from 2010-11 to 2014-15. So far Rs.1788.79 crore (84%) have already been transferred. When the expected transfer during 2014-15 is taken into account, total transfer by the State Government will exceed the amount recommended by the 3rd SFC and also initially programmed for by the Government in its ATR. Besides, ULBs are getting funds from the State Government for different schemes like construction of public toilets/community latrines under urban sanitation scheme, development of parks and greenery, afforestation, renovation of dying water bodies etc.

8.26 The State Government gives substantial amount of funds to the urban bodies under various non-plan heads. Details of such transfers to ULB in three years from 2010-11 to 2012-13 are given in Table 8.4.

Table 8.4

Non-Plan Transfers to ULBs from 2010-11 to 2012-13

(Rs. in crore)

Name of the Scheme	2010-11	2011-12	2012-13
1	2	3	4
Grants given for maintenance of non-residential buildings	2.45	2.2	2.99
Maintenance of roads and bridges	18.50	17.36	22.22
Urban water supply scheme	161.44	177.07	184.74
Sewerage system	8.00	8.87	11.00
Total	**190.39**	**205.50**	**220.95**

Source: Finance Department

Transfer to ULBs during the five years period from 2010-11 to 2014-15 under this head (including budgeted amount for 2014-15) is Rs.1165.98 crore, which is about half of the total transfer of Rs.2405.31 crore under the 3rd Finance Commission Grants.

Transfers from the Central Government

8.27 Funds flow to ULBs includes Central Finance Commission grants and funds for different schemes/projects of Central Ministries. The 13th Finance Commission recommended Rs.514.88 crore for ULBs, out of a total of Rs.3270.90 crore for the local bodies. These grants are divided into two parts: General Area Grant and Special Area Grant for Scheduled areas of the State. The Special Area grant has been distributed among the ULBs on the basis of ST and SC population as in 2001 Census. Both General and Special Area grants are untied. The grants are mandated to be utilised in the sectors like water supply, sewerage, storm water drainage, solid waste management, preservation of water bodies, renovation of cremation grounds, street lighting etc.

8.28 ULBs receive funds from the Central Government under Centrally Sponsored Schemes and Central Schemes. These schemes include Jawaharlal Nehru National Urban Renewal Mission, Swarna Jayanti Sahari Rojagar Yojana, Rajiv Awas Yojana, Backward Region Grant Fund, Integrated Low-cost Sanitation Scheme, Solid Waste Management, Integrated Housing and Slum Development Programme etc.

Untied fund gets tied at the time of release

8.29 It may be pointed out that often even the untied funds released to the ULBs by the department concerned of the State Government become tied in nature. The ULBs do not get full freedom to spend even the devolved funds as per their priorities/felt needs, though agreed by the State Government in the ATR on SFC recommendations. The ULBs perform mostly agency functions of the higher tiers of governments for implementation of their schemes. Only the bigger ULBs have some flexibility in decision making because of the space provided by the larger size of own revenue.

Expenditures of Urban Local Bodies

Good sign of increase in share of expenditure on basic services

8.30 Expenditures of ULBs are much higher than their income. As stated above, the ULBs manage their basic services mostly with transfers on the recommendations of the Central and State Finance Commissions as well as revenue from the taxes assigned by the State Government. Expenditures of all the three categories of ULBs for the latest three years for which data are available in Table 8.5. It may be observed from the Table that establishment expenditure of ULBs is quite high and accounts for 27% of their total expenditure. It is worth noting that higher the category of the municipal body, higher the proportion of establishment expenditure, being 33.9%, 26.1% and 20.2% for the Corporations, Municipalities and NACs respectively. Expenditures of the Corporations on maintenance of public utilities, solid waste management, and cleaning and sanitation account for 13.6%, 9% and 9% respectively. Municipalities and NACs spend the same proportions of their total expenditure on these services. So the concern to downsize establishment expenses of the Corporations is not unjustified. Further, expenditures of ULBs as a whole on new development projects work out at 26.3% of their total expenditure. Investment on this account exhibited an increasing trend between 2010-11 and 2012-13. Expenditure of ULBs on solid waste management, cleaning and sanitation also are on steady increase, a very welcome feature. Sanitation is a matter of great concern in our country and rising incremental investment for this purpose also is a welcome development. Though three years may be rather too small a time frame for tracing a trend, it is the standard set by the municipal bodies themselves.

Table 8.5

Expenditures of ULBs from 2010-11 to 2012-13

(Rs. in crore)

Category of ULBs	Year	Establish -ment	Mainte-nance of Public Utility	New Dev. Work	Street Lighting	Water Supply	Solid Waste Manage-ment	Cleaning & Sanitation	Others	Total Expendi-ture
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*
Municipal Corporation	2010-11	72.03	18.89	39.72	9.03	3.36	15.68	15.40	18.77	**192.88**
	2011-12	73.06	28.68	33.80	14.95	1.16	19.75	19.75	16.50	**207.65**
	2012-13	84.75	44.67	51.32	16.28	2.35	26.12	25.75	25.63	**276.87**
Total- (A)		***229.84***	***92.24***	***124.84***	***40.26***	***6.87***	***61.55***	***60.90***	***60.90***	***677.40***
Municipalities	2010-11	75.77	27.21	66.24	12.89	28.01	9.30	15.14	74.59	**309.15**
	2011-12	75.77	27.09	74.26	17.07	3.74	11.74	16.84	47.25	**273.76**
	2012-13	99.43	36.35	75.21	25.42	22.26	10.17	21.03	88.27	**378.14**
Total- (B)		***250.97***	***90.65***	***215.71***	***55.38***	***54.01***	***31.21***	***53.01***	***210.11***	***961.05***
NACs	2010-11	34.82	13.07	61.11	12.02	0.90	4.86	8.02	26.35	161.15
	2011-12	38.73	19.91	68.85	15.44	1.65	4.73	9.24	28.22	186.77
	2012-13	43.68	20.01	89.53	18.38	4.17	6.87	10.55	39.55	232.74
Total- (c)		***117.23***	***52.99***	***219.49***	***45.84***	***6.72***	***16.46***	***27.81***	***94.12***	***580.66***
GRAND TOTAL (A+B+C)		***598.04***	***235.88***	***560.04***	***141.48***	***67.60***	***109.22***	***141.72***	***365.13***	***2219.11***

Source : Reports of ULBs

Review of Fiscal and Financial Management

8.31 The resource base of ULBs is very narrow compared to their resource needs. Some of the ULBs are not able to pay salary to their employees at par with their State Government counterparts. Besides, municipal bodies also perform many tasks for which professional manpower is required. The State Government is now contemplating to have a separate cadre for municipal employees. All these entail additional expenditure. The resource base of municipal bodies needs to be aligned with their expenditures by creating more income generating sources, enhancing tax revenues and opening more opportunities for non-tax revenues.

Record maintena-nce needs overhaul

8.32 It is observed that municipal budgets are not prepared in the prescribed format and in a timely manner, for which the basic records and accounts are not properly maintained in most of the ULBs. Fiscal management of ULBs has become difficult and it is not possible to know their current actual financial condition, thereby giving scope for misappropriation, fraud etc. This also has been pointed out by the Local Fund Audit time and again. There is need for an MIS to link budget, accounting and performance management, but it is still in a nascent stage in the ULBs. The much sought after practice of accrual system of accounting to record the financial transactions is badly needed for the ULBs. The system with in-built financial reporting will facilitate prompt financial decision making.

Land to ULB should not attract premium

8.33 Municipal bodies are in need of land for various developmental works. Funds from different schemes of the Central and State Governments as well as Finance Commission awards involve construction of amenities requiring land for which municipal bodies are to pay premium. Since land cost in urban areas is quite high and schematic provisions do not provide for land cost, municipal bodies are required to pay the land cost from their own revenue. This is one of the reasons for delay in the execution of many urban projects resulting in huge amount of funds lying idle. To solve this problem, H&UD department has authorised the Executive Officers of ULBs to file requisition for land to revenue authorities on behalf of the department. In this process, the municipal bodies will have to construct amenities on the land belonging to the H&UD department. No doubt, it is an innovative method to speed up development works, but may create legal complicacies. The Commission feels that as many institutions in the State are often given land free of premium for developmental works, it would be worthwhile to extend the facility to the third tier of governance too.

Develop-ment authorities/ improve-ment trust not to approve plans without NOC from municipal bodies

8.34 The Development Authorities and Improvement Trusts have been empowered to give the go ahead to new constructions and changes in the existing constructions provided they are within the laid down norms. But it is the responsibility of the municipal body to provide roads, street lights, water connections, sanitation, solid waste management etc. in the urban areas. So once the development authorities give the clearance and construction are on way, it becomes a fait accomplice for the municipal body to extend municipal services to such areas. Often they also come to know of such contingencies at a much later date. It progressively pushes up their financial needs. The case of Bhubaneswar Municipal Corporation can be cited as an example. Bhubaneswar Development Authority has been according approval to a large number of new construction projects. The Municipality wrote to the Authority not to approve new projects or allow modification of the existing constructions without prior clearance from it, for which 2% of the value of the project was being charged. It is understood that an association of such builders moved the Honourable High Court of Odisha and succeeded in getting payment of such charges stayed. The Commission feels that since the urban elected body has the responsibility of providing basic services to the citizens going to live within its jurisdiction sooner or later, it should also get its share of revenues. Development Authorities & Improvement Trusts should not give approval without clearance from municipal bodies. Therefore the Municipal Acts and the Special Planning Authorities Acts should be simultaneously amended to provide for payment of suitable fees by such construction ventures to the urban bodies concerned for getting approval of the Trusts/Authorities concerned.

CHAPTER-IX

Recording of good practices

Introduction

9.1 Showcasing of good practices has consistently enthused practitioners to innovate, re-engineer, re-design and even reform. It is a business buzzword describing the process of developing and following a standard way of doing things that can be replicated by multiple similar organisations successfully implemented elsewhere. The PRIs and ULBs in the State have manifold problems. Sometimes challenges evolve into opportunities, if met with innovative ideas and commitment to achieve the goal. Identification and documentation of such good practices will encourage the local bodies to evolve new and innovative ideas for effective governance. It may also help capacity building, resource use, management, policy formulation and decision making in the local bodies. In fact, a best practice initiative could be a project, an innovative scheme or a policy reform that had impacted the performance of the local bodies in a positive manner. It has favourable impact on the quality of life, living environment, economic sustainability and culture of a locality.

Rural Local Bodies

9.2 The 12th Finance Commission sponsored a study of innovative/ best practices in different states through the National Institute of Rural Development (NIRD) for augmenting resources of the RLBs. Based on experiences of RLBs implementing such good practices and experiencing positive outcomes the study suggested certain measures. The Central Finance Commission has reiterated these measures for the benefit of states and rural local bodies. The suggested best practices by the Commission, by and large, include (i) levy of certain major taxes and exploitation of non-tax revenue sources be made obligatory for the panchayats (ii) a minimum revenue collection from panchayat taxes be insisted (iii) incentive grants be related to revenue collection (iv) user charges be made obligatory levies (v) the intermediate or district panchayats should be empowered to levy a tax/surcharge/cess on agricultural holdings (vi) revenue transfers from the states to panchayats by way of revenue- sharing/revenue-assignment be made statutory (vii) maintenance of accounts by the panchayats be standardized.

9.3 As per provisions in the guidelines of Panchayat Empowerment and Accountability Incentive Scheme (PEAIS) of the Ministry of Panchayati Raj, Government of India, the State Panchayat Performance Assessment Committee has been constituted. The Committee finalises the state specific indicators for selection of the best performing PRIs. These indicators include frequency of holding meetings, attendance of the members, representation of SC/ST/ women, issues discussed in the meetings, decisions taken, functioning of Standing Committees of the lower tier, intermediate and district Panchayats, organisation of different training programmes, sensitisation workshops, preparation of annual plan, budget formulation, planning for augmentation of own income, steps taken for collection of dues including arrears, physical achievements, expenditures on SC/ST/women in different sectors, expenditure on provision of civic services, maintenance of accounts, compliance to audit, grievance redressal, compliance to RTI Act etc.

9.4 Panchayati Raj Department gives cash awards to the best performing PRIs at State, Division and District levels. At the State Level, cash awards of Rs.5.00 lakh and Rs.3.00 lakh are given for a Zilla Parishad and Panchayat Samiti one each from Scheduled and Non-Scheduled areas respectively. Similarly, cash award of Rs.2.00 lakh each to three Panchayat Samitis, one from each Division is being given every year. At the Division level, six GPs, two from a Division are awarded Rs.1.00 lakh each. Further, one Gram Panchayatin each district is awarded Rs.1.00 lakh every year on the Panchayati Raj Divas for good performance.

Focus on revenue generation

9.5 The format based on which the best performing PRIs are selected is rather complicated and long winding. There are 67 parameters on the basis of which PRIs are assigned scores and the ones with the highest score are adjudged the best. The Commission feels that all the parameters are not significant for majority of the stakeholders. It would be better to identify a few parameters, good performance in which will benefit them most. Some of these significant parameters are per-capita tax revenue, tax and non-tax revenue collection, percentage increase in tax revenue, per capita expenditure on civic services etc.

Case Studies: Rural Local Bodies

A. Success of Bartunda G.P

9.6 Bartunda GP under Paikmal Block of Baragarh district has made an annual collection of Rs.34.11 lakh by auctioning weekly and cattle markets through strategic planning. The revenue so collected is being utilised in the peripheral development of local areas through Palli Sabha and Gram Sabha. The most remarkable work of the GP is construction of a market complex with RCC approach road. It has been possible because of high level of mutual trust between the elected representatives and local people. The GP also has engaged peons/sweepers and made provision of street lights, steps in bathing ghats, tube wells, concrete roads within the village with proper drainage system, check dams on the stream flowing through the GP area for irrigation facilities etc by utilising this fund.

B. Dispute Settlement Efforts: Lathikata GP

9.7 Lathikata GP of Sundargarh district is holding Panchayat Adalats on regular basis for settlement of disputes relating to land, village road and family at a minimal cost and time. The GP has already decided 13 such cases in the year 2012-13, which speaks of the acceptability and popularity of the initiative taken by the Panchayat. The GP also collects user charges from commercial establishments for cleaning and sweeping and earns revenue after meeting the maintenance cost. The Panchayat gives trade licences to bank loan aspirants at the rate of Rs.100/- per person. Collection of the GP from sources like weekly market, godown, cold storage and brick kilns is around Rs.5.00 lakh per annum, which not many GPs in the State can boast of.

C. Community Empowerment: Initiative of Dhunkapada GP

9.8 In course of discussion with Ms. Arati Devi, Sarpanch, Dhunkapada GP under Polasara P.S. of Ganjam district, it came to light that the GP is raising revenue of around Rs.2.00 lakh per annum through auction of panchayat fish ponds. With this revenue, they are taking up need-based and innovative programmes like engaging part time contractual teachers in village school, organising health camps, legal awareness camps, literacy drive, women empowerment programmes, protection of peacocks found in large numbers in the locality, awards to school children, felicitation of senior citizens, repair and maintenance of village roads etc.

Urban Local Bodies

9.9 Like the 12th Finance Commission, the 13th Finance Commission also sponsored a study on best practices in urban areas and mentions the same in their report so that they could be emulated by other municipal bodies. As these practices are being followed by some municipal bodies in the country, it would not be difficult to implement them with modifications, which suits the local conditions. These practices include: (i) Maintenance of municipal finance statistics (ii) Resource mobilisation (iii) Expenditure compression through outsourcing/Public Private Participation (PPP) (iv) Adoption of accrual accounting (v) Delegation of funds, functions and functionaries (vi) Transfer of funds from Govt. of India /State Governments (vii) Accountability of local bodies to the citizen's charter/NGO participation (viii) Slum development.

9.10 In recognition of these good initiatives the State needs to incentivise ULBs for good governance and satisfying services. In this context, starting from 2010-11, H&UD department has introduced cash awards for three each of best performing municipalities and NACs every year. The best performing ULBs are selected by the State Level Selection Committee on the basis of their performance as per certain parameters. Such parameters include timely submission of utilisation certificates, initiatives taken for augmentation of own sources of income, timely submission of budget, achievement under different anti-poverty programmes, audit compliance, environmental measures, special initiatives in sanitation and solid waste management, collection of user fees and implementations of projects in PPP mode. On the basis of the order of their performance ranks, the three best performing municipalities get cash awards of Rs.50.00 lakh, Rs.30.00 lakh and Rs.20.00 lakh in that order. The cash award for the three best performing NACs are Rs.25.00 lakh, Rs.15.00 lakh and Rs.10.00 lakh respectively. As in the case of Rural Local Bodies, there are many parameters for selection of awardees among municipal bodies. A few important of these parameters would prove more efficient in assessing the performance of municipal bodies for award. Revenue generation should be given the highest priority as performance indicator.

Some notable and successful initiatives taken by the Urban Local Bodies in the recent years are described below:

Case Studies: Urban Local Bodies

A. Vending Zones: Bhubaneswar Municipal Corporation

9.11 The Bhubaneswar Municipal Corporation (BMC) has adopted innovative strategies to organise informal vendors into vending zones on PPP mode. Around 40 vending zones have been set up for 2000 vendors as a result of which illegal vending in major streets are now controlled. For the development of these vending zones, BMC has devised a strategy. Initially, in consultation with city management groups comprising representatives of planning body, police and service providers, it identified places of relocation of vendors. Vendors were allowed to construct temporary sheds designed by BMC. Upon successful functioning for six months, they were allowed to convert their sheds from bamboo to iron sheet. Construction of iron shed is done through an advertisement agency, which is authorised to use / lease the defined display space for commercial purposes. Use of dust bins and CFL bulbs are mandatory in the vending zones. It is a win-win situation for vendors for getting a stable business location and a sense of partnership in the city's development and for BMC finding a new source of income from collection of advertisement fees without making any investment.

B. Community Managed Solid Waste Management: Patnagarh NAC

9.12 Management of solid waste in Patnagarh NAC has been successfully carried out by involving Women Self Help Groups (SHGs). The NAC has privatised the sanitation system. Each household has been provided with two dustbins for collection of garbage. Door to door collection is a regular practice and awareness camps are being organised to make people conscious. People are also encouraged for plantation and keeping their surrounding plastic-free.

C. Innovative Tax Collection Efforts: Jagatsinghpur Municipality

9.13 In course of discussion with the representatives of Urban Local Bodies, the Chairman, Jagatsinghpur Municipality informed that clearing of arrear holding tax is insisted upon by the Municipality at the time of issue of birth and death certificates and other privileges. This has led to substantial collection of arrear holding tax. Besides, they have also created a Fund to assist people in distress at the time of natural calamities. For cleaning and sweeping of the wards, active participation of local people and the Councillor concerned proved to be very successful.

D. Out-Sourcing of Cleaning & Sweeping

9.14 Many municipal bodies have adopted the practice of outsourcing cleaning and sweeping services in their areas instead of recruiting a large number of sweepers. The service delivery under this arrangement has proved both economical and efficient. It has been done in 40 Wards of Bhubaneswar Municipal Corporation, 27 Wards of Balasore Municipality, 7 Wards of Phulbani Municipality etc. Some ULBs like Gudari NAC is collecting monthly users' fees for garbage collection at a fixed rate per household.

CHAPTER-X

E-governance and Capacity Building

Background

10.1 In order to improve inter-governmental transfers to promote federal fiscalism and local governance in the country and remove vertical and horizontal imbalances in expenditure responsibilities and flow of resources to each tier of government in a most effective, efficient and equitable manner, there should be transparency and predictability in funds flow to different levels of government. Then only different tiers of government can be able to meet their constitutional obligations to the citizens. To this end, the 73rd and 74th amendments of the Constitution strive to bring in a legal framework for the local governments at the grassroots level. However, the local governments still suffer from obsolescence, archaic laws governing their functions, trust deficit at the higher levels of government, inadequacy of infrastructure including manpower and lack of efficiency in administration due to the absence of effective penetration of e-governance initiatives at their level.

Low use of IT in local bodies

10.2 The Central as well as State Finance Commissions have attempted from time to time to address the above issues and have made several recommendations to strengthen the system of governance of local bodies for better delivery of services. With vast improvement in Information Technology, certain services provided by the Central and State Governments have improved substantially in recent years. To name a few, railway reservations, postal services, income tax administration, passports, motor vehicle taxes, issue of various certificates and licences, land registration and land record related services have become user friendly. On the other hand, active media coverage and social auditing along with Right to Information Act have infused transparency in governance at the Central and State Government levels to a large extent. State Government has decided in the recent past to increase the number of e-services for the citizens. However, local body administration mostly continues to be suffering from same ailments as in the past. Some of the bigger municipal corporations in the country have been able to bring in some changes, but the overall position in local bodies leaves a lot to be desired. There is need for very focussed attention to improve standard of services by bringing in more transparency with the help of systematic and easily retrievable data base through active e-governance services.

Transparency

Suo-moto declaration of tax collection

10.3 Introduction of Gram Sabha & Palli Sabha have facilitated bringing transparency in the financial and administrative functioning of the rural local bodies. Though it is true that very often such citizens' bodies are not properly organised, but wherever they are active, local bodies remain alert & try to be transparent in their functioning and make information available to the people. There is need to have vibrant Ward Sabhas in urban areas as well. Presence of Ward level committees and their regular meetings will definitely act as a pressure factor on the urban local bodies to perform. This will help accessing information on various aspects of functioning and fund utilisation by the municipal bodies. Further, suo moto disclosure of property and other taxes, non-tax revenue collection and such other related information should be made available in the public domain to be accessible by anybody interested. This will enable them to know how best the taxes paid by them are being utilised for their benefit. For the sake of transparency, it is necessary for municipal bodies to disclose all relevant information on income, expenditure, tax rates, tolls, public utility facilities provided, details of projects, executants, time frame on the website of the department with specific access code for each urban body. The Directorate of Municipal Administration may host and monitor the same.

Improving database

Need to shift to accrual based accounting system

10.4 In spite of some initiatives taken in the past, the system of budgeting, accounting and record keeping at the level of local governments, both PRIs & ULBs remain neglected. This is precisely because there is no integrated MIS in place for this purpose. Although there are some e-governance interventions at the block levels, for monitoring of central schemes like MGNREGS, IAY etc. and at the level of few Municipal Corporations, the other local bodies are yet to adopt any computerised accounting system. The budgeting system is totally dysfunctional in the PRIs. Although some budgeting system is in place, it is not effective enough to act as a tool of financial control. Therefore, there is need to devise a uniform platform for budgeting & accounting at different levels of PRIs and integrating them for better monitoring and reporting. The same can also be followed in case of ULBs. The existing cash based accounting system in the ULBs lacks transparency and predictability, and hence unreliable. It is necessary to introduce accrual based accounting system without further delay in urban local bodies to start with.

Maintenance of inventory of asset be a condition for release of grant

10.5 Introduction of accrual based accounting cannot be implemented without the maintenance of Inventory of assets by the local bodies. This is again a much neglected area in spite of mandatory provision in the statutes for maintenance of Asset Register by the local bodies. It may be reiterated that without a proper inventory of assets, it is not possible for local bodies to complete their budget exercise and forecast expenditure for upkeep and maintenance of the same as well as resources to be generated there from. The inventory of assets can very well be maintained electronically as a separate module in the accounting platform of the local bodies. If the State can have an integrated data base for the PRIs and ULBs within the next five years, it will bring in a paradigm shift in the fiscal management of the local bodies with more transparency, efficiency and effectiveness for better governance. The Commission, therefore, suggests that the maintenance of inventory of assets by PRIs and ULBs should be made an obligatory condition for release of grants. Before funds out of State Finance Commission recommendations are released, it may be ensured that department concerned certifies that asset registers have been updated till the end of the last but one fiscal year. Besides, while introducing e-governance system in this context, a special module may be created by the respective departments to ensure efficiency and transparency in maintenance of inventory of assets.

Capacity building and training

Exposure visits be more spread out

10.6 There is a strong necessity for capacity building and training of the elected representatives of the local bodies. Considering the fact that the number of PRI representatives is quite large and over five years many of them get replaced by new faces, it is definitely a stupendous task to train them. But its importance cannot be undermined. Effective participation and decision making requires appropriate sensitisation and exposure to various aspects of local body administration. The State Institute for Rural Development (SIRD) and Extension Training Centres (ETCs) undertake in-house training of rural elected representatives and also officials of RLBs. It organises training programmes at district level for other functionaries with the help of 200 Collaborative Partner Organisations (CPOs). The department aspires to reach out to all the 1,00,872 elected representatives of PRIs for completion of one round of basic induction training in a phased manner. While in-house training has its own importance, exposure to the best practices makes immense impact in shaping ideas and exploring innovative approaches. The State Government sends representatives to only a few identified states from time to time. It is necessary for the State Institute to prepare an inventory of good practices developed in different parts of the country and systematically send representatives to such places from all corners of the state.

Urban capacity building needs strengthening

10.7 So long as finances under Central Government schemes are available, training programmes are organised for elected representatives of ULBs. There is no annual plan or regular schedule of training for different levels of officials as well as elected representatives. The H&UD Department may strengthen the State Urban Development Agency (SUDA) with adequate infrastructure support and man power to impart training to the elected representatives and officials of urban local bodies. As it appears, the recommendation of the 3rd SFC in this regard has not been attended to by the Department. The Commission, therefore, reiterates that the State Government should set up an institutional framework for capacity building and training of the officials and elected representatives of ULBs within a reasonable time frame and with a concrete action plan.

Computerisation and e-governance

10.8 As discussed supra, there is ample justification for computerising the budgeting and accounting system of the local bodies for bringing in transparency and efficiency in their financial transactions. Besides, introduction of e-governance in the administration of local bodies will definitely bring about a sea change. It will enhance the capacity of the local governments to design, formulate and implement policies and discharge their functions more efficiently and effectively. This can also improve delivery of services in a faster and effective manner. With the introduction of e-governance, it can provide the citizens easy access to information and services provided by the local bodies. It minimises human interface in the decision making process while dealing with public. E-governance has been successfully implemented in the urban sector of some states. For instance, Ahmedabad Municipal Corporation and Greater Hyderabad Municipal Corporation have made significant progress in e-governance sector.

