



GOVERNMENT OF ODISHA

**REPORT OF THE  
SIXTH STATE FINANCE COMMISSION  
ODISHA**

**2026 - 2031**

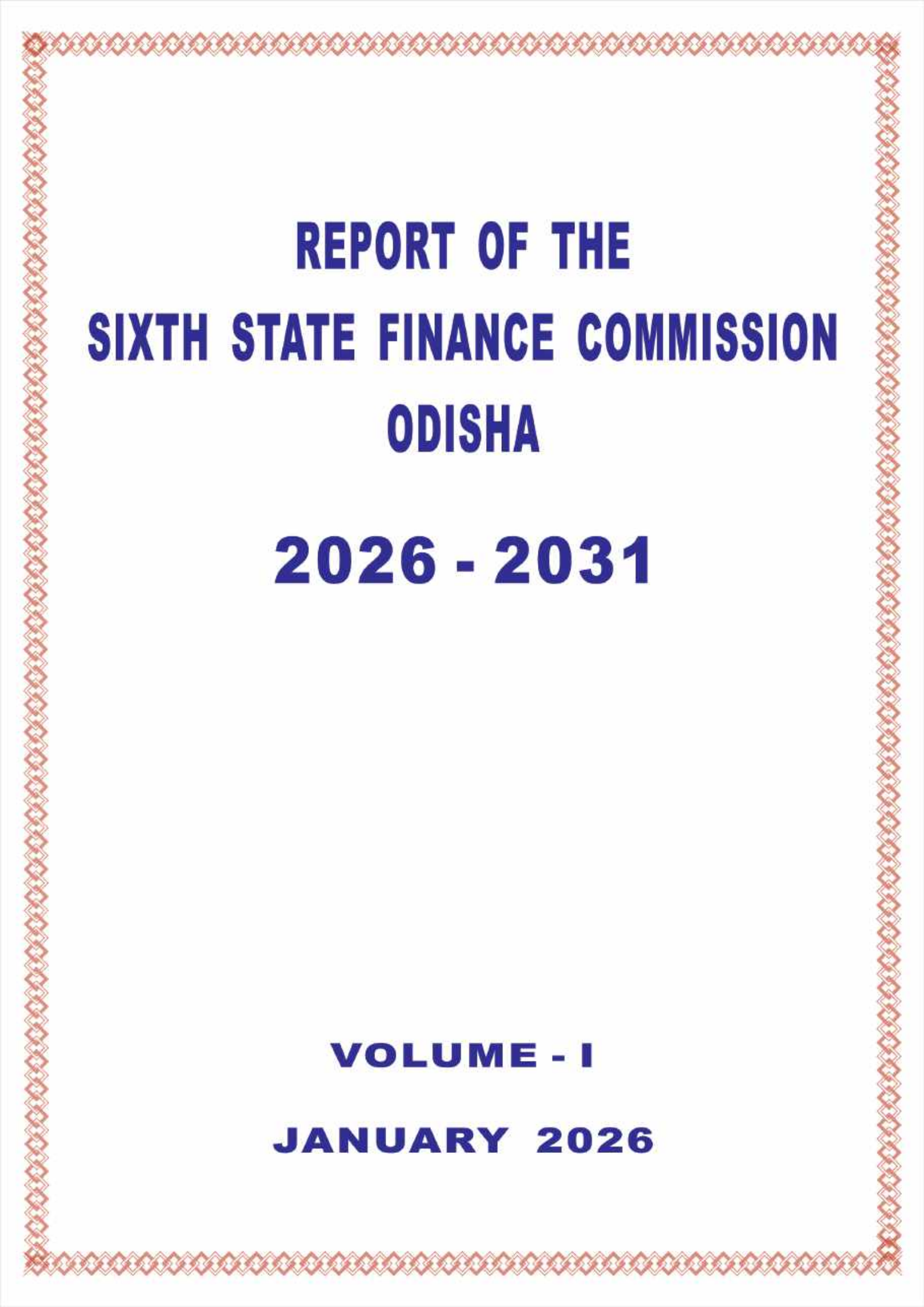
**VOLUME - I  
JANUARY 2026**

नगराध्यक्षः शौचमार्गोदकवणिक्पण्यशालाः पालयेत् ।

“The head of City Administration shall regulate sanitation, roads,  
water supply, markets and commercial establishments.”

- **Kautilya**

Arthashastra, Book 2 ( City Administration )



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## PREFACE

The Sixth State Finance Commission was constituted with the mandate to review the financial position of the State as well as its local bodies, and to make recommendations for the devolution of funds, functions and functionaries to the Panchayati Raj Institutions (PRIs) and the Urban Local Bodies (ULBs) for the five year period 2026-31 under Articles 243-I and 243-Y of the Constitution. The Commission adopted a consultative and evidence-based approach, held extensive deliberations with diverse stakeholders including people's representatives, considered the memorandums/ suggestions received from the government departments, civil society organizations and the citizens. Field visits to districts, PRIs and ULBs offered valuable insights into grassroot level realities, while commissioned studies submitted by academic and research institutions, provided analytical depth and comparative perspectives on decentralisation and fiscal federalism.

The Commission recognises that local governments today face motley challenges, including limited own-source revenues, capacity constraints, increasing service delivery expectations, and the need to align with national and state development priorities. At the same time, they represent a critical instrument for inclusive growth, participatory governance, and efficient public service delivery. The recommendations of the Commission, therefore, seek to strike a balance between fiscal prudence and empowerment, predictability and performance orientation, autonomy and accountability.

This Report places emphasis on strengthening the fiscal foundations of local bodies through a predictable and formula-based system of devolution, incentivisation of performance, human resource strengthening, capacity building, augmentation of own-source revenues, improvement in financial management systems, and promotion of transparency and citizen participation. Special attention has been given to equity considerations, regional disparities, and the differentiated needs of rural and urban local governments.

The Commission decided to adopt seven guiding principles while formulating its recommendations, which aim at, *inter alia*, strengthening the third tier of Government by augmenting the quantum of transfer, making it equitable, strengthening the human resources of the local bodies and introducing an effective system of incentives. In addition to transfer of resources from State's Own Tax Revenue, the Commission, for the very first time, has recommended a transfer of one per cent of the State's Mines revenue (under the non-tax revenue category) to create a Human Resource Development Fund towards strengthening and upskilling the manpower of the local bodies.

This Report reviews the State's economy and finances, examines the implementation of the Fifth State Finance Commission's recommendations, assesses the status of devolution, and outlines a broad framework of resource sharing between the State and its local bodies.

The Commission has made both financial and non-financial recommendations for the overall development of Local Bodies. Financial recommendations are broadly devised under *five* different heads i.e. Devolution, Assignment of Taxes, Grants-in-Aid, Performance Incentive Fund and Human Resource Development Fund.

Under Performance Incentive Fund, the Commission has recommended a mechanism to encourage resource mobilization and fund utilization through linking with substantial quantum of incentives. Under HR Development Fund, the Commission has proposed to address manpower issues and capacity development of elected representatives as well as manpower. The Commission has also recommended several reforms to improve the procurement, project execution and monitoring to bring in efficiency, accountability and transparency in the system.

On behalf of the Commission, I express my gratitude to the Government of Odisha, all Departments, District Level Officials, Local Bodies, elected representatives, civil societies, and citizens for their suggestions and cooperation. I also acknowledge the unwavering commitment, contribution and teamwork of the esteemed Members Prof. Asit Ranjan Mohanty, Prof Amaresh Samantaraya, Dr. Bibhu Prasad Nayak, and Dr. Satya Priya Rath, the Member-Secretary of the Commission in bringing out this Report within the stipulated timeframe. I also acknowledge and appreciate the valuable contribution of Sri Tarakanta Bhakta, Sri Pradipta Kumar Biswal, the SFC Cell and CEFT- knowledge partner of Finance Department- in the entire process.

The Commission records its appreciation and is thankful to Shri Manoj Ahuja, former Chief Secretary, Smt. Anu Garg, Chief Secretary, Sri Saswata Mishra, Principal Secretary to CM, Sri Sanjeeb Kumar Mishra, Principal Secretary, Finance Department, Smt. Usha Padhee, Principal Secretary, H&UD, Sri S.N Girish, Commissioner-cum-Secretary, PR & DW Department and Sri Arindam Dakua, Director, Municipal Administration for their support and cooperation.

We hope that the Commission's recommendations contained in this Report will contribute to the process of building a stronger, financially sustainable, climate-resilient and people-centric system of local governance, aligned with the vision of "Odisha Vision 2036". This will empower and equip the local bodies as institutions of self-governance to respond effectively to the rising aspirations of the people for a better tomorrow.



**(Dr. Arun Kumar Panda)**  
**Chairman**  
**Sixth State Finance Commission**

## HIGHLIGHTS

The Sixth State Finance Commission (SFC) of Odisha was constituted on 22<sup>nd</sup> January 2025 under Articles 243-I and 243-Y of the Constitution and the Odisha Finance Commission Act, 1993, to review the financial position of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and to recommend principles governing devolution of funds, assignment of taxes, grants-in-aid, and measures to strengthen local finances, for the period 2026–31 in alignment with the Sixteenth Finance Commission.

2. Odisha is the eighth largest state by area and eleventh by population, characterised by a diverse geography encompassing fertile coastal plains, mineral-rich plateaus, and forested uplands covering about 37.6 per cent of its land area. The State’s economy has demonstrated strong and balanced growth, with Gross State Domestic Product (GSDP) for 2024–25 projected at ₹9.49 lakh crore. Industry accounts for 43.9 per cent, services for 37.1 per cent, and agriculture for 18.9 per cent of GSDP. Steady growth in per capita income has been supported by a resilient agricultural base, mineral-driven industrialisation, and rapidly expanding exports.

3. A key enabling factor for decentralisation in Odisha has been its notable fiscal turnaround since the early 2000s. The State has consistently maintained a revenue surplus since 2005–06, reduced its debt-to-GSDP ratio to around 12 per cent, and adhered to Fiscal Responsibility and Budget Management (FRBM) limits. State’s Own Revenue has more than doubled over the past six years, while public expenditure has become increasingly development-oriented, with capital outlay rising to about 30 per cent of revenue expenditure. Odisha has also emerged as a national leader in fiscal risk management through the creation of stabilisation and contingency funds, and was ranked first in NITI Aayog’s Fiscal Health Index 2025.

4. Despite these achievements, significant challenges persist in local governance. Functional devolution remains incomplete, with line departments retaining substantial control over key subjects listed in the Eleventh and Twelfth Schedules of the Constitution. Chronic vacancies in technical and administrative cadres weaken local planning, execution, and service delivery. PRIs remain heavily dependent on State transfers, with own-source revenues averaging only about 1.2 per cent of total receipts during 2019–24, while ULBs face similar structural weaknesses. Service delivery deficits are evident in sectors like health, education, water supply, waste management, and urban planning, which are further compounded by Odisha’s vulnerability to climate-related risks.

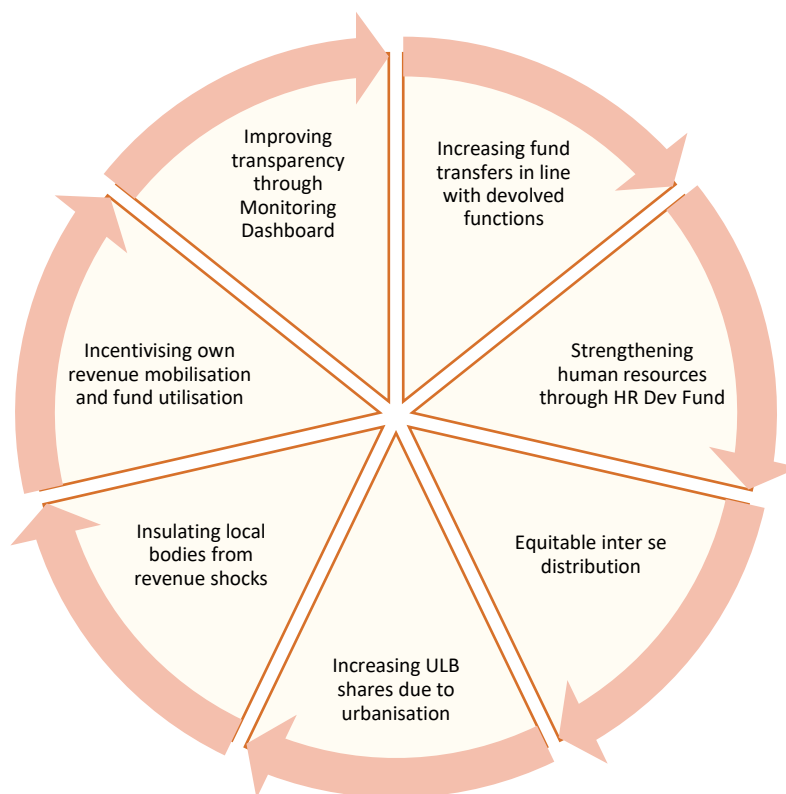
5. The Fifth State Finance Commission (2020–25) had recommended transfers amounting to ₹20,850 crore, equivalent to 10 per cent of the State’s Own Net Tax Revenue. This award period was extended to 2025–26 to align with the Fifteenth Finance Commission, raising the total transfer to ₹23,848 crore. Although overall utilisation was moderate—81 per cent for PRIs and 70 per cent for ULBs—substantial disparities were observed across tiers of local bodies and among different schemes, with particularly low absorption of grants-in-aid. At the same time, positive innovations such as the establishment of CSP Plus banking outlets in unbanked GPs improved financial inclusion, though large gaps remain in institutional capacity and data systems.

6. The Sixth SFC adopted a consultative and evidence-based approach in discharging its mandate. It engaged extensively with State departments, representatives of local bodies, and civil society organisations, commissioned background studies, and invited public suggestions through a dedicated bilingual website. Its interim recommendations have provided valuable inputs to the Sixteenth Finance Commission, while the final report will set out detailed financial devolution formulas, non-financial reform measures to enhance transparency and accountability, and project-specific grant frameworks.