State Department to take lead in e-governance modules

10.9 Ahmedabad Municipal Corporation has introduced online collection of property tax, vehicle tax and advertisement tax, registration of property tax charges/complaints, issuance and renewal of trade licence, issuance of building plan permission and general complaint registration. Implementation of e-governance has made the delivery of civic services a much easier task than before. With significant advantages ranging from increased revenue to increased efficiency in the Corporation under e-governance platform, all departments of the Corporation have been integrated making access to data very easy. It has ensured faster services to the citizens with 24 hours remote access to municipal transactions and services. The payment gateways and electronic transaction by reducing manual intervention have led to larger revenue and enhanced cash flows. Finally, the ULBs have been able to earn citizens' goodwill. The most important lesson emerging from these initiatives is that the manual system of administration is inherently inefficient and often exploitative. Information technology has created an extraordinary opportunity to provide efficient, transparent & responsible governance. Moreover, in terms of financial cost and returns, the increase in revenue as a result of this initiative far outweighs the project cost. For example, it is reported that in the year 2002-03, Ahmedabad Municipal Corporation recorded highest ever property tax collection of Rs.130.00 crore, octroi tax collection of Rs.363.00 crore and additional revenue of Rs.2.00 crore in vehicle tax collection within a period of six months. A similar approach has been undertaken by Greater Hyderabad Municipal Corporation which has introduced ERP solution for all its transactions on a real-time basis. The State government may make efforts to help urban bodies to adopt such best practices which will go a long way in strengthening urban administration in the State.

CHAPTER - XI

Scheme of Sharing of Resources with Local Bodies

11.1 One of the basic tasks of the State Finance Commission is to make recommendations regarding distribution between the State and Panchayati Raj Institutions (PRIs) and Municipalities of the net proceeds of taxes, duties, tolls and fees leviable by the State which may be divided amongst them under Part IX and Part IX-A of the Constitution and allocation between the Panchayats at all levels and Municipalities of their respective shares of such proceeds. The recommendations regarding the devolution of resources from State taxes and duties assume significance as internal revenue generated by the local bodies have remained meagre. The sources of revenue of the PRIs and ULBs discussed in chapters VII and VIII amply demonstrate that funds received from the State Government and the Central Government primarily meet the expenditure requirement of these bodies. The Local bodies provide various basic services to the citizens. Considering the low amount of their own tax base, the dependence of the local bodies on the revenue sharing of the State Government and grants from the Central Government is obvious. The State Finance Commission understands that there is a need for larger transfer of resources from the State Government and Central Government to local bodies to provide better civic services.

11.2 The Commission has made efforts to find out the fund requirement of the local bodies, keeping in view their absorptive capacity, implementational aspects, and focus areas in which grants are required. The Commission assessed the financial position of the State Government to recommend the size of the flow of funds to the local bodies. Based on the assessment of State finances, the Commission made an effort to forecast revenue projection for the award period of 2015-20, and estimate the divisible pool for transfer to the PRIs and ULBs.

Assessment of Standard of Service Delivery

11.3 The task of the Commission to assess the gap in financial resources of the PRIs and ULBs and devise a scheme of devolution addressing their concerns is onerous one. It may be pointed out that in the case of PRIs no standard has been prescribed for service delivery. The Commission, as explained in Chapter-I, could not carry out a study to assess the present level of services and the gap thereof, even though it is widely visible. In the case of ULBs, some benchmarks are available. The State Government has attempted to assess the progress in delivery of services keeping in view the accepted benchmarks, though not done in a systematic manner involving all the ULBs. The scenario is more complex in view of the fact that there is a large number of parastatals providing basic services to the people both in rural and urban sectors and they operate independently outside the domain of local self-governments at the grassroots level. There is even duplication of services at the level of parastatals and the local governments and in this context the functional domain as well as the norms for services cannot be defined clearly. In the absence of credible financial norms for different services to assess the volume of financial requirements during the award period, the Commission decided to identify certain basic services separately for the PRIs and ULBs, map the existing level of services available and project their requirements for the next five years, both physical and financial.

No study possible due to time constraint

11.4 Due to the limitations of data availability along with the time constraint to take up an independent study within the short period, the Commission, decided to make use of available materials at hand like budget documents, memoranda submitted by the Government and non-Government agencies, feedbacks from the local bodies and opinions of experts in different fields. Chapter VI elaborates these issues. The Commission has done its best to extract and compile the required information received from different sources and based on the same make a forecast of the possible expenditure to be incurred in areas where the Commission has given emphasis. The estimation has been worked out in terms of physical and financial outputs. As mentioned earlier, many of the basic services are being provided by the line departments concerned or their parastatal agencies. The human, material, technical resources of the PRIs and ULBs being limited, the approach of the Commission is not only to provide the financial resources, but to strengthen the local bodies and improve their service delivery mechanism.

Identification of thrust areas

11.5 Because of weak revenue base of the local bodies, the Constitution has provided multi-dimensional transfer of resources from the State's revenue, assignment of taxes and grants from the consolidated funds of the State & Union as per recommendations of the State and Central Finance Commissions. While sharing of State taxes provided untied funds to the local bodies, the assignment of taxes was aimed at leveraging resources or appropriation by the local bodies. Finally, grants-in-aid is meant for sector specific support to strengthen services & resource base. While recommending grant-in-aid for the local bodies, the Commission examined various services provided by them and requirements to improve the standard of these services. The Commission identified areas which should get focussed attention to improve the standard and quality of life of people in both rural and urban areas. Selecting options for strengthening finances of the local bodies on the basis of their income was also given due consideration. The areas identified to be given adequate attention and consequently funding are indicated below:

1. Water Supply
2. Solid Waste Management
3. Storm water drainage
4. Sanitation
5. Street Light
6. Living quarters for functionaries
7. Maintenance of assets
8. Revenue generation etc.

11.6 The Commission is sensitive to the cost disadvantage suffered by the remote Tribal Sub-Plan (TSP) areas to provide equal level of services. Institutions in these areas tend to spend more amount because of low level of access, higher transportation cost etc. Therefore, 20% additional fund is proposed to be provided to the TSP areas for different components of grants.

Strategy for Bridging Normative Vertical Gap

11.7 Gram Panchayats amongst PRIs and the ULBs have been vested with powers to levy and collect both tax and non-tax revenue. In the case of Gram Panchayats the traditional sources of revenue like auctioning of orchards, ponds, Kine House, village markets and licence fee from cycles, bullock carts etc. have proved to be inelastic and uneconomic over the years. Barring a few, most of the Gram Panchayats have very insignificant amount of revenue collected from these sources, making them largely dependent on the government grants, which are mostly tied up in nature. As a result, Gram Panchayats have hardly any means to act as effective institutions of local self-government. On the other hand, the ULBs somehow stand on a better footing. Although an important source of revenue still continues to be holding tax, which has remained by and large stagnant over the years due to a plethora of reasons, the collection of revenue from new and emerging areas have outpaced the traditional sources.

11.8 There is a need to improve the efficiency in revenue collection from the existing sources. The local bodies should take innovative measures to improve internal revenue generation. For instance, long term lease for say three years or five years for village ponds and orchards can fetch more revenue. Periodical survey of the new holdings and revision of rate for the existing holdings regularly can definitely earn more revenue for the ULBs. Another emerging area which can boost income of and services provided by the PRIs & ULBs, particularly municipal bodies is PPP projects in urban sanitation, urban transportation, street lighting and tax collection etc.

Scheme of fund transfer

11.9 As per provisions of the Constitution mentioned above and the ToR in pursuance thereto, the Commission has taken into consideration the quantum of fund requirement, extent of the fiscal capacity of the State to provide the fund vis-à-vis committed expenditure of the State, to decide upon the amount of transfer to the local bodies. The Commission has made recommendations under three broad heads, namely:

1. Devolution
2. Assignment of Taxes
3. Grant-in Aid

Devolution at 3% of net divisible pool

11.10 The Commission has decided to provide the devolution amount to the local bodies to meet their infrastructural gap and welfare needs of the community. The Commission has made these transfers untied and the modalities of use of these funds are left to the local bodies. The intention was to strengthen the fiscal position of the local bodies and empower them to meet their constitutional mandate. As explained in Chapters-VII & VIII, the local bodies are more attuned to perform agency functions for higher tiers of government. The manpower, skill, technical expertise available to them being very inadequate, it may not be prudent to burden them disproportionately with finances to perform functions which they have not being doing so long. Historically, the funds devolved as untied in nature during the last decade have also been very meagre. Though inclined for a liberal dispensation, the Commission, keeping in view the existing limitations of the local bodies, pegged the quantum of devolution within a nominal rate of 3% of the net sharable pool of taxes (total taxes less the taxes to be assigned to local bodies). Administrative Departments are advised not to indicate specific purposes for use of the fund except restrictions against charity, donation or use of the fund for religious purposes.

11.11 The Commission has positioned the assignment of Taxes primarily to meet the salary and establishment needs, sitting fees/ honorarium/DA etc. of employees and elected representatives. This has been specifically done because of State Government suo-moto providing grants-in-aid for PRIs and entry tax for establishment expenses of ULBs under the banner of 3rd SFC grant though there have been no such recommendations. However, residual amount out of this, if any, can be utilised to meet the requirements for providing basic services by the local bodies.

Total transfer within 10% of net tax

11.12 After careful consideration, the Commission has decided to limit the total transfer within 10% of the net total tax revenue forecast for the period 2015-20. After recommending the funds towards devolution and assignment of taxes, the Commission proceeded to identify sector specific needs as has been listed earlier in this chapter. Total requirement of funds for the award period has been assessed accordingly. The Commission is aware that the total requirement under all the three modes of transfer is too high to be borne from the State's resources. So after identifying focused areas to be financed as grants-in-aid from the State's Consolidated Fund, the gap is being recommended to be financed from the 14th Finance Commission award for the Local Bodies.

Assessment of State's revenue

11.13 Keeping in view the State's obligation to meet various liabilities, the Commission decided to include only the own tax revenue components for estimation of its tax proceeds for transfer during the award period. The State's own tax revenue comes from VAT, Entry Tax, Land Revenue, Stamp Duty and Registration, Motor Vehicle Tax, Profession Tax, Entertainment Tax etc.

11.14 To forecast the State's own tax revenue for the award period 2015-20, the growth rate and tax buoyancy of revenue have been assessed at a uniform rate of 13.2% every year with 2015-16 taken as the base year. The Commission has examined the memorandum submitted by the State Government to the 14th Finance Commission and concluded that the normative approach taken by them for revenue projection and growth thereof is based on sound assessment and accepted the same for estimating the tax revenue of the state. Accordingly, total gross tax receipt during 2015-20 is estimated at Rs.132660.28 crore. After deduction of the cost of collection from each of the component of gross tax revenue, the net tax receipt is calculated at Rs.128653.64 crore, as hereunder. The forecast of gross and net tax revenue is shown in Table 11.1.

Table 11.1
Forecast of Total Tax Revenue and Tax Revenue less of Cost of Collection during 2015-20

(Rs. in crore)

ITEMS	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20	2015-20	2015-20
	Forecast					Total Forecast	Cost of Collection	Forecast (-)cost of collection
Total Tax Revenue	**20390.32**	**23081.84**	**26128.64**	**29577.62**	**33481.87**	**132660.28**	**4006.64**	**128653.64**
Other Taxes on Income and Expenditure	193.60	212.96	234.26	257.68	283.45	1181.95	5.63	1176.32
Land Revenue	484.00	532.40	585.64	644.20	708.62	2954.87	2410.30	544.57
Stamp and Registration Fees	750.20	825.22	907.74	998.52	1098.37	4580.05	199.26	4380.79
State Excise	2281.31	2623.51	3017.04	3469.59	3990.03	15381.48	391.38	14990.10
Taxes on Sale, Trade etc.	12829.00	14593.34	16593.89	18861.70	21431.80	84309.73	718.41	83591.32
Taxes on Vehicles	1049.76	1133.74	1224.44	1322.40	1428.19	6158.52	133.40	6025.12
Taxes on Goods and Passengers	1949.40	2222.32	2533.44	2888.12	3292.46	12885.74	106.98	12778.76
Taxes on Duties on Electricity	774.40	851.84	937.02	1030.73	1133.80	4727.79	0.00	4727.79
Other Taxes and Duties on Commodities and Services	78.65	86.52	95.17	104.68	115.15	480.17	41.28	438.89

Source: State's memorandum to 14th Finance Commission and Computation

For sharing this divisible pool with the local bodies, the Commission examined the methodologies adopted by the previous SFCs of the state and State Finance Commissions of other states for various award periods. While the 2nd SFC recommended sharing 10% of the estimated gross tax revenue of the state, the 3rd SFC recommended 15%. However, both the SFCs did not take into account the buoyancy and growth in taxes for the award period. Since the Commission has now taken into consideration the above factors for the period 2015-20, it was thought appropriate to consider not only net of taxes, but also limit the total transfer from the state's resources to 10% of the net divisible pool.

11.15 Further, the Commission has decided to exclude Entry Tax, Entertainment Tax and Motor Vehicle Tax from this pool and assign a part of these taxes to the local bodies directly. The net tax revenue, available for devolution during the period 2015-20 is estimated at Rs.109750.01 crore as depicted in Table 11.2. The Commission has thus decided that Rs.3291.85 crore, (3 % of above amount) is to be devolved and distributed between PRIs and ULBs.

Table 11.2

Projection of Own Tax Revenue of the State during 2015-20 and Projection less Cost of Collection

(Less Entry tax, Entertainment tax and Motor Vehicle Tax)

(Rs. in Crore)

ITEMS	2015-20 Projection less cost of collection
Total Net Tax Revenue	**109750.01**
Other Taxes on Income and Expenditure	1176.32
Land Revenue	544.57
Stamp and Registration Fees	4380.79
State Excise	14990.10
Taxes on Sale, Trade etc.	83591.32
Taxes on Duties on Electricity	4727.79
Other Taxes and Duties on Commodities and Services (excluding Entertainment Tax)	339.13

Source: Computed

11.16 Further, the own revenue collection from PRIs and ULBs is also worked out based on growth trend in recent years. PR department has submitted information on income of the PRIs for the period 2010-13. Similarly, information on income of ULBs have been obtained for the same period from the information submitted by three Revenue Divisions and supplementary information from H&UD department. During these three years, growth of income hovers around 14-18 per cent in case of ULBs; and 5-8 per cent in case of the PRIs. Hence, a growth rate of 14% for ULBs and 5% for the PRIs are assumed and it is used for projection for the subsequent period. By projecting the trend for the award period of 2015-20, the expected revenue collections of PRIs and ULBs are estimated to be Rs.147.51 crore and Rs.2924.04 crore respectively, the total income of local bodies comes to Rs.3071.56 crore.

Table 11.3

Projection of Income of PRIS and ULBS during 2015-20

(Rs in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
ULBs	442.36	504.29	574.89	655.37	747.13	2924.04
PRIs	26.69	28.03	29.43	30.92	32.45	147.52
TOTAL						3071.56

Source: computed

11.17 Own income of the local bodies is too small to meet their establishment expenses and provide the much needed basic services. Hence, the fund requirement is to be met from some other sources in an assured manner. For this purpose, while estimating the net tax revenue of the State, the Commission has decided to keep apart the Entry Tax, Motor Vehicle Tax and Entertainment Tax from the total net tax revenue of the state during the forecast period of 2015-20. It has recommended in chapter-VII that the local bodies should levy and collect the entertainment tax to improve their own revenue.

Table 11.4

Projection of Net Tax Revenue under Entry Tax, Motor Vehicle Tax and Entertainment Tax during 2015-20

(Rs in crore)

ITEMS	2015-20 Gross Tax	2015-20 Cost of Collection	2015-20 Net Tax Revenue
	19153.40	**249.75**	**18903.65**
Taxes on Vehicles	6158.52	133.40	6025.12
Taxes on Goods and Passengers (Entry Tax)	12885.74	106.98	12778.76
Entertainment Tax	109.14	9.37	99.77

Source: computed

Scheme of devolution

11.18 The general scheme of the devolution has already been discussed earlier in this chapter. The net tax derived in the manner described, give rise to the net divisible pool for the purpose of distribution of resources. The approach of the Commission as regards to the devolution are as follows –

a. The devolution amount is to be untied.
b. It is to be divided between rural and urban local bodies in the proportion of 75:25 as indicated in Table 11.5.
c. *Inter se* distribution amongst three tiers of PRIs and categories of ULBs is based on population, category number of units like number of GPs, PSs etc.
d. The emphasis of the Commission is to strengthen and empower the rural local bodies for the purpose of gradual reduction in their dependence on the revenue of the State and Central Government.

The amount to be devolved to the PRIs and ULBs is made based on the criteria of size and density of population, percentage of persons below poverty line (Tendulkar Methodology), literacy rate and SC & ST concentration. The ratio of fund allocation between PRIs and ULBs is worked out to 75:25 as per the criteria indicated in the Table 11.5.

Table 11.5

Criteria for fund allocation among PRIs and ULBs and Estimate of Rural Urban Ratio

				Ratio within criterion		weight to criterion	Ratio after weight is assigned to criterion	
Criteria	**Data reference**	**Rural**	**Urban**	**Rural**	**Urban**		**Rural**	**Urban**
Population	2011	83.31	16.69	4.99	1	30	1.50	0.3
Density of population		228.48	2636.63	0.09	1	30	0.03	0.3
% age of persons below poverty line (Tendulkar Methodology)	2011-12 68th ROUND NSS	35.69	17.29	2.06	1	20	0.41	0.2
Literacy Rate	2011	70.2	90.7	0.77	1	10	0.08	0.1
SC & ST concentration	2011	90.66	9.34	9.71	1	10	0.97	0.1
						Total weight	2.98	1
	Rural Urban Divide (converted into percentage)						**75**	**25**

(Source: computed

Devolutions to PRIs and ULBs are Rs.2468.85 crore and Rs.823.00 crore respectively out of a total of Rs.3291.85 crore.

Inter se distribution

11.19 There are 6227 Gram Panchayats out of which 1959 are in the TSP area. There are 314 Panchayat Samitis in the State. *Inter se* distribution among the three tiers of PRIs is determined considering different nature of functions carried out by them. Gram Panchayat being the closest to the citizens among all the tiers of PRIs are best suited to provide basic services, like drinking water, cleaning, sanitation, street light. Panchayat Samitis get funds through different budgetary provisions of the State and non-budgetary routes as well. The work of the Panchayat Samitis normally involve bigger projects than those taken up at GP level or such works which have inter GP implication or benefits. Contrary to expectations, the Z.Ps have seldom taken up high cost projects having inter-block implications. The reasons for this inactivity have been non-availability of discretionary funds and large number of ZP members, each aspiring to provide stand alone projects to their own constituency. The Commission has allocated funds to all the three tiers so that each level of PRIs gets reasonable amount of funds to provide meaningful services. While making fund allocation to Gram Panchayats, the Commission has taken note of complaints about rationality of uniform distribution of fund irrespective of size or population of each unit and so followed the same method as was adopted by State Government for distribution of 13th Finance Commission Grants based on population. The Table 11.6 gives the details of allocation to the GPs.

Table 11.6

Devolution to Gram Panchayats during 2015-20

Class	Population	No of G.P.	Per G.P per year (Rs. in lakh)	Estimates 2015-20 (Rs in Crore)
A	less than 5000	3493	5.00	873.25
B	5000-7500	2043	6.00	612.90
C	7500-10000	569	7.00	199.15
D	more than 10000	122	9.50	57.95
Total (General)				**1743.25**
TSP Area				**109.70**
TOTAL				**1852.95**

Source: computed

11.20 The total fund allocated to the 6227 Gram Panchayats comes to Rs.1743.25 crore. The Commission has allotted an additional amount of

20% to the Panchayats under the TSP areas. The total devolution to the Gram Panchayats works out at Rs.1852.95 crore.

11.21 For allocation to Panchayat Samitis, similarly, the number of Gram Panchayats in each Panchayat Samiti has been taken as the base and for each of the GPs Rs.1.5 lakh per year provided over the award period. The total amount is Rs.498.15 crore. The Commission have accordingly recommended Rs.498.15 crore for the 314 Panchayat Samitis of the State**.**

11.22 30 Zilla Parishads comprise of 314 Panchayat Samitis. In order to allocate fund to the Zilla Parishads, number of Panchayat Samiti is taken as the measure. A sum of Rs.7.50 lakh per Panchayat Samiti per year is taken as yardstick and accordingly the Commission recommend Rs.117.75 crore for the Zilla Parishads**.**

11.23 The total devolution recommended are Rs.1852.95 crore to Gram Panchayats, Rs.498.15 crore to Panchayat Samitis and Rs.117.75 crore to Zilla Parishads during the award period to be devolved. The distribution of devolution amongst the three tiers of the PRIs works out to be in the ratio of 75:20:5. The year wise distribution of funds during 2015-20 to the three tiers of PRIs is shown in Table 11.7.

Table 11.7
Devolution to PRIs Year-wise during 2015-20

(Rs. in crore)

Local Bodies	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
GramaPanchayat	370.59	370.59	370.59	370.59	370.59	1852.95
PanchayatSamiti	99.63	99.63	99.63	99.63	99.63	498.15
ZillaParishad	23.55	23.55	23.55	23.55	23.55	117.75
TOTAL	**493.77**	**493.77**	**493.77**	**493.77**	**493.77**	**2468.85**

Source: computed

Distribution amongst different levels of ULBs

11.24 Municipal Corporations, Municipalities and NACs have different levels of performance standards while providing civic services. They are different in terms of the complexity of problems, intensity of the intervention, types of functions undertaken. The Municipal Corporations provide basic services more intensively, meeting needs of people coming to the cities for education, medical attention, pilgrimage, business, employment etc. The municipal bodies are all stand-alone entities unlike the 3 tiers of rural local bodies. The major criterion based on which the municipal bodies are categorised is population. Problems, complexities, quality and nature of services of the ULBs are all dependant on population size. Fund transfers to different levels of ULBs, therefore has been based on population criteria as per 2011 census. Total population of all ULBs is 57,45,838 and of Municipal Corporations, Municipalities & Notified Area Councils (NACs) are 18,07,621, 30,05,079 and 9,33,138 respectively.

Funds proposed to be devolved among the ULBs are indicated in Table 11.8.

Table 11.8

Devolution to ULBs Year-wise during 2015-20

(Rs. in crore)

ULBS	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
Municipal Corporation	51.78	51.78	51.78	51.78	51.78	258.90
Municipalities	86.09	86.09	86.09	86.09	86.09	430.45
NACs	26.73	26.73	26.73	26.73	26.73	133.65
TOTAL	**164.60**	**164.60**	**164.60**	**164.60**	**164.60**	**823.00**

Source: computed

11.25 Commission would like to point out here that devolved fund is the right of the local body to be used as per their own priority and decision. The administrative department should desist from giving any direction indicating the purposes for which such fund should be utilised. The purpose should not be limited to only construction related activities. There are other areas relating to health services, primary education, anganawadi, children's park and many other sectors which should also be possible to be met from the devolved fund if the local bodies so decide. Only purposes for which the fund should not be utilised are donation to any organisation or any religious activity or related construction.

Assignment of taxes

11.26 In chapters VII & VIII details of taxes assigned or shared with local bodies have been discussed. The Commission felt that the assignment policies followed for decades have lost their significance and fund placed is so little that it has rather become symbolic. Therefore, the Commission recommends discontinuance of such assignments like Kendu Leaf, Cess, Sairat, Minor Forest Produce grants etc. for rural areas and the stamp duty which is being erroneously projected as grants to urban local bodies but goes to development authorities etc. should not be part of the assignment.

The Commission emphasized on assigning Entertainment Tax to the rural and urban local bodies to enable them to levy and collect the taxes.

11.27 Entry Tax shared with urban local bodies is treated as "compensation" for the loss of octroi tax. As per List-II in the Seventh Schedule of the Constitution, Entry Tax is for the entry of goods into a "local area". The Odisha Entry Tax Act, 1999 defines "local area" as municipalities, gram panchyats and areas under other local authorities. Therefore, Entry Tax should be a legitimate revenue of not only urban local bodies, but also of rural local bodies and this tax should be assigned to both.

11.28 The 3rd State Finance Commission recommended that salaries and other expenses of the local bodies should be met out of State Government budget. But, the State Government provided for the establishment needs of the ULBs through assignment of entry taxes. The 2nd and 3rd SFCs did not recommend salary of local bodies to be met from Entry Tax or from grants-in-aid. The State Government have decided on their own to fund the salary and establishment expenditure from such sources. In fact, provisions made through the assignment of entry tax for ULBs was more than establishment expenses which left substantial amount of funds with urban local bodies to meet other needs. For RLBs, entire field establishment expenses were met from grants-in-aid under the banner of 3rd SFC recommendation.

Establishment expense to be met from assignment.

11.29 The Commission considered the recent development of meeting the establishment expenses of local bodies from grants or assignments out of recommendations of the State Finance Commissions. The Commission decided that it would be better to continue with the practices followed and therefore propose to meet the establishment burden of the rural and urban local bodies from entry tax, as part of assignment recommended by the Commission.

11.30 As per recommendations of the 2nd SFC, State Government assigned Rs.25 crore out of motor vehicle tax to urban local bodies for the period from 01.04.2005 to 31.03.2010. Though 3rd SFC did not make any specific recommendation, State Government still provided Rs.25 crore each year from this tax to the urban local bodies for the period from 01.04.2010 to 31.03.2015. However, no assignment has been made from motor vehicle tax to rural local bodies. The Commission is of the view that rural roads also deserve funding for maintenance from this tax. The Commission recommends significant amount as assignment so that the sharing is meaningful for the local bodies.

PRIs

11.31 The requirement of funds for salary and field establishment during 2013-14 (R.E.) for PRIs was Rs.262.52 crore. Considering this amount as base, the salary is projected with annual 10% increase for the subsequent years, with the exception of increase of 30% provided for 2016-17 over 2015-16 due to the possible roll out of the 7th Pay Commission recommendations. Based on these assumptions the total requirement of funds towards salary and establishment during the period 2015-20 works out to be Rs.2234.06 crore for PRIs. Apart from the salary of officials and other establishment expenses, sitting fees/ honorarium/ DA etc. of local body representatives should also be a charge which the Commission's recommendations is expected to cover.

Revision of entitlement of elected representatives of RLBs.

11.32 Local body representatives in different meetings with Commission expressed their dissatisfaction over their various entitlements. The Commission examined this and decided to recommend increase the remuneration, sitting fees/ DA from the year 2017-18. By this, the existing rates will be five year old and also the 7th Pay Commission recommendations for government employees would have been implemented which make this increase justified.

Commission recommends the rates shown in Table 11.9 to be provided from 2017-18 onwards.

Table 11.9
Recommended revised rates for PRIs

Designation	Honorarium	Sitting Fees	D.A.	T.A.
Sarapanch	Rs.2000	Rs.200	Rs.50	
NaibSarapanch	Rs.1000	Rs.200	Rs.50	
Ward Member		Rs.200	Rs.50	
Chairman, PS	Rs.4000	Rs.200	Rs.100	
Vice-Chairman,PS	Rs.2500	Rs.200	Rs.100	
Member, P.S.	Rs.2000	Rs.200	Rs.100	
President, Z.P	Rs.8000	Rs.200	Rs.150	Rs.15,000/-for entire year.
Vice-President,Z.P	Rs.6000	Rs.200	Rs.150	Rs.5,000/- for entire year.
Member, Z.P	Rs.3500	Rs.200	Rs.150	

Source: computed

Presently, the expenditure towards these heads come to about Rs.60.67 crore per year and the increase will make it Rs.93.33 crore from 2017-18 onwards. Hence, during the period 2015-20, the total expenditure on this account comes out to be Rs.401.33 crore. Total assignment from entry tax talking into account all expenses comes to Rs.2635.39 crore.

11.33 With regard to Motor Vehicle Tax as discussed in para11.30, the Commission has recommended Rs.366.31 crore for the period of 5 years i.e. from 2015-16 to 2019-20 keeping in view the buoyancy in the Motor Vehicle Tax collection. Commission proposes to provide Rs.60 crore for the first year and 10% increase in the subsequent years. Table 11.10 gives the details of assignments for the rural local bodies from both the assigned taxes i.e. Entry Tax and M.V.Tax covering the establishment costs of PRIs as well as improvement of rural infrastructure. The Commission leaves it to the department concerned to make appropriate distribution amongst different levels of PRIs as per their needs, infrastructure and man power availability. The assignment during the period 2015-20 year wise is shown in Table 11.10.

Table No-11.10

Assignment to PRIs Year-wise during 2015-20

(Rs in crore)

ITEMS	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
Assignment (out of Entry Tax)	378.31	473.60	547.56	592.98	642.94	2635.39
1. Salary & Establishment cost	317.64	412.93	454.23	499.65	549.61	2234.06
2. Sitting fee, Honorarium, TA & DA	60.67	60.67	93.33	93.33	93.33	401.33
3. Maintenance/ Improvement of road infrastructure (out of MV Tax)	60.00	66.00	72.60	79.86	87.85	366.31
TOTAL ASSIGNMENT	**438.31**	**539.60**	**620.16**	**672.84**	**730.79**	**3001.70**

Source: computed

ULBs

11.34 As per ATR to the 3rd State Finance Commission recommendations, allocation under Entry Tax would have been Rs.338.08 crore and Rs.371.88 crore for the year 2013-14 and 2014-15 respectively. Instead, Government have provided Rs.500.00 crore each year for 2013-14 & 2014-15. This is much above the requirement of salary and establishment expenses of the ULBs for these years. The annual establishment expenses of the urban bodies have been arrived at Rs.246.76 crore as obtained from all the urban local bodies for the year 2013-14. Providing for suitable increase in D.A. etc. requirement comes to Rs.298.58 crore for 2015-16. 7th Pay Commission impact is taken into consideration in the year 2016-17 making a provision of 30% increase and with 10% increase in subsequent years, total expenses for 2015-20 comes to Rs.2100.00 crore for the ULBs.

Revision of entitlement of representa-tives of ULBs

11.35 As has been proposed in case of PRI representatives, the Commission also recommends increase in honorarium, sitting fees, D.A.,T.A. etc. for the elected representatives of ULBs. This increase is proposed to be made applicable from the year 2017-18 after a reasonable lapse of time since last increase at the rates indicated in the Table 11.11. As per the revised rates recommended to be applicable from 2017-18, the expenditure for the period 2015-20 comes to Rs.8.01 crore.

Table 11.11
Recommended revised rates for ULBs

Designation	Municipal Corporation		Municipality		N.A.C	
	Honorarium	Sitting fees	Honorarium	Sitting fees	Honorarium	Sitting fees
Mayor/ Chairman	Rs.12,000	Rs.700	Rs.5000	Rs.300	Rs.2500	Rs.300
Dy. Mayor/ Vice-Chairman	Rs.8,000	Rs.700	Rs.2500	Rs.300	Rs.1500	Rs.300
Member		Rs.700		Rs.300		Rs. 300

Source: computed

11.36 Some surplus from Entry Tax revenue remains with ULBs every year out of the assigned amount after meeting establishment expenses. The entry tax assignment programmed by the state government as incorporated in the ATR to the recommendations of 3rd SFC was at the rate of 10% increase in successive years to Rs.338.88 crore and Rs.371.88 crore in the years 2013-14 and 2014-15 respectively. But, state government actually provided Rs.500.00 crore in the above years. This was a hike without any pattern. The Commission therefore decided to continue with the same level of assignment also in the year 2015-16. However, taking into account 30% increase in the year 2016-17 on account of pay revision the increase in Entry Tax is pegged at 20%. In subsequent year, 10% increase has been provided for. This leaves Rs.200.40 crore in the first year and further increase thereafter every year in rest of the award period for meeting other needs. The Commission has already recommended in Para 8.18 to meet the arrear pension of retired employees from the Entry Tax. After meeting this requirement, balance can be used for basic services.

Table 11.12 indicates total entry tax assignment for urban bodies will come to Rs.3284.60 crore. Commission chose to make year wise allocation as shown in the Table, keeping in view inflow of resources to State Exchequer.

Table 11.12

Assignment to ULBs Year-wise during 2015-20

(Rs. in Crore)

ITEMS	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
Assignment (out of Entry Tax)	500.00	600.00	660.00	726.00	798.60	3284.60
1. Salary, Establishment cost	298.58	388.15	426.97	469.67	516.63	2100.00
2. Sitting fee, Honorarium, TA & DA	1.02	1.02	1.99	1.99	1.99	8.01
3. Expenditure on arrear pension and Basic Services	200.40	210.83	231.04	254.34	279.98	1176.59
Maintenance/Improvement of road infrastructure (out of MV Tax)	40.00	44.00	48.40	53.24	58.56	244.20
TOTAL ASSIGNMENT	**540.00**	**644.00**	**708.40**	**779.24**	**857.16**	**3528.80**

Source: computed

11.37 Due to sharp rise in number of personalised vehicles in the recent years, the urban roads need constant maintenance and improvement. The Commission is of the view that the maintenance expenditure for the roads in urban area should continue to be borne out of Motor Vehicle Tax as is the practice. The Commission recommends to assign the ULBs with Rs.40 crore during 2015-16 out of the MV Tax collected and subsequently increase the amount by 10% per annum over the award period. The total amount of allocation during 2015-20 comes to Rs.244.20 crore, year wise distribution being shown in Table 11.12.

Table 11.13 shows the total assignment of PRIs and ULBs.

Table 11.13

Assignment of Taxes to PRIs and ULBs (2015-20)

(Rs.in crore)

Local Bodies	Assignment
PRIs	3001.70
ULBs	3528.80
TOTAL	**6530.50**

source: computed

Sector Specific Need Assessment

11.38 One of the mandates of the Commission is to lay down norms for providing grants-in-aid to the units of local self-government from the consolidated fund of the State. Institutions of local governance are expected to look after the sectors of development and services as specified in Eleventh and Twelfth Schedules of the Constitution. Having recommended funds to be devolved and assigned to the local bodies, the Commission proceeds to identify specific services and infrastructure needs that should be met in ensuing five years of award period. Sectors needing thrust are drinking water supply, solid waste management, storm water discharge, sanitation, street lighting, drainage & roads, staff quarters, maintenance of assets, creation of revenue generation avenues, capacity building, incentive structure etc. Some of these areas are common to both urban and rural local bodies, some arise out of their specific requirements. While making assessment of sector specific need of funds for rural and urban bodies, the Commission, as per the ToR, is to take into account own revenues of the local bodies and their expenditures for assessing the gap to be funded on the basis of recommendations of the State and Central Finance Commissions. The Commission has made efforts to evolve norms to assess per capita requirements for various services and needs of both rural and urban bodies. Since the time available for the Commission was less than a year, it was not possible to commission a study. Though studies with respect to some of the urban bodies of neighbouring states were shared by the Senior Economist of NIPFP, the Commission did not consider it appropriate to adopt such norms. It was rather thought appropriate to adopt norms available from pan India studies and report of the High Powered Expert Committee (HPEC), chaired by Dr.Isher Judge Ahluwalia was immensely useful. Projections made by the State Government in the memorandum submitted to the 14^{th} Finance Commission and also the State Policy documents have been factored in assessing sectoral needs. However, no corresponding data for the rural areas could be accessed. The technical organisations of the State Government have substantial data base which was available to the Commission. PR and H&UD departments have also submitted memorandums projecting different needs of the local bodies and cost thereof. Finally the Commission must admit that interactions with the elected representatives of the local bodies and field officials working in these bodies have been of immense help in framing up the sectoral needs and assessment of finances required to address them.

Rural local bodies

Drinking Water (Mega Piped Water Supply)

11.39 The State has 81,54,960 households as per 2011 census spreading over 1,57,296 habitations, out of which only 1,02,110 are able to get drinking water at 40 litres per capita per day. Discussions were held with senior technical officers of the State Government to understand the magnitude and severity of water supply problems, particularly in difficult pockets. It was understood that ground water in such pockets are either not available or saline or fluoride affected. Even surface water in such areas is either saline or not available. The State has areas which are affected by fluoride (2% area), chloride (20% area), and iron (70% area) and salinity on the long coastal zone of the State. The solution lies for such areas is to get water pumped in from the nearest available and sustainable pool of surface water. These projects are expensive and require optimum coverage of areas and population to be viable. The Rural Water Supply and Sanitation (RWSS) organisation has proposed Mega Water Supply Projects, each covering large number of such water scares villages. As the sources are limited, piped water from water heads like major/ medium/ minor irrigation projects/ perennial rivers are used for the purpose. RWSS organisation has provided a list of such projects at a cost of Rs.1010.97 crore. Each of these projects covers a large number of villages affected with salinity in coastal areas or fluoride /iron in hinterland resulting in acute scarcity of potable water. The list of the Mega piped water supply projects for all the identified pockets are listed in Annexure-VIII. It is necessary to meet the requirement of Rs.1010.97 crore for addressing the acute scarcity pockets in different districts.

Installation of Tubewells

11.40 Apart from the mega piped water scheme, one of the important dependable tools for potable water is hand pump. Since the early 80s, hand pumps have played important role in the supply of drinking water in the State and country and they continue to do so even now. Hand pumps cannot be done away with in near future. They are also excellent tools in bridging the gap in availability. As per information submitted by the Engineer in Chief of Rural Development Department, 48466 habitations are still partially covered and in next five years many more hand pumps may become defunct or non-operational. It is assessed that on an average two tube wells in each of the 48466 habitations will be able to meet the gap to some extent. Fund requirement for this purpose is Rs.775.46 crore. These tube wells are to be installed during the period 2015-20.

Operation & Maintenance of water supply systems

11.41 Out of total 1,57,296 number of habitations in the rural areas of the State, 1,02,110 have achieved the fully covered status with hand pumps. Over & above that 35,233 habitations have been provided with piped water supply through 9458 commissioned piped water supply projects. In the rural areas, 2,32,153 households have tap connections. The total number of existing hand pumps are 3,49,26. Operation & Maintenance of this huge system of water supply programme including electric charges is projected at Rs.2515.00 crore for the five years period from 2015-2020 by the Rural Water Supply & Sanitation organisation under the Rural Development Department. The estimate appears reasonable and has been accepted by the Commission.

Street Light

11.42 Street Lighting in rural areas is rare. Some villages were provided with this amenity in the past but many have long since been discontinued for various reasons like non-replacement of fused bulbs, non-payment of electricity charges and also lack of interest of village administration to continue to provide such services. The Commission had interactions with experts of Energy Department and Officials of OREDA on this issue. Such villages where electricity cannot reach, solar street lights are being provided along with household lights. During visit to a village in Kandhamal district, the Commission had discussion with villagers and learnt about changes in their way of life after installation of solar street lights. Electric light in 21st century is not a luxury but an 'essential commodity' to live with. Street light will add to economic as well as social benefits and ensure a better quality of life. It is learnt that villages/hamlets with population of more than 100 will be covered under Rajiv Gandhi Gramin Vidyut Karana Yojana (RGGVY), which is a central government scheme and villages/hamlets with less than 100 population will be covered under Biju Gramin Vidyut Karan Yojana (BGVY), a state sponsored scheme. The programme, it is understood, is to cover all the villages with electricity by 2018. In the backdrop of such widespread programme of rural electrification, it will not be too high an aspiration for the rural local bodies to hope to provide street lights in the villages, at least in the main public areas in next few years. From discussions with Energy Department experts, it was understood, that there will be no additional costs involved other than the fittings as electric lines are drawn along the village streets. So the installation cost and also the O&M works out within reasonable limits. Of course, it is hoped satisfactory supply of power can be ensured. The Commission would, therefore, like to recommend provision of 10 street lights (Sodium Vapour Lamp) per village in a GP every year. It will cover 5 villages in each GP in the award period of five years. The cost of installation with accessories would be Rs.12.50 crore per annum. Similarly, the electricity charges have been estimated to be Rs.12.50 crore for the first year. With the addition of one more village each year per panchayat, the electricity charges will increase every year. Assuming same electricity charges over next five years and maintenance cost at the rate of five percent of the installation cost, requirement is estimated at Rs.259.38 crore during 2015-20.

Drainage system and concretisation of internal habitation roads

11.43 As has been explained in Chapter-VI, there are 58,559 kms of internal roads within village habitations. Construction of pucca drains and concretisation of these roads have tremendous impact on quality of life in the villages. Not only mud and slush have become things of the past, the drainage system along the concrete roads drains storm water out of the habitations. As per statistics of the Panchayati Raj department, 26,579 kms of internal village roads out of 58,559 kms have been concretised and 31980 kms are yet to be covered. Per kilometre cost of road concretisation along with drainage comes to Rs.33.00 lakh. Keeping in view the limitations of the local bodies in absorbing funds, 9000 kms can be covered with the drainage system along with concrete roads in next 5 years time. The total funds requirement will be Rs.2972.00 crore.

Construction of Staff Quarters in GPs &Panchayat Samitis

11.44 During field visits of the Commission, it was observed that many GPs do not have quarters for their staff and in the Panchayat Samitis quarters are inadequate and many in dilapidated condition. Many employees commute from distant places and GP Offices often do not open every day. Keeping in view constraints of land and also needs, the Commission thinks it fit to make provision of quarters for the Executive Officers in half of Gram Panchayats during the award period. The Department may examine the priority and needs of GPs as well as availability of suitable land and allocate funds for construction of quarters. In case of Panchayat Samitis, there are about 22 officials for whom the quarters are inadequate. The Commission is of the view that two quarters may be provided to each of the 314 Panchayat Samitis during the award period. In this regard, the Commission has taken into consideration the memorandum of PR department and technical assistance from Works as well as PR departments. The cost estimate of the single storey quarters with double storey foundation for a GP would be around Rs.6.5 lakh. To cover half of the GPs, the cost will be Rs.202.41 crore. Provision of 20 % additional funds amounting to Rs.12.73 crore is needed for the TSP areas.

Similarly to provide two D-Type quarters in each Panchayat Samiti at a cost of Rs.42.00 lakh, requirement of funds will be Rs.131.88 crore. For the TSP areas, additional cost will be Rs.8.30 crore over the 5 years period. Rs.215.14 crore and Rs.140.18 crore towards construction of staff quarters in Gram Panchayats and Panchayat Samitis respectively are the projected need during the award period.

Maintenance of Capital Assets

11.45 Substantial amount of funds flow to rural areas under various schemes of Central and State Governments. New assets get created under these programmes, but there is no provision for maintenance of assets, once created under most of such schemes. There is a visible gap in the asset and inventory management of the Local Bodies. Infrastructural assets like health sub centres, anganwadis, primary schools, veterinary dispensaries, nurseries, roads, street lights, culverts, bridges, plantations, orchards, pisciculture tanks, markets, water supply systems all need regular maintenance and up keep. And this cost increases in TSP areas. The local bodies are not able to maintain these assets out of their own resources. Therefore, Rs.330.94 crore is recommended for all the GPs to maintain the village assets during the award period. Additional funding of 20% for TSP areas has been included in the above assessment.

Creation of capital assets for revenue generation

11.46 While discussing the finances of PRIs, concern has been expressed for very low income base of Gram Panchayat, the only PRI empowered to collect taxes, fees etc. The Commission has already recommended grants-in-aid for various sector specific programmes to improve the standards of basic services. One of the Commission’s focus areas is to strengthen and empower the rural local bodies to increase their revenue income and gradually reduce their dependence on funds from the State and Central Governments. Resource allocation for creating such assets which will fetch revenues like market sheds, stalls, rest sheds in places of pilgrimage etc. which can generate rent, lease value, licence fees could be good investments. Improvement of pisciculture tanks, running of ferry services, cycle and bike stands etc wherever possible and such other avenues can be explored for enhancing own resources of the panchayats. The total funds needed for this purpose estimated at the rate of Rs.10.00 lakh per Panchayat is Rs.622.70 crore.

Incentive

11.47 Incentivisation is a good tool to promote performance. It can be competitive in nature or on *pro-rata* performance basis which are equally applicable to all. As has been discussed in chapter-VII, the existing incentive scheme is based on 67 different items on which performance of PRIs is being assessed and awards given to the best performers. As explained earlier, this system lacks in transparency. The Commission feels that the thrust on resource generation should be amplified and the incentive structure should convey that incentivisation is to promote resource generation by own efforts. Keeping this in view, the Commission has examined various alternatives. One important methodology is to provide matching share for income generation or incremental income generated. But own income of GPs and more so the incremental income over the years has been so low that no rational matching share will make any dent in the resources of the Panchayats and funds will also be spread thin. Instead, it was thought prudent to encourage competition in every Panchayat Samiti by rewarding the best two amongst them. It is assessed that at the rate of Rs.3.00 lakhs per Panchayat, for two GPs in each Panchayat Samiti area total provision needed is Rs.75.36 crore.

Engagement of CAs and Database Management

11.48 Central Finance Commissions have repeatedly pointed out about inadequacy in accounting and auditing practices of rural local bodies. Though sporadic efforts have been made to address the problems, no tangible systematic improvement has taken place. PR department in recent years have taken assistance of Chartered Accountants (CAs) out of the panel approved by the Comptroller and Auditor General (C & AG) of India for preparing the accounts of the Gram Panchayats. This practice should be continued alongwith internal capacity building in accounts maintenance. The Commission has interacted with the Local Fund Directorate of the State and is of the view that robust system need to be in place for recording, assimilating, compiling, classifying and storing the data base related to the resource position, inventories, expenses, fund utilisation. This is essential for financial decision making and for precise forecasting of the future needs. The fund requirement for the digitisation of database, MIS, account & audit, capacity building and also fees of the C & AG empanelled CAs is estimated to be Rs.120.54 crore.

Urban local bodies

Water Supply

11.49 Rapid urbanisation and increased health awareness in the urban areas have created enhanced demand on quality water supply, but it is met inadequately. The State Government has formulated the Odisha State Urban Water Supply Policy 2013, wherein it is proposed to address the complex technical, institutional, social & environmental challenges faced by the urban water supply system. The policy stipulates to provide access to piped water supply to all households at the rate of 70 litres of water per capita per day (lpcd), progressively to be increased to 135 lpcd. The policy aims at addressing the inadequacy in present water supply system in totality over a span of more than a decade from 2015-16 to 2026-27. This covers consolidation and rehabilitation of existing urban water supply systems and installation of new projects in areas hitherto uncovered. The blue print of this exercise addresses all aspects like assessment study, capacity building, e-governance, metering, automation, energy efficiency etc. The programme is to be carried out in phases. For the first five years i.e. from 2015-16 to 2019-20, funds requirement is projected at Rs.2703.00 crore.

11.50 Out of 1843 wards in the ULBs, 552 wards are fully covered, 1146 wards are partially covered with water supply and 145 wards remain totally uncovered. While fully covered wards also require restoration and rehabilitation, the partially covered wards have to make augmentation of existing water supply system as per the information submitted by the Housing & Urban Development Department. The operation & maintenance cost as per the High Power Committee's assessment is Rs.501.00 per capita per annum. Annual cost will come to Rs.350.80 crore and Rs.1754.00 crore for the period of 5 years.

Solid waste management

11.51 The rising population and high density thereof with consequential intensive use of public utilities and more and more non-biodegradable materials in day to day life in the process of urbanisation give rise to generation of enormous amount of waste materials. Because of inadequate and inappropriate disposal of solid waste, particularly plastic & polythene materials which do not decay or degrade, the drainage outlets get choked creating flooding of city and town roads. These polluting waste materials need to be disposed of in a non-hazardous and scientific ways. For this, the ULBs require technical know-how, equipments etc. to keep the environment clean and green.

11.52 H&UD department in its Memorandum states that the operation and maintenance cost estimate on solid waste management and sanitation has been prepared based on the tipping fees as per Detailed Project Reports (DPRs) prepared for Bhubaneswar, Cuttack and Berhampur municipal corporations. It includes segregation, door to door collection, storage, transportation, treatment with composting and land filling. The estimated cost, taking the rate in 2011 as the base and 10 percent progressive increase in subsequent years is indicated Rs.977.58 crore. As per the HPEC assessment, per capita investment requirement is Rs.19.55 for infrastructure and for operation & maintenance Rs.155.00 per year. Total cost for all the ULBs come to Rs.340.00 crore for fresh investment to improve the capacity of the urban bodies and Rs.542.80 crore for operation & maintenance to provide clean & hygienic environment over a period of five years. Taken together it comes to Rs.882.80 crore which is taken as the projected need.

Storm water drainage

11.53 Flooding of city roads after a moderate shower is quite common in most of States in the country including Odisha. Flooding of streets arises not only because of poor storm water drainage systems but also improper solid waste management. Particularly disadvantaged are low lying areas; once flooded, water cannot get discharged. Seriously affected areas are mostly slums which do not have planned drainage system. This has a serious health hazard too. Adopting the per capita expenditure norms estimated by the High Powered Committee, investment required in capital infrastructure and operation & maintenance for storm water drainage system are Rs.229.30 per capita per annum. So total requirement comes to Rs.802.00 crore for 5 years period.

Street light

11.54 Expanding towns and cities embrace more and more new areas within their folds. Street light is important for long business hours in the urban areas that stretch beyond evening. Lack of proper lighting in streets and public places often gives scopes to miscreants. Large areas in every urban centres are deprived of the facility of street lighting. Expansion of street lighting system is utmost need in all ULBs in the state. As per the yardstick fixed by the HPEC, the per capita annual requirement for O&M of street light is Rs.8.00 and for 5 years the requirement is Rs.28.00 crore. The per capita investment for additional street lights is Rs.18.30 per annum and requirement for 5 years is Rs.64.00 crore on this count. For the ULBs Rs.92.00 crore is required for providing new installations and O&M of street light system over the period of 5 years.

Maintenance of Capital Assets

11.55 The needs for maintenance of capital assets have been discussed above in paras concerning PRIs. The existing assets need repair and maintenance continuously for better service delivery. The local bodies are not able to maintain these satisfactorily out of their own resources. It has been assessed that Rs.25.00 lakh per NAC, Rs.50.00 lakh per municipality & Rs.2.50 crore per municipal corporation over the five years of award period can do justice to the need for this purpose. Total requirement comes to Rs.45.75 crore.

Urban Sanitation

11.56 Faster pace of urbanisation, improvement of communication system and connectivity have been adding to mobility of the people. Floating population from hinterland and also outside the State to the cities/towns puts lot of pressure on the urban basic services. The State attracts lot of pilgrims and tourists also though these are periodical phenomenon, but they mount demand on services of the urban local bodies. Solid waste management is one aspect of sanitation of the urban areas and other important one is toilet facilities for the people at key places of congregations. The Commission had an occasion to interact with Sulabh Sanitation organisation. In a presentation to the Commission, the organisation has indicated the installation cost of different types of toilets. The cost projected by them for toilet and bath complex including sceptic tank, soak pit, electric, PH fitting, bore well and motor, urinal, boundary wall etc. for 10 number of seats cost minimum Rs.25 lakh and for complex with 5 seats Rs.16 lakh. On the basis of survey conducted by them, the total 239 toilets are required in urban areas of the state at a cost of Rs.52.46 crore. This is an important need of urban area, which should be taken care of on priority basis.

Creation of capital assets for revenue generation

11.57 The Commission has put emphasis on enhancement of own resource generation by the local bodies. With regard to income base, the situation is not very different in case of urban local bodies from that of RLBs (Gram Panchayats). Because of low income and increase in demand on various basic services, the ULBs are heavily dependent on transfer of resources from different levels of government. The Commission is of the view that like Rural Local Bodies, the ULBs should invest to create assets which can bring them revenues on rent, lease value, licence fees, taxes, entry tickets etc. Some of the assets giving returns are market buildings, stalls, working women's hostels, amusement parks, parking space for bikes, cars, heavy vehicles and many other options as deemed proper by the Urban Bodies concerned. There should be graded funding to three categories of urban bodies for this propose. Each of the NACs, municipalities and municipal corporations should receive Rs.10.00 lakh, Rs.20.00 lakh and Rs.50.00 lakh respectively every year over a period of five years. Total requirement on this account would be Rs.84.00 crore.

Incentive

11.58 Funding for creation of resource generating assets has been recommended in previous para. The Commission here discusses about a new reward or incentive system for municipal bodies in the line of incentive structure recommended in case of PRIs to give recognition and encouragement for own resource mobilisation. To bring as many municipal bodies as can be accommodated in the incentive structure to have a spread effect for competition amongst the ULBs, the Commission proposes an incentive of Rs.2.00 crore each year for the best performing municipal corporation and for the four best performing municipalities Rs.1.00 crore each every year during the award period. In the same way, five best performing NACs can get every year rewards of Rs.50 lakh each for five years. The performance rating should be based on own revenue generation. Annual expenditure in this regard will be Rs.8.5 crore and Rs.34.00 crore for the period from 2016-20.