7. As Odisha prepares to celebrate its centenary in 2036 under the “Odisha Vision 2036”, decentralisation is positioned as a central strategy for achieving rapid, inclusive, and sustainable development. Strengthening PRIs and ULBs through enhanced fiscal autonomy, clearer functional assignments, improved human resource capacity, and more effective utilisation of funds is critical to realising the constitutional vision of grassroots democracy and transforming local bodies into engines of participatory development. The Commission has concluded that transfers recommended by the SFC as a share of the State’s Own Net Tax Revenue should be increased, with a higher allocation for ULBs in view of the increasing trend of urbanisation. It also emphasises the urgent need to strengthen staffing, build skills, and improve fund absorption capacities at the local level.

8. The Commission formulated a comprehensive scheme for sharing resources with local bodies, guided by the 73rd and 74th Constitutional Amendments. Based on wide consultations, field visits, expert studies, and detailed fiscal analysis, the Commission proposed a significantly enhanced transfer of resources to strengthen local governance capacity, fiscal autonomy, and service delivery. The Scheme is based on seven guiding principles as given below:

### SEVEN GUIDING PRINCIPLES



9. The Commission recommended to increase the total transfer from 10% of NTR to 11%. Additionally, the Commission has recommended to introduce a Performance Incentives Fund and Human Resources Development Fund to incentivise performing local bodies and to strengthen their human resources. Accordingly, an amount ₹50,000 crore in total is recommended for transfer from the State during 2026–31, including devolution, tax assignments, grants-in-aid, performance incentives, and allocations for human resource development — about two and half times the Fifth SFC award. Five broad items of State transfers to local bodies are given in following tables.

### Items of State Transfers to Local Bodies

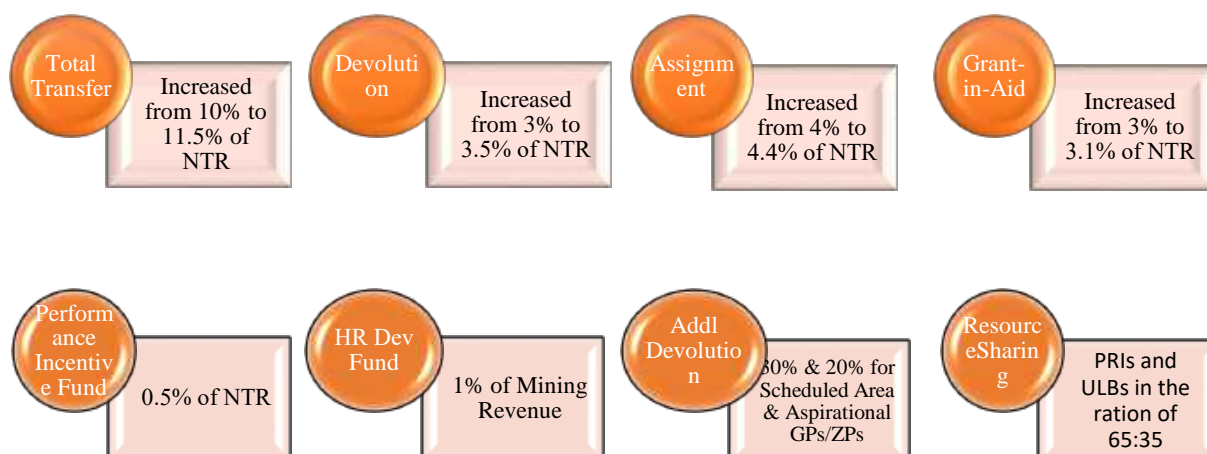
(Rs. in Crore)

Sl. No.	Item	PRIs	ULBs	Monitoring	Total
1	Devolution (3.5% of NTR)	10,150	4,350		14,500
2	Assignment of Taxes (4.4% of NTR)	11,550	6,700		18,250
3	Grants-in-Aid (3.1% of NTR)	8,190	4,667		12,857
4	Performance Incentive Fund (0.5% of NTR)	1,451	622	15	2,073
5	Human Resource Development Fund (1% of Mining revenue)	1,624	696		2,320
<b>Grand Total</b>		<b>32,871</b>	<b>17,114</b>	<b>15</b>	<b>50,000</b>

*Under devolution, additional 30% allocation to GPs in Scheduled Areas and 20% extra to aspirational blocks and ZPs to be provided.*

10. Recognising the overall financial requirements of local bodies, the Commission estimates that ₹1,10,000 crore will be required during 2026–31, of which PRIs need ₹71,871 crore and ULBs ₹38,114 crore. With the Commission recommending ₹50,000 crore as state transfers, there remains a gap of ₹60,000 crore. It is recommended that this shortfall be met through grants from the Sixteenth Finance Commission, to be shared between PRIs and ULBs in the ratio of 65:35, translating to ₹39,000 crore and ₹21,000 crore, respectively.

11. Broad approach of the Commission is given below:



12. Out of the total Grants-in-Aid of Rs.12,857 crore, the Commission has earmarked Rs.8,190 crore for PRIs. Broad items of Grants-in-Aid for PRIs is reflected as below:

### Grants-in-Aid for PRIs

Creation of Capital Assets : Rs.2038 crore	Maintenance of Capital Assets : Rs.679 crore	Provision of LED Street Light : Rs.577 crore	Rejuvenation of water bodies and Biodiversity parks : Rs.653
Construction of 1000 New Panchayat Bhawan : Rs.2000 crore	Solar power in Mega water supply Projects : Rs.280 crore	Inline Chlorination in SVS projects : Rs.105 crore	IoT devices in SVS Projects : Rs.201 crore
Iron Removal Plant in PWS Projects: Rs.133 crore	Model pisciculture tanks for Demonstration : Rs.138 crore	Creation of facilities for AWCs: Rs.685 crore	IT infrastructure at GPs: Rs.136 crore
Construction of Hostel for DPRCs : Rs.130 crore	Development of infrastructure for Census Town GPs : Rs.348 crore	Sanitation and waste management in Tourist oriented GPs : Rs. 47 crore	Preparation of master plans for Census Towns: Rs.40 crore

13. Grants-in-Aid for the Urban Local Bodies (ULBs) is fixed at Rs.4,667 crore. Broad items of Grants-in-Aid for PRIs are indicated below:

### Grants-in-Aid for ULBs

Urban Sewerage System : Rs.500 crore	Urban Sanitation & Waste Management: Rs.700 crore	Creation of capital assets : Rs.1000 crore	Rejuvenation of water bodies : Rs.400 crore
Development of parks and urban forestry : Rs.187 crore	Slum redevelopment : Rs.50 crore	Provision of LED Street Lightings : Rs.300 crore	Provision of Solar Street lights: Rs.80 crore
Maintenance of Capital Assets : Rs.600 crore	Master Plans for River/ Lake front development : Rs.10 crore	District Skill Development-cum-Technology Centres : Rs.500 crore	Development of urban agglomerates : Rs.300 crore
Development of Street food hubs in Municipal Corporation areas : Rs.40 crore			

14. To address human resource challenges at the local bodies, the Commission has recommended the creation of Human Resource Development Fund by earmarking 1% of the Mining Revenue. An amount of Rs.2,320 crore is recommended for transfer to the local bodies for the purpose over the period 2026-31. Broad items of HR Development Fund are indicated below:

### **Human Resource Development Fund**

Creation of 3361 posts of JE for PRIs: Rs. 1285 crore	Creation of 499 posts for new ULBs : Rs.635 crore	Professional Service : Rs.80 crore	Training and Capacity Building : Rs. 105 crore
E-Governance : Rs.200 crore	AI Odia chatbot : Rs.25 crore	Digitisation of revenue generating properties : Rs.25 crore	Monitoring at the FD including monitoring Dashboard : Rs.15 crore (SAMIKSHYA)

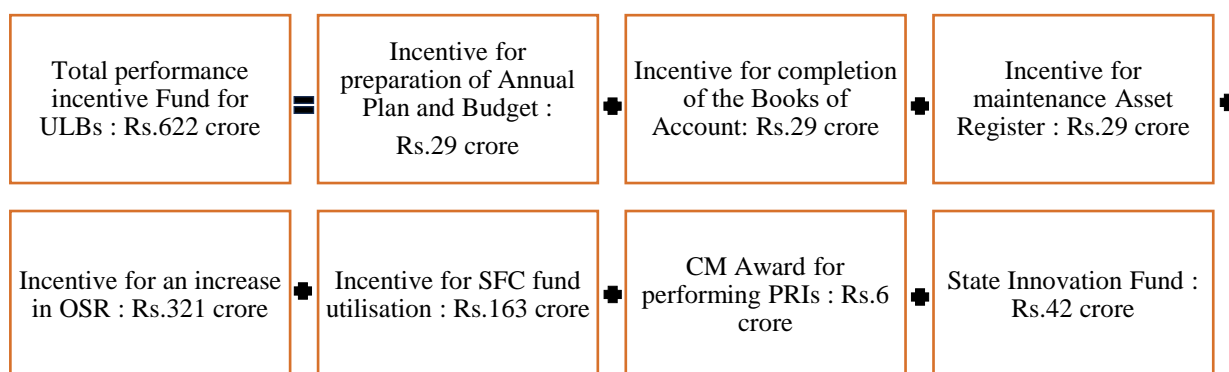
15. In order to improve performance of the local bodies primarily in the areas of raising OSR, improving fund utilization, preparation of annual plan and budget, timely preparation of accounts and conducting audit of accounts, the Commission has recommended for creation of a Performance Incentive Fund by earmarking 0.5% of NTR. An amount of Rs.2,073 crore is recommended for transfer to the local bodies for the purpose over the period 2026-31. Out of this, Rs.1451 crore is for PRIs. Broad items of the fund are indicated below:

### **Performance Incentive Fund for PRIs**

Performance incentive Fund for PRIs : Rs.1451 crore	Incentive for preparation of Annual GPDP and Budget : Rs.136 crore	Incentive for completion of the Books of Account: Rs.136 crore	Incentive for maintenance Asset Register : Rs.136 crore
Incentive for an increase in OSR : Rs.200 crore	Incentive for SFC fund utilisation : Rs.753 crore	CM Award for performing PRIs : Rs.15.16 crore	State Innovation Fund : Rs.75 crore

16. Performance Incentive Fund for the Urban Local Bodies (ULBs) is fixed at Rs.662 crore. Broad items of Performance Incentive Fund for ULBs are indicated below:

### Performance Incentive Fund for ULBs



17. The Commission has put forward a comprehensive set of non-financial recommendations aimed at strengthening the institutional and governance framework of local bodies. These primarily focus on simplifying and streamlining the tendering and procurement processes to ensure timely execution of projects and reduction of procedural delays. The Commission also emphasises the institutionalisation of systematic monitoring mechanisms for project execution and fund utilisation, including the use of digital monitoring dashboard (SAMIKSHYA). Further, it advocates the extensive use of technology and innovation in planning, implementation, and service delivery, alongside the adoption of forward-looking and innovative models for project financing. Special attention has been given to identifying new avenues for enhancing Own Source Revenue (OSR), while simultaneously improving transparency and accountability in financial and administrative operations.

18. These recommendations are designed to enhance fiscal empowerment, digital capacity, and climate resilience of Odisha's local bodies. They are expected to strengthen human resource capacities, improve the efficiency, quality, and reach of public services, and enable grassroots level institutions to respond more effectively to the evolving developmental aspirations of citizens. In doing so, the Commission envisions a more equitable, transparent, and sustainable system of local governance that supports inclusive growth and fosters self-reliance across the State.

<b>List of Abbreviations</b>	
AAP	Annual Action Plans
ABDO	Additional Block Development Officer
ABP	Aspirational Blocks Programme
ACC	Associated Cement Companies
AF	Alkire and Foster (AF) method
AIILSG	All-India Institute of Local Self Government
ASHA	Accredited Social Health Activist
ATR	Action Taken Report
AWW	Anganwadi Workers
BC	Business Correspondents
BDO	Block Development Officer
BFO	Block Finance Officer
BMC	Bhubaneswar Municipal Corporation
BSF	Budget Stabilisation Fund
CAG	Comptroller and Auditor General of India
CAGR	Compound annual growth rate
CDO-cum-EO	Chief Development Officer-Cum-Executive Officer
CEO	Chief Executive Officer
CFC	Central Finance Commission
CGST	Central Goods and Service Tax
CHC	Community Health Center
CORE	Capital Outlay to Revenue Expenditure
CPRs	Common Property Resources
CRUT	Capital Region Urban Transport
CSF	Consolidated Sinking Fund
CSP	Customer Service Point
CYSD	Centre for Youth and Social Development
DA	Dearness Allowance
DEOs	Data Entry Operators
DGCI&S	Directorate General of Commercial Intelligence and Statistics
DI	Devolution Index
DILRMP	Digital India Land Records Modernisation Programme
DLFA	District Local Fund Audit
DLMC	District Level Monitoring Committee
DPC	District Planning Committees
DPRC	District Panchayat Resource Centres
DRDA	District Rural Development Agency
DSR	Debt Sustainability Ratio
E&IT	Electronics and Information Technology
EIC	Engineer-in-Chief
FHI	Fiscal Health Index
FMR	Fiscal Monitor Report
FRBM	Fiscal Responsibility and Budget Management
FRD	Fiscal Risk Disclosures
FSA	Fifth Schedule Areas
GCA	Gross Cropped Area
GDP	Gross Domestic Product
GFD-GSDP	Gross Fiscal Deficit to Gross State Domestic Product
GIA	Grants-in-Aid
GIS	Geographic Information System