Capacity Building and Database Management

11.59 Introduction of accrual based accounting and maintenance of inventory of assets are two thrust areas for the local bodies, particularly ULBs. For preparation of the software, hand holding support to the users and maintenance thereof would require at least Rs.5.00 crore. It has already been highlighted that there is a huge gap existing in capacity building and training of the elected representatives and officials of urban local bodies. To provide infrastructural support for their training needs and to organise training and exposure visits fund requirement will be Rs.10.00 crore (Rs.6.00 crore for permanent infrastructure and Rs.4.00 crore for training and exposure visits). The total requirement for the above purposes is Rs.15.00 crore during the award period 2015-20, which will ensure transparency and efficiency in budgeting and accounting of local bodies and improvement in service delivery to the citizens.

Total requirement of sector specific funding (Grants-in-Aid)

11.60 The needs of urban and rural local bodies for providing services to the people have been projected in above paras under various heads. The details are shown in the Table 11.14.

Table 11.14

Total requirement of sector specific funding

(Rs. in crore)

Local Bodies	Component		Fund requirement (2015-20)
PRIs	**Water supply**		
	1.	i) Mega Water Supply to Acute Affected Villages	1010.97
		ii) Installation of Tubewell	775.46
		iii) O&M for Rural Water Supply	2515.00
	2.	Street Lighting	259.38
	3.	Drainage system and concretisation of internal habitation roads	2972.00
	4.	Construction of Staff Quarters in GPs	215.14
	5.	Construction of Staff Quarters in PanchayatSamiti	140.18
	6.	Maintenance of Capital Assets	330.94
	7.	Creation of Capital Assets for Revenue generation	622.70
	8.	Incentive	75.36

Local Bodies	Component		Fund requirement (2015-20)
	9.	Engagement of CAs and Database Management	120.54
	Total		**9037.67**
ULBs	**Water Supply**		
	1.	i) New Installation	2703.00
		ii) O&M	1754.00
	2.	Solid Waste Management	882.80
	3.	Strom Water Drainage	802.00
	4.	Street light	92.00
	5.	Maintenance of Capital Assets	45.75
	6.	Urban Sanitation	52.46
	7.	Creation of capital assets for revenue generation	84.00
	8.	Incentive	34.00
	9.	Capacity Building and database management	15.00
	Total		**6465.01**
Grand Total			**15502.68**

Source: computed

The assessment thus for total sector specific requirement of funds over and above devolution and assignment already discussed about comes to Rs.15502.68 crore. The State's total tax revenue for the period of 2015-20, net of taxes is projected at Rs.128653.64 crore as shown in Table 11.1. The divisible pool of taxes excluding cost of collection and taxes proposed to be assigned on the local bodies comes to Rs.109750.01 crore, shown in Table 11.2. It is not possible to meet the entire requirement projected above as Grants-in-Aid from State's Consolidated Fund. Therefore, it is proposed to meet only a part of sector specific grants-in-aid from the State's resources.

Grants-in-Aid from State's Consolidated Fund

11.61 Amongst the requirements assessed above, certain crucial areas are identified for funding for basic services, infrastructure and measures to strengthen finances of the local bodies as grants-in-aid from the

Consolidated Fund of the State. Some of the sectoral requirements are quite small in quantum but with immense potential to make difference in quality of self-governance. The sector wise the recommendations of grants for rural and urban bodies are grouped together separately. The total requirement assessed has been split into yearly allocation keeping in view the resource available to the State each year. The grants-in-aid proposed for rural areas are :

Grants-in-Aid for Rural Local Bodies

Water Supply : Mega Piped Water Supply Projects

11.62 Mega piped water supply projects, discussed in para 11.39 for the severely water scarce villages is one important sector to be assisted with urgency. The Commission examined the proposal in detail and found that 8 projects cover villages with most serious and acute water scarcity problems and recommends to finance them from the State resources. The projects are at Table 11.15.

Table 11.15

Cost, Location and Source of proposed Mega Piped Water Projects

Sl No	District	Name of Block	No of GPs	No. of Villages	Source	Location of Head Works	Population to be covered	Estimated Cost (Rs in Crore)
1	Balasore	Bhograi	5	49	Suvarnarekha	Aruhabruti	53857	53.86
2	Bhadrak	Bhandaripokhari	8	77	Baitarani	Akhupada (Nereda)	61437	61.44
3	Cuttack	Narasinghpur	31	214	Mahanadi	Ghoradia	138309	138.31
4	Puri	Styabadi	12	46	Bhargavi	Sagar	63278	63.28
5	Bolangir	Saintala & Titilagarh	4	15	Tel	Belgaon	23972	23.97
6	Keonjhar	Champua, Jhumpura & Keonjhar	20	78	Kanpur Irr. Project	-	75044	75.04
7	Jagatsinghpur	Ersama, Balikuda & Nuagaon	24	123	Devi	Sikharnuagaon	137000	137
8	Nuapada	Khariar	5	138	Lower Indravati Irr. Project	Tikhali	37916	37.92
Total							**590813**	**590.82**

Source: RWSS, RD department

These Mega Piped Water Supply Projects can cater to population of 6 lakhs in 109 panchayats permanently. Keeping in view preparatory work to be attended to in the first year, funds requirement for this purpose is proposed to be phased out over 5 years as detailed in Table 11.20. The Commission recommends an amount of Rs.590.82 crore towards the above listed Mega Piped Water Supply Projects in the State.

Street Light

11.63 The requirement for street lighting for the period 2015-20 has been assessed at Rs.259.38 crore. The Commission recommends it to be met from state resources. It is recommended that one village in each GP every year may be provided with ten street lights covering 31,135 villages during the award period. Year wise allocation is indicated in Table 11.16.

Table 11.16

Cost of Street Lighting in Rural areas during 2015-20

(Rs. in crore)

Cost Components	2015-16	2016-17	2017-18	2018-19	2019-20	Total (2015-2020)
Installation	12.50	12.50	12.50	12.50	12.50	62.50
Electricity Charges	12.50	25.00	37.50	50.00	62.50	187.50
O & M @ 5% of Installation	0.63	1.25	1.87	2.50	3.13	9.38
Total	**25.63**	**38.75**	**51.87**	**65.00**	**78.13**	**259.38**

Source: computed

Construction of Staff Quarters in G.Ps & Panchayat Samitis

11.64 It has been assessed that at the rate of Rs.6.5 lakh for each unit of residential accommodation to cover 50% of the GPs, the total cost will be Rs.202.41 crore. Provision of 20% additional funds for TSP areas comes to Rs.12.73 crore. Similarly with Rs.8.30 crore of additional cost needed for TSP areas, the fund requirement for two D-Type quarters at the rate of Rs.42 lakhs for the Panchayat Samitis is Rs.140.18 crore. The Commission recommends the entire amount to be transferred to RLBs concerned in a phased manner. Each of the Panchayat Samitis and GPs may be identified by the department to fund every year for financing so that in 5 years all the required number of GPs and Samitis are covered. The details of distribution of the funds year wise are given in Table 11.17.

Table 11.17

Cost of Construction of Staff Quarter in G.Ps and in Panchayat Samitis during 2015-20

(Rs in crore)

Component	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
Staff Quarter (G.P)	33.16	36.46	40.13	44.13	48.53	202.41
Staff Quarter (TSP Area)	2.09	2.30	2.52	2.77	3.05	12.73
Total	**35.25**	**38.76**	**42.65**	**46.90**	**51.58**	**215.14**
Staff Quarter (Panchayat Samiti)	21.60	23.75	26.14	28.75	31.64	131.88
Staff Quarter (TSP Area)	1.36	1.50	1.64	1.81	1.99	8.30
Total	**22.96**	**25.25**	**27.78**	**30.56**	**33.63**	**140.18**

Source: computed

Maintenance of Capital Assets

11.65 As has been projected in para 11.45 for maintenance of capital assets in the villages Rs.330.94 crore is needed for Gram Panchayats including Rs.19.59 crore meant for additional 20% for TSP areas. Details of requirement for 5 years and for each year are given in Table 11.18.

Table 11.18

Maintenance Cost of Capital assets during 2015-20

(Rs in crore)

Component	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
Maintenance of assets	51.00	56.10	61.70	67.88	74.67	311.35
Maintenance of assets (TSP Area)	3.21	3.53	3.88	4.27	4.70	19.59
Total	54.21	59.63	65.58	72.15	79.37	330.94

Source: computed

Creation of Capital Assets for revenue generation

11.66 It has been projected that Rs.10.00 lakh per GP for creation of revenue generating assets, may induce GPs to improve their tax base. However it is not possible to fund all GPs in one year within the provision of Rs.622.70 crore projected as the need. The Commission therefore, recommends that this amount may be released as grants-in-aid to the GPs and the department may release the same to identified Panchayats every year so that all panchayats are covered in 5 years. Year wise details are shown in Table 11.20.

Incentive

11.67 To encourage competition in earning own revenue it has been assessed that for the best two Panchayats to be rewarded with Rs.3.00 lakhs per Panchayat, for two GPs in each Panchayat Samiti, total provision needed is Rs.75.36 crore. However a rider is proposed for the GPs to be eligible to get the reward. Revenue generation should be at least 20% more than the previous year's collection. So if two panchayats get selected in every Panchayat Samiti, 628 panchayats in the state will earn the distinction every year and will receive Rs. 3.00 lakhs each. No reward is being proposed for the year 2015-16. If only they meet the criterion in the year 2015-16 by increasing their revenues by 20% over that of 2014-15, they would get the reward in 2016-17 and so on. The annual expenditure from 2016-17 in this regard will be Rs.18.84 crore. The scheme should be circulated to all the Panchayats so that adequate efforts will be made by them from the first year of the award period. Total provision needed for this purpose is Rs.75.36 crore which may be provided from the State's Consolidated Fund.

Grants-in-Aid for Urban Local Bodies

Water Supply: user end metering

11.68 Adequate water supply being the goal, it is also needed to be equitable so that those who use more, pay more as is the case in supply of electricity. It is well established fact that equal payment is usually a disadvantage to poorer section and highly skewed in favour of high consumers. Equal rate of consumption is more equitable. So there is need of introducing water meter in urban households, commercial centres. The introduction can be started with commercial centres, shops etc. and gradually spread out to individual households. There is also need for energy efficiency measures and water quality automation. The department has given a total demand of Rs.580.00 crore for this purpose. As per the State Urban Water Supply Policy the total fund requirement is projected as Rs.2703.00 crore for the year 2015-20. This also includes water metering and quality automation and energy efficiency measures. The Commission on discussion with technical persons after assessing preparedness to embark on such works have thought it prudent to allocate Rs.375.00 crore as per requirement projected in the policy document spread over next 5 years. Metering in individual households in urban areas in the state will need substantial awareness creation, publicity, selection of appropriate technology and such other preparatory arrangements for which in first two years of the award period only Rs.30.00 crore has been provided and balance in subsequent three years. The details are indicated in Table 11.20.

Street light

11.69 The requirement of fund for street light has been estimated Rs.64.00 crore for new installation and O&M Rs.28.00 crore for the award period. Total requirement is Rs.92.00 core. With 10% increase every year over the previous year, the distribution of funds recommended for this purpose to be placed with urban local bodies from the State resources is shown in Table 11.20.

Maintenance of Capital Assets

11.70 Maintenance cost of capital assets of the urban local bodies have been assessed at Rs.45.75 crore for the award period. Because of size, spread, diverse nature of assets, fund requirement will be higher, bigger is the urban body. Requirements of municipal corporation obviously be high compared to municipalities. Same difference also exists between municipality and NAC. It is therefore, proposed to provide Rs.50.00 lakh for each municipal corporation every year of the award period and municipalities Rs.10.00 lakh each. NACs are recommended Rs.5.00 lakh each, per year for every year. Rs.45.75 crore is recommended as grants to the ULBs for this purpose.

Urban Sanitation

11.71 Since urban sanitation is a priority concern, the projected requirement of 239 toilet complexes needs to be met out of state resources in a phased manner during the award period. As mentioned in para 11.56, the survey conducted by Sulabh Sanitation Organisation shows the number of toilet complexes of various sizes needed for three categories of ULBs as indicated in Table 11.19.

Table 11.19

Requirement of installing public toilets in 2015-20

Type of urban body	Type of complex needed	No. of complexes needed	Cost of each complex Rs. in lakh)	Total cost (Rs. in crore)
Municipal Corporation	a) 5 seats b) 10 seats	42 92	16 25	6.72 23.00
Municipality	5 seats	39	16	6.24
NAC	10 seats	66	25	16.50

Source: computed

The total cost requirement of Rs 52.46 crore may be provided as grants in aid to the ULBs. The amount may be given in equal instalments over the award period of five years. The Department may identify individual local bodies to be assisted each year, such that all the ULBs are covered in due course. Though the Commission took the assistance of the Sulabh Sanitation Organisation to make an assessment of requirement and cost thereof, the ULBs may decide any agency, as they deem best, for assignment of the work.

Creation of capital assets for revenue generation

11.72 Requirement of Rs.84.00 crore for asset generation to increase revenue earning has been arrived at by making provision of Rs.10.00 lakh for each NAC, Rs.20.00 lakh for every municipality and Rs.50.00 lakh for each municipal corporation every year. The Commission recommends that this amount may be provided to ULBs at the uniform rate of Rs.16.80 crore each year.

Incentive

11.73 Incentive structure has been discussed in para 11.58. It has been assessed that Rs.34.00 crore will be the total requirement from the year 2016-17 to 2019-20. The award structure consist of Rs.2.00 crore for the best performing municipal corporation, Rs.1.00 crore for each of four municipalities and Rs.50.00 lakh for each of five NACs every year. However, like in case of rural local bodies, in this case also a rider is to be in place for a ULB to be eligible to get the reward. It is proposed that own revenue generation of a particular year of the best performing urban bodies must be 20% more over the previous year's collection. The reward may be started from the year 2016-17, based on increase in revenue generation during 2015-16 over that of the year 2014-15 and continued in subsequent years in the same pattern. The Commission recommends that Rs.8.50 crore every year may be utilised by the Director of Municipal administration to reward the urban bodies, provided they are eligible, as incentive for good performance in own income generation. Rs.34.00 is recommended for this purpose.

Grants-in-Aid in Brief

11.74 The grants-in-aid recommended to be met from the State's Consolidated Fund is thus summarised below in Table 11.20.

Table No-11.20

Grants- in- Aid for Local Bodies Year-wise during 2015-20

(Rs. in crore)

LOCAL BOBIES	COMPONENT	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
PRIs	Water Supply: Mega Piped water Supply Scheme	50.00	75.00	125.00	170.00	170.82	590.82
	Street Light	25.63	38.75	51.87	65.00	78.13	259.38
	Staff Quarter (G.P)	35.25	38.76	42.65	46.90	51.58	215.14
	Staff Quarter (PanchayatSamiti)	22.96	25.25	27.78	30.56	33.63	140.18
	Maintenance of Capital assets	54.21	59.63	65.58	72.15	79.37	330.94
	Creation of capital assets for revenue generation	102.00	112.20	123.40	135.75	149.35	622.70
	Incentive	0.00	18.84	18.84	18.84	18.84	75.36
	TOTAL	**290.05**	**368.43**	**455.12**	**539.20**	**581.72**	**2234.52**
	Water Supply: User end Metering	10.00	20.00	115.00	115.00	115.00	375.00
	Street Light	15.07	16.58	18.25	20.05	22.05	92.00
	Maintenance of Capital assets	9.15	9.15	9.15	9.15	9.15	45.75
	Urban Sanitation	8.59	9.45	10.40	11.44	12.58	52.46
	Creation of capital assets for revenue generation	16.80	16.80	16.80	16.80	16.80	84.00
	Incentive	0.00	8.50	8.50	8.50	8.50	34.00
	TOTAL	**59.61**	**80.48**	**178.10**	**180.94**	**184.08**	**683.21**

Source: computed

The State Finance Commission thus recommends total grants-in-aid of Rs.2917.73 crore out of which share of rural local bodies is Rs.2234.52 crore and Rs.683.21 crore for urban local bodies.

Summary of transfers of resources to local bodies

11.75 The sharing of taxes and transfer from the State's consolidated fund have been discussed in details under three different modes of resource sharing between State and local bodies. The allocation to the rural and urban local bodies under the three modes of transfer is placed in tabular form in the Table 11.21.

Table 11.21

Total Resource Transfers to Local Bodies recommended for the period 2015-20(from State Resources)

						(Rs. in crore)
DISTRIBUTION MECHANISM	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2015-20**
a)DEVOLUTION						
i) PRIs	493.77	493.77	493.77	493.77	493.77	2468.85
ii)ULBs	164.60	164.60	164.60	164.60	164.60	823.00
TOTAL	**658.37**	**658.37**	**658.37**	**658.37**	**658.37**	**3291.85**
b)ASSIGNMENT OF TAXES						
i) PRIs	438.31	539.60	620.16	672.84	730.79	3001.70
ii)ULBs	540.00	633.57	708.40	779.24	857.16	3528.80
TOTAL	**978.31**	**1183.60**	**1328.56**	**1352.08**	**1587.95**	**6530.50**
c)GRANT IN AID						
i) PRIs	290.05	368.43	455.12	539.20	581.72	2234.52
ii)ULBs	59.61	80.48	178.10	180.94	184.08	683.21
TOTAL	**349.66**	**448.91**	**633.22**	**720.14**	**765.80**	**2917.73**
GRAND TOTAL	**1986.34**	**2290.88**	**2620.15**	**2730.59**	**3012.12**	**12740.08**

Source: computed

The Commission has taken care to ensure while making the allocations, the total transfer does not exceed 10% of divisible pool of state taxes projected for the award period. Care has also been taken that transfer recommended year-wise and total are shown in Table 11.21 each year remains within or close to 10% of projected net tax resources of the corresponding year. For better appreciation, the transfer recommended vis-a-vis the State's net tax resources for different years as indicated in the Table 11.22.

Table 11.22

10% estimated net divisible pool Year-wise during 2015-20

(Rs. in crore)

	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2015-20**
10% of net divisible pool	1974.00	2236.41	2533.58	2870.12	3251.25	12865.36

Source: computed

Recommendations to Central Finance Commission

11.76 In chapters VII & VIII, the poor resource base of the local bodies has been discussed in details. Incomes of most of the rural local bodies are in thousands in a full year and in many small urban bodies with scanty urban characteristic income level hardly touch a lakh. The establishment expenses of the local bodies projected in Tables 11.10 and 11.12 during the award period is one and half times of their own estimated income (Table-11.3). After allowing for cost of collection, the accrual will be even lesser. In chapter VI it has been discussed in details that in most cases the services provided are at very low level and mostly dependent on grants received from external sources. In the circumstances, offsetting the meagre own income of the local bodies against the requirements projected by the Commission will essentially reduce their entitlement and therefore, will be self-defeating. So, whatever own resources they raise be left unencumbered for providing better basic services to the people.

11.77 According to Article 280(3)(bb) &(c) of the Constitution, the Central Finance Commission has to supplement the resources of the rural and urban local bodies in addition to transfer recommended by the State Finance Commission from the State's resources. The total fund requirement assessed for the five year period of 2015-20 is indicated in Table 11.23.

Table 11.23

Fund requirement of Local Bodies during 2015-20

(Rs. in crore)

1.	**Devolution**	3291.85
2.	**Assignment of Taxes**	6530.50
3.	**Sector Specific Needs**	15502.68
	Total	**25325.03**

Source: computed

11.78 It has been shown in the Table 11.21 total fund proposed for transfer from the State's taxes and Consolidated Fund is Rs.12740.08 crore. This leaves a gap of Rs.12584.95 crore which is required to be met in the next five years period. The 4th SFC therefore, recommends that the 14th Finance Commission may consider to augment the State's Consolidated Fund by Rs.12584.95 crore, to supplement the resources of the local bodies over and above the fund recommended for transfer from the State's resources.

CHAPTER-XII

Summary of Recommendations

The State Finance Commission, while laying down the principles governing distribution of resources between the State and the local bodies, went into the issues relating to improving the fiscal management, effectiveness of delivery of civic services, and strengthening the local bodies through effective provision of resources and decentralized system of policy making. In the process, certain inadequacies, system inefficiencies, legal bottlenecks, lack of timely process re-engineering and many other matters which stood in the way of local bodies evolving into vibrant units of self-governance have come to the notice of the Commission. The Commission strived for financial empowerment of the local bodies both at the rural and urban areas through infusion of funds and provide them flexibility in taking policy decision regarding provision of civic services. The Commission through its recommendation endeavoured to assist and advise the State Government to develop the lowest tiers of democratic institution in both rural and urban areas as responsible local governments.

The recommendations of the Commission address the issue of transfer of resources from the State's taxes and the consolidated fund. Equally important are the recommendations relating to the measures to strengthen resource base of the Local Bodies to help them evolve into responsible units of Local Self Governance. The recommendations have been grouped into four broad heads:

1. Institutional and structural strengthening.
2. Resource generation and legal hurdles thereof.
3. General issues.
4. Fund transfer.

While different recommendations have been made in the Chapters, the most important ones have been enlisted below.

Institutional and structural strengthening

- ATR to recommendations of the State Finance Commission does not contain decisions of the Government on recommendations of the SFC on issues, not pertaining to transfer of fund. Departments dealing with administration of local bodies have no forum to report the action taken by them on the recommendations. Commission therefore, recommends that ATR should incorporate commitment of PR and H&UD departments to act on the recommendations in a given time frame. **(3.21)**

- State Government should constitute a committee headed by the Chief Secretary with Development Commissioner, Finance Secretary, PR Secretary and H&UD Secretary as members to meet quarterly to examine suitability and feasibility of implementation of SFCs' recommendations in a time bound manner. The committee may be serviced by Finance Department. (**3.22**)

- Substantial fund should go as untied to the local bodies to help them decide as to how best they could utilize the same for meeting their needs and priorities. It is important to allow them to decide, the activities that deserve support and funding to serve the people who have elected them. This is a means to reach the broader goal of responsible local self-governance as enshrined in the Constitution. There should not be any guideline, but a negative list of works for the use of untied funds should suffice (e.g. for religious institutions, donation, any kind of celebration). (**2.15, 3.12, 7.32 & 11.25**)

- In P.R. Department, the District Rural Development Agency(DRDA)has emerged as a powerful parastatal and all the centrally sponsored programmes/schemes of the Ministry of Rural Development are routed through them in contrary to the spirit of 73rd Constitutional amendment. The Commission feels that dichotomy in the way of empowerment of PRIs will come to an end if DRDA is dissolved and its office merges in ZP. This will not only convey a determined attitude of the State Government to strengthen local governance, but will also inspire the line departments to realign their schemes, programmes and administrative structure in tandem with the new reality**. (5.3)**

- The School & Mass Education Department has made significant efforts to make the School Management Committee and Parent Teacher Association integral parts of the Panchayati Raj Institutions. The Commission feels that all other departments, particularly those in the social sector should take note of the effort of School & Mass Education Department and try to make a similar beginning in this direction. Consequent to enactment of the Right of Children to Free and Compulsory Education Act, PRIs and ULBs have become the Local Authorities under new education paradigm. Similarly, many of the grassroots level services related to health, nutrition and pre-school education can be successfully provided by the local bodies under the overall guidance and superintendence of the departmental officials as facilitators. (**5.7 & 6.13**)

- The Tahasildar may have all the functions relating to land, land records, law & order, natural calamities and such other responsibilities while the BDO may be re-designated as the Secretary or Executive Officer of Panchayat Samiti to look after developmental responsibilities of Panchayat Samiti. Sections 15A & 19A of Panchayat Samiti Act should be amended accordingly. **(5.10)**

- All employees serving under the Block administration at present should have their services placed with and salaries paid by the Panchayat Samiti. A chain of commands is to be put in place to make the employees accountable to the Panchayat Samiti. (**5.10**)

- In order to avoid unnecessary compartmentalisation of the Government functions and funds, all the schemes and programmes related funds irrespective of the departments they flow from, should be released in favour of the Panchayat Samiti and not the Block. **(5.11)**

- In order to make the Gram Panchayats more effective in providing services in a meaningful way and to ensure accountability of the key functionaries, services of Executive Officers, Junior Engineers, Rojagar Sahayaks, Jogan Sahayaks and Officials involved in disbursement of pension should be placed with the Panchayats and their salaries should be paid by the Panchayats. Further all users' committees like the ones for primary schools, anganwadis and health centres work under the guidance of specially created parastatals under the direct supervision of departmental officers in contravention to Eleventh Schedule of the Constitution. As a first step services of ANMs and anganwadi workers can be placed with the GPs to make them an integral part of the institution of Gram Panchayat. (**5.12 & 6.12**)

- In order to make panchayats viable units of local self-governance, number of panchayats should be contained; each shall be a viable unit of local self-governance. Splitting of a Gram Panchayat always may not be in its best interest. The Commission is of the view that, lesson should be learnt from the experience of Kerala for evolving strong and efficient village panchayats; and

  (a) New Panchayats should be created where population has exceeded 10,000.