## List of Abbreviations

GP	Gram Panchayat
GPDO	Gram Panchayat Development Officer
GPDP	Gram Panchayat Development Plan
GPMS	Gram Panchayat Monitoring System
GPs	Gram Panchayats
GRF	Guarantee Redemption Fund
GSDP	Gross State Domestic Product
GST	Goods and Service Tax
GTR	Gross Tax Revenue
H&UD	Housing and Urban Development
HLMC	High Level Monitoring Committee
HP filter	Hodrick-Prescott filter
IGFT	Inter-Governmental Fiscal Transfer
IIPA	Indian Institute of Public Administration
IME	Informal Micro Enterprise
IMF	International Monetary Fund
IPC	Irrigation Potential Created
IPRR	Interest Payment to Revenue Receipt
ISFR	India State of Forest Report
IT	Information Technology
IUAP	Integrated Urban Accessibility Planning
JSPL	Jindal Steel and Power Ltd.
LBs	Local Bodies
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MIS	Management Information System
MLA	Member of the Legislative Assembly
MP	Member of Parliament
MPI	Multidimensional Poverty Index
MSMEs	Micro, Small and Medium Enterprises
MT	Metric Ton
MV	Motor Vehicle
NAC	Notified Area Council
NALCO	National Aluminium Company Limited
NDRF	National Disaster Response Force
NFHS	National Family Health Survey
NIC	National Informatics Centre
NITI	National Institution for Transforming India
NIUA	National Institute of Urban Affairs
NRLM	National Rural Livelihoods Mission
NSDP	Net State Domestic Product
NTPC	National Thermal Power Corporation
NTR	Net Tax Revenue
NTR	Non-Tax Revenue
OCAC	Odisha Computer Application Centre
OGPA	Odisha Gram Panchayat Act, 1964,
OMA	Orissa Municipal Act, 1950
OMAS	Odisha Municipal Administrative Services
OMCA	Odisha Municipal Corporation Act, 2003
OSAM	Odisha State Agricultural Marketing
OSHB	Odisha State Housing Board

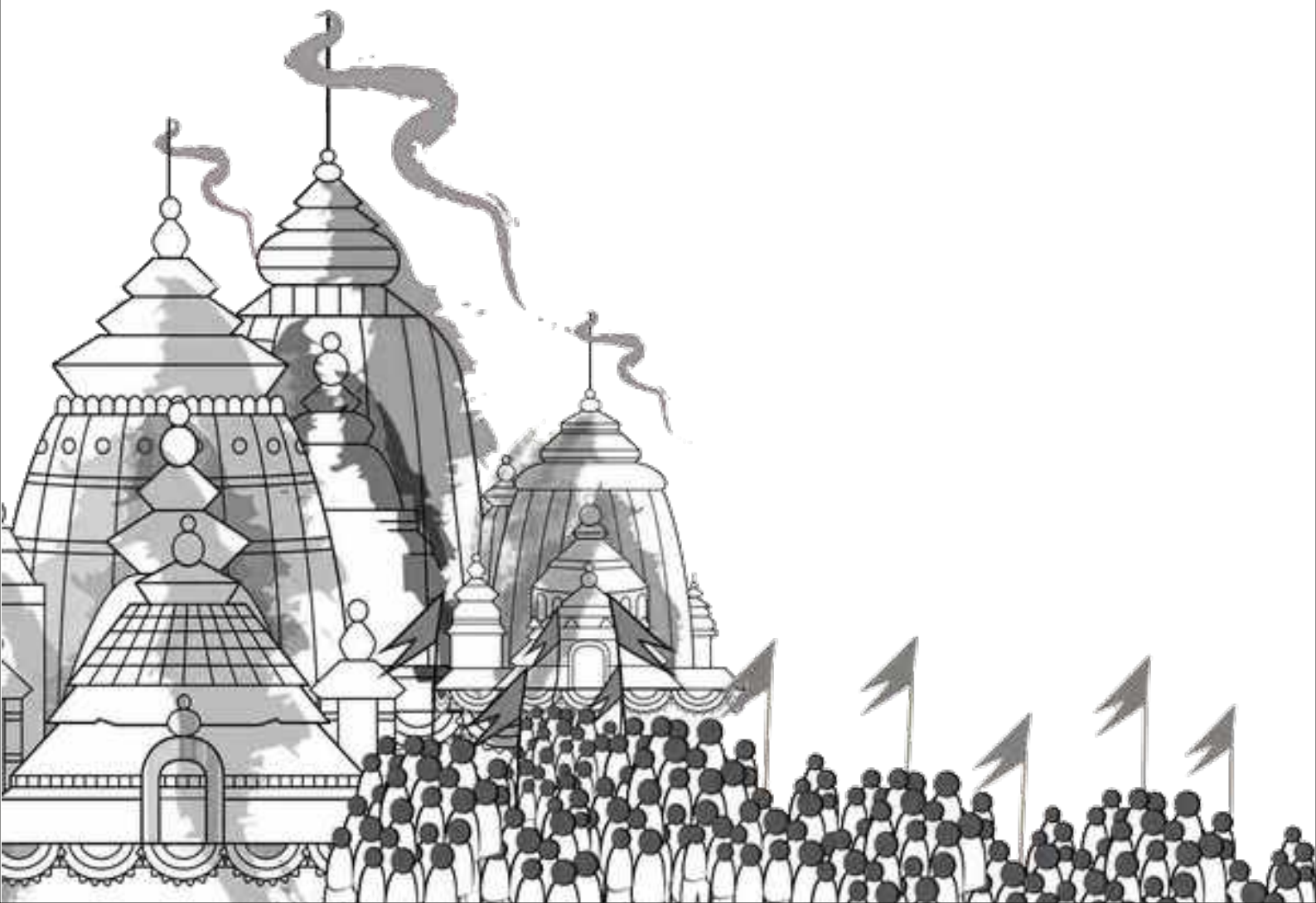
<b>List of Abbreviations</b>	
OSR	Own Source of Revenue
OUA	Odisha Urban Academy
OWSSB	Orissa Water Supply and Sewerage Board
PEO	Panchayat Executive Officer
PESA	Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996
PHC	Primary Health Center
PHEO	Public Health Engineering Organisation
PL	Personal Ledger
PMAY-G	Pradhan Mantri Awaas Yojana-Gramin
PPP	Public-Private Partnerships
PR&DW	Panchayati Raj and Drinking Water
PRIIs	Panchayati Raj Institutions
PS	Panchayat Samiti
PSU	Public Sector Undertakings
PTG	Primitive Tribal Groups
PVTG	Particularly Vulnerable Tribal Group
RGSA	Rashtriya Gram Swaraj Abhiyan
SAIL	Steel Authority of India Limited
SAPCC	State Action Plan for Climate Change
SBM	Swachha Bharat Mission
SCs	Scheduled Castes
SDGs	Sustainable Development Goals
SDMF	State Disaster Mitigation Fund
SDRF	State Disaster Response Force
SEZ	Special Economic Zones
SFC	State Finance Commission
SGST	State Goods and Services Tax
SGST	State Goods and Services Tax
SIRD & PR	State Institute for Rural Development & Panchayati Raj
SOR	State's Own Revenue
SOTR	State Own Tax Revenue
ST & SC	Schedule Tribe & Schedule Caste
STs	Scheduled Tribes
SUDA	State Urban Development Agency
TA	Travelling Allowance
ToR	Terms of Reference
TSP	Tribal Sub Plan
UAP	Udyam Assist Platform
ULBs	Urban Local Bodies
VAT	Value Added Tax
WATCO	Water Corporation of Odisha
YoY	Year-on-Year
ZP	Zilla Parishad





# **CHAPTER - I**

## **Introduction**



## **Chapter – I**

### **Introduction**

**1.1** The Constitution of India envisages a three-tier structure of governance - the Central Government, the State Governments, and the Local Governments. The Seventh, Eleventh and Twelfth Schedules of the Constitution delineate the subjects allotted to each tier of Government. Within their respective jurisdictions, each tier is supposed to deliver services, levy and appropriate taxes. The Local Governments are closest to the people and play a crucially important role in delivering public services at the grassroots level.

**1.2** Village Panchayats have long served as the foundation of decentralised governance in India, even before they were formally recognised in our constitutional framework after independence. The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments in 1992 ushered in a paradigm shift in the governance mechanism of the third-tier of Government. The provisions in these amendments granted constitutional status to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), mandated regular elections, empowered them through devolution of powers, and called for formation of State Finance Commissions (SFCs). These amendments provided for required transfer of functions, funds, and functionaries (the 3Fs) to the local governments. Together, these provisions aimed to deepen grassroots democracy, enhance public service delivery and promote citizen participation in local governance.

### **Constitution of Sixth State Finance Commission of Odisha**

**1.3** As envisaged in Article 243 (I) and 243 (Y) of the Constitution of India, each State must constitute an SFC once in five years to review the financial position of the State and local bodies, and make recommendations to the State Government on devolution of funds, functions, and functionaries to the local bodies.

**1.4** The First SFC of Odisha was constituted in November 1996, and its award period was 1998-99 to 2004-05. The present Commission (Sixth SFC) has been constituted by the Governor of Odisha vide Finance Department Notification dated 22nd January, 2025 (Annexure 1.1) comprising of the Chairman, three Members, two ex-officio Members and Member Secretary. The Commission has been constituted under Article 243-I and Article 243-Y of the Constitution of India and in pursuance of Sections 3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993). The composition of the Commission is as follows:

- |    |  |   |                   |
|----|--|---|-------------------|
| 1. | Dr. Arun Kumar Panda, IAS (R)  | : | Chairman          |
| 2. | Dr. Asit Ranjan Mohanty<br>Professor in Finance, XIMB<br>XIM University, Bhubaneswar                             | : | Member            |
| 3. | Dr. Amaresh Samantaraya<br>Professor, Department of Economics<br>Pondicherry University, Pondicherry             | : | Member            |
| 4. | Dr. Bibhu Prasad Nayak<br>School of Public Policy and Governance<br>Tata Institute of Social Sciences, Hyderabad | : | Member            |
| 5. | Director, Panchayati Raj   | : | Ex officio-Member |
| 6. | Director, Municipal Administration   | : | Ex officio-Member |

7. Dr. Satya Priya Rath, IAS : Member-Secretary  
Additional Secretary, Finance Department  
Government of Odisha

**1.5** The Commission was appointed initially for a period of six months from the date of publication of the above Notification, *i.e.*, 22nd January, 2025, and subsequently it was extended for another six months vide Finance Department Notification dated 17th July, 2025 (Annexure 1.2). The award period of 6<sup>th</sup> SFC is for a period of five years commencing from 1st April, 2026. It is synchronous with the award period of the Sixteenth Finance Commission.

### **Terms of Reference of the Sixth State Finance Commission**

**1.6** It has been stipulated in the terms of reference (ToR) of the Sixth SFC that the Commission shall make recommendations relating to the following matters: -

(i) The principles that should govern-

(a) the distribution between State and 3-tier Panchayati Raj Institutions and Urban Local Bodies of 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 3-tier Panchayati Raj Institutions and Urban Local Bodies of their respective shares of such proceeds;

(b) the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by 3-tier Panchayati Raj Institutions and Urban Local Bodies; and

(c) the Grants-in-aid to 3-tier Panchayati Raj Institutions and Urban Local Bodies from the Consolidated Fund of the State;

(ii) the measures needed to improve the financial position of 3-tier Panchayati Raj Institutions and Urban Local Bodies;

(iii) any other matter, which the Governor may refer to the Commission in the interest of sound finance of 3-tier Panchayati Raj Institutions and Urban Local Bodies.

**1.7** It has also been envisaged in the ToR that 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 3-tier Panchayati Raj Institutions and Urban Local Bodies in respect of discharging and implementing the schemes entrusted to them under Articles 243G and 243W of the Constitution;

(c) the revenue resources of 3-tier Panchayati Raj Institutions and Urban Local Bodies for five years, commencing from 1st April, 2026 on the basis of levels of taxation reached in 2023-24, target set for additional resource mobilisation and potential for mobilising 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 mobilisation as well as closely linking expenditure and revenue raising decisions.

## Previous State Finance Commissions of Odisha

**1.8** It is worthwhile to mention that the SFCs have been regularly constituted by the Government of Odisha as per the Constitutional provisions as indicated above. Brief details on date of constitution, award period and date of submission of reports are provided in Table 1.1, below:

**Table 1.1: Details of Previous SFCs in Odisha**

Sl. No.	SFC	Date of Constitution of SFC	Award Period	Date of submission of SFC Report	Date of submission of ATR
1	SFC-I	21.11.1996	1998-99 to 2004-05	03.12.1998	09.07.1999
2	SFC-II	05.06.2003	2005-06 to 2009-10	29.09.2004	11.08.2006
3	SFC-III	10.09.2008	2010-11 to 2014-15	30.01.2010	17.02.2011
4	SFC-IV	31.10.2013	2015-16 to 2019-20	26.09.2014	16.02.2015
5	SFC-V	05.05.2018	2020-21 to 2025-26	02.08.2019	17.02.2020

*Source: Finance Department, Government of Odisha*

**1.9** The award period of Fifth SFC was originally for 5 years (2020-25). In order to synchronise its award period with that of the Fifteenth Finance Commission, the State Government, in its Action Taken Report (ATR), extended the award period of the Fifth SFC to 6 years (2020-26).

## Interim Report of Sixth SFC

**1.10** Article 280(3)(bb)(c) of Constitution of India mandates Central Finance Commission to consider the recommendations of the State Finance Commissions (SFCs) while recommending measures needed to supplement the resources of Panchayats and Municipalities. Sixth State Finance Commission submitted its Interim Report to the Hon'ble Governor and Hon'ble Chief Minister on 18<sup>th</sup> August, 2025 for onward transmission to Sixteenth FC. The Commission also called on Dr. Arvind Panagariya, Chairman of Sixteenth Finance Commission on 16<sup>th</sup> September, 2025, submitted the Interim Report and apprised him of the major components of the Report.