  (b) The existing panchayats having more than 7,500 population should be strengthened by placing technical and other functionaries exclusively for them while smaller panchayats may continue to share functionaries for the time being as is the practice now. (**5.13**)

- With increase of rates of materials and wages etc real power of approval and sanction shrink over the years making it difficult for the functionaries to perform, particularly in local bodies. The Commission recommends that the administrative and sanctioning power of officials, engineers and other technical functionaries in the local bodies should be enhanced at least two times to facilitate undertaking routine works locally without sending estimates upwards for approval. (**5.14 & 5.22**)
- Though urban bodies are bestowed upon more power and functional freedom compared to their rural counterparts, a lot of inadequacies and constraints are being faced by them while discharging their functions. An expenditure of a small amount of Rs.5000.00 out of their own resources needs prior approval of the Government. They require more liberty to function within their legitimate domain of operation without waiting for Government's approval. (**5.15 & 5.23**)
- There is a need to amend the laws to empower the urban local bodies and also provide them with major infrastructural support enabling them to effectively discharge their functions as absence of skilled manpower, inadequate own resource base and legal hindrances impair smooth and efficient functioning of the municipal bodies and some of these problems arise because of restrictive government guidelines and instructions and in many cases, inadequate external technical and other support services. Commission recommends that Municipal cadre should be put in place as quickly as possible. The present LFS and non-LFS staff may be gradually phased out and replaced by the organised municipal cadre, so that municipal bodies are served by competent professionals in due course. (**5.17 & 5.29**)
- The Commission considers it feasible on the part of PH organisation to work out a mechanism to transfer maintenance of the entire water supply system to the urban local bodies in phases. The services of the existing staff along with finance should be placed with the local bodies. (**5.18**)
- H & U.D. department should expeditiously take appropriate steps for engagement of one Inspector of Local Works (ILW) in the level of Asst. Engineer or Executive Engineer to be stationed in each district to give technical advice to the municipal bodies for executing engineering works. (**5.21**)
- It would be worthwhile to constitute a separate Directorate of Municipal Administration to be managed by senior level officers as in many States in order to ensure functional efficiency of municipal bodies. (**5.27**)

- Some municipal bodies have recruited staff even as late as 2005 without government sanction deviating from relevant provisions under Municipal Act. It is understood that no action has been taken against either such staff or the authorities responsible for these appointments. The Commission is of the view that it will be appropriate for the Government to take stock of the situation and initiate action against the persons who have indulged in such irregularities as a deterrent to its repetition. (**5.28**)

- The Commission would like to recommend that the law should be amended such that the valuation organisation shall be an independent body and may be constituted in the line of Tamil Nadu and West Bengal. The Municipal Act too should have similar provision. (**8.9**)

Resource generation and legal hurdles thereof

- To inculcate the spirit of generating more revenue internally, an incentive structure should be put in place. Incentivisation should be structured to make it attractive and to induce competitiveness among the local bodies. The Commission is of the view that the ULBs should be rewarded for their performance in revenue collection for reducing their dependency on State and Central Governments. (**2.19 & 8.20**)

- Levy of property tax recommended by the 2nd State Finance Commission has not been acted upon as yet. The Commission has gone through the property tax Bills earlier introduced in 14th Assembly and is of the view that the goal cannot be achieved if some of the restrictive provisions are not done away with. So the Bills have to be relooked into. The LSGs being elected bodies should be given complete freedom to raise their own resources. The Commission feels that sooner the change to property tax takes place better it is for the financial health of the Local Bodies and recommends introducing the tax at the earliest. (**3.7, 7.23 & 8.5**)

- Section 131 of the Municipal Act and the Gram Panchayat Act be amended empowering local bodies to impose advertisement tax at rates decided at their level without seeking Government approval in order to earn more revenues. (**5.24,7.22 & 8.12**)

- The Commission recommends that the municipal bodies should be given freedom to collect annual license fees within their jurisdiction for trade and business by suitable amendment of Section 131 of the Act. The license fees need not be uniform across the ULBs nor in different localities of a municipal area. Choice in the matter should be the prerogative of the municipal bodies and Acts and Rules for ULBs should be amended accordingly. (**5.25**)

- The rates and maximum collectable amounts from industries and factories carrying on dangerous and offensive trades have been fixed under provision 290(7) of the Act decades back. The Commission feels that these restrictions should be removed and the amount to be charged should be the discretion of the municipal bodies. (**5.26**)

- Markets earlier transferred from Gram Panchayats to Regulated Marketing Committees (RMCs) are good sources of revenue for local bodies. As per amendment of Gram Panchayat Act consequent to 73rd amendment they are properties of Gram Panchayats and they should be transferred back to Panchayats from the control of RMCs immediately by Cooperation Department. (**6.11**)

- The assignment under the cess grant to the PRIs is not based on the collection of cess and is too meagre. It has little impact on the finances of the local bodies. The Commission feels that suitable amendment of the law to discontinue the grant will save the government as well as PRIs a lot of book keeping exercises. However, till the law is amended, funds may continue to be released to PRIs as per the present system. (**7.8**)

- Odisha Kendu leaves (Control and Trade) Act, 1961 and the Rules thereof should be amended to share the net profit with the pluckers, not with PRIs or the corresponding provision for sharing be completely withdrawn. The management of kendu leaf trade should not be handed over to GPs. (**7.11**)

- Under Odisha Gram Panchayat (Minor Forest Produce Administration) Rules, 2002, GPs are entrusted with regulation of 69 MFPs and collection of registration fees from the registered dealers. The registration fee of Rs.100.00 per trader irrespective of the volume of transactions continues for more than a decade. The rule provides for Panchayat Samiti to fix the procurement price. GPs suffer for Panchayat Samitis delaying in price fixation. Any legal non-compliance indulged in by the traders or others is only to be reported by GPs to the Divisional Forest Officers concerned. GPs have no power to seize and take penal action against the erring traders. The Commission feels there is a need for modification in the Minor Forest Produce Administration Rules as follows:-

(a) A time-frame may be fixed for Panchayat Samiti to communicate the minimum procurement price of MFPs fixed by them, failing which GPs should be at liberty to fix the price at their level.

(b) Rule 4(6) also should be amended such that registration fees would be decided from time to time by the individual Panchayat, not through government notification.

(c) There should also be provision in the rule authorising GPs to seize MFPs if procured illegally and inform the D.F.O concerned for final say in the matter for initiation of penal action where needed. **(7.12, 7.13,7.14 & 7.15)**

- The Commission recommends that the Entertainment Tax be entirely assigned to local bodies both urban & rural for levy and collection and the relevant Act need to be amended accordingly. **(7.18 & 8.21)**

- State Government should take steps for appropriate changes in the laws to enlarge the tax net and to include other avenues of entertainments including commercial sports and games, opera, circus etc. as in other States like Karnataka, Maharashtra etc. (**7.19**)

- Laws governing Improvement Trusts/Development Authorities should have provisions to give approval to building construction only with NOC from GPs and Municipal Bodies coming under their jurisdictions and GPs & Municipal Bodies too should be empowered by law to collect fees/taxes for giving NOC. (**7.21 & 8.34**)

- Proactive steps needed on the part of the ULBs to get their cases relating to holding tax pending at different courts expedited for the interest of their own financial health. For this purpose, municipal bodies should have total freedom to engage reputed legal professionals backed by a conscious decision of the council instead of seeking clearance from the Government. (**8.3**)

- H&UD department should periodically evaluate performance of Executive Officers with regard to collection of taxes, inclusion of new properties under tax net etc. which is a neglected area. (**8.6**)

- Urban local bodies are not eager to charge the maximum rate allowed by the municipal laws and in many cases, the rates fixed are quite low. The local bodies in their interest should provide better services by collecting higher revenues. (**8.8**)

- The responsibility to revise property value every five years lies with the valuation organisation under Sections 146 and 147 of the Municipal Act. As per the Act, the Executive Officer of a municipal body is empowered to act as a Valuation Officer in the interregnum period between two valuations. However, because of non-revision of rates over decades, the amount of tax paid by a big old structure is often less than that of a smaller new structure. The Commission recommends appropriate amendment in the laws to make it mandatory for municipal bodies to levy 5% more tax in every succeeding year after a valuation is made till the new valuation is in place**. (8.10)**

- There are ample instances of reluctance of local bodies to hike holding tax though they are legally competent to do so. In addition to that there are also instances of revised rates of taxation not getting clearance of the municipal council. Laws should be amended so that the main taxes including holding tax are periodically increased as a mandate. (**8.11**)

- In course of interaction with the municipal bodies, certain novel methods of revenue generation came to the notice of the Commission. These innovative methods proved effective for arrear tax collection. Each municipal body can find its own innovative ways to augment the resources. (**8.13**)

- With the introduction of metering, water user charges can be collected in the same way as electric charges from commercial, industrial and domestic consumers at different rates. This is likely to boost revenue of the municipal bodies substantially and help control misuse of the treated water. (**8.15**)

- The Commission would like to urge that all its recommendations relating to revenue enhancement measures should be addressed in totality within a definite timeframe. (**8.16**)

- The issue of entry tax assignment needs to be re-visited on account of emergence of new ULBs and varying changes in their population, area, and demand for basic services. Further taking into consideration the spirit of Para-52 of List-II (State list) of the Seventh Schedule of the Constitution as well as the Entry Tax Act and the mandates of Hon'ble Supreme Court of India, the Commission feels that not only the ULBs, the RLBs too have a right on the Entry Tax. (**8.19**)

- Present level of share of ULBs in motor vehicle tax need to be enhanced as maintenance of roads in urban areas is an important function of ULBs. (**8.22**)

- Sharing of Rs.3 crore in a total collection of Rs.383.98 crore of stamp duty is abysmally low and its distribution amongst more than 100 ULBs will not make any significant impact on their resources. The Commission recommends that there is no necessity of sharing of stamp duty with ULBs. As regards bestowing the grant to special planning authorities by the State Government which is the practice, the Commission has no jurisdiction to make any recommendation.(**8.24**)

- Long term lease of tanks and orchards can fetch more revenue. Another emerging area which can boost income of and services provided by the PRIs & ULBs, particularly municipal bodies is PPP projects in urban sanitation, urban transportation, street lighting and tax collection etc. **(11.8)**

General issues

- The Commission recommends the Government to take expeditious steps to amend the obsolete and obstructive provisions of law mentioned in their Report at A, B, C, D, of the para 5.30 for empowering and improving function and finances of the local bodies. The list is illustrative and not exhaustive. It is hoped that the administrative departments will come up with proper amendments after making exhaustive scrutiny. (**5.30**)

- Directorate of Local Fund Audit should develop an accounting standard along with a suitable software for the Gram Panchayats in consultation with the Institute of Chartered Accountants of India and PR Department. Though some of the GPs have been provided with computers, universal computerisation of GPs should not be delayed. (**5.31**)

- It should be ensured that all government offices, residential schools, anganwadi centres and such other institutions located in rural areas have functional toilets and urinals with running water facilities. The Commission does not propose to make any financial allocation for this purpose, as there is adequate funds from schemes like Mahatma Gandhi National employment Guarantee programme to address such needs. It is strongly recommended to attend to this aspect in rural life by the administrative department concerned. (**6.7**)

- With the programme of financial inclusion by opening accounts in banks in place, it would be worthwhile to transfer the old age, widow, disability and other pensions to the bank accounts of the pensioners.

However, recipients having serious difficulties to access bank can be distributed money physically. (**6.10**)

- Evaluation of the performance of municipal bodies to assess their achievement against targets or standards fixed is the mandate under the 13th Finance Commission. Fixing of service standard has for the first time brought home the realisation to the urban body administration that performance can be quantified and evaluated. Concern is that this practice should not be given up once the award period of the 13th Finance Commission is over. The Commission recommends that H&UD department should continue to fix annual achievement targets even beyond the present award period and put in place a monitoring mechanism involving external agencies to assess the physical progress. (**6.17**)

- Arrear pension dues of the retired ULB employees is huge. Further, the present low level of pension of the retired employees of the ULBs need to be revised upward. The Commission recommends that arrear pension of retired employees should be cleared from the entry tax and pension level be reviewed. (**8.18**)

- There is need for an MIS to link budget, accounting and performance management, but it is still in a nascent stage in the ULBs. The much sought after practice of accrual system of accounting to record the financial transactions is badly needed for the ULBs. The system with in-built financial reporting will facilitate prompt financial decision making. (**8.32**)

- One of the reasons for delay in the execution of urban projects is high premium for government land. To solve this problem, H&UD department has authorised the Executive Officers of ULBs to get land alienated in the name of the department. It is an innovative method, but has legal lacunae. The Commission recommends that as many institutions in the State are often given land free of premium for developmental purposes, it would be appropriate to extend the facility to the third tier of governance too. (**8.33**)

- The parameter selected by PR & H&UD departments to identify the best performing local bodies are rather complicated. It would be better to identify a few parameters like tax and non-tax revenue collection, percentage increase in tax revenue or per capita expenditure on civic services etc. to evaluate the performance. (**9.5 & 9.10**)

- For the sake of transparency, it is necessary for municipal bodies to disclose all relevant information on income, expenditure, tax rates, tolls, public utility facilities provided, details of projects, executants, time frame on the website of the department with specific access code for each urban body. The Directorate of Municipal Administration may host and monitor the same. (**10.3**)

- It is necessary to introduce accrual based accounting system without further delay in urban local bodies to have better transparency and accountability. (**10.4**)

- Maintenance of inventory of assets by PRIs and ULBs should be made an obligatory condition for release of grants. Before funds out of State Finance Commission recommendations are released, it may be ensured that department concerned certifies that asset registers have been updated till the end of the last but one fiscal year. Besides, while introducing e-governance system in this context, a special module may be created by the respective departments to ensure efficiency and transparency in maintenance of inventory of assets. (**10.5**)

- It is necessary for the State Training Institute to prepare an inventory of good practices developed in different parts of the country and send elected representatives from all corners of the state to such places. (**10.6**)

- The Directorate of Municipal Administration should set up an institutional framework for regular capacity building and training of the officials and elected representatives of ULBs within a reasonable time frame and with a concrete action plan. (**10.7**)

- The Directorate of Municipal Administration may make a time bound programme for the leading urban bodies of the state to adopt e-governance system which will go a long way in strengthening urban administration in the State like Ahmedabad and Greater Hyderabad Municipal Corporations. (**10.9**)

Fund Transfer

- In keeping with the spirit of the Constitutional provisions, the Commission has treated transfer of resources to the PRIs and ULBs under the recommendations of the Central Finance Commission as a supplementation to the amount recommended by the State Finance Commission. Accordingly, the Commission recommends to the Central

Finance Commission to provide for the gap in the total estimated resource requirements of the State. (**2.9, 2.10, 2.11 & 11.77**)

- The Commission is sensitive to the cost disadvantage suffered by the remote Tribal Sub-Plan (TSP) areas to provide equal level of services. Institutions in these areas tend to spend more amount because of low level of access, higher transportation cost etc. Therefore, the Commission proposes to provide 20% additional fund to the TSP areas for different components of grants. (**2.20 & 11.6)**
- The recommended devolution to the local bodies is meant to meet infrastructural gaps and welfare needs of the community. The fund is untied and the modalities of use of these funds are left to the local bodies. Keeping in view the existing limitations of the local bodies, it is pegged within a nominal rate of 3% of the net sharable pool of taxes (total taxes less the taxes to be assigned to local bodies). **(11.10)**
- The Commission has recommended to use the assigned taxes primarily to meet the salary and establishment needs, sitting fees/ honorarium/ DA etc. of employees and elected representatives of the rural and urban local bodies. Residual amount out of this, if any, can be utilised to meet the requirements for providing basic services by the local bodies. (**11.11 & 11.29)**
- The Commission has decided to limit the total transfer to 10% of the net total tax revenue forecasted for the period 2015-20. After recommending the funds towards devolution and assignment of taxes, the Commission recommended grants-in-aid to meet the fund requirement partly or fully for the selected focus areas. (**11.12)**
- The Commission decided to exclude Entry Tax, Entertainment Tax and Motor Vehicle Tax from the sharable pool and assign a part of these taxes to the local bodies directly. The net tax revenue, thus available for devolution during the period 2015-20 is estimated at Rs.109750.01 crore. The Commission has recommended that 3 % of the above amount be devolved and distributed between PRIs and ULBs. (**11.15)**
- The approaches of the Commission with regard to the devolution are as follows-

    a. The devolution amount is to be untied.

    b. It is to be divided between RLBs and ULBs in the proportion of 75:25

c. *Inter se* distribution amongst three tiers of PRIs and ULBs is based on population, category and number of units like GPs, PSs etc.

d. The emphasis of the Commission is to strengthen and empower the rural local bodies for the purpose of gradual reduction in their dependence on the revenue of the State and Central Government **(11.18)**.

- The amount to be devolved to the PRIs and ULBs is based on the criteria of size and density of population, percentage of persons below poverty line (Tendulkar Methodology), literacy rate and SC & ST concentration. Devolutions to PRIs and ULBs are Rs.2468.85 crore and Rs.823.00 crore respectively out of a total of Rs.3291.85 crore. **(11.18)**
- The Commission has allocated funds to all the three tiers so that each level of PRIs gets reasonable amount of funds to provide meaningful services. While making fund allocation to Panchayats, the Commission noted the complaints about rationality of uniform distribution of fund irrespective of size or population of each unit. The Commission followed the same method as was adopted by State Government for distribution of 13th Finance Commission Grants based on population, grouping them into four categories. (**11.19)**
- The fund to be devolved to 6227 Gram Panchayats comes to Rs.1743.25 crore. The Commission has allotted an additional amount of 20% to the Panchayats under the TSP areas. The total devolution to the Gram Panchayats works out to the Rs.1852.95 crore. (**11.20)**
- Allocation to Panchayat Samitis has been made on the basis of number of Gram Panchayats in a Panchayat Samiti and for each of the G.Ps., Rs.1.5 lakh per year provided over the award period. The total amount is Rs.498.15crore. The Commission has accordingly recommended Rs.498.15crore for the 314 Panchayat Samitis of the State**. (11.21)**
- The Zilla Parishads, 30 in number comprise of 314 Panchayat Samitis. Allocation of fund to the Zilla Parishads, has been made based on the number of Panchayat Samitis in the district. A sum of Rs.7.50 lakh per Panchayat Samiti per year is taken as yardstick and accordingly the Commission recommend Rs.117.75 crore for the Zilla Parishads**. (11.22)**
- The total devolution recommended are Rs.1852.95 crore to Gram Panchayats, Rs.498.15 crore to Panchayat Samitis and Rs.117.75 crore to Zilla Parishads during the award period. The distribution of devolution amongst the three tiers of the PRIs works out to be in the ratio of 75:20:5. **(11.23)**

- The major criterion based on which the municipal bodies are categorised is the population. Problems, complexities, quality and nature of services of the ULBs are all dependant on population size. Fund transfers to different levels of ULBs, therefore has been based on population criterion as per 2011 census. The Commission recommends Rs.258.90 crore to Municipal Corporation, Rs.430.45 crore to Municipalities and Rs.133.65 crore to NACs. (**11.24)**
- The Commission is of the opinion that devolved fund is the right of the Local Bodies to be used as per their own priority and decision. The administrative departments should desist from giving any direction indicating the purposes for which such fund should be utilised. The utilisation of fund should not be limited to only construction related activities. The Local Bodies should consider areas in health services, primary education, anganawadi, children park and other sectors while taking decision to use the devolved fund. Only purposes for which the fund should not be utilised are donation to any organisation or any religious activity or related construction. **(11.25)**
- The assignment policies followed for decades have lost their significance and fund placed is so little that it has rather become symbolic. Therefore, the Commission recommended discontinuance of such assignments, like Kendu Leaf, Cess, Sairat, Minor Forest Produce Grants etc. for rural areas. The stamp duty, which is being erroneously projected as grants to urban local bodies but goes to special planning authorities etc. should not be part of the assignment. The Commission emphasized on assigning Entertainment Tax to the rural and urban local bodies to enable them to levy and collect the taxes. (**11.26)**
- Entry tax shared with urban local bodies is treated as "compensation" for the loss of octroi tax. As per List-II in the seventh Schedule of the Constitution, Entry Tax is for the entry of goods into a "local area". The Odisha Entry Tax Act, 1999 defines "local area" as municipalities, gram panchyats and areas under other local authorities. Therefore, Entry Tax should be legitimate revenue of not only urban local bodies, but also of rural local bodies and this tax should be assigned to both. (**11.27**)
- The total requirement of funds towards salary, establishment and enhanced entitlements of elected representatives of the local bodies during the period 2015-20 works out to Rs.2234.06 crore for PRIs and Rs.2100.00 crore for the ULBs. **(11.31 & 11.34)**
- The Commission recommends to increase the honorarium, sitting fees/ DA from the year 2017-18 for the elected representatives of the local bodies. The total expenditure on this account comes out to be Rs.401.33 crore for RLBs and Rs.8.01 crore for ULBs. **(11.32 & 11.35)**

- Rural local bodies do not get any share of Motor Vehicle Tax. The Commission is of the view that rural roads also deserve funding for maintenance from this tax. The Commission recommends Rs.366.31 crore for RLBs and Rs.244.20 crore for the ULBs in the award period. Rs.60.00 crore and Rs.40.00 crore for rural and urban local bodies respectively in 2015-16 and 10% increase each year thereafter has been recommended. ULBs presently get Rs.25.00 crore per year from this source. Commission leaves it to the department to distribute the assignment amongst different levels of local bodies. **(11.30, 11.33 & 11.37)**

- After meeting the requirements of salary of officials entitlements of elected representatives of the urban bodies a good amount of surplus from entry tax assignments remains with ULBs every year. This can be used to meet the requirement of arrear pension and substantial balance will still be available for basic services. The total entry tax assignment for rural local bodies will be Rs.2635.39 crore and Rs.3284.60 crore for urban local bodies. **(11.32 & 11.36)**

- The Commission recommended grants for sectors like drinking water supply, solid waste management, storm water discharging, sanitation, street lighting, drainage & roads, maintenance of assets etc. Creation of revenue generations avenues, incentivising revenue collection, improving capacity building, staff accommodations are some of the additional needs the Commission recommended to assist. **(11.38)**

- The sector specific needs of urban and rural local bodies have been projected in Para-11.39 to Para 11.59. The total estimate comes to Rs.15502.68 crore. Fund required for rural local bodies is Rs.9037.66 crore and for urban bodies Rs.6465.01 crore. It is not possible to meet the entire requirement from the State's resources alone. So, Commission has proposed to meet a part of the requirement from the State's Consolidated Fund. **(11.60)**

- To address acute scarcity of potable water in saline and fluoride affected areas, the Rural Water Supply and Sanitation (RWSS) organisation have proposed Mega Water Supply Projects, each covering large number of such water scares villages, at a cost of Rs.1010.97 crores. The Commission identified 8 projects covering villages with most serious and acute water scarcity problems and recommends to finance them from the State resources with a financial support of Rs.590.82. **(11.39 & 11.62)**

- The Commission recommends provision of 10 street lights (Sodium Vapour Lamp) per village in a GP every year. It will cover 5 villages in the award period of five years. The cost of installation with accessories would be Rs.12.50 crore per annum. Assuming same electricity charges over next five years and maintenance cost at the rate of five percent of the installation cost, Rs.259.38 crore has been recommended from State's consolidated fund during 2015-20. (**11.42 & 11.63)**
- The Commission recommends provision of residential accommodations for the functionaries of Gram Panchayats and Panchayat Samitis with a cost support of Rs.215.14 crore and Rs.140.18 crore respectively to be met from State resources. This also includes additional cost of 20% for TSP areas. **(11.44 & 11.64)**
- As there is no provision for maintenance of capital assets, once created under different schemes, a sum of Rs.330.94 crore is recommended for all the GPs out of the state resources to maintain the village assets during the award period. Additional funding of 20% for TSP areas has been included in the above assessment. **(11.45 & 11.65)**
- Commission feels that resource allocation for creating assets like market sheds, stalls, rest sheds in places of pilgrimage etc which can fetch revenue by generating rent, lease value, licence fees could be good investments. Improvement of pisciculture tanks, running of ferry services, cycle and bike stands etc wherever possible and such other avenues can be explored for enhancing own resources of the panchayats. The total funds recommended for this purpose at the rate of Rs.10.00 lakh per Panchayat is Rs.622.70 crore to be met from State resources. **(11.46 & 11.66)**
- An incentive structure should convey that incentivisation is to promote resource generation by own efforts. To encourage competition amongst the Gram Panchayats, two GPs in every Panchayat Samiti may be rewarded with the rider that increase in revenue is minimum 20% over the previous year's. Commission recommends an amount of Rs.75.36 crore at the rate of Rs.3.00 lakhs per Panchayat, be provided from the State's Consolidated fund. **(11.47 & 11.67)**
- The total fund requirement is estimated to be Rs.2703.00 crore for five years i.e. up-to 2020 for Odisha State Urban Water Supply Policy 2013, which stipulates to provide access to piped water supply to all households at the rate of 70 litres of water per capita per day, progressively to be increased to 135 lpcd. Out of this huge requirements the Commission recommends an allocation of Rs.375.00 crore specifically for metering, automation etc. in individual households in

urban areas to promote revenue generation of the ULBs. **(11.49 & 11.68)**

- Expansion of street lighting is utmost need in all ULBs in the State. For the ULBs Rs.92.00 crore has been recommended for providing new installations and O&M of street light system over the period of 5 years from the state resources. **(11.54 & 11.69)**

- Commission recommends an amount of Rs.45.75 crore for maintenance of capital assets in ULBs from the State's Consolidated fund Rs.50.00 lakh for each Municipal Corporation, Rs.10.00 lakh for each Municipality and Rs.5.00 lakh for each NAC per year for five years has been recommended. **(11.55 & 11.70)**

- Sulabh Sanitation organisation apprised the Commission that total 239 public toilets of various sizes are required in urban areas at a cost of Rs.52.46 crore based on a survey conducted by them. The Commission recommends the said amount to be provided from the State's Consolidated fund. However, the ULBs may decide services of any organisation as they deem best, for the purpose **(11.56 & 11.71)**

- An amount of Rs.84.00 crore from the State's Consolidated fund at the rate of Rs.10.00 lakh, Rs.20.00 lakh and Rs.50.00 lakh to each of the NACs, Municipalities and Municipal Corporations respectively have been proposed. This will enable them in creation of assets which can bring additional revenues. The said amount may be provided to ULBs at the uniform rate of Rs.16.80 crore each year. **(11.57& 11.72)**

- It is proposed to introduce an incentive of Rs.2.00 crore each year for the best performing Municipal Corporation and Rs.1.00 crore each for the four best performing Municipalities every year during the award period. In the same way, five best performing NACs can get every year rewards of Rs.50 lakh each. The performance rating should be based on own revenue generation with an eligibility criteria that increase in revenue has to be 20% or more over previous year. Commission recommends Rs.34.00 crore from the State resources for the period from 2016-20. **(11.58 & 11.73)**

- The sharing of taxes and transfer from the State's consolidated fund to the rural and urban local bodies under the three modes of transfer i.e. devolution, assignment of taxes and grant-in-aid is as follows-

Total Resource Transfers to Local Bodies recommended for the period 2015-20 (from State Resources)

(Rs. in crore)

DISTRIBUTION MECHANISM	2015-16	2016-17	2017-18	2018-19	2019-20	2015-20
a)DEVOLUTION						
i) PRIs	493.77	493.77	493.77	493.77	493.77	2468.85
ii)ULBs	164.60	164.60	164.60	164.60	164.60	823.00
TOTAL	**658.37**	**658.37**	**658.37**	**658.37**	**658.37**	**3291.85**
b)ASSIGNMENT OF TAXES						
i) PRIs	438.31	539.60	620.16	672.84	730.79	3001.70
ii)ULBs	540.00	644.00	708.40	779.24	857.16	3528.80
TOTAL	**978.31**	**1183.60**	**1328.56**	**1352.08**	**1587.95**	**6530.50**
c)GRANT IN AID						
i) PRIs	290.05	368.43	455.12	539.20	581.72	2234.52
ii)ULBs	59.61	80.48	178.10	180.94	184.08	683.21
TOTAL	**349.66**	**448.91**	**633.22**	**720.14**	**765.80**	**2917.73**
GRAND TOTAL	**1968.34**	**2290.88**	**2620.15**	**2730.59**	**3012.12**	**12740.08**

- The Commission has taken care to ensure while making the allocations, the total transfer does not exceed 10% of divisible pool of state taxes projected for the award period. Care has also been taken that transfer recommended each year remain within or close to 10% of projected net tax resources of the corresponding year. (**11.75)**

- Given the meagre own revenues of the local bodies touching a few thousand a year for many PRIs and barely a lakh for many ULBs, the Commission decided not to offset the own revenues of the local bodies against the requirements projected by the Commission. So, whatever own resources they raise be left unencumbered for providing better basic services to the people. **(11.76)**

- According to Article 280(3)(bb) &(c) of the Constitution, the Central Finance Commission has to supplement the resources of the rural and urban local bodies in addition to transfer recommended by the State

Finance Commission from the State's resources. The total fund requirement assessed for the five year period of 2015-20 is Rs.25325.03 crore. Total fund proposed for transfer from the State's taxes and Consolidated Fund is Rs.12740.08 crore. This leaves a gap of Rs.12584.95 crore which is required to be met in the next five years period. The 4th SFC therefore, recommends that the 14th Finance Commission may consider to augment the State's Consolidated Fund by Rs.12584.95 crore, to supplement the resources of the local bodies over and above the fund recommended for transfer from the State's resources. **(11.77 & 11.78)**

Chinmay Basu
CHAIRMAN

Adwait Kumar Mohanty
MEMBER

Devi Prasad Ray
MEMBER

Sailendra Narayan Dey
Director, Panchayati Raj
Ex-Officio MEMBER

Sanjib Kumar Mishra
Director, Municipal Administration
Ex-Officio MEMBER

Pradeep Kumar Biswal
MEMBER, SECRETARY

ANNEXURES

Annexure-I

GOVERNMENT OF ODISHA
FINANCE DEPARTMENT
*****
NOTIFICATION
Bhubaneswar, the 31st October, 2013

No. 33020 FIN-BUD6-SFC-0001-2012-F., In pursuance of article 243-I read with article 243-Y thereof and sections 3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993), the Governor of Odisha do hereby constitute a Finance Commission consisting of Shri Chinmay Basu, I.A.S. (Retd.) as the Chairman and the following other members, namely:-

1. Prof. Adwait Kumar Mohanty, Retd. Professor of Economics, Utkal University, VaniVihar. — Member

2. Shri Pradeep Kumar Biswal, Additional Secretary to Government, Finance Department — Member-Secretary

2. The Chairman and other Members of the Commission including Member Secretary shall hold office from the date on which they, respectively, assume office up to 30th April, 2014.