## Profile of Odisha

**1.11** Odisha, formerly Orissa, is a State located in eastern India with rich culture and heritage. It is the eighth largest state by area, and the eleventh largest by population, with over 4.2 crore inhabitants. The state has 30 districts, among which 12 districts have sizeable tribal population. As per the 2011 census, population density of the state is 270 per square kilometre, which is lower than the national average. The rural population constituted approximately 83.3 per cent of the total population, while the urban population was around 16.7 per cent. The State has the third-largest population of Scheduled Tribes (STs) amongst the States in India. It is home to 64 different tribal communities and 13 Particularly Vulnerable Tribal Groups (PVTGs). Scheduled Tribe population constitute 22.9 per cent of total population of the State, and Scheduled Areas constitute 44.7 per cent of total geographical area. Scheduled Castes (SCs) population is 17.1 per cent of its total population and Odisha ranks 11<sup>th</sup> among Indian States in terms of SC population.

**1.12** The average annual rainfall in Odisha varies from about 1,200 mm to 1,600 mm, and the average annual temperature ranges from 25°C to 28°C, varying greatly by season and region. The State is endowed by many important rivers, which include Mahanadi, Brahmani, Baitarani,

Budhabalanga, Subarnarekha, Rushikulya and Banshadhara. As per the latest India State of the Forest Report (ISFR), 2023 by the Forest Survey of India, Odisha's forest and tree cover accounts for 37.6 per cent of the State's total geographical area.

**1.13** Historically, Odisha was once part of larger administrative units such as the Bihar and Orissa Province, the Madras Presidency, and the Central Provinces. However, the distinct linguistic, cultural, and historical identity of the Odia-speaking population remained a defining feature of the region. After years of persistent struggle and an enduring movement to bring together all Odia-speaking regions under a single administrative ambit, Odisha emerged as a separate province on the 1st of April, 1936. It was the first Indian state to be created on a linguistic basis, laying the foundation for the preservation and growth of Odia language and heritage. In the erstwhile Bihar-Orissa Province, the region corresponding to present-day Odisha was relatively less developed. Consequently, when the State of Odisha was constituted, it inherited severe socio-economic challenges.

**1.14** At its inception, Odisha had six large and unwieldy districts, which, on the integration of Princely States post-independence, grew to thirteen. Subsequently, gradual administrative restructuring and reorganisation with a view to deepening decentralisation and governance have resulted in a total of thirty districts across the State. This expansion aimed to improve public service delivery and ensure effective disaster mitigation. Odisha's districts are marked by remarkable diversity – geographically, culturally, and economically. The coastal districts like undivided Cuttack, Puri, Balasore and Ganjam are relatively prosperous, urbanised, and exposed to maritime trade. Districts like Sambalpur and Bargarh have prospered agriculturally due to enhanced irrigation facilities after operationalisation of Hirakud dam. In contrast, the western and southern districts like Kalahandi, Koraput, Nabarangpur, Malkangiri, and Nuapada have historically faced developmental challenges. The northern plateau areas, like Keonjhar and Sundargarh, are extremely rich and well-endowed with mines and minerals. Linguistic, cultural, and even climatic differences make Odisha a microcosm of India's larger diversity. Tribal cultures thrive well in many parts of the State.

### **Economic Profile**

**1.15** The Gross State Domestic Product (GSDP) of Odisha for 2024-25 is estimated at Rs. 9.49 lakh crore. Unlike the low share of industry at all-India level, industry was the dominant sector in the State, accounting for 43.9 per cent of its GSDP. The share of services and agriculture & allied sectors stood at 37.1 and 18.9 per cent, respectively. The average growth rate of GSDP during 2011-25 at 7.1 per cent was higher than that during 2011-20 at 6.4 per cent. This suggests that the growth rate has accelerated during the post-COVID-19 period as compared to the pre-COVID-19 period.

**1.16** The State's per capita income printed at Rs. 1.82 lakh in 2024-25, registering an annual growth rate of 10.6 per cent as against all-India growth rate of 8.7 per cent. The gap between per capita income of Odisha and that of India has reduced significantly in the last one and half decades. The ratio of per capita income in Odisha to that of India has increased from 76.2 per cent in 2011-12 to 91.2 per cent in 2024-25.

**1.17** Agriculture remains the cornerstone of Odisha's economy, employing almost half of the workforce (49.0 per cent), supporting over 60.0 per cent of the population, and ensuring food security. While the sector's contribution to the GSDP has gradually declined due to the rise of industry and services, its importance remains undiminished, especially in addressing employment issues in rural areas. There are around 1.1 crore farmers and agricultural labourers actively involved in this sector. Livestock and fisheries account for about 28.0 per cent of the total output of the sector, and are emerging as key drivers of agricultural growth in Odisha.

**1.18** Odisha has shown very good progress in food grain production over the recent years and emerged as a food grain surplus State. Food grain production has reached a record high of 143 lakh MT in 2023-24 from 116.9 lakh MT in 2019-20, reflecting a compound annual growth rate (CAGR)

of 5.2 per cent. Odisha is the fifth largest rice producer, accounting for 8.0 per cent of total rice production in India. Odisha ranks as the 7th largest vegetable producer in India, contributing to 5.2 per cent of the national production. Tomato production at 14.7 lakh MT in 2023-24 accounted for 7.0 per cent of total tomato output in the country, and placed Odisha as the fifth largest producer. Odisha is among the top producers of sweet potato, pumpkin and cabbage with 26.0, 24.0, and 13.0 per cent share respectively, in national production. It is the second largest producer of brinjal in the country with a 17.0 per cent share.

**1.19** Odisha is a mineral powerhouse, holding substantial portions of India's key mineral assets, accounting for 57 per cent (rank 1) of iron ore, 21 per cent (rank 3) of coal, 71 per cent (rank 1) of bauxite, 100 per cent (rank 1) of chromite, 15 per cent (rank 4) of manganese, and 92 per cent (rank 1) of nickel reserves in the country. These abundant resources make it indispensable to the country's industrial strength and evolving transition toward value-added mineral production, especially in steel, aluminium and downstream industries. The State's share in the total value of mineral production in India increased from 32.8 per cent in 2017-18 to 44.7 per cent in 2023-24.

**1.20** Odisha has emerged as one of India's leading industrial hubs, leveraging its rich mineral resources, strategic location, and policy support to attract large-scale industries across sectors. The state is particularly strong in steel, aluminium, power, cement, and petrochemicals, making it a key driver of India's industrial growth. The steel industry is a cornerstone of Odisha's economy with major players such as SAIL, Tata Steel, Jindal Steel and Power Ltd. (JSPL), Jindal Stainless Ltd., and Arcelor Mittal Nippon Steel operating large plants in the State. In aluminium production, Odisha is the national leader, owing to the operations of NALCO, Vedanta Aluminium, and Hindalco Industries.

**1.21** In cement production, industries like ACC, Ultratech Cement, and OCL India have set up plants in the State, taking advantage of limestone reserves in Bargarh and other western districts. Similarly, the petrochemicals and chemical industries, particularly the Indian Oil Corporation's Paradip Refinery have opened avenues for downstream plastic and polymer manufacturing.

**1.22** The power sector is also significant, with both thermal and renewable energy capacities. Odisha houses large thermal power plants like NTPC's Talcher units, and independent power producers such as Jindal India Thermal Power. The State's hydroelectric potential, primarily from the Hirakud Dam and other Mahanadi basin projects supplements its power generation mix.

**1.23** As far as MSMEs are concerned, as on 31st January 2025, around 18.7 lakh MSMEs are registered on the Udyam Registration portal, which includes Informal micro enterprises (IMEs) registered on the Udyam Assist Platform (UAP). Out of them, 9.7 lakh (52 per cent) MSMEs come under micro category, and 8.8 lakh (47.2 per cent) under Informal Micro Enterprise (IME)/UAP category. There are 15,000 small and 1,100 medium enterprises in the State. These MSMEs play a key role in employment generation.

**1.24** Odisha is ranked third among top exporting States in terms of growth in exports between 2019-20 and 2023-24. In value terms, exports from Odisha registered a growth rate of 109.1 per cent in the last 5 years, as compared to the all-India average of 63.0 per cent. Gujarat and Telangana were ahead of Odisha in this regard. As per Directorate General of Commercial Intelligence and Statistics (DGCIS), Odisha is the number one State in the country in terms of total outward movement of commodities, with a share of 17.1 per cent. This is followed by other mineral producing States like Jharkhand (15.7 per cent) and Chhattisgarh (13.3 per cent). Top products moving outward from Odisha include iron ore and coking coal.

**1.25** Odisha has a 575 kilometres coastline. Its port-based industries are growing rapidly, supported by Paradip Port and other emerging ports such as Dhamra and Gopalpur, which facilitate exports of minerals, metals, and manufactured goods. This has encouraged setting up of industrial parks and special economic zones (SEZs), further boosting investment. As of 2023-24, Odisha has

3,039 km of railway route, out of which 2,987 km (98.3 per cent) have been electrified. During the last year, railway track of 47 km length was added to the existing railway network in the State.

**1.26** Irrigation is crucial to Odisha's agricultural sector, helping to mitigate the challenges of erratic rainfall, reliance on monsoon and climate change effects. With a large segment of the population relying on agriculture, a dependable water supply is key to maintaining consistent crop yields and reducing the impact of droughts. Between 2019-20 and 2023-24, irrigation potential created (IPC) has increased from 62.6 lakh ha to 72.2 lakh ha (both kharif & rabi), covering 79.0 per cent of the Gross Cropped Area (GCA).

### **Decentralisation in Odisha**

**1.27** Decentralised governance in the State has evolved over several decades. The administrative structures established during the colonial era laid out a rudimentary form of local governance, operating through district boards and municipal committees. India's independence aligned the State's decentralisation efforts with the nation. The Odisha Gram Panchayat Act, 1964, and the Orissa Municipal Act, 1950 provided legislative frameworks for rural and urban local bodies, respectively. These initial efforts focused on local service delivery and infrastructure maintenance, with financial and administrative control largely retained at the State level. The enactment of the 73rd and 74th Constitutional Amendments in 1992 marked a paradigm shift. Odisha subsequently amended its legislative frameworks to empower the PRIs and ULBs in accordance with the new constitutional mandate.

**1.28** The three-tier structure of PRIs comprising Gram Panchayats, Panchayat Samitis, and Zilla Parishads was originally designed to institutionalise decentralised planning and governance in the State. However, its implementation remained inconsistent. The enactment of the Orissa Municipal Corporation Act, 2003 aimed to address the growing complexities of urban governance, but ULBs continued to rely heavily on State grants, constrained by limited autonomy and inadequate capacity. Elections were irregular, and genuine decentralisation was minimal.

**1.29** Subsequent to the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, the State has shown a sustained commitment to strengthen local governance. Over the years, successive SFCs have undertaken rigorous assessments of local body finances, identified key constraints, and issued concrete recommendations to both the State and the Centre to remove systemic bottlenecks and to empower local bodies to function at their full potential.

### **PRIs in Odisha**

**1.30** Currently, there are 30 Zilla Parishads (ZPs), 314 Panchayat Samitis (PSs), and 6,794 Gram Panchayats (GPs) established in the State, out of which 2,068 GPs are situated in Tribal Sub-Plan (TSP) areas. According to the 2011 Census, the average population size of a Gram Panchayat in Odisha was 5,147. In 3,399 GPs, the population size was below 5,000, whereas in 69 GPs, the population size was above 10,000.

**1.31** The administrative set-up of the ZPs in Odisha is designed to facilitate decentralised planning and implementation of rural development programs at the district level. The ZP is the apex tier of the three-tier PRIs system, as provided under the Odisha Zilla Parishad Act, 1991. In pursuance of the recommendations of Fourth SFC, as per the mandate of the 73rd Amendment of the Constitution, the Government of Odisha merged the District Rural Development Agencies (DRDAs) with the ZPs across all 30 districts in June 2022. This effectively abolished the DRDA structure. It aimed to strengthen local governance and enhance the role of PRIs in rural development. The President, Head of ZP, is elected by the elected ZP members for a tenure of five years. She is assisted by Chief Executive Officer (CEO), Chief Development Officer-cum-Executive Officer and Executive Officers (Administration, Finance & Technical) and other district-level line department officers.

**1.32** Similarly, Chairperson, Head of PS, is elected by the Members of the PS. Block Development Officer (BDO) is the administrative head of the PS. She is assisted by Additional Block Development Officer (ABDO), Block Finance Officer (BFO), Gram Panchayat Development Officer (GPDO) and block-level line department officers. The Sarpanch, Head of GP, and Ward Members are directly elected by the people of the GP. She is assisted by Panchayat Executive Officer (PEO), Accountant-cum-DEO, Junior Engineer and GP-level line department officials.

### **ULBs in Odisha**

**1.33** The first municipality in Odisha was established in Cuttack in 1865, under the Bengal Municipal Act, 1856. There are presently 5 Municipal Corporations, 48 Municipalities, and 62 Notified Area Councils (NACs) in the State. The Mayor is the Head of Municipal Corporation, while the Chairperson presides over Municipality and NAC. The Mayor of Municipal Corporation is directly elected by the people for a term of five years. The Chairperson of Municipality or NAC is elected by the Members of the respective Municipality or NAC.

**1.34** The Municipal Commissioner serves as the administrative head of the Municipal Corporation, while the same role is performed by the Executive Officer for Municipalities and NACs. The *Elected Body* (Mayor/Chairperson and Councillors) is responsible for policy and decision-making, whereas the *Executive Body*, led by the Commissioner/Executive Officer and supported by staff, undertakes implementation and day-to-day administration.

### **Structure of the Report**

**1.35** After extensive consultations and meetings with various stakeholders and experts and a thorough review of the memoranda from various organisations, the Commission has prepared this Report. The *Report of the Commission* presents detailed data analysis and a set of financial and non-financial recommendations aimed at enhancing efficiency, transparency and accountability in the governance structure of local bodies. It also outlines specific recommendations for various projects under Grants-in-Aid (GIA), providing a structured blueprint to strengthen the institutional and functional capacities of local bodies.