3. The Chairman and other Members (except the Member-Secretary) shall render part time service to the Commission. The Member-Secretary shall render whole time service to the Commission in addition to his own duties.

4. The Commission shall make recommendations relating to the following matters:-

(i) The principles that should govern-

(a) the distribution between State and Panchayati Raj Institutions and the Municipalities of the net proceeds of taxes, duties, tolls and fees leviable by the State which may be divided amongst them under Part-IX and Part-IXA of the Constitution and the allocation between the Panchayats at all levels and the Municipalities of their respective shares of such proceeds;

(b) the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by Grama Panchayats, Panchayat Samities and Zilla Parishads or, as the case may be, Municipalities; and

(c) the Grants-in-aid to the Grama Panchayats, Panchayat Samities, Zilla Parishads or, as the case may be, Municipalities from the Consolidated Fund of the State;

(ii) the measures needed to improve the financial position of the Grama Panchayats, Panchayat Samities, Zilla Parishads and Municipalities.

(iii) any other matters, which the Governor may refer to the Commission in the interest of sound finance of Grama Panchayats, Panchayat Samities, Zilla Parishads and Municipalities.

5. In making its recommendations, the Commission shall have regard, among other considerations, to:-

(a) the revenue proceeds of the State Government and the demands thereon, on account of expenditure on Civil Administration, Police and Judicial Administration, Education, Maintenance of Capital assets, Social Welfare, Debt Servicing and other committed expenditures and liabilities;

(b) the functions and liabilities of Panchayati Raj Institutions and Municipalities in respect of discharging and implementing the schemes entrusted to them under article 243G and 243W of the Constitution;

(c) the revenue resources of Panchayati Raj Institutions and Municipalities at all levels of five years, commencing from 1st April, 2015 on the basis of levels of taxation reached in 2011-12, target set for additional resource mobilization and potential for mobilizing additional resources;

(d) the scope for better fiscal management consistent with the need for speed, efficiency and cost effectiveness of delivery of services; and

(e) the need for providing adequate incentive for better resource mobilization as well as closely linking expenditure and revenue raising decisions.

6. The report of the Commission shall contain specific chapters, narrating –

(i) the approach adopted by it;

(ii) an analysis of the resources of the State Government;

(iii) an analysis of the resources of Panchayats at each level and also Municipalities at each level and make concrete recommendations for improvements; and

(iv) an estimation and analysis of the finances of the State Government as well as the Panchayati Raj Institutions and Municipalities at the pre and post transfer stages along with a quantification of the revenues that could be generated additionally by the Panchayati Raj Institutions and Municipalities by adopting the measures recommended therein.

7. For the purpose of assessment of supplementing the resources of the Panchayats and Municipalities by the Central Finance Commission, the Commission shall –

(i) follow a normative approach in the assessment of revenues and expenditure rather than make forecasts based on historical trends;

(ii) take into account per capita norms for revenue generation, the data relating to the tax bases and avenues for raising non-tax income by the Municipalities and the Panchayats, assuming reasonable buoyancies and the scope for additional resource mobilization; and

(iii) take into account per capita expenditure norms on the basis of the average expenditure incurred by some of the best performing Municipalities and Panchayats in the provision of core services.

8. The Commission shall also review the implementation of the recommendations of the Third State Finance Commission.

9. On the matters aforesaid, the Commission shall make its report by 30th April, 2014 covering a period of five years commencing from 1st day of April, 2015.

10. The Commission shall indicate the basis on which it has arrived at its findings.

By order of the Governor

Sd/-U.N. Behera
Additional Chief Secretary (Finance)

<u>Annexure-II</u>

GOVERNMENT OF ODISHA
FINANCE DEPARTMENT
*****

NOTIFICATION

Bhubaneswar, the 30th November, 2013

No. FIN-BUD6-SFC-0001-2012(Part) 35848/F., In pursuance of Article 243-I of the Constitution of India read with sections 3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993), the Governor of Odisha hereby makes the following amendment to the notification of the Government of Odisha in the Finance Department No. 33020/F, dated the 31st October, 2013, namely:-

AMENDMENT

In the said notification, in paragraph 1,

(a) the existing serial No. 2 shall be renumbered as serial No. 3, and

(b) after serial No. 1, the following serial and entries shall be inserted, namely:

"2. Shri Devi Prasad Ray ... Member."
Retired Special Secretary, OPSC

By order of the Governor

Sd/-U.N. Behera

Additional Chief Secretary (Finance)

Annexure-III

GOVERNMENT OF ODISHA
FINANCE DEPARTMENT
***

NOTIFICATION

Bhubaneswar, the 24th December, 2013

No. FIN-BUD6-SFC-0001-2012/38090/F., In pursuance of article 243-I of the Constitution of India read with sections-3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993), the Governor of Odisha hereby makes the following amendment to the notification of the Government of Odisha in the Finance Department No.33020/F., dated the 31st October, 2013 as amended by No. 35848/F., dated the 30th November,2013, namely:-

In the said notifications, in paragraph-1,

(a) the existing serial No.3 shall be renumbered as Serial No.5; and

(b) after Serial No.2, the following serials and entries shall be inserted, namely:--

"3. Director, Panchayati Raj, Panchayati Raj Department. ..... Ex-Officio Member,

4. Director Municipal Administration, Housing & Urban Development Department. ..... Ex-Officio Member"

By order of the Governor

Sd/-U.N. Behera
Additional Chief Secretary (Finance)

Annexure-IV

GOVERNMENT OF ODISHA
FINANCE DEPARTMENT
***

NOTIFICATION

Bhubaneswar, the 20th May, 2014

NO.FIN-BUD6-SFC-0001-2012(PART)-15925/F., In pursuance of article 243-I of the Constitution of India read with Sections 3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993), the Governor of Odisha hereby makes the following amendments to the notification of the Government of Odisha in the Finance Department No.33020/F., dated the 31st October, 2013, namely :-

AMENDMENT

In the said notification, in paragraphs 2 and 9 for the words, figures and comma "30th April, 2014", the words, figures and comma "30th September, 2014" shall be submitted.

By Order of the Governor

Sd/-U.N. Behera
Additional Chief Secretary (Finance)

Annexure -V

GOVERNMENT OF ODISHA
FINANCE DEPARTMENT
***

NOTIFICATION

Bhubaneswar, the 11th September, 2014

No. FIN-BUD6-SFC-0001-2012/26567/F., In pursuance of article 243-I of the Constitution of India read with sections-3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993), the Governor of Odisha hereby makes the following amendment to the notification of the Government of Odisha in the Finance Department No.33020/F., dated the 31st October, 2013 as amended by No. 35848/F., dated the 30th November,2013, No.28090/F., dated 24th December, 2013 and No.15925/F., dated 20th May, 2014, namely:-

AMENDMENT

In the said notification, in paragraph 1, for serial No.5 and the entries made against it, the following serial and entries shall be substituted, namely:-

"5. Shri Pradeep Kumar Biswal, IAS - Member-Secretary
Joint Secretary to Government,
Planning & Co-ordination Department.

By order of the Governor

Sd/-
(U.N. Behera)
Additional Chief Secretary (Finance)

Annexure-VI

MEETINGS AND TOUR PROGRAMME OF THE 4TH STATE FINANCE COMMISSION

Sl. No.	Date & Time	Subject/Name of the Officers	Venue
		November -2013	
1.	18.11.2013	1st Meeting of the Commission	Office of the SFC
2.	21.11.2013	Officers H & U D. Department.	Office of the SFC
3.	22.11.2013	Officers P.R. Department.	Office of the SFC
4.	25.11.2013	2nd Meeting of the Commission	Office of the SFC
		December - 2013	
5.	5.12.2013 to 7.12.2013	Collector/P.D.,D.R.D.A./D.P.O. and E.O of Puri Municipality.	Circuit House Puri
6.	18.12.2013 to 20.12.2013	Elected representative & officials of PRIs & ULBs of Rayagada dist.	Circuit House Rayagada
7.	24.12.2013	PCCF, Kendu Leaf	Office of the SFC
8	27.12.2013	3rd Meeting of the Commission	Office of the SFC
9	28.12.2013	Chief Executive, OREDA	Office of the SFC
10	30.12.2013	EIC & C.E., RWSS 1,2 & 3	Office of the SFC
		January 2014	
11.	02.1.2014	4th Meeting of the Commission	Office of the SFC
12.	03.01.2014	Secretary, Steel & Mines Department	Office of the SFC
13	04.01.2014	Mission Director, NRHM	Office of the SFC
14	8.1.2014 & 9.1.2014	Representatives of the PRIs and ULBs of Jajpur district	Jajpur
15	10.1.2014	Secretary, Board of Revenue	Office of the SFC
16	13.01.2014	Special Secretary, H&U.D. Department and CE, Public Health	Office of the SFC
17	15.1.2014	Special Secretary, F&E Deptt.	Office of the SFC
18	15.1.2014	Meeting with and Director Panchayati Raj, P.R. Department and DMA, H&U.D. Department	Office of the SFC
19	20.1.2014	Visit of Prof Adwait Ku. Mohanty and D.P.Ray to Jagatsinghpur District.	Jagatsinghpur
20	21.1.2014	Meeting with DPOs	SIRD, Near Stewart School, Unit-8 BBSR.
21	22.1.2014	RDC, Southern division, Berhampur with E.Os of the Municipalities/NACs	RDC Berhampur
22	22.1.2014	Officials of Berhampur Development Authority.	RDC Berhampur
23	25.01.2014	Member Secretary, Odisha State Agriculture Marketing Board	Office of the SFC
24	28.1.2014	RDC Northern Division, Sambalpur, Meeting with E.Os of the ULBs. Discussion with Chairman & Members of Sambalpur Zilla Parisad and Maneswar Panchayat Samiti. Visit & meeting with officials of RMC, Atabira	RDC Sambalpur Attabira RMC
25	29.1.2014	Visit Baragarh Municipality, Atabira G.P. & meeting.	Baragarh Municipality and Atabira G.P
26	30.1.2014	RDC, Central Division, meeting with E.Os of the Municipalities/NACs.	RDC Cuttack
27	31.1.2014	Meeting with Director, Nabakrushna Choudhury Centre for Development Studies regarding holding of workshop on Local Self Governance.	Office of the SFC
		February 2014	
28	1.2.2014to 3.2.2014	Visit of Chairman to Bhadrak District.	Bhadrak

Sl. No.	Date & Time	Subject/Name of the Officers	Venue
29	13.2.2014	5th Meeting of the Commission	Office of the SFC
30	15.2.2014	Meeting with selected representatives of PRIs.	Conference hall of SIRD
31	18.2.2014 to19.2.2014	Visit of the Commission to Kandhamal District	Kandhamal
32	22.02.2014	Discussion with Dr. Bindheswari Pathak & others of Sulabh International.	Conference hall of Dir. Local Fund Audit
33	26.2.2014	Meeting with selected representatives of ULBs	Conference hall of BMC
March 2014			
34	6.3.2014	Discussion with MD, Odisha State Civil Supplies Corporation	Office of the SFC
35	10.3.2014	Discussion with Director. Elementary Education & Project Director. OPEPA on role of PRIs	Office of the SFC
36	11.3.2014	6th Meeting of the Commission	Office of the SFC
37	11.3.2014	Discussion with the Chairperson, Sri Biplab Choudhury of Jagatsinghpur Municipality.	Office of the SFC
38	13.3.2014	Discussion with Director, Scheduled Caste and Director Scheduled Tribe, ST&SC Development, Minorities and Backward Classes Welfare Department	Office of the SFC
39	14.3.2014	Discussion with Inspector General of Registration	Office of the SFC
40	15.3.2014	Discussion with Director, Municipal Administration- cum-General Secretary, Valuation Organisation, SUDA	Office of the SFC
41	22.3.2014	7th Meeting of Commission	Office of the SFC
42	27.3.2014	Meeting with Secretary, W&CD Department and Director, Social Welfare	Office of the SFC
43	29.3.2014	Workshop in Nabakrushna Choudhury Centre for Development Studies.	Nabakrushna Choudhury Centre for Development Studies.
April-2014			
44	5.4.2014	8th Meeting of Commission	Office of the SFC
45	28.4.2014	9th Meeting of Commission	Office of the SFC
May-2014			
46	20.5.2014	10th Meeting of Commission	Office of the SFC
June-2014			
47	2.6.2014	11th Meeting of Commission.	Office of the SFC
48	5.6.2014	Discussion with Smt. Arati Devi Sarapanch, Dhunkapada, GP Polsara Block, Ganjam District.	Office of the SFC
July-2014			
49	1.7.2014	12th Meeting of Commission	Office of the SFC
50	7.7.2014	Visit of Chairman to Gopalpur Municipality	Gopalpur NAC Office.
51	23.7.2014	Attend Conference of Chairpersons of State Finance Commissions with 14th Finance Commission.	New Delhi
52	29.7.2014 to 30.7.2014	Visit of the Member-Secretary and D.P.Ray Member to Bolangir District.	Bolangir District.
August-2014			
53	5.8.2014	Visit of Prof. A. Mohanty & D.P.Ray Members to Khurda and Nayagarh District.	Khurda and Nayagarh.
54	14.8.2014	Prof. A. Mohanty & D.P.Ray Members to Dhenkanal District.	Dhenkanal
September-2014			
55	05.09.2014	Meeting of Chairman with Hon'ble Minister, Finance and P.E.	Chamber of Minister, Finance & P.E.
56	9.9.2014	Meeting of Chairman with the ACS Finance.	Office of the SFC
57	9.9.2014	Meeting of Chairman with Secretary, P.R. Department.	Office of the SFC
58	11.9.2014	Meeting of Chairman with the Secretary, H&UD Department.	Office of the SFC

Annexure-VII

ସୁବାସ ପାଣି
Dr. Subas Pani, IAS

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ଓଡିଶା ସରକାର, ଭୁବନେଶ୍□ର
Chief Secretary & Chief Development Commissioner
Government of Orissa, Bhubaneswar

No.I-PS-1/05(Pt-ii) 8430(8)/PR
Bhubaneswar, the 24th /25th October, 2005

To

The Principal Secretary/Commissioner-cum-Secretary,
FS & C.W. Department/
S.T. & S.C. Dev. Department/
School & Mass Edn. Department/
W & C.D. Department/
H & F.W. Department/
Co-operation Department/
Water Resources Department.

Sub: **Devolution of Powers to PRIs.**

Ref: ***P.R. Department L.No.6886 dtd.4.7.2003***

Madam/Sir,

As per mandate of the 73rd amendment of the Constitution, 21 subjects out of 29 enlisted in the 11th schedule have been devolved to the control of 3-tier PRIs vide order No.6886/PS dated 4.7.2003. Accordingly, the PRIs are required to prepare plan of action for economic development and social justice and implement such schemes for the purposes on the subjects devolved to their control. In order to avoid any ambiguity in regard to the preparation of plan and schemes on the matters of devolved subjects, it is very much necessary to involve the field functionaries of the concerned departments. Government desires the implementation of the instructions issued in letter and spirit, as this will help in improving the quality of delivery of services. The field officers of the Department are to exercise their duties and responsibility according to the Activity Mapping Accordingly, it enforces their accountability as per the devolution of power and subjects to the 3-tier PRIs.

Commissioner-cum-Secretary, P.R. Department vide his letter No.12781 dt.29.9.2005 and UOI No. 741 dt.21.10.2005 has requested you to issue suitable instruction to your field functionaries and officers concerned to prepare plan and schemes on the devolved subjects for economic development and social justice of the people.

You are therefore requested to issue suitable instruction to your field functionaries for implementation of this orders in letter and spirit.

Yours faithfully,

Sd/-
Chief Secretary

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Standard Practices in ORISSA
with Regard to Activities of PANCHAYATI RAJ DEPARTMENT
On its MARCH TO ENSURE RURAL PROSPERITY

The development of rural areas and the rural people has been of primary concern in the economic planning and development process of the State. It is now very much realized that to emerge as a strong and healthy Orissa, sustainable development in rural areas is an essential pre-requisite. The SMART (Simple, Moral, Accountable, Responsible, Transparent) motto of governance has become the motto of recent governance in order to provide universal service to all citizens by disseminating Information with regard to plan, programmes and objectives of the Government. The P.R. Department in Orissa, in its endeavor, has become instrumental for achieving the goal in this regard.

1. Consistent with provisions of 73rd amendment the laws relating to PRIs have been suitably amended. Even prior to amendment of the Constitution initiatives had been made in Orissa to achieve some of the objectives of 73rd amendment such as :-

- Seats were reserved for SC/ST in respect of Election of P.R.I. Representatives.
- Not less than 1/3rdof the total seats has been reserved for women. This was made applicable in respect of seats reserved for SC/ST and others.
- After 73rd amendment reservation was provided in favour of SC/ST, OBC and Women in respect of all seats and offices of PRIs.
- The Election Commission and Finance Commission were constituted.
- Tenure of Panchayat was fixed to 5 years.
- Power and functions of Gram Sabha and Palli Sabha were re-defined.
- Since 73rd amendment was not applicable to schedule Areas, Provisions of Panchayats (Extension to Scheduled Areas) Act (PESA) was made applicable in the election process in Scheduled Areas. Accordingly, the Panchayat Election Acts were amended in the year 1997. Elections in Scheduled Areas was conducted as per provisions PESA in the year 2002. Orissa is first State to conduct Election as per provisions of PESA. All the offices of Chairperson have been reserved for Scheduled Tribes in Scheduled Areas. Powers of Gram Sabha was also modified consistent with provisions of PESA. 68 items of Minor Forest Produce have been transferred to Gram Panchayat. The Orissa G.P.(Orissa Minor Forest Produce Administration Rules),2002 has come into force with effect from 15.11.2002.
- Since, P.R. Department is committed to build up such democratic political process through P.R. is, the power of suspension of Sarapanch earlier with District Collector has been withdrawn and vested with the Government. Section-115 of Orissa Gram Panchayat Act have been suitably amended to that effect.
- In order to empower the women, statutory provisions have been made for their greater participation in the governance. Accordingly, where the office of Chairperson is not reserved for women, the office of the Vice-Chairperson is deemed to have been reserved for women.
- In order to make the PRIs more responsible there has been interlinking between 3 tier PRIs i.e. the Sarapanch to attend the Panchayat Samiti meeting and similarly, the Chairperson of the Panchayat Samiti also to attend the Zilla Parishad meeting and take part in the meeting proceedings.

2. In order to make the PRIs more developmental oriented, the personnel structure of the PRIs has also been streamlined to strengthen the administration.

- At District level the DRDA is having its separate entity. But it is responsible to over-see the implementation of different anti-poverty Programmes. The P.D. DRDA has been designated as Secretary-cum-Executive Officer of Z.P. and the Collector, the Chief Executive Officer of Zilla Parishad.
- The Block Development Officer, is the Executive Officer of P.S. In order to make the Block Administration more responsible and stronger, now the post of B.D.O. has been upgraded and Jr. Class-I Officers of Orissa Administration Service have been posted as B.D.Os.
- In each Block a post of Asst. Engineer has been created to execute the developmental works.
- Each Block is having one post of ABDO and one post of PDO (Panchayat Development Officer). A number of J.Es are also working in each Block.
- In order to strengthen the G.P. Administration and to make the G.P. more accountable and responsive, one Executive Officer post has been created in each G.P. who would be a Government servant. The VLWs/VAWs have been posted as such. In order to spell out the duties and responsibilities of the Executive Officer Section 122 & 123 of OGP Act have been suitably amended.

3. The SMART model of Governance has become the motto of e-Governance System in the Department which has been playing an important role of ICT (Information and Community Technology) play of Rural Development.

As such P.R. Department has implemented a good number of e-Governance Projects like “Pria Soft” for monitoring of accounts in 3 tier PRIs and citizen centric Information projects in ‘Rural Soft’ for Project monitoring of Poverty Alleviation Programmes. Each Block and each DRDA have been equipped with V-Sat equipments with computers for on-line Data and Information transmission. Besides, this DRDAs and Blocks have hosted their own portals. NIC has provided the eNRICH Software for the purpose. The pay roll software “BETAN” have been implemented in the Blocks/DRDAs.

- The Department has endeavoured to evolve e-Panchayats System in the State. Each G.P. would be of direct access through computer system. As the first step, G.Ps in KBK Districts have been computerized.

4. **Devolution of Power**

As 73rd Amendment of the Constitution mandates Government to endow the PRIs with such powers and authorities as may be necessary to enable them to function as Institution of self Government, the State Government, in the mean time have devolved 21 subjects out of 29 in respect of 11 Departments to the 3 tier PRIs keeping in view of 150 recommendations of 7 Round Tables.

The followings are the devolution of power to 3 tier PRIs.

- District Level Officers, the Block Level Officers and Village Level functionaries of the 11 Departments will remain accountable to Zilla Parishad, Panchayat Samiti and Gram Panchayat respectively for implementation of subjects/Schemes transferred to PRIs. But they will continue as the employees of their respective departments.
- The District Level, Block Level and G.P. Level functionaries of different Departments will attend the meeting of Zilla Parishad, Panchayat Samiti and G.P. respectively.
- They shall plan on the schemes for discussion and approval in the meeting of respective level of PRIs.
- The President, Z.P., Chairman, P.S. and Sarapanch, G.P. can supervise the work and functions of Government of functionaries at respective level. They can submit the proposal to appropriate level about indiscipline, irregularities and other shortcomings.
- The President, Z.P., the Chairman, Panchayat Samiti and the Sarapanch, G.P. are delegated with power to sanction the leave of Head of Office/Institution of 11 Departments working at the respective level.

5. (i) Since, Rural Development through PRIs is the largest Public Intervention Programme of the State in terms of its reach, size of financial investment and number of public functionaries associated with its implementation, the P.R. Deptt. is making its full endeavour for strengthening both the policy makers and the programme implementers. Hence, capacity building initiatives have become a focus of activities of P.R. Department. Towards facilitating this, Training Section of the Department, the SIRD and 3 Extension Training Center (ETC) have undertaken Model pronged strategy in sensitizing of PRI members. The SIRD is taking a leading role for massive capacity building of PRIs members and officials as well through massive training programmes on various Schemes.

(ii) Regular in house and Off campus PRI Training Programmes are organized by the SIRD & 3 ETCs of the State to sensitize the leaders of 3 tier PRIs. Interactive Training Programmes are also organized under GRAMSAT network to enlighten them on various issues relating to P.R. Administration.

(iii) The P.R. Department has undertaken the schemes for deputing its officials as well as PRI Members Leaders of 3 tier PRIs to the Training Institutions of National repute like NIRD, Hyderabad, IIPA and ISTM, New Delhi, NIC, Hyderabad etc. Besides these, various Training Programmes are being conducted at 3 ETCs for the local PRI members.