The *Report* is structured as follows:

- Chapter 1: *Introduction*
- Chapter 2: *Issues and Approaches* - presents the issues and approaches adopted by the Commission for preparing the Report.
- Chapter 3: *Decentralised Governance and Devolution in Odisha* - assesses the progress, challenges, and current status of decentralised governance and fiscal devolution to local bodies.
- Chapter 4: *Status of Implementation of the Recommendations of Fifth State Finance Commission* - reviews the extent to which recommendations of earlier SFCs have been implemented by the State Government.
- Chapter 5: *Assessment of State Finances* - critically analyses the State's fiscal position, revenue performance, expenditure patterns, and overall financial sustainability.
- Chapter 6: *Assessment of Finances of Panchayati Raj Institutions and Urban Local Bodies* - examines the financial position, revenue capacities, and expenditure needs of PRIs and ULBs.
- Chapter 7: *Infrastructure and Services in Local Bodies* - evaluates the status, gaps, and performance of key infrastructure and service delivery functions of local bodies.

- Chapter 8: *Financial Accounting and Audit in Local Bodies* - highlights the existing accounting, auditing, and reporting frameworks to identify reforms for improving fiscal management.
- Chapter 9: *Strengthening of Human Resources and Incentivising Performances in Local Bodies*- analyses institutional capacity gaps and proposes measures for strengthening human resources and incentivising performance of local administration.
- Chapter 10: *Scheme of Sharing of Resources with Local Bodies* - details the Commission's recommendations on devolution, tax assignments, and grants-in-aid to local bodies.
- Chapter 11: *Reimagining Local Governance* - reviews existing administrative processes, recognises existing gaps in administration, and proposes corrective measures to enhance efficiency, transparency, and service delivery.
- Chapter 12: *Summary of Recommendations*



# **CHAPTER - II**

## **Issues and Approaches**



## Chapter – II

### Issues and Approaches

**2.1** The State of Odisha is on the way to celebrate its centenary in 2036, and of pursuing the dream of *Odisha Vision 2036*. It stands on the threshold of transformative changes towards a prosperous, inclusive, and future-ready Odisha. Strategic investments in infrastructure, mining, industry, agriculture, and services, coupled with consequential governance reforms, are unwaveringly building a robust foundation for future progress. Empowerment of local bodies, guided by the vision of the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, can effectively drive an inclusive, citizen-centric model in sync with the above strategy. In *The Use of Knowledge in Society (1945)*, F.A. Hayek postulated that ultimate decisions must be made by those most familiar with the prevailing circumstances and the resources available to them<sup>1</sup>. This wisdom underscores the imperative to articulate village, town, and city-level developmental strategies in collaboration with the overall development strategy within the Indian federal structure.

**2.2** Successive State Finance Commissions (SFCs) in Odisha have played a significant role in advancing fiscal decentralisation in the State. At the core of decentralisation lies the fundamental aim of serving the citizenry better. The benefits of delegating funds, functions, and functionaries to the lowest tiers of government become visible in the evolving socio-economic landscape. In recent years, Odisha has witnessed notable improvements in health, nutrition, education, and energy consumption indicators. Information based on NFHS- 4 and 5 provided related supporting evidences) (Annexure 2.1).

**2.3** These multidimensional gains partly reflect the success of targeted policy interventions including the decentralisation process. The local bodies played a critical role in translating broad developmental goals into local priorities, actionable plans, and tangible outcomes. Indeed, global and national SDG performance is only made possible through sustained local efforts encompassing continuous community engagement and institutional strengthening at the grassroots level. In areas where advancement in socioeconomic parameters remains slow, active intervention of local bodies with the required funding support is quite imperative.

**2.4** Going forward, sustained capacity building, stronger alignment between functional and fiscal devolution, and innovative local resource mobilisation will be essential to fully realise the promise of decentralised governance in the State. Supporting the funding requirements of the local bodies in the above context heavily hinges upon the fiscal position of the State. In this perspective, the Commission presents below the issues and challenges pertaining to local governance in Odisha, and the approach of the Commission towards addressing them. Before that, a broad review of the progress on decentralisation, both in India and Odisha, and a quick assessment of the State's economic and fiscal position are undertaken in setting the background.

### **Evolution of Fiscal Decentralisation in India**

**2.5** The foundations of decentralised governance in India can be traced back to its ancient history. The epic *Mahabharata* referred to *Janapadas* – smaller kingdoms and republics, which were the rudimentary form of local governance. Kautilya's *Arthashastra* provided a detailed account of contemporary village administration. The administration became more centralised under the Mughal rule, which delegated responsibilities pertaining to local governance to the *zamindars* and *jagirdars*. The British rule retained dominant central authority, and nominal autonomy was

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<sup>1</sup> **“If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them.”**  
– Hayek, F.A. (1945): *“The Use of Knowledge in Society”*, *American Economic Review*, Vol. 35, Issue 4, pp. 519-530.

granted to the provinces. Nascent signs of local self-governance emerged with Lord Mayo's Decentralisation Scheme (1870), which transferred financial control over several services to the provincial governments. Subsequently, the Government of India Act of 1919 enabled a complete separation of provincial budgets from the central budget. Government of India Act, 1935 significantly advanced financial decentralisation by granting provinces greater fiscal autonomy laying the groundwork for the federal fiscal structure adopted in independent India.

**2.6** After independence from British rule, the Indian Constitution provided for the periodic constitution of Finance Commission to ensure a fair and systematic distribution of financial resources between the Central and State Governments. To overcome the imbalance between fiscal capacities and responsibilities of the Centre *versus* the States, the Finance Commission recommends vertical transfers from the Centre to the States in the form of tax devolutions and grants-in-aid. The Finance Commission also devises horizontal transfers amongst the States to balance their needs and resources with the broad objective of fiscal stability and balanced regional development. Over the years, successive Finance Commissions have promoted financial decentralisation in India by raising the share of the States in central taxes, performance-based grants, and untied transfers.

**2.7** In the context of local governance, the Constitutional provisions under the Directive Principles of State Policy mandated the States to organise and empower village panchayats with the necessary financial wherewithal. This was intended to promote democracy at the base level. Notwithstanding their long existence, Panchayati Raj Institutions (PRIs) in India were not vibrant. They suffered from several inadequacies due to lack of regularity in conducting elections, non-devolution of powers, and insufficient financial resources. Several Committees suggested valuable recommendations to strengthen local governance in India. The Balwantrai Mehta Committee in 1952 had recommended to frame a three-tier Panchayati Raj system. In 1977, the Ashok Mehta Committee advocated for conducting regular elections, according to Constitutional Status, and laying down a framework for assigning functions, funds, and functionaries for the PRIs. Subsequently, the G.V.K. Rao Committee (1985) and L.M. Singhvi Committee (1986) laid the groundwork for granting Constitutional Status to PRIs and Urban Local Bodies (ULBs).

**2.8** The 73rd and 74th Amendments of the Constitution of India, which came into effect in 1993, marked a watershed moment to institutionalise grassroots democracy by conferring Constitutional Status upon the PRIs and ULBs. Such amendments laid the foundation for demarcation of powers, responsibilities, and financial authority among different tiers of the government. The transformative provisions included the mandate for regular, time-bound elections; reservation of seats for women and deprived sections of the society such as Scheduled Castes (SCs) and Scheduled Tribes (STs), and the establishment of State Finance Commission (SFC) to promote predictable and equitable financial devolution to local bodies. Collectively, these measures were aimed at fostering inclusive and participatory local governance.

### **Fiscal Decentralisation in Odisha and Recommendations of Successive SFCs**

**2.9** The governance decentralisation process in Odisha has evolved over several decades. The administrative structure in the British colonial era laid out rudimentary form of local governance, operating through the district boards and municipal committees. After Independence, the State's decentralisation efforts were aligned with that of the nation. The Odisha Gram Panchayat Act, 1964, the Odisha Panchayat Samiti Act, 1959, and the Odisha Zilla Parishad Act, 1991 provided legislative frameworks for the PRIs in Odisha. The Odisha Municipal Act, 1950 provided a similar framework for the ULBs. These legislations assigned responsibilities of local service delivery and infrastructure maintenance to local bodies, but the financial and administrative control was largely retained at the State level. The State's legislative frameworks were subsequently aligned with the 73rd and 74th Constitutional Amendments to empower PRIs and ULBs. Nevertheless, heavy reliance on State grants has posed a significant challenge to the financial autonomy of the local bodies. Over the years, successive State Finance Commissions (SFCs) have undertaken rigorous

assessments of local body finances, identified key constraints, and recommended State transfers to empower local bodies to function at their full potential. In the following, we outline key recommendations of previous SFCs of Odisha, which meaningfully contributed to Odisha's evolving fiscal federalism.

**2.10** The First State Finance Commission (Chairman: Justice S.K. Mohanty) laid the initial groundwork for a systematic devolution of funds to local bodies following the 73rd and 74th Constitutional Amendments. Recognising the constraints on the revenue-raising capacities of local bodies, it emphasised the need for resource augmentation by strengthening efforts to tap existing tax and non-tax potential, as well as exploring new avenues for revenue mobilisation. Recommendations on untied grants envisaged to enable the local bodies in delivery of essential services.

**2.11** The Second State Finance Commission (Chairman: Shri Trilochan Kanungo) expanded the scope of devolution of funds and functionaries to local bodies. To enhance the own-source revenue of PRIs, it recommended for reintroduction of Panchayat Tax, imposition of Turnover Tax on Commercial Agricultural Farms and Minor Forest Produce, and levying various fees and cesses. Assigned revenues were to be supplemented by formula-based sharing of major State taxes. It also recommended the assignment of a percentage of State taxes, such as stamp duty, land revenue, and entertainment tax to the local bodies. The Commission also introduced the concept of incentivising local revenue generation. These measures contributed to creating a more predictable financial environment for local bodies and encouraged a modest growth in own-source revenues.

**2.12** The Third State Finance Commission (Chairman: Prof. Sudhakar Panda) introduced a more detailed data-driven approach to devolution. It pegged the devolution amount at 15 per cent of Gross Tax Revenues of the revenue surplus years 2005-06, 2006-07 and 2007-08. In view of the growing urban population, the share of ULBs in the State devolution was raised from 20 to 25 per cent. The Third SFC earmarked purpose-specific funds for Panchayati Raj Institutions (PRIs) to support livelihood initiatives, education, development of water bodies, and improvement of streetlighting; and for Urban Local Bodies (ULBs) to develop integrated sewerage systems, maintain roads and bridges, establish public toilets with water supply, create market yards, and strengthen e-governance. It stressed the importance of building capacities for financial management and recommended institutionalising auditing practices in local bodies. The Commission recommended for revision of royalty on coal and other major minerals on ad valorem basis, and had expressed concern over delays in the disbursement of the State's share of Fiscal Incentive Grants by the Centre.

**2.13** The Fourth State Finance Commission (Chairman: Shri Chinmay Basu) noted that while fiscal transfers to PRIs and ULBs in Odisha had increased over time, the functional devolution remained limited and incomplete. It introduced a differentiated, formula-based approach for fund distribution, based on indicators such as population, population density, SC/ST population, literacy rate, and the poverty ratio. The GPs in Tribal Sub-Plan areas were allocated an additional 20 per cent in devolution. It pegged total devolution at 10 per cent of the divisible pool of the State's own tax revenues. The devolved funds were kept untied, allowing local bodies discretion in their use, while revenue assignments were intended to meet committed expenditures.

**2.14** The Fifth State Finance Commission (Chairman: Shri Rabi Narayan Senapati) emphasised the need to strengthen the revenue base of the local bodies, specifically recommending reforms in property tax administration for the ULBs, and improved management of common property resources for the PRIs. Total transfers to local bodies were fixed at 10 per cent of the State's Own Net Tax Revenues projected for the ensuing five-year period. The overall devolution formula remained largely unchanged from the Fourth SFC, except for the exclusion of the literacy rate as an additional criterion. Incentives were linked to the revenue performance of local bodies, contingent upon the verification of audited accounts. The Fifth SFC emphasised on institutional strengthening of human resources and physical infrastructure of the local bodies. Notable

recommendations to enhance Own Source Revenues included the introduction of scrutiny fees and infrastructure development fees, implementation of property tax in census towns under PRIs, and improved arrear collection and user charges in ULBs.

### **Odisha Economy and Fiscal Position: A Brief Assessment**

**2.15** The Odisha economy was predominantly agrarian and suffered from a poor and narrow tax base. Small landholdings, overwhelming dependence on subsistence agriculture and low farm productivity undermined income from agriculture. There was negligible industrial or commercial taxation, as Odisha lacked significant industry or trade centres. Fragmented road and rail connectivity, along with limited communication infrastructure made matters worse. Limited financial resources posed a formidable challenge for the State during its formative years. Devastating natural calamities—such as droughts, cyclones, and floods—have historically posed severe challenges to the State. Odisha customarily leaned on the central assistance, which came in the form of revenue gap grants, plan grants for capital expenditure, loan write-offs and waivers. By the late nineties, the administrative costs of Odisha had spiralled beyond the revenue capacities, resulting in a severe worsening of the State’s fiscal position. It was reflected in rising revenue deficits, soaring interest payments, pending salaries and pensions dues of the employees. In 2002-03, the State was on the brink of financial precarity.

**2.16** Subsequently, Odisha embarked on several revenue-augmenting and expenditure rationalising measures. Tax on profession and Value Added Tax were introduced, IT-based tools were employed to improve tax compliance, and a periodic revision of tax rates and royalties ensued. Several debt restructuring initiatives were undertaken, aimed at reducing the cost of borrowing. Fortuitously, the Fiscal Responsibility and Budget Management Act, 2005 provided a timely pivot, allowing the State to regain its fiscal footing. Since then, Odisha has adhered to the prescribed limits across all fiscal indicators. What was once a fiscally stressed State is now lauded for its fiscal prudence. International agencies such as the World Bank and the International Monetary Fund (IMF) have lauded fiscal reforms in Odisha, and the State has received widespread acclaim for its forward-looking and disciplined fiscal management practices.