DEPARTMENT : CO-OPERATION

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
1. AGRICULTURE			
Credit	1. Prepare credit plan. 2. Ensure timely credit availability and linkage between agriculture development and credit institutions and credit mobilization.	1. Assist in preparing credit plan 2. Ensure timely credit from formal institutions. 3. Minor credit delivery system.	1. Assist in assessing credit needs of various groups of farmers and crops. 2. Exercise social control and regulate interest areas and recovery of loans from formal and informal credit institutions. 3. Help in formation of self help groups.
Risk Management		1. Assist in providing benefits from crop insurance schemes. 2. Prepare and operate contingency agricultural plan	1. Motivate and help in identifying farmers to take up crop insurance schemes. 2. Assist in the implementation of contingency plan.

DEPARTMENT : FISHERIES & ANIMAL RESOURCE DEVELOPMENT

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
4. ANIMAL HUSBANDRY DAIRY AND POULTRY			
Development of livestock	1. Assess the need and formulate projects for the establishment, improvement and maintenance of breeding farms for cattle, sheep, goats and hatcheries. 2. Funding shall be arranged by the Zilla Parishad from their own resources.	1. Propagate improved breed to livestock farmers.	1. Assist in identification of beneficiaries under various programmes. 2. Motivate people to maintain quality breeds and adopt modern methods of maintaining livestock.
Veterinary services	1. Monitor the functions of veterinary services. 2. The necessity for establishment of Veterinary Mobile Health Clinics. 3. Strengthening of infrastructure of Veterinary Service Institutions are to be simultaneously taken care of by Zilla Parishad along with monitoring of veterinary services.	1. Organize SHG co-operative for fodder production and provide financial assistance. 2. Propagate improved variety of fodder seeds. 3. Propagate modern methods of feeding including stall feeding to improve livestock productivity. 4. Supply fodder during droughts.	1. Supervise the functioning of Live Stock Centre and A1 service centres. 2. Report out-break of diseases and epidemics.
Feedings and fodder including support during droughts	1. Propagate production of nutritive fodder and promote proper feeding of animals.	1. Supply fodder during droughts.	1. Help in establishing co-operative fodder farm. 2. Allocate community land for fodder production under Utkal Sabuja Banani Jojana. 3. Control grazing and improve grazing and pasture lands except forest land. 4. Distribute fodder during droughts.
Diary development	1. Assist Diary Development Boards and Co-operatives in the development of infrastructure for milk collection, collection centres, transportation and processing. 2. As regards Diary Development, funding for the programmes as sited out in the mapping may be provided over and above of the grant made available by the Department to OMFED.	1. Develop and open new milk routes for milk collection. 2. Promote milk producers, co-operative societies. 3. Ensure timely payment to milk producers.	1. Assist in organizing milk producers co-operative societies. 2. Identify beneficiaries for dairy development programme.

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
5. FISHERIES			
Developing of inland fisheries	1. Formulate projects for fisheries development. 2. Technically appraise and approve projects for development of inland water bodies for fisheries. 3. Promote and encourage fish seed production farms. 4. Arrange training of fisherman in modern management techniques for fish production. 5. Procure and supply fishing equipment for distribution among selected fishermen's co-operatives and beneficiaries.	1. Select beneficiaries for fisheries training 2. Organize fishermen's co-operatives. 3. Monitor, supervise and report progress. 4. Long term and short term credit plan.	1. Develop village pond for fisheries. 2. Identify beneficiaries for assistance under various programmes and assist the min organizing fishermen's co-operatrives. 3. Assist PSs in the distribution of boats, nets and other equipment. 4. Supervise and report progress to PSs. 5. Execute fishpond and tank improvement projects. 6. Lease village ponds to fishermen's co-operatives, SHGs and eligible bidders. 7. Utilization of irrigation/ drainage canal/ dead river for pisciculture.
Development of Marine fisheries	1. Procure and supply motorized and modern Develop brackish water fisheries.	1. Select sites for marine aquaculture and brackish water fishing. 2. Organize fishermen's co-operative. 3. Monitor impact of marine aquaculture on environment. 4. Monitor the impact of marine aquaculture on village environment and initiate impart mitigation measures. 5. Assisting operation of early warning system.	1. Identity beneficiaries and assist them in organizing into fishermen's co-operatives. 2. Select beneficiaries for assistance. 3. Create awareness for and adopt safety measures during rough weather.
Development of marketing processing infrastructure	1. Encourage private entrepreneurs to establish processing, packaging and storage facilities. 2. Assist in establishing other marketing infrastructure.	1. Organize and train fishermen in processing, packaging and preservation of fish and fish products. 2. Develop tie-up arrangements between fishermen and processing units.	
Welfare measures	1. Promote group insurance schemes for fishermen.		1. Encourage fishermen to take up insurance schemes.

DEPARTMENT : WOMEN AND CHILD DEVELOPMENT

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
25. WOMEN AND CHILD DEVELOPMENT			
Socio-economic development of women	1. Promote equal opportunity to women in all sectors of development social economic and political. 2. Mobilize social support against social evils like dowry, gender blases like killing girl child at birth, discrimination in educating girl child etc. 3. Promote opportune-ties for women to engage themselves in income generating activities.	1. Propagate the message of equal opportunity to women in all sectors of developmen 2. Mobilize social support against social evils that discriminate against women. 3. Identify income generating activities for women. 4. Disbursement of NOAP, OAP, Disability Pension.	1. Generate awareness among women about their rights. 2. Promote self-help groups of women. 3. Supervision of Anganwadi Centres.

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
	4. Protect the interests of women workers in the unorganized sector. 5. Ensure payment of minimum wages to women agricultural labourers.		
Integrated Child Development	1. Supervise, guide and support services (ICDS) for implementation of ICDS projects. 2. Monitor functioning of the scheme in the district. 3. Promote people's participation in programmes through involvement of local leadership. 4. Selection of Anganwadi Workers as prescribed by Government.	1. Supervise works of ICDS Projects. 2. Assist officers concerned with the programme in procurement & distribution of nutrition material and other medical supplies. 3. Provide infrastructural facilities and other logistic support to facilitate implementation of the programme. 4. Construct Anganwadi Centres in GPs. 5. Assist in selection of Anganwadi workers as prescribed by Government.	1. Assist in selection of beneficiaries. 2. Assist in selection of sites for locating Anganwadi Centres. 3. Ensure community participation through organizing regular meetings. 4. Assist in selection of Anganwadi workers as prescribed by Government.
Welfare of the Disabled	1. Inspect, supervise and monitor voluntary organizations receiving grant-in-aid from Ministry of Welfare GOI for rehabilitation of persons organizations receiving grant-in-aid from Ministry of 2. Identify and promote voluntary organs receiving grant-in-aid from the Minor Welf. Govt. of India for rehabilitation of leprosy patients.	1. Identify disabled persons and co- ordinate with ZPs for their rehabilitation.	1. Assist in identification of disabled persons and co- ordinate with Block and Zilla Panchayats for their rehabilitation.
Adoption of Children as per prescribed law/rules.	1. Identify voluntary organizations which deal with the adoption of destitute, abandoned, orphaned and relinquished children by giving the child for growth and development to parents other than the child's biological parents, and help in the adoption of orphaned children.	1. Identify parents willing to adopt children and co-ordinate with the district Panchayat for their growth and development.	1. Assist in identification of parents willing to adopt children and co-ordinate with the PS and ZP for their growth and development.
26. SOCIAL WELFARE			
Welfare of the Aged	1. Identify destitute and aged persons and help them in taking shelter in voluntary organization which receive grant-in-aids from the Ministry of Welfare State Governments for running old age homes and for giving old age pension.	1. Identify the aged and co-ordinate with the ZP for their maintenance and giving old age pension.	1. Assist in identification of the aged and co-ordinate with the ZP and PS for their maintenance and giving old age pension.

DEPARTMENT : SCHOOL & MASS EDUCATION

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
17. PRIMARY EDUCATION			
Expansion and development of educational facilities.	1. Assess the requirements of schools, teachers, equipment, etc. in the district and plan for them.	1. Supervise the functioning of primary and upper primary schools.	1. Ensure full enrolment of school age children. 2. Maintain school buildings and play grounds.

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
	2. Supervise and monitor quality of educational services. 3. Campaign for full enrolment and reduction of dropouts.	2. Supply and distribute material and equipment to schools. 3. To assess the drop out position and initiate appropriate action to reduce it. 4. Transfer of Elementary Cadre teachers. 5. Disbursement of salaries of Primary School Teachers.	3. Exercise vigilance on regular attendance of teachers and students and report to the concerned authority.
Establishment & maintenance of hostels, and other welfare measures for target group studies.	1. Assessment of require-ment for hostels of target group students and plan them. 2. Supply school uniforms and books etc. for target group students.	1. Distribute school uniforms, books and other materials to target group students. 2. Assist in the maintenance of hostels. 3. Transfer of Primary School, U.P. School teachers. 4. Disburse/ draw salary of P.S. and U.P. School teachers.	1. Assist in the distribution of study material to target group students. 2. Maintenance of Hostels.
19. ADULT AND NON-FORMAL EDUCATION			
Planning and implementation of adult and non-formal education total literacy campaign.	1. Identify suitable locations for establishing adult education centres. 2. Select volunteers and supervisors for teaching and maintenance of centres. 3. Supply all relevant infrastructure and educational material to centres. 4. Supervision and monitor-ing of the activities. 5. Organize total literacy campaign.	1. Implement Adult and non-formal education programmes and total literacy campaigns. 2. To assist in the distribution of materials to the centres.	1. Help in mobilizing people for participation in adult education and TLC campaigns. 2. Supervise and assist in functioning of centres and ensure regularity of learners and volunteers. 3. Supervise and monitor functioning of the centres.

DEPARTMENT : HEALTH & FAMILY WELFARE

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
23. HEALTH INCLUDING HOSPITALS, PRIMARY HEALTH CENTRES AND DISPENSARIES.			
Health care	1. Plan through health committees to provide physical infrastructure. 2. Co-ordinate communicable diseases programme with the State. 3. Co-ordinate construction and maintenance and supervision of PHCs. 4. Promote school health programmes. 5. Organise health awareness rallies and camps.	1. Supervise PHC/Hospitals 2. Organize health and family welfare camps and conduct demonstration-cum-exhibition programmes on health, family welfare and sanitation.	1. Mobilise & organize people for Health & Family Welfare Camps. 2. Constitute Panchayat Health Committee comprising of elected representatives, multi-purpose Health Worker, Anganwadi Worker, ANM, Trained Birth Attendants to assist Health & Family Welfare Programme.
24. FAMILY WELFARE			
Material and Child Health (MCH) centres	1. Co-ordinate with State/ National agencies. 2. Assist in immunization programme. 3. Propagate family planning methods. 4. Assisting family planning and RCH programme. 5. Organize IEC/Health and F.W. promotional campaigns.	1. Propagate and create awareness about material and child care immunization and family planning schemes. 2. Co-ordinate and assist in monitoring and supervision of family welfare and family planning services. 3. Assist in organizing family planning and immunization	1. Assist in propagation of material child care, family planning and immunization programmes. 2. Assist in identification and recommendation of beneficiaries under NMBS. 3. Supervise the activities of ANMs. 4. Invite ANM to Grama Panchayat meeting for discussion and follow up action on health and family

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
	6. Promote school health programmes. 7. Procure, supply and distribute meals for children, medicines and equipment for ICDS centres. 8. Train ANMs and others 9.Laise with State/ National Level Health programme.	camps 4. Organize IEC health and F.W. promotional campaigns. 5. Distribute materials medicines and equipment to ICDS, promote school health programme centres. 6. Assist beneficiaries, mothers and children.	welfare activities.

DEPARTMENT : SC & ST DEVELOPMENT

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
27. Welfare of the Weaker Section and in particular, of the Scheduled Caste & the Scheduled Tribes.			
Eradication of un-touchability	1. Assist Victims in getting legal aid. 2. Supervising survey of un-touchability prone areas. 3. Promoting inter-caste marriage and giving incentives. 4. Making efforts for doing publicity about the provisions of the PCR Act. 5. Dissemination of information regarding the PCR Act 1995 in regional language.	1. Selection of Grama Panchayats doing good work in the area of removal of untouchability for giving awards. 2. Opening camps to create awareness about the provisions of th PCR Act 1995. 3. Celebration of "Removal of untouchability week" on 2nd October every year. 4. Screening of films in the rural areas on eradication of untouchability for creating awareness about the various socio-legal measures.	1. Reporting to the police for necessary action when any of the following discriminatory practices is noticed in the matter of, accessibility to common drinking water source, burial ground, using separate utensil in village tea stall, entering places of worship, refusal to offer services by barber and washman, taking marriage processions (Barat). 2. Assist in distributing copies of the PCR Act, 1995 translated in regional languages. 3. Mobilizing the village community and helping in elimination of untouchability.
Curbing Atrocity against SC/ST	1. Assist victims in getting legal aid. 2. Supervising survey for identification of atrocity prone areas. 3. Giving wide publicity about the provisions of the SC & STs Atrocities (Prevention) Act, 1989. 4. Monitoring disbursement of monetary relief to the victims of atrocity at the prescribed rates. 5. Translation of the SC & STs Atrocities (Prevention) Act, 1980 in regional language.	1. Organizing survey of atrocity prone areas. 2. Organizing camps for creating awareness among people and the provisions of the Act.	1. Ensuring protection of the crops raised by the SCs/STs assisting in ensuring physical possession of the lands distributed to the SCs/STs under the celling surplus law especially. Ensuring that members of the SCs are not forced to perform undignified traditional occupations like lifting of Carcasses, beating of drums, digging of burial pits etc. 2. Assisting in ensuring that tribals are not harassed by forest, police, revenue, excise etc. officials while collecting minor forest produce and fuel wood etc.
Educational Development	1. Monitoring construction of buildings for the Boys, Hostels, Girls Hostels for SC/ST students.	1. Monitoring and review of disbursement of scholarships to SC/ST students with special reference to Pre-matric scholarships to the children whose parents are engaged in vulnerable/unclean occupations. 2. Supervising and monitoring the functioning of coaching and allied schemes for SC/ST students. 3. Supervision over Primary School Hostels.	1. Promotion of literacy among tribal girls in low literacy pockets. 2. Supervision over Sevashram Schools.

DEPARTMENT : FOOD SUPPLY & CONSUMER WELFARE

Activity	**Distribution of Functions**		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
28. PUBLIC DISTRIBUTION SYSTEM			
Distribution of PDS Commodities			1. Run Fair Price shops for distribution of PDS retail outlets, wherever necessary.
Identification of beneficiaries and distribution of ration cards.		1. Review of beneficiary list, distribution of cards and elimination of bogus cards.	1. Identification of eligible beneficiaries for coverage under PDS as per government norms. 2. Assist in Planning for issue of ration cards, identification of bogus cards and their elimination.
Linking PDS with Poverty Alleviation Programmes and Employment Generation Schemes	1. Assessing demand for food grain for distribution as a part of wages under Employment Generation Schemes. 2. Maintain vigilance in the supply and distribution of food grains as part of wages.	1. Collect demand from GPs for ration to be distributed as part of wages. 2. Ensure supply and distribution of required quality of ration to the Grama Panchayats. 3. Monitor movement and distribution of food grains to the beneficiaries & report/initiate action against irregularities/ malpractices.	1. Assist in assessing the quantity of food grains required. 2. Assist in proper distribution of ration to the beneficiaries. 3. Maintaining vigilance on quantity and quality of ration distribution to the beneficiaries. 4. Reporting against malpractice / irregularities.

DEPARTMENT : PANCHAYATI RAJ

Activity	**Distribution of Functions**		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
7. MINOR FOREST PRODUCE			
Regeneration of MFP species	1. Plan raising MFP plantation in concentrated Blocks to facilitate collection and marketing. 2. Encourage cultivation of MFP in existing forest, degraded forest lands, barren and uncultivable area and community wastelands. 3. Encourage plantation of MFP such as gum, resin, medicinal plants, aromatic plants, leaves, oil seeds, tans and dyes, grasses, seeds, canes, bamboo etc., particularly in tribal areas. 4. Promoting plantation of MFP species in drought prone, desert areas and under social forestry activity under JGSY, particularly in tribal areas.	1. Establish MFP nurseries for propagation of MFP species. 2. Fixation of prices of MFPs.	1. Assist in identification of families willing to plant MFP species. 2. Distribute MFP seedlings for plantation. 3. Take up plantation on land leased out by Collector in favour of G.P.
Training	1. Organize training for scientific tapping of gums, resins and grading of MFPs.		1. Select & forward trainees names to the P.S.
MFP collection	1. Monitor MFP collection activities in forest ranges. 2. Timely payment of collection.	1. Organise item-wise MFP co-operatives like Kendu leaf. 2. Fix support prices for MFP procurement.	1. Implementation of OGP (MFP Administration) Rule, 2002.
Processing and marketing charges	1. Set up small scale industrial units for value addition to MFPs 2. Establish godowns for storage of MFPs. 3. Strengthen market intelligence and market extension.	1. Liaise with forest department of construction of joint Forest management Committee for MFP regeneration collection, processing and marketing. 2. Ensure value addition to MFP before it leaves the forest area.	1. Promote collection primary processing and value addition to MFP before selling. 2. Ensure timely payment and adequate collection charges to MFP collectors.

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
10. RURAL HOUSING INCLUDING INDIRA AWAS YOJANA			
Approval of PSs plan and sanctioning of fund for rural housing schemes.	1. Determine design and unit cost for guidance to PS/GPs keeping in view technical advice and beneficiary needs.	1. Execution of housing projects. 2. Procure and supply of building materials. 3. Assist GPs for execution of housing projects.	1. Identify beneficiaries through Palli Sabha. 2. Assist in allotment and distribution of house and house sites. 3. Constitute beneficiaries committee. 4. Execute construction work as may be assigned by Government. 5. Provide assistance in the distribution of building material.
Supervision and monitoring of rural housing schemes.		1. Supervise in construction of Rural Housing Scheme.	1. Supervise construction quality, use of material and report progress.
Rural Water Supply	1. Formulate water supply schemes. 2. Technically appraise and approve schemes proposed by PSs and GPs. 3. Award contracts for the execution of major schemes outside PS and GP plans. 4. Establish water testing laboratories for control of chemical and biogenic impurities. 5. monitor and supervise the progress, quality of work and target achievement.	1. Construct schemes within the prescribed cost limits for PSs. 2. Monitor and supervise progress and quality of works.	1. Identify schemes and locations, estimate cost and formulate projects through the involvement of Grama Sabha. 2. Construct wells, tanks and village water supply schemes of its own or as assigned by the GP or PS. 3. Periodically chlorinate open wells and treat water. 4. Ensure proper distribution of water to all households in its village. 5. Collect water sample for testing. 6. Monitor scheme implementation and report progress. 7. Maintain drinking water schemes, collect water charges and appoint operators wherever necessary.
13. ROADS, CULVERTS, BRIDGES, FERRIES, WATERWAYS AND OTHER MEANS OF COMMUNICATION			
Development of road network and accessibility	1. Identify village as per MNP norms inaccessible by all weather road and formulate projects for construction of link roads connecting more than one P.S.	1. Survey, technical feasibility, sanction of funds for village road, GP road and PS roads. 2. Acquire land, assess and grant compensation. 3. Construct roads using local labour without contractors. 4. Provide technical assistance for road construction projects proposed by GPs. 5. Monitor the specifications of roads and bridges and supervise of the quality of works and reporting progress to the DP.	1. Assist in formulating road construction of projects and obtain approval through Grama Sabha. 2. Seek technical advice, feasibility and approval from PS engineers. 3. Allocate, approve and sanction funds. 4. Construct village link roads and village lanes through works committees, using village labour without contractors. 5. Monitor and supervise quality of works through work committee and report progress to Panchayat Samiti.
Improvement and maintenance of the existing roads/culverts and bridges.	1. Conduct traffic volume survey and identify road sections needing improvement in capacity. 2. Monitor and supervise the quality of works.	1. Convert PS roads into black topped roads. 2. Undertake annual repairs and maintenance of roads, culverts and bridges. 3. Approve, allocate and sanction funds for improvement and maintenance of PS roads. 4. Monitor and supervise quality of works and report progress	1. Assess costs of improvement, repair and annual maintenance of village roads. 2. Raise funds through government or own sources and donations with the help of Grama Sabha. 3. Execute works for providing rural link road.

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
		5. Execute works for providing rural link roads.	
Development of waterways, ferrying, ferry services etc.	1. Identify waterways suitable for construction of jetties for ferry services.	1. Inspect ferries and boats and maintain vigilance on services and traffic regulations.	1. Settle ferry services through annual lease. 2. Regulate Ferry Services.
15. NON CONVENTIONAL ENERGY			
Assessment of district's energy requirement	1. Consolidate PSs plans for energy requirement and supply through non conventional means.	1. Formulate projects for use of non conventional sources of energy in the PS. 2. Implement projects for creation of non conventional energy.	1. Assist PS in identification of potential sources of non conventional energy devices requirement such as gobar gas, bio-mass, solar energy and wind energy. 2. Implement projects for creation of non conventional energy under the guidance of Panchayat Samiti.
Promoting non conventional sources of energy which includes installations of solar panels, wind mills and gobar gas plants and extension education.	1. Promote non conventional energy devices and sources 2. Promote and popularize energy saving devices. 3. Co-ordinate different agencies including NGOs for promotion of alternative sources of energy.	1. Train users in the maintenance of non conventional energy devices. 2. Monitor and supervise the operation and functioning of the projects.	1. Assist in identification of beneficiary for individual biogas plants and other devices. 2. Organise beneficiary training 3. Monitor functioning of NCE devices. 4. Procure and supply material and equipment for the projects. 5. Assist in identifying suitably locations and select individual beneficiaries for installation of community and private sources of energy.
16. POVERTY ALLEVIATION PROGRAMMES			
Planning and implementation of poverty alleviation programmes.	1. Co-ordinate with other departments and agencies. 2. Development training infrastructure. 3. Prepare plan for poverty alleviation programmes at district level. 4. Supervise and review implementation of different poverty alleviation programmes. 5. Review schemes implemented in Drought Prone Area,. 6. The ZP in active co-operation with the PS and District Planning Committee may arrange decentralized planning. 7. Review and supervise schemes implemented under the grants recommended by the Central Finance Commission for local bodies.	1. Collect and distribute data regarding development and management at the district level. 2. Assist in the evaluation of schemes. 3. Release of funds to banks for subsidy adjustment, formulation of credit plans through banks. 4. Prepare plans at the block level under SGSY for filling up gaps in technology, marketing tie-ups, training, strengthening infrastructure and market facilities. 5. Assist GPs in organizing self-help groups and implement duster strategies. 6. Review plans prepared by the GPs and accord technical approval and assistance. 7. Draw action plans, get technical approvals and funds allocated under land development scheme. 8. PSs can implement schemes with the help of GPs and integrate other programmes with poverty alleviation schemes. 9. Assist in supervision of works under district decentralized plan.	1. Identify beneficiaries through Palli Sabha under Poverty Alleviation Schemes, individual beneficiary oriented poverty alleviation schemes and other employment generation programmes entrusted to GPs. 2. Assist PS for the distribution of identifycards under Employment Generation Scheme. 3. Put up information boards about all the works taken up under Employment Generation Scheme 4. Assist the PS in preparation of plans for land development schemes coming within PSs purview 5. Ensure proper utilization of funds of Central Finance Commission by local bodies and ensure that the scheme works permitted within GPs are completed. 6. Execute Schemes under Poverty Alleviation Programme.

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
		10.Plan and implement infrastructure development by rural local bodies 11.Develop marketing infrastructure marketing network for SGSY self help group products. 12.Execute Schemes under Poverty Alleviation Programme.	
Wage employment programmes	1. Prepare ZP level shelf of projects and desegregate it into plans that can be implemented by PS and GP plans. 2. Formulate projects outside PS and GP. 3. Assign projects to PSs, GPs and NGOs and various other agencies and departments for execution. 4. Approve, sanction and release funds to PSs, GPs and other organizations for the execution of ZP projects. 5. Release funds to PSs as per prescribed norms. 6. Provide funds for maintenance of assets created under Centrally Sponsored Schemes and State Sponsored Scheme. 7. Inspect muster rolls and check quality of workers and wage material ratio as per guidelines. 8. Monitor and supervise progress of programmes. 9. Submit quarterly returns and utilization certificates to GOI and State Government for release of next instalments.	1. Formulate and execute projects. 2. Procure and supply material for projects. 3. Technically assist GPs for executing projects. 4. Execute projects outside GPs plans 5. Inspect muster rolls, quality of work, assets created and mandays generated by projects executed by IP and GPs.	1. Assist in identification of labourers in the village requiring wage employment through Grama Sabha, list them and provide employment cards to beneficiaries. 2. Formulate projects and get approval through Grama Sabha. 3. Constitute works committee for execution of works and projects. 4. Ensure employment to all in the village. 5. Distribute projects and works as per norms. 6. Execute, Monitor and supervise works, assets created and mandays generated. 7. Conduct Social Audit.
22. MARKETS AND FAIRS			
Identification of location and development of market yards.	1. Identify locations for marketing rural products and formulating projects.	1. Develop and maintain places for fairs and weekly markets. 2. Construct market complexes for providing marketing linkages to products of Swarojagaris.	1. Own and manage village market. 2. Construct market complex within the GP 3. Settle markets on lease basis. 4. Collect rent from shops. 5. Maintain village markets and shopping complexes.
Regulating wholesale and retail markets, supervision and monitoring of marketing activities.	1. Supervise and monitor marketing activities.	1. Enforce fair trade practices and maintain quality of commodities. 2. Assist in maintenance of statistics on prices and commodity traded 3. Maintain statistics on prices and commodities transacted within the district.	

DEPARTMENT : WATER RESOURCES

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
7. MINOR IRRIGATION			
Development of MI (Ayacut up of 100	1. Formulate dist plan for MI Projects.	1. Identify and formulate MI Projects.	1. Assist in formulation of MI Projects and ratification by Grama

Activity	Distribution of Functions		
	Zilla Parishad	**Panchayat Samiti**	**Gram Panchayat**
Acres) system, drainage system, water harvesting structures and water management.	2. Assign projects to PS and GP. 3. Development of drainage system in water logged areas. 4. Suggest projects for percolation tanks, check dams and land leveling. 5. Supervise, monitor and review of the progress and quality of works by the subject committee. 6. Co-ordinate between various departments and agencies funding MI Projects.	2. Execute and maintain MI Projects included in PS Plan. 3. Execute MI projects assigned by ZP. 4. Construct percolation tanks and check dams (outside GP plan) 5. Supervision, monitoring and review of the progress and quality of works. 6. Co-ordinate between various line departments/ agencies funding for MI projects. 7. Execute community MI Projects and MI Projects belonging to PS	Sabha. 2. Identify location for projects. 3. Execute MI Projects under supervision of P.S. 4. Identify beneficiaries under various programmes for MI Projects and constitute user committee. 5. Supervise, monitor and review progress, quality of work.
Water management	1. Propagate modern water management delivery methods through Pani Panchayats, WALMI and other agencies. 2. Propagate use of sprinkler and drip irrigation in drought prone/water scarce area through Pani Panchayats, WALMI and other agencies	1. Guide and motivate people to adopt modern methods of irrigation, on-farm development and proper maintenance of field channels etc. 2. Select beneficiaries for subsidized sprinklers, drip irrigation equipment and delivery system and supply them, including providing technical guidance to beneficiaries. 3. Organise farm demonstration for modern water management techniques.	1. Identify beneficiaries through Grama Sabha for subsidized sprinkler and drip irrigation system. 2. Constitute users committee for proper utilization of water including use for drinking purposes. 3. Encourage farmers for on-farm development and development of field channels/delivery system for proper utilization of water.

Government of Orissa

Panchayati Raj Department

No.I-PS-2/2003-6886/PS Dated 04/07/2003

From

Sri Pratip K. Mohanty, IAS,
Chief Secretary & Chief Development Commissioner, Orissa.

To

The Principal Secretary to Government,
Finance Department/ ST & SC Dev. Deptt./
F.S. & C.W. Department.
The Commissioner-cum-Secretary to Government,
Agriculture Deptt./ Co-operation Deptt./
School & Mass Edn. Deptt./ Health & F.W. Deptt./
Women & Child Dev. Deptt./F & ARD Department/
Water Resources Deptt./Rural Development Deptt.

Sub: **Devolution of powers to Panchayati Raj Institutions (PRIs).**

Sir/Madam,

In inviting your kind attention to the subject cited above, the mandate of the Constitution is reiterated for appreciation of the matter.

1. As per 73rd amendment of the Constitution, the Panchayati Raj Institutions (PRIs) are required to be endowed with adequate responsibilities and powers to enable them to function as the "Institutions of self-government". Article 243-G of the Constitution of India, which deals with the crucial issue of powers, authority and responsibilities of the Panchayats (3 tier of Panchayats) reads as: "Subject to the provisions of the Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon the Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to (a) the preparation of plans for economic development and social justice, and (b) the implementation of such schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule".

2. Panchayat laws of Orissa have been amended consistent with provisions of 73rd amendment of the Constitution. Section 3(3) of the Orissa Zilla Parishad Act, 1991 has since been amended. Steps are being taken to incorporate similar provisions by amending the Orissa Panchayat Samiti Act, 1959 and the Orissa Grama Panchayat Act, 1964 to enable the PRIs to function as institutions of self-government. It is necessary to make Panchayati Raj Institutions clear about the role that they are expected to play for economic development and social justice.

3. After careful consideration, Government has been pleased to assign definite functions and provide functionaries to PRIs for implementation/execution of functions as mentioned hereunder.

4. AGRICULTURE DEPARTMENT

The functions, which are transferred, include Kharif and Rabi programme, Soil conservation, Horticulture and water shed activities.

4.1 District Agriculture Officer will remain accountable to Zilla Parishad for preparation and approval of District Kharif and Rabi programme. Similarly the District Soil Conservation Officer and the District Horticulture Officer will remain accountable for preparation of plans and implementation of schemes relating to soil conservation, water shed and horticulture in the district.

4.2 Casual leave of above mentioned officers will be sanctioned by the President, Zilla Parishad.

4.3 President, ZP will supervise the activities of the above mentioned schemes. He will also report about their performance to the Head of the Department who will take appropriate steps on the report of the Zilla Parishad.

4.4 Junior Agriculture Officer will remain accountable to Panchayat Samiti for preparation and approval of Kharif and Rabi programme. Chairman, Panchayat Samiti will review the Kharif and Rabi programme and report about performance of duties to the Zilla Parishad. Project Director, DRDA & Ex-Officio Executive Officer, Z.P. will take up the matter with the District Level Officers of the Department and Head of the Department.

4.5 Chairman, PS will sanction casual leave of the J.A.O.

4.6 Village Agriculture Worker will attend the Grama Panchayat meeting, Sarapanch of the G.P. will visit V.A.W. Centre and report about performance of duties. Such report will be sent to the BDO and Chairman of the P.S. who will take appropriate action.

5. COOPERATION DEPARTMENT

5.1 Deputy Registrar/Assistant Registrar of Cooperative Societies will be accountable to the Zilla Parishad for preparation and implementation of credit plan. President, Zilla Parishad will visit primary cooperative societies, give his suggestions and recommend for smooth implementation of cooperative activities.

5.2 Casual Leaveof Deputy/Assistant Registrar of Cooperative Societies will be sanctioned by the President, Zilla Parishad.

5.3 President, Z.P. will give report about performance of Dy. Registrar/Asst. Registrar to the Head of the Department who will take appropriate action.

5.4 Inspector of Cooperative Societies will remain accountable to Panchayat Samiti for preparation and implementation of credit plan. Chairman, Panchayat Samiti can visit the primary cooperative societies and give his suggestions for implementation of the credit plan.

5.5 Sarapanch can send report regarding activities of Primary Cooperative Societies to the Chairman, P.S. and BDO, Panchayat Samiti.

6. SCHOOL AND MASS EDUCATION DEPARTMENT

6.1 Circle Inspector/District Inspector of Schools will be accountable to Zilla Parishad for activities relating to primary education, non-formal education and adult education in the district.

6.2 President, Z.P. will sanction casual leave of C.I./D.I. of Schools.

6.3 Suggestions and report of the President, Z.P. will be considered by the Head of the Department promptly and remedial measures will be taken.

6.4 Sub-Inspector of Schools will be accountable to the Panchayat Samiti for activities relating to Primary education, adult education and non-formal education. He will help BDO in drawal and disbursement of salary of primary school teachers.

6.5 **Transfer** – A Committee comprising Chairman, BDO and D.I. of Schools will make transfer of Primary School Tachers within the Panchayat Samiti and limits of Educational

District. The recommendations of the Sarapanches will be given due weightage for transfer within the Panchayat Samiti. If it is considered to transfer a teacher from one P.S. to another P.S., the above mentioned Committee will recommend the same to the Zilla Parishad. A committee comprising President, Zilla Parishad, Executive Officer, Zilla Parishad and C.I. of Schools/D.I. of Schools will take decision regarding inter-Block transfer of Primary School teachers within the Educational District.

6.6 **Visit of Schools** – Chairman, P.S. and Sarapanch can visit the Primary Schools, non-formal education and adult education centres.

6.7 The Sarapanch of the G.P. will sanction Casual Leave of only Headmaster-in-charge, Headmaster of Primary Schools, Sarpanch can verify the attendance of teachers and they can report about absence of teachers. Such report will be enquired and appropriate action will be taken on the report of the Sarapanch.

7. **FOOD SUPPLIES & CONSUMER WELFARE DEPARTMENT.**

7.1 Civil Supplies Officer will remain accountable to Zilla Parishad for public distribution system.

7.2 Casual leave of Civil Supplies Officer will be sanctionrd by the President, Zilla Parishad.

7.3 Report of the President, Zilla Parishad regarding performance of duties by the C.S.O. will be given due weightage by the Head of the Department.

7.4 Inspector of Civil Supplies will remain accountable to the Panchayat Samiti for public distribution system.

7.5 Chairman, Panchayat Samiti can report about performance of duties by Inspector of Civil Supplies. The report will be sent to the Project Director, DRDA & Ex-Officio Executive Officer of the Zilla Parishad and President, Z.P. Appropriate action will be taken on such report.

8. **S.T. & S.C. DEVELOPMENT DEPARTMENT**

8.1 District Welfare Officer will remain accountable to the Zilla Parishad for primary education activities for ST & SC Development Department.

8.2 Casual leave of District Welfare Officer will be sanctioned by the President, Zilla Parishad.

8.3 President can report about performance of duties by the District Welfare Officer to the Head of the Department for appropriate action.

8.4 Welfare Extension Officer (WEO) will remain accountable to the Panchayat Samiti for activities assigned to him.

8.5 Sarapanch and Chairman, panchayat Samiti can visit Sevashrams, give suggestion for improvement and report about performance of duties by the Welfare Extension Officer and Sevashram teachers. The report will be sent to the Project Director, DRDA & Ex-Officio Executive Officer of the Z.P. and President, Z.P. for appropriate action.

9. **HEALTH & FAMILY WELFARE DEPARTMENT.**

9.1 Chief District Medical Officer will remain accountable to Zilla Parishad for health and family welfare schemes. President, Zilla Parishad can visit primary health centres, send his recommendation to the Head of the Department. President, Zilla Parishad can report about performance of the Chief District Medial Officer to the Head of the Department for appropriate action.

9.2 President, Zilla Parishad will sanction casual leave of Chief District Medical Officer.

9.3 The doctors of Primary Health Centres/Hospitals will remain accountable to the Panchayat Samiti for health and family welfare schemes. Chairman, Panchayat Samiti can visit primary health centres/hospitals.

9.4 The casual leave of only Medical Officer in ocharge of PHC/Hospitals will be sanctioned by the Chairman of P.S.

9.5 As and where necessary, report of the Chairman, PS regarding attendance of doctors will be sent Chief District Medical Officer and E.O. of Z.P. for appropriate action.
9.6 Village Health Workers and ANMs will attend Grama Panchayat meeting and will remain accountable to Grama Panchayat for activities at the village level.
9.7 Sarapanch/Naib-Sarapanch whosoever is a woman will be competent to sanction casual leave to Village Health Worker/A.N.M.
9.8 As and where necessary, report of Sarapanch/Naib-Sarapanch who so ever is a woman regarding attendance of Village Health Workers and A.N.M. will be sent to the Medical Officer of the PHC/Hospital and Chairman, Panchayat Samiti for appropriate action.

10. **WOMEN & CHILD DEVELOPMENT DEPARTMENT**

10.1 District Social Welfare Officer will remain accountable to the Zilla Parishad for social security schemes and mid-day meal programme.
10.2 President, Zilla Parishad will sanction casual leave of District Social Welfare Officer.
10.3 Report of President, Z.P. regarding performance of duties by the District Social Welfare Officer will be given due weightage by the Head of the Department.
10.4 Child Development Project Officer and Social Education Organiser will remain accountable to the Panchayat Samiti for social security schemes and mid-day meal programme.
10.5. Chairman/Vice-Chairman whosever is a woman will sanction casual leave of CDPO.
10.6. The suggestion regarding smooth implementation of social security scheme and mid-day meal programme and performance of duties by the C.D.P.O. and S.E.O. will be sent to the Executive Officer of Zilla Parishad and District Social Welfare Officer for appropriate action.
10.7. Sarapanch/Naib-Sarapanch whosoever is a woman will send report about attendance of Anganwadi Worker and such report will be considered by the C.D.P.O. and appropriate action will be taken.

11. **FISHERIES & ANIMAL RESOURCES DEVELOPMENT DEPARTMENT**

11.1 Chief District Veterinary Officer, District Fisheries Officer and Assistant Director of Fisheries will remain accountable to the Zilla Parishad for diary and fishery activities.
11.2 Casual leave of above mentioned officers will be sanctioned by the Presidient, Zilla Parishad.
11.3 President, Zilla Parishad will send report regarding performance of duties of the above mentioned officers to the Head of the Department who will give due weightage to the report.
11.4 Veterinary Assistant Surgeon and Fisheries Extension Officers will remain accountable to the Panchayat Samiti for diary and fisheries activities.
11.5 The casual leave of V.A.S. will be sanctioned by the Chairman, Panchayat Samiti.
11.6 Chairman, PS can visit veterinary dispensaries and live stock centres.
11.7 Report of the Chairman, Panchayat Samiti regarding performance of duties by Veterinary Assistant Surgeon and Fishery Extension Officer to the Executive Officer, ZP will be given due weightage.
11.8 Sarapanch can report about attendance of Live Stock functionary to the Chairman and Veterinary Assistant Surgeon. Such report will be enquired and appropriate action will be taken.

12. **RURAL DEVELOPMENT DEPARTMENT**

12.1 Executive Engineer/Assistant Engineer, RWSS will remain accountable to the Zilla Parishad for drinking water and sanitation programme.
12.2 President, Zilla Parishad will sanction casual leave of the Executive Engineer, RWSS.

12.3 President, ZP will visit the works executed by the Executive Engineer/Assistant Engineer, RWSS. He can send a report regarding performance of the Executive Engineer/Assistant Engineer to the Head of the Department who will take appropriate action thereon.

12.4 Junior Engineers, RWSS will remain accountable to the Panhayat Samiti for drinking water and sanitation schemes.

12.5 Report of the Chairman, Panchayat Samiti regarding performance of duties by the Assistant Engineer and Junior Engineer will be sent to the Executive Officer, Zilla Parishad and Executive Engineer, RWSS for appropriate action.

13. **PANCHAYATI RAJ DEPARTMENT**

13.1 Block Development Officer, Addl. Block Development Officer, Assistant Engineer and all Extension Officers of different Departments will remain accountable to the Panchayat Samiti for works entrusted to them.

13.2 Chairman of Panchayat Samiti will sanction casual leave of BDO. Casual leave of all other offices working in the Block shall be sanctioned by BDO.

13.3 Sarapanch will send report regarding attendance of Village Level Worker which will be duly considered by the Chairman, Panchayat Samiti and B.D.O.

14. **WATER RESOURCES DEPARTMENT**

14.1 Executive Engineer, MI will remain accountable to the Zilla Parishad for functioning of Minor Irrigation Project having ayacut area up-to 100 acres.

14.2 Casual leave of Executive Engineer, MI will be sanctioned by the President, Zilla Parishad.

14.3 Report of President, Z.P. regarding performance of duties by the Executive Engineer, MI will be given due weightage by the Head of the Department.

14.4 Assistant Engineers and Jr. Engineers of MI will remain accountable to the Panchayat Samiti for functioning of M.I. Projects up-to ayacut area of 100 acres.

14.5 Chairman, Panchayat Samiti will sanction casual leave of Assistant Engineer, Minor Irrigation.

14.6 The report of Chairman, Panchayat Samiti regarding performance of duty of Assistant Engineer and Junior Engineer will be sent to the Executive Engineer and Executive Officer, Zilla Parishad for appropriate action.

15. **CHIEF EXECUTIVE OFFICER OF ZILLA PARISHAD**

15.1 The Collector & District Magistrate will continue to be the Chief Executive Officer of the Zilla Parishad. The Project Director, District Rural Development Agency (DRDA) and other district level officers shall continue to function as Executive Officer and additional Executive Officer respectively.

15.2 The Block Development Officer will continue to function as Executive Officer of Panchayat Samiti.

15.3 Village Level Workers (VLW) and Village Agriculture Workers (VAW) will be appointed as Executive Officer of the Grama Panchayat. The Panchayat Samiti will issue specific order allotting Grama Panchayat to each VAW/VLW as the case may be. As Executive Officer VAW/VLWs shall perform the functions and duties as per job chart prescribed by government from time to time.

15.4 Sarapanch shall sanction Casual Leave of Executive Officer of Gram Panchayat.

16. **ACCOUNTABILITY**

16.1 The district level, Block Level and Grama Panchayat Level functionaries of different departments of Government the subjects of which have been transferred to PRIs will attend the meetings of Zilla Parishad, Panchayat Samiti and Grama Panchayat respectively.

16.2 They shall remain accountable to respective level of PRI though they shall continue as employees of their respective department.

16.3 They shall place plans and schemes for discussion oand approval in the meeting of respective level of PRI.

16.4 The President, Zilla Parishad, Chairman, Panchayat Samiti and Srapanch, Grama Panhayat are vested with authority to supervise the work and function of Government functionaries at respective level, calling for information and report from time to time. They can submit proposal to the appropriate level about indiscipline, irregularity and other shortcomings of the respective level officers.

16.5 Similarly, they can also submit suggestions/recommendations on improvement of function of these functionaries through appropriate level of PRIs as well as District Level Officers.

16.6 The Project Director, DRDA as the Executive Officer of Zilla Parishad will call for the report on behalf of the Zilla Parishad from the District Level Officers and will place such report before the President, Zilla Parishad which can be discussed in the meeting of Zilla Parishad and the concerned District Level Officers can also be called upon to explain the matter to Zilla Parishad.

16.7 After assessment of the activities of different Departments, the President of Zilla Parishad can submit report to the Head of Department as well as to Government. Such proposals emanating from Zilla Parishad shall be given due consideration and decision taken thereon shall be communicated to other PRIs.

All the Departments will please ensure that these instructions are implemented in letter and spirit as this will help in improving the quality of delivery of services thereby improving the standard of living of the people in rural areas of the State.

Yours faithfully,

Sd/-

Chief Secretary, Orissa

Annexure-VIII

PROPOSED MEGA PIPED WATER PROJECTS FOR THE PERIOD, 2015-20
DIVISION-WISE MEGA PWS PROJECTS

Sl. No.	District	Name of Block	Nos. of GP	Nos. of Village	Source	Location of Head Works	Population to be served	Estimated Cost Rs. in Crore
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(11)*	*(12)*
1	Balasore	Bhograi	5	49	Suvarnarekha	Aruhabruti	53857	53.86
2	Bhadrak	Bhandaripokhari	8	77	Baitarani	Akhuapada (Nereda)	61437	61.44
3	Cuttack	Narasinghpur	31	214	Mahanadi	Ghoradia	138309	138.31
4	Deogarh	Reamal	4	35	Brahmani	Dhiramunda	14500	14.50
5	Jajpur	Rasulpur	16	94	Kharasrota	Jokadia	91078	91.08
6	Jharsuguda	Kolabira	5	19	Bheden	Sodamal	25519	25.52
7	Kendrapara	Kendrapara	5	12	Brahmani	Dhumat & Chargaon	24880	24.88
8	Nayagarh	Ranpur	7	38	Bhetabar MIP	Bhetabara	32752	32.75
9	Puri	Satyabadi	12	46	Bhargavi	Sagar	63278	63.28
10	Bolangir	Saintala & Titilagarh	4	15	Tel	Belgaon	23972	23.97
11	Bargarh	Paikamal	2	9	Irrigation Project	Dumerbahl	9464	9.46
12	Mayurbhanj (Baripada)	Badasahi	2	12	Budhabalanga		6747	6.75
13	Ganjam (Bhanjanagar)	Purusottampur	5	13	Rushikulya	Mukundapur	23186	23.19
14	Khurda	Jatni	3	23	Daya	Tirimal	33832	33.83
15	Dhenkanal	Bhuban	1	6	Brahmani	Kirtanpur	7816	7.82
16	Kalahandi	Kesinga	4	10	Tel	Pariagaon	15316	15.32

Sl. No.	District	Name of Block	Nos. of GP	Nos. of Village	Source	Location of Head Works	Population to be served	Estimated Cost Rs. in Crore
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(11)*	*(12)*
17	Keonjhar	Champua, Jhumpura & Keonjhar	20	78	Kanpur Irrigation Project		75044	75.04
18	Nabarangpur	Kosagumuda	1	4	Bhaskel		6782	6.78
19	Kandhamal	Tikabali & G. Udayagiri	3	12			5247	5.25
20	Mayurbhanj (Rairangpur)	Rairangpur	2	15	Khadakhai	Gatibandha	9860	9.86
21	Subarnapur	Sonepur	1	10	Ong	Rugudipali	8512	8.51
22	Boudh	Boudh	1	9	Mahanadi		7212	7.21
23	Jagatsinghpur	Erasama, Balikuda & Nuagon	24	123	Devi	Sikharnuagaon	137000	137.00
24	Sundargarh	Subdega	2	14	Ib	Bhogapali	12817	12.82
25	Sundagarh (Rourkela)	Nuagaon	3	13	Koel	Bagdega	7926	7.93
26	Sambalpur	Dhankauda	3	11	Hirakud Reservoir	Hirakud	10478	10.48
27	Angul	Athamalik	3	20	Mahanadi	Lunahandi	12215	12.22
28	Ganjam (Berhampur)	Hinjilicut	15	32	Rushikulya	Nandigaon	43145	43.15
29	Rayagada	Gunupur	2	10	Bansadhara		5220	5.22
30	Gajapati	Kashinagar	1	9	Bansadhara	Purtiguda	5650	5.65
31	Nuapada	Khariar	5	138	Lower Indra Irrigation Project	Tikhali	37916	37.92
	Total		**200**	**1170**			**1010967**	**1010.97**

Source: Rural Water Supply & Sanitation Organisation

ABBREVIATIONS

AG	Accountant General
AIILSG	All India Institute of Local Self Government
ANM	Auxiliary Nurse Midwife
ATR	Action Taken Report
BDO	Block Development Officer
BMC	Bhubaneswar Municipal Corporation
BRGF	Backward Region Grant Fund
C&AG	Comptroller and Auditor General
CA	Chartered Accountant
CC	Cement Concrete
CFC	Central Finance Commission
CFL	Compact Fluorescent Lamp
CPCB	Central Pollution Control Board
CPO	Collaborative Partner Organisation
DA	Daily Allowance
DM	District Magistrate
DPO	District Panchayat Officer
DPR	Detailed Project Report
DRDA	District Rural Development Agency
EIC	Engineer in Chief
EO	Executive Officer
ETC	Extension Training Centre
FRBM	Fiscal Responsibility and Budget Management
GGY	GopabandhuGraminaYojana
GOI	Government of India
GP	Gram Panchayat
GSDP	Gross State Domestic Product
H&FW	Health & Family Welfare
H&UD	Housing & Urban Development
HPEC	High Powered Expert Committee
IAY	Indira AwasYojana
ILW	Inspector of Local Works
IT	Information Technology
ITDA	Integrated Tribal Development Agency
KL	Kendu Leaf
LBs	Local Bodies
LFS	Local Fund Service
lpcd	litre per capita per day
LSG	Local Self Government
MFP	Minor Forest Produce
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIS	Management Information System
MOUD	Ministry of Urban Development

NAC	Notified Area Council
NGO	Non-Government Organisation
NRHM	National Rural Health Mission
NRW	Non-Revenue Water
O&M	Operation and Maintenance
ODF	Open Defection Free
OFDC	Odisha Forest Development Corporation
O.M.C. Act	Odisha Municipal Corporation Act
OPEPA	Odisha Primary Education Programme Authority
OREDA	Odisha Renewable Energy Development Agency
OT & AS	Odisha Taxation and Accounts Service
PA	Personal Assistant
PDS	Public Distribution System
PEAIS	Panchayat Empowerment and Accountability Incentive Scheme
PH	Public Health
PHEO	Public Health Engineering Organisations
PPP	Public Private Partnership
PR	Panchayati Raj
PRIs	Panchayati Raj Institutions
PS	PanchayatSamiti
PVTG	Particularly Vulnerable Tribal Group
PWD	Public Works Department
RE	Revised Estimate
RLB	Rural Local Bodies
RMC	Regulated Marketing Committee
RWS&S	Rural Water Supply & Sanitation
SDPO	Sub DivisionalPanchayat Officer
SEM	Self Employed Mechanic
SFC	State Finance Commission
SGRY	Sampurna Gram SwarojagarYojana
SHG	Self Help Group
SIRD	State Institute for Rural Development
SONTR	State own Non Tax Revenue
SOTR	State own Tax Revenue
ST&SC	Schedule Tribe & Schedule Caste
SUDA	State Urban Development Agency
TA	Travelling Allowance
ToR	Terms of Reference
TSP	Tribal Sub Plan
ULBs	Urban Local Bodies
VAT	Value Added Tax
W&CD	Women & Child Development
ZP	ZillaParishad

LIST OF OFFICIALS WHO ASSISTED THE 4TH STATE FINANCE COMMISSION

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Sl. No.	Name	Designation
1.	**Sri Uma Shankar Mohapatra**	Section Officer
2.	**Sri Samir Kumar Sahoo**	Private Secretary to Chairman
3.	**Sri Gopal Krushna Panda**	Personal Assistant to Members
4.	**Sri Purna Chandra Rath**	Personal Assistant to Joint Secretary
5.	**Sri Braja Kishore Mohanty**	Personal Assistant to Member Secretary
6.	**Sri Manmath Kumar Samal**	Asst. Section Officer
7.	**Sri Trinath Barik**	Sr. Gr. Typist
8.	**Sri Biswajit Mohanty**	Data Processing Assistant
9.	**Sri Mahendra Kumar Barik**	Data Processing Assistant
10.	**Sri Dillip Kumar Mohanty**	Data Processing Assistant
11.	**Smt. Sucheta Ray**	Data Processing Assistant
12.	**Sri Narottam Mishra**	Peon (Attached to Joint. Secy.)
13.	**Sri Kailash Chandra Mohapatra**	Peon (Attached to Member Secy.)
14.	**Sri Bansidhar Mohapatra**	Peon (Attached to Member Secy.)
15.	**Sri Laxmidhar Das**	Peon (Attached to Deputy Secy.)
16.	**Sri Kailash Chandra Jena**	Peon
17.	**Sri Krushna Chandra Nayak**	Daftary (Attached to Member)
18.	**Sri Ratikant Pattnaik**	Peon
19.	**Sri Purna Chandra Mishra**	Peon (Attached to Member)
20.	**Sri Padam Bahadur Thappa**	Peon (Attached to Chairman)
21.	**Sri Sudarsan Sitha**	Record Supplier
22.	**Sri Sanjay Kumar Rout**	Watchman-cum-Key Peon
23.	**Sri Sumant Kumar Guin**	Driver (hired vehicle)
24.	**Sri Santanu Kumar Dalei**	Driver (hired vehicle)