**2.17** The State’s fiscal position has now turned a page. Slowly but steadily, a fiscal turnaround has been made possible. The economic structure has gradually shifted from being agriculturally dominant to becoming industry- and services-led. Industrial policy reforms have paved the way for the growth of micro, small and medium enterprises (MSMEs), start-ups, and IT-growth. Despite facing numerous adversities, including frequent natural disasters and the COVID-19 pandemic, Odisha’s growth trajectory has remained resilient. In recent years, the State’s economic growth has consistently outpaced the national average. The State has maintained steady revenue surpluses, complemented by prudent and forward-looking fiscal management. Careful and strategic utilisation of available resources has enabled Odisha to prioritise and strengthen its capital expenditure initiatives.

### **Strength of the Fiscal Position**

**2.18** Odisha’s fiscal strength rests on a foundation of disciplined financial management, strategic reforms, and progressive policymaking. The State has consistently maintained revenue surpluses, adhered to Fiscal Responsibility and Budget Management (FRBM) targets, and restructured its debt prudently. High mining revenue, particularly following the move to auction-based allocations, have provided a robust non-tax revenue stream.

**2.19** Odisha’s investment in disaster management systems has significantly strengthened its ability to rebound swiftly from natural calamities, reducing prolonged fiscal stress. Simultaneously, increased focus on capital expenditure for infrastructure, irrigation, and industrial development, along with the financial space to roll out large welfare programs, reflects the State’s growing fiscal maturity. Odisha’s credibility has attracted investor confidence, helping position the State as a rising economic hub in eastern India.

**2.20** With 575 kilometres of coastline, Odisha is strategically placed on global trade routes and plays a vital role in India's *Look East Policy*. Its rich tribal heritage, vibrant handicrafts, and ecological diversity offer untapped potential in eco-tourism and cultural industries. While mineral wealth, fiscal prudence, and disaster preparedness have underpinned Odisha's present growth, the policies centred on tribal development, tourism, and women's empowerment will unlock the State's full potential in the years ahead.

### **Issues and Challenges**

**2.21** The State of Odisha has made remarkable progress in the last couple of decades, as reflected in several socioeconomic indicators. However, it continues to lag in key Sustainable Development Goals such as zero hunger, quality education, and gender equality, which require more targeted interventions. The localisation of Sustainable Development Goals ensures their effective implementation and better outcomes. Being closest to the citizens, the PRIs and ULBs can customise strategies to suitably meet specific socio-economic developmental needs in their respective areas.

**2.22** Successive SFCs in Odisha have ensured progressive enhancement of transfers to local bodies. However, there are concerns about their own revenue generation and expenditure efficiency. Own-source revenue mobilisation is constrained by the lack of reforms in property taxation, user charges, and other local resource mobilisation.

In view of the above, the Commission identified the following as priority areas.

- Strengthening devolution of funds, functions and functionaries: The Commission observed that, notwithstanding gradual improvement in devolution of funds, functions and functionaries to the local bodies in Odisha in last three decades or so, there is scope for further strengthening the decentralisation process in the State to align with the stated objectives of 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, as summarised below:
  - Out of the 29 subjects listed in the Eleventh Schedule of the Constitution, the State of Odisha has devolved 21 subjects to the PRIs. The remaining 8 subjects, including social forestry and farm forestry, small-scale industries, khadi, village and cottage industry, rural electrification, technical training and vocational education and cultural activities, are yet to be devolved. On the other hand, notwithstanding devolvement of all 18 subjects to the ULBs, they act only as the implementing agencies as regards 3 functions, and for another, there is a dual role.
  - It is learnt that a large number of sanctioned posts for local bodies at different levels including the line departments have remained vacant. This has constrained time-bound planning, execution and supervision of developmental projects, and record-keeping. Key positions of engineers and accountant-cum-DEOs, as recommended by the 5<sup>th</sup> SFC, are yet to be filled up.
  - Notwithstanding rising devolution of funds to local bodies as per the recommendations of the successive SFCs in Odisha, the Commission realised the inadequacy of the allocated funds as compared to the requirements.
- Improving effective utilisation of funds by the local bodies: The Commission observed that a large number of local bodies could not fully utilise the allocated funds received as SFC grants. A variety of reasons, including the lack of adequate manpower, such as engineers, delays in identification of projects to be undertaken and award of work, imprecise cost estimation, inadequacy of funds, etc., were cited as major reasons for this non-utilisation of funds within the stipulated time period. It is the Commission's endeavour to closely examine the causes and recommend necessary remedial measures, including the introduction of incentives and penalties to ensure effective utilisation of allocated funds by the local bodies.

- **Own source of revenue:** The local bodies in Odisha did not achieve much success in raising their own tax and non-tax revenue, notwithstanding recommendations of the previous SFCs to improve performance in this regard. Several schemes, including creating income-generating assets for the local bodies, did not yield expected results.
- **Enhancing effectiveness of public service delivery and supporting the economy:** The Commission recognises the importance of local bodies to provide last-mile public services such as education, healthcare, drinking water supply, waste management, renewable energy transition, and eco-friendly urban planning. The PRIs and ULBs are well-equipped to identify service gaps and prioritise investments in local infrastructure supporting agriculture, MSMEs, and services sector activities. Local bodies can substantially influence the strengthening of the local economy by facilitating market linkages, supporting MSMEs and cottage industries, promoting cluster development of traditional crafts, streamlining regulatory processes, and disseminating information on relevant government schemes and provisions.
- **Promoting digitalisation and IT-enabled services:** Digital technology is a critical enabler for the delivery of public services and the effective functioning of local bodies. Inadequate bandwidth in remote and underserved regions results in fragmented digital connectivity, which not only disrupts the provision of citizen-centric services but also hampers effective monitoring, evaluation, and reporting of local body performance. The situation is worsened by poor inter-departmental coordination, often resulting in implementation gaps, especially in remote areas.
- **Strengthening infrastructure to meet climate-induced risks:** Odisha is highly vulnerable to climate-induced risks such as cyclones, floods, and coastal erosion, which threaten not only the life and livelihood of the general public but also damage essential public services and infrastructure. Despite growing awareness, investments in climate-resilient infrastructure at the local level remain inadequate due to capacity constraints and lack of targeted financing. Improvements in urban planning, drainage systems, housing, and transportation networks, rainwater harvesting, etc., are crucial to safeguarding development gains and ensuring continuity of service delivery.
- **Green financing:** Green financing can provide a strategic pathway to mobilise additional resources for local bodies while aligning development goals with its climate commitments. It supports environmental friendly activities and creation of sustainable infrastructure. Use of tax incentives, low-interest green loans, and grants stimulating private and public sector investments in projects concerning renewable energy, energy-efficient technology, sustainable agriculture, and conservation efforts can be helpful.
- **Fiscal vulnerabilities:** The Commission noted that the finances of the State are not without vulnerabilities. The State's own tax revenue base remains narrow, with slower reforms in areas like property taxation and local body revenue mobilisation. There is heavy reliance on mining revenues, exposing to uncertainties pertaining to commodity price volatility, and dependence on central transfers is significant. The rising committed expenditures on salaries, pensions, and interest payments strain fiscal flexibility. An expanding subsidy burden, not matched by corresponding revenue generation, could exacerbate fiscal stress. Natural disasters, despite improved resilience, continue to pose financial risks, often requiring unexpected reallocations of fiscal resources. As Odisha charts its future growth path, balancing its hard-earned fiscal discipline with deeper structural reforms will be critical for sustaining economic growth in the long run.

### **Approach of the Commission**

**2.23** In the backdrop of the issues and challenges flagged in the preceding section, the Commission broadly adopted a consultative approach. It commenced its work with a stock

taking of the devolution of funds, functions and functionaries to local bodies, which have been made by Government of Odisha as per the requirements of 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments. The consultative process included meetings with different stakeholders, including different departments of the State government, and visits to different districts to interact with local body representatives and officials of the line departments. The Commission also assigned a set of studies to reputed institutions having expertise in local governance. A brief account of the meetings and field visits, along with the outline of the deliberations, is provided below.

### **Meetings of the Commission**

**2.24** The Commission held its first meeting on 31<sup>st</sup> January 2025, following the assumption of office by the Chairman and all Members. Subsequently, series of meetings were convened. The Terms of Reference and the mandate of the State Finance Commission were deliberated upon in the inaugural meeting. The Chairman emphasized on the time-bound nature of the assignment and underlined the importance of timely data collection from all concerned departments and agencies. The need to identify critical gaps was also emphasised. The Commission discussed and finalised its overall approach and working procedures. The procedures adopted in the first meeting were as follows:

- (i) The meetings of the Commission would be convened by the Member-Secretary as and when necessary, under the order of the Chairman.
- (ii) Along with the Member-Secretary, the Chairman may direct such other officers who shall be present in the meeting of the Commission.
- (iii) The summary record of discussions held in each meeting of the Commission shall be kept in the file.
- (iv) The Commission decided to hold discussions with various organisations, Departments of Government, eminent persons, academicians and experts, as well as to undertake visits to different districts and discuss with elected representatives, as well as officials of the Government.

As part of its functioning, the Commission issued a public notice through newspaper advertisements announcing its constitution and inviting memoranda from organisations, three-tier Panchayati Raj institutions, Urban Local Bodies, and individuals, containing their views and suggestions on matters within the Commission's mandate.

**2.25** The Commission held twenty-five internal meetings since inception to discuss and deliberate on all issues pertaining to the mandate, including designing the scheme of transfers, innovative practices, and preparation of an Interim Report of the Commission.

### **Interaction with Officials and Field Visits**

**2.26** The Commission held the first meeting with officials from the Housing and Urban Development Department on 14th February 2025 and Panchayati Raj and Drinking Water (PR&DW) Department on 18th February 2025 to understand the status of local bodies and the programmes implemented by these Departments. Valuable discussions were held with the Principal Secretary, H&UD Department; Director, Municipal Administration/ Director, SUDA/ Director, Town Planning; Vice Chairpersons of various Development Authorities; Commissioner-cum-Secretary, PR&DW Department; and Secretaries of multiple departments including Revenue & Disaster Management, School & Mass Education, Agriculture & Farmers' Empowerment, Social Security & Empowerment of Persons with Disabilities, Fisheries and Animal Resources Development, Handlooms, Textiles & Handicrafts, Skill Development & Technical Education, Energy, Forest Environment & Climate Change, Science & Technology, Cooperation, Odia Language Literature & Culture, Tourism, ST&SC Development and Minorities & Backward Classes Welfare, Planning & Convergence, Water Resources; Health & Family Welfare, and Women & Child Development.

**2.27** In addition, the Commission interacted with the Chairman of the 5<sup>th</sup> State Finance Commission; Principal Accountant General (A&E); Director of Local Fund Audit; Member Secretary of OSAM Board; Engineer-in-Chief of Public Health Engineering Organisation, OWSSB; MD, WATCO; CEO, OCAC; CEO, NIC; GM, Central Tool Room and Training Centre, Bhubaneswar; e-Governance and Capacity Building teams of PR & DW Department as well as H&UD Department and others. The Commission had separate discussions with Secretaries of H&UD Department as well as PR&DW Department relating to the requirement of funds and other issues of the local bodies. The Commission also interacted with Principal Secretary, Finance Department, on the position of State Finance and related issues of local bodies. The status of decentralisation and devolution of funds to local bodies was discussed during the interactions with the representatives of various government departments.

**2.28** To gain first-hand experience on the progress of decentralisation at the grassroots level, the Commission undertook field visits Kendrapara, Nayagarh, Malkangiri, Koraput, Rayagada, Nabarangpur, Sambalpur, Jharsuguda, Keonjhar, Mayurbhanj, Balasore, Bhadrak, Ganjam and Khordha districts. Among the ULBs, the Commission visited Bhubaneswar Municipal Corporation (BMC) and held consultations with BMC officials. The Commission visited World Skill Centre to gain first-hand experience of various skilling initiatives, development programs and training offered by the institution. Further, visits to Indore Municipal Corporation and Ujjain Municipal Corporation of Madhya Pradesh were also undertaken by the Commission to gain experience and witness transformative initiatives and best practices adopted in the Urban Local Bodies. A member of the Commission also visited Paradip Municipality. During such visits, the Commission held consultations with the district-level officials, elected representatives and officials of different local bodies. It also reviewed the progress of implementation of projects funded under the fifth SFC and fifteenth CFC award. The Chairman and Members of the Commission also individually engaged in consultations with the local body representatives on various issues concerning the functioning of the local bodies.

### **Memoranda from State Government Departments**

**2.29** The Panchayati Raj and Drinking Water Department, as well as the Housing and Urban Development Department, were requested to submit their memoranda specifying needs, priorities, new initiatives, pilot projects, requirement of funds, and suggestions for the smooth functioning of PRIs and ULBs.

**2.30** Other Governmental Departments including Revenue & Disaster Management, School & Mass Education, Agriculture & Farmers' Empowerment, Social Security & Empowerment of Persons with Disabilities, Fisheries and Animal Resources Development, Handlooms, Textiles & Handicrafts; Skill Development & Technical Education; Energy; Forest, Environment & Climate Change; Science & Technology; Cooperation; ST&SC Development and Minorities & Backward Classes Welfare; Planning & Convergence; Water Resource Department; Health & Family Welfare; Women & Child Development – were also requested to submit memoranda outlining key focus areas, the nature of support required from the Commission, and financial estimates.

### **Information from Local Bodies and Public Representatives**

**2.31** The Commission proactively sought views and suggestions from various public representatives at different levels. In this connection, letters were issued by the Member Secretary to all MPs/MLAs of Odisha, the Presidents, Zilla Parishads, Chairpersons of Panchayat Samitis and Sarpanches of all the Gram Panchayats, Secretaries of all Departments. Further, the Commission prescribed formats for seeking information about the finance and functions of Urban and Rural Local Bodies. PR & DW Department and H & UD Department could collect relevant information on tax and non-tax revenues, along with the expenditure made by the local bodies. The Commission also sought a forecast of receipts and expenditure from all these local bodies during the period commencing from 01.04.2026 till 31.03.2031. Information received from the

Departments and the local bodies has been duly analysed by the Commission.

**2.32** In the above meetings, the deliberations covered a range of topics, including the resource base and assets of the local bodies, strategies for enhancing their own source of revenue, adoption of innovative practices, and the delivery of public services. The insights shared by these grassroots-level representatives proved valuable to the Commission, offering a clear understanding of the challenges faced by local bodies across the State.

### **Conferences/Workshops/Study Reports**

**2.33** The Commission assigned studies on Urban Local Bodies to the All-India Institute of Local Self Government (AIIILSG)<sup>2</sup>, National Institute of Urban Affairs (NIUA), and JANAAGRAHA. The Indian Institute of Public Administration (IIPA) and Centre for Youth and Social Development (CYSO) were entrusted to undertake studies on Panchayati Raj Institutions.

**2.34** The study topics broadly included undertaking a purposeful review of the recommendations of the SFCs across the States; identifying fiscal needs, fiscal capacity and disabilities of the local bodies; highlighting commonalities and variations in recent SFC recommendations; reviewing implementation status of SFC recommendations through the Action Taken Reports (ATR); highlighting best practices/emerging trends and issues in fiscal decentralization both within India and globally; ascertaining urbanisation trends and their implications for services and infrastructure delivery in local bodies; assessing local climate action initiatives, and integration of environmental sustainability into local governance; exploring reforms relating to budgeting, expenditure and, fund management at the local level; improving receivables management, internal controls, auditing, procurement, revenue collection; strengthening revenue administration through upskilling of the revenue officials. Further, studies were required to offer suggestions towards enhancing efficiency and accountability, specifically on promoting effective debt and cash management; institutionalising planning processes across all levels of government for better resource allocation; ensuring transparent, inclusive, and accountable budgeting procedures, enhancing accounting and reporting frameworks, and establishing enforceable rules for transparency and sanctions for non-compliance.

### **Development of the Website of State Finance Commission**

**2.35** The Sixth State Finance Commission has operationalised a dedicated website (<https://sfc.odisha.gov.in/en>) to invite suggestions and feedback from public representatives, civil society organisations, and citizens at large. The website also contains details of current and previous SFCs, study reports, reports of previous SFCs, Special Supplement to Budget documents of PRIs and ULBs, among other things. The website is available in both Odia and English language for the ease of access by citizens.

**2.36** This exercise enabled the Commission to assess the progress made in devolving functions, funds, and functionaries to local bodies in Odisha. It focused on evaluating achievements and identifying gaps over the past three decades in relation to the stated objectives of devolution. Additionally, it was essential to accurately determine the funding requirements of both the State and local bodies relative to their available financial resources. This comprehensive analysis formed the basis for the Commission's recommendations on the optimal devolution of funds and functionaries. This challenging task is to balance the broad objective of strengthening local governance as per the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, in letter and spirit, without causing severe strain on fiscal position of the state.

### **Conclusion**

**2.37** The State's pursuit of *Odisha Vision 2036* would require rapid growth in its GSDP, as also making the growth process more inclusive and sustainable. The local bodies will have to play a critical role in this endeavour by supporting the local economy and ensuring efficient public service

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<sup>2</sup> AIIILSG failed to submit the report

delivery. In this backdrop, the Sixth State Finance Commission is entrusted with the responsibilities of assessing the State's finances, exploring innovative models of fiscal transfers, and recommending a fair, efficient, and equitable distribution of resources between the State Government and the local bodies for the five-year period 2026-31. The primary challenge lies in raising devolution of funds and functionaries so as to overcome capacity constraints and providing basic infrastructure and public amenities in all local bodies.



# **CHAPTER - III**

## **Decentralised Governance and Devolution in Odisha**



## Chapter – III

### **Decentralised Governance and Devolution in Odisha**

**3.1** In pursuit of empowering local bodies as per the mandate of 73rd and 74th Constitutional Amendments, the State of Odisha has devolved several key functions, funds, and functionaries to the local bodies in the State. The transfer of funds in this regard is primarily guided by the recommendations of the successive SFCs as discussed in the preceding chapters. In this chapter, details of legal provisions, institutional arrangements and progress in terms of decentralisation and devolution of funds from the State to the local bodies in Odisha are provided. This chapter presents a stocktaking as regards to the status of decentralised governance and devolution in the state.

#### **Decentralised Governance and Panchayati Raj Institutions (PRIs) in Odisha**

**3.2** Decentralised governance lies at the core of India's local self-government system. It requires State Governments to devolve adequate powers, personnel, and financial resources to PRIs, enabling them to function autonomously. Before 1993, PRIs existed in many states but lacked uniformity and autonomy. The 73rd Constitutional Amendment aimed at bringing continuity and permanence to the local governments by providing them with Constitutional status and hence formalising decentralised governance. Being closer to the citizens they serve, local bodies are expected to better understand and respond to the needs of rural communities.

**3.3** The 73rd Amendment institutionalised a three-tier structure of Panchayati Raj Institutions (PRIs), mandated direct elections to these bodies, and strengthened inclusive governance by providing reservations for Scheduled Castes (SCs), Scheduled Tribes (STs), and women, thereby ensuring broader representation of marginalised communities. It necessitated the constitution of SFCs quinquennially to recommend measures for the devolution of funds to PRIs. Through these provisions, PRIs were empowered with responsibilities for planning and implementation of schemes related to local economic development.

**3.4** The Amendment added Part IX – Panchayats (Articles 243 to 243-O) and the Eleventh Schedule – enlisting 29 functions under Panchayats. The three-tier Panchayati Raj system comprising the Gram Panchayat (village level), Panchayat Samiti (block level), and Zilla Parishad (district level) is detailed in Article 243B. Odisha has been a forerunner in operationalising rural decentralisation, notably being one of the first few states to hold elections after the 73rd Amendment.

**3.5** In 1994, Odisha responded promptly to the 73rd Amendment by enacting the Odisha Gram Panchayat (Amendment) Act, 1994, and overhauling the existing legislative framework. It was among the first few states in India to conduct elections under the new constitutional regime in 1994, thereby institutionalising the democratic decentralisation process.

**3.6** However, the 73rd Amendment initially excluded the Fifth Schedule Areas (FSAs), which are predominantly tribal and fall under a different administrative and legal framework. Article 243M of the Constitution empowers Parliament to extend the provisions of Part IX to these Scheduled Areas. Acting on the recommendations of a committee constituted by the Government of India, Parliament passed the Provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (PESA). This legislation extended the Panchayati Raj framework to FSAs with necessary modifications to protect tribal autonomy and culture.

**3.7** PESA is of great consequence, given Odisha's sizeable tribal population. The State is home to numerous Scheduled Tribes (STs) and 13 officially identified Particularly Vulnerable Tribal Groups (PVTGs)—formerly referred to as Primitive Tribal Groups (PTGs)—spread across 519 habitations and comprising around 19,000 families. The PESA applies fully to seven districts—Mayurbhanj, Sundargarh, Koraput, Malkangiri, Nabarangpur, Rayagada and Kandhamal—and partially to six others: Keonjhar, Balasore, Deogarh, Sambalpur, Gajapati and

Kalahandi. In total, there are 13 Districts, 119 Blocks, and 2065 Gram Panchayats in Odisha that fall under the PESA framework.

**3.8** Currently, Odisha has 6,794 Gram Panchayats at the village level, 314 Panchayat Samitis at the block level, and 30 Zilla Parishads at the district level. These institutions cover 83.3% of Odisha's population, as per the 2011 Census. The district-wise distribution of Local Bodies is presented in Annexure 3.1. The Gram Panchayats function as fundamental units of democratic governance, especially in Scheduled Areas where PESA gives them additional responsibilities and autonomy (see Annexure 3.1).

### **Palli Sabhas and Local Decision-Making**

**3.9** In Odisha, citizen participation is further institutionalised through Gram Sabhas and Ward Sabhas at the village and ward levels, respectively. The Palli Sabha, comprising all voters of a revenue village, functions as the basic deliberative body. Odisha has a total of 87,542 ward members. The ward member presides over Palli Sabha meetings, and at least one-tenth of attendees must be women. The Gram Panchayat convenes the Palli Sabha annually in February, with a minimum notice period of two weeks. When a revenue village includes multiple wards, the Gram Sabha decides the venue for the Palli Sabha.

**3.10** The Palli Sabha plays a crucial role in grassroots decision-making, including the selection of beneficiaries for government schemes, planning of local development projects, and appointing a village-level leader to oversee implementation. However, as observed by the Fifth State Finance Commission, the effectiveness of these institutions is hindered by the infrequent convening of Palli Sabhas and low participation in Gram Sabhas. Strengthening these institutions requires enhanced and sustained community participation.

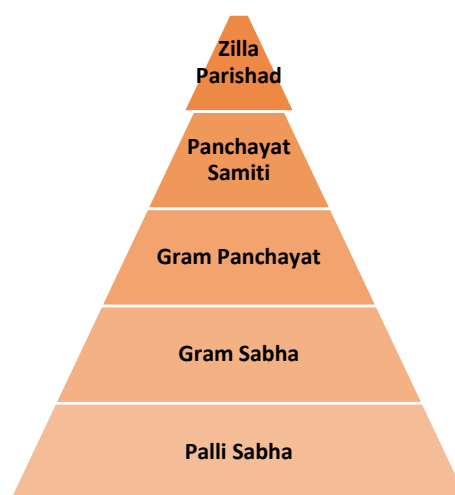
**3.11** GPs in Odisha are entrusted with providing basic services to their residents. These constitutional bodies are empowered to levy taxes and manage community assets developed through various poverty eradication and development schemes. Their functions include delivering essential services like primary education, primary healthcare, safe drinking water, sanitation and street lighting, environmental protection, and management of common property resources (CPRs).

**3.12** These responsibilities make GPs central to Odisha's vision of participatory, inclusive, and decentralised development.

### **Major State Legislation on PRIs in Odisha**

**3.13** The three enactments - *Odisha Gram Panchayat Act, 1964*, the *Odisha Panchayat Samiti Act, 1959*, and the *Odisha Zilla Parishad Act, 1991* establish the legislative framework for rural decentralisation in Odisha. These Acts are the basis for the three-tier Panchayati Raj system. Following the 73rd Constitutional Amendment, these were substantially amended to align with the constitutional mandate of democratic decentralisation.

**3.14** The *Odisha Grama Panchayat Act, 1964*, lays the foundation for governance at the village level. It institutionalises Gram Sabha as the basic unit of participatory democracy, besides stating the structure, powers, and responsibilities vested in the Gram Panchayats. The Act also mandates direct elections to the posts of Sarpanch and Ward members and assigns a range of functions related to basic service delivery, civic infrastructure, and local welfare. Over time, several consequential amendments have incorporated significant reforms, such as 50 per cent reservation for women,



statutory provisions for social audit, and increased emphasis on transparency through e-governance tools like e-Panchayat and Panchayati Raj Project Management System (PPMS).

**3.15** The Block-level Panchayat Samitis are governed by the *Odisha Panchayat Samiti Act, 1959*. Functioning as a vital link between Gram Panchayats and Zilla Parishads, these bodies coordinate development-oriented schemes and monitor sectoral programmes implemented by line departments. The Act has made provisions for Members of Panchayat Samiti (PS) to be directly elected by people, and the Chairperson and Vice-Chairperson as the executive heads are elected by the Members of PS. The 73rd Amendment allowed Panchayat Samitis to operationalise flagship schemes like MGNREGS, National Rural Livelihoods Mission (NRLM), and Swachh Bharat Mission (SBM), augmenting their administrative and financial roles. The schema also provides for standing committees to aid decentralisation of decision-making within the Samitis.

**3.16** At the apex, the *Odisha Zilla Parishad Act, 1991* institutionalises district-level governance. Zilla Parishads (ZPs) are assigned the responsibility of coordinating and consolidating plans prepared by Panchayat Samitis and confirming district-wide development planning. ZPs comprise elected members along with ex-officio members like the MPs and MLAs in the district, demonstrating broader political representation. The Act necessitates the formation of District Planning Committees (DPCs) to ensure coherent planning and coordination between all three tiers of the institution of PRIs. The Zilla Parishads also monitor the local implementation of centrally sponsored schemes like the Pradhan Mantri Awaas Yojana-Gramin (PMAY-G), rural connectivity projects, and rural health initiatives.

**3.17** A series of amendments and complementary rules have progressively empowered all three tiers of PRIs. These include the enhancement of women's reservation from 33 per cent to 50 per cent, introduction of accountability norms such as disclosure of assets by elected members, and use of technology for financial management and monitoring. Additionally, special provisions under the Panchayats (Extension to Scheduled Areas) Act, 1996 (PESA) have been contemplated in tribal-dominated districts, recognising the traditional rights of Gram Sabhas and customary governance structures. Together, these legislations and their evolution demonstrate Odisha's proactive stance in legislating for rural decentralisation, with a strong focus on empowerment, inclusion, and transparency.

### **PRIs: Devolution of Functions, Functionaries and Funds**

**3.18** PRIs Devolution is crucial for the holistic, inclusive and sustainable development of India. It not only motivates states that have performed well but also encourages State Governments to create an environment that empowers Rural Local Bodies. The devolution of powers is about enabling PRIs to become vibrant centres of local governance in rural areas that can effectively contribute to India's holistic, inclusive, and sustainable development.

**3.19** Under the relevant rules governing Zilla Parishads (ZPs), Panchayat Samitis (PSs), and Gram Panchayats (GPs), distinct functions are assigned to each tier of the Panchayati Raj system. Zilla Parishads are tasked with preparing plans for economic development and social justice, implementing various developmental schemes, and providing financial assistance for the maintenance of schools, public libraries, and other welfare institutions within the district.

**3.20** Panchayat Samitis act as a link between the Zilla Parishads and Gram Panchayats. Their functions are largely similar to those of ZPs, but their jurisdiction is confined to the block level. They are also responsible for supervising the functioning of Gram Panchayats within their respective blocks.

**3.21** Gram Panchayats, as defined under Section 44 of the Odisha Gram Panchayat Act, 1964 are entrusted with a range of local responsibilities. These include the construction, repair, and maintenance of public streets and drains, provision of water supply and sanitation, supervision of soil conservation efforts, management of minor forest produce and protection and upkeep of public property, among other functions.

## Role of Standing Committees

**3.22** Constituted under the respective Panchayati Raj Acts of the states, standing committees operate at each tier of the Panchayati Raj system—Zilla Parishad (district level), Panchayat Samiti (block level), and Gram Panchayat (village level)—to ensure focused oversight and efficient execution of assigned functions. These committees form the operational backbone of PRIs, facilitating better governance and reinforcing the principles of democratic decentralisation by promoting inclusivity, responsiveness, and local empowerment.

**3.23** To support Panchayats in discharging their functions efficiently, Odisha has established seven Standing Committees (SCs) at each level of the three-tier system and defined the functions of the Standing Committee by assigning the subjects at each level of PRIs. These committees oversee and coordinate work in key thematic areas (see Annexure 3.2).

## Devolution of Functions – A Review of Progress

**3.24** Article 243G is a key provision in Part IX of the Constitution. It requires states to assign appropriate functions to Panchayats, thereby enabling them to function as institutions of self-government. The assignment of expenditure responsibilities to local governments is the first step towards effective decentralisation. Hence, the functions form the base of the PRIs to act as an institution of self-government. The dimension is critically based on the core and other functions devolved by the State to Panchayats and role of the Panchayats in schemes of social justice and economic developments designed by the central and state governments.

**3.25** After the 73<sup>rd</sup> Constitutional Amendment, the relevant Acts of ZP, PS and GP were suitably amended. Out of 29 subjects listed in Eleventh Schedule of the Constitution, the State Government has devolved 21 subjects belonging to 11 departments vide P.R. Department Letter No. 6886 dated 04.07.2003 (See Table 3.1).

**3.26** The Commission recommends that, Government should review the effective devolution of twenty-one functions already devolved and take appropriate steps for further devolution of remaining eight functions to the PRIs.

**Table 3.1: Devolution of functions by the State Government to PRIs**

Sl. No.	Functions	Date of Transfer
1.	Agriculture including Agricultural extension	25.10.2005
2.	Land improvement, implementation of land reforms, land consolidation and soil conservation.	25.10.2005
3.	Minor Irrigation, Water management and watershed development.	25.10.2005
4.	Animal Husbandry, dairying and poultry.	25.10.2005
5.	Fisheries	25.10.2005
6.	Social forestry and Farm forestry	Yet to be devolved
7.	Minor forest Produce	25.10.2005
8.	Small scale industries, including food processing industries	Yet to be devolved
9.	Khadi, Village and Cottage Industry	Yet to be devolved
10.	Rural Housing	25.10.2005

Sl. No.	Functions	Date of Transfer
11.	Drinking Water	25.10.2005
12.	Fuel and fodder	Yet to be devolved
13.	Roads, Culverts, Bridges, Ferries, Waterways and other means of communication.	25.10.2005
14.	Rural Electrification, including distribution of electricity.	Yet to be devolved
15.	Non-conventional energy sources	25.10.2005
16.	Poverty alleviation programme	25.10.2005
17.	Primary Education	25.10.2005
18.	Technical training and vocational education	Yet to be devolved
19.	Adult and non-formal education	25.10.2005
20.	Libraries	Yet to be devolved
21.	Cultural Activities	Yet to be devolved
22.	Markets and fairs	25.10.2005
23.	Health and sanitation, including hospitals, primary health centres and dispensaries.	25.10.2005
24.	Family welfare	25.10.2005
25.	Women and Child Development	25.10.2005
26.	Social Welfare, including welfare of the handicapped and Social retarded	25.10.2005
27.	Welfare of weaker sections and in particular of the SC and ST	25.10.2005
28.	Public Distribution System	25.10.2005
29.	Maintenance of Community assets	25.10.2005

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

**3.27** Despite the formal adoption of activity mapping for the 29 subjects listed in the Eleventh Schedule of the Indian Constitution, added by the 73rd Amendment Act, some functions have not been fully devolved to the Panchayati Raj Institutions (PRIs). Notably, a complete devolution has been effected in four functions – rural housing, drinking water, poverty alleviation, and maintenance of community assets. However, a majority of the other devolved functions continue to be largely managed by the respective line departments of the State Government. These departments retain control over planning, implementation, and resource allocation.

### **Devolution of Functionaries – A Review of Progress**

**3.28** Institutional effectiveness is not solely subject to the robustness of its structural framework; the consistency and efficacy of its operational practices are equally important. Public service delivery by local bodies is heavily reliant upon the quality of the human resources employed to carry out the day-to-day operations involved.

**3.29** Devolution of the functionaries and funds is as important as that of functions to the self-governing institutions. The *devolution of functionaries* specifically implies the transfer of government personnel—technical staff, administrative officials, and field-level workers—from State line departments to PRIs, thereby empowering local governments with the human resources required to plan and implement development programmes effectively.

**3.30** The shortage of personnel exacerbates the challenges faced by PRIs in ensuring timely record-keeping, implementing schemes, and undertaking the planning, execution, and supervision of infrastructure and development initiatives. This weakens asset creation and hinders public service delivery. Collectively, these shortages result in overburdening of existing workforce, undermine governance outcomes, result in underutilization of funds, and cause delays in the implementation of schemes.

**3.31** A large number of vacancies remain in sanctioned posts of Additional Block Development Officers (ABDOs), Junior Engineers, Panchayat Executive Officers (PEOs), and Accountant-cum-Data Entry Operators (ADEOs). Each Panchayat is also supported by a cadre of government functionaries. **Table 3.2** outlines the support staff available at each tier:

**Table 3.2: PRI Support Functionaries**

<i>Gram Panchayat</i>	<i>Panchayat Samiti</i>	<i>Zilla Parishad</i>
<i>Panchayat Executive Officer</i>	Block Development Officer (BDO)	Collector-cum-CEO
<i>Accountant-cum-Data Entry Operator</i>	Block Finance Officer and Additional BDO	Chief Development Officer-cum-Executive Officer
<i>Junior Engineer</i>	Asst. Executive Engineer/JEs	Additional Executive Officers
	Gram Panchayat Development Officer and other Extension Officers	Deputy Executive Officer
<i>SC Members</i>	Programme Officer (NREGS)	SC Members
<i>Other support staffs</i>	SC Members	Other support staffs
	Other support staffs	

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

### **Status of Devolution to PRIs in States-2024**

**3.32** Over three decades ago, the 73rd Amendment granted constitutional status to Panchayats. This amendment introduced Part IX, titled "The Panchayats", which includes 16 articles addressing various aspects such as definitions, constitution, composition, elections, functioning, duration, disqualifications for membership, reservations for weaker sections, responsibilities, powers, and audit. While all States comply with the mandatory constitutional provisions regarding elections and reservations, there is significant variation in how powers and resources are devolved to Panchayats across different States and Union Territories. To encourage States to transfer powers and responsibilities to Panchayats and establish an accountability framework, the Ministry of Panchayati Raj, Government of India, ranks States and Union Territories based on their performance, as measured by a Devolution Index for 2023-24. It undertook a study comparing the devolution of funds, functions, and functionaries. The study also evaluated and compared frameworks for capacity enhancement and accountability.

**3.33** The study titled "*Status of Devolution to Panchayats in States (2024)*" – An Indicative Evidence-Based Ranking" highlights the progress in empowering Panchayati Raj Institutions (PRIs) across India. The Ministry has developed "Devolution Index of Panchayats"<sup>3</sup> for the year

<sup>3</sup> **Status of Devolution to Panchayats in States – An Indicative Evidence Based Ranking-2024, The Ministry of Panchayati Raj, the Government of India.**

2023-24 for States/UTs. Besides this, Panchayat devolution index has considered six dimensions, such as (i) Framework, (ii) Functions, (iii) Finances, (iv) Functionaries, (v) Capacity Enhancement and (vi) Accountability of PRIs. Further, these six dimensions are covered through twenty-five indicators. The index permits both, spatial and temporal assessment of devolution of power. The sub-indices for each of the component dimensions add useful insights into the regional diversity in the devolution structure, providing a comprehensive analysis of India's ongoing journey towards effective decentralisation.

**3.34** Based on the weighted aggregation of six-dimensional sub-indices, the composite DI is computed for the States/UTs. As per this DI, the State of Karnataka ranks first with an index score of 72.23, followed by Kerala (70.59), Tamil Nadu (68.38), Maharashtra (61.44) and Uttar Pradesh (60.07). With the score between 50 and 55, Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, and Odisha fall under the category of 'medium' scoring States.

**3.35** Compared to the national average of devolution index of 43.89, the devolution index for Odisha is calculated at 50.03. However, in General Category of States (18 states), Odisha ranks 13, primarily due to low scores in functionaries, capacity building and accountability. Table 3.3 categorises the States according to the score they received as well as the overall Devolution Index (DI), which forms the basis to present the ranks of States/UTs.

**Table 3.3: Devolution Index of Panchayats and Dimensions 2023-24**

Sl. No.	States	Framework D1	Functions D2	Finances D3	Functionaries D4	Capacity Enhancement D5	Accountability D6	D
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>General Category States</b>								
1.	Andhra Pradesh	60.08	30.50	43.19	68.78	76.69	60.49	54.43
2.	Bihar	49.76	18.69	43.86	75.13	55.27	51.64	48.24
3.	Chhattisgarh	68.51	42.39	51.45	78.33	47.61	58.17	56.26
4.	Goa	52.88	6.63	26.88	46.31	77.70	31.75	37.71
5.	Gujarat	61.65	41.23	41.63	90.94	83.96	47.90	58.26
6.	Haryana	73.30	16.82	40.38	38.48	35.35	41.93	39.33
7.	Jharkhand	42.30	27.56	30.05	27.83	24.72	16.47	27.73
8.	Karnataka	74.43	57.62	70.65	80.11	71.59	81.33	72.23
9.	Kerala	83.56	53.86	62.89	82.99	71.11	81.18	70.59
10.	Madhya Pradesh	70.00	39.47	42.34	62.22	70.00	36.55	50.94
11.	Maharashtra	74.74	46.52	42.96	73.63	73.35	80.36	61.44
12.	Odisha	69.20	57.46	53.57	27.42	43.43	51.92	50.03
13.	Punjab	47.26	31.97	36.36	8.20	26.34	24.87	29.34
14.	Rajasthan	68.54	56.13	54.56	64.03	61.43	41.43	56.67
15.	Tamil Nadu	66.83	60.24	55.78	84.25	84.29	71.00	68.38
16.	Telangana	45.35	38.77	46.86	58.01	86.19	60.43	55.10
17.	Uttar Pradesh	54.64	46.89	51.76	63.13	74.44	76.07	60.07
18.	West Bengal	62.30	33.07	52.96	67.76	70.63	57.87	56.52
<b>Northeastern / Hilly States</b>								
19.	Arunachal Pradesh#	41.50	12.70	6.83	5.74	37.40	22.56	17.96
20.	Assam	54.04	28.66	34.06	65.12	71.96	57.14	49.06
21.	Himachal Pradesh	62.22	23.01	48.41	70.06	83.68	39.41	53.17
22.	Manipur#	34.05	11.23	13.17	21.40	3.75	28.75	17.13
23.	Meghalaya*	NA	NA	NA	NA	NA	NA	NA
24.	Mizoram*	NA	NA	NA	NA	NA	NA	NA

Sl. No.	States	Framework D1	Functions D2	Finances D3	Functionaries D4	Capacity Enhancement D5	Accountability D6	D
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
25.	Nagaland*	NA	NA	NA	NA	NA	NA	NA
26.	Sikkim	65.27	42.59	43.50	31.42	53.23	34.94	43.91
27.	Tripura	66.50	21.50	59.16	52.22	76.82	70.69	57.58
28.	Uttarakhand	70.95	16.68	47.11	60.49	56.02	52.72	49.11
<b>Union Territories</b>								
29.	Andaman & Nicobar Islands	55.21	4.50	9.09	20.94	54.82	45.73	27.15
30.	Chandigarh**	NA	NA	NA	NA	NA	NA	NA
31.	Dadra & Nagar Haveli and Daman & Diu#	22.06	0.00	5.45	31.69	8.57	24.91	13.62
32.	Jammu and Kashmir	23.07	11.88	13.29	36.97	55.08	39.76	27.85
33.	Ladakh	22.21	11.08	0.00	25.25	29.32	27.43	16.18
34.	Lakshadweep#	31.42	10.36	3.99	39.53	15.18	28.13	18.32
35.	NCT of Delhi**	NA	NA	NA	NA	NA	NA	NA
36.	Puducherry	9.31	4.63	16.16	21.49	13.75	29.33	16.16
<b>National Average</b>		<b>54.29</b>	<b>29.18</b>	<b>37.04</b>	<b>50.96</b>	<b>54.63</b>	<b>47.51</b>	<b>43.89</b>

Source : The Ministry of Panchayati Raj, the Government of India

Note: #States for which previous data is used

\*Provisions of Part IX (The Panchayat) do not apply to these States.

\*\*Panchayats are not operational in these UTs.

NA: means not applicable

**3.36** The Fifth Finance Commission had made several recommendations to strengthen the functioning of PRIs – adherence to Gram Panchayat Development Plan, advocating additional manpower towards capacity building of GPs, ensuring comprehensive internet reach to facilitate availability of real-time GP-level data, etc.

**3.37** Subsequently, the government supplemented devolution towards GPs in Scheduled Areas. As per the data provided by the PR&DW Department vide Letter No. 13095/PR&DW dated 21.05.2025, the financial recommendations of the Fifth SFC were duly incorporated in the State budget and transfers were made to the PRIs. However, the utilisation of these funds remains suboptimal.

**3.38** In fact, the Fifth SFC Report had underscored the importance of augmenting technical and accounting manpower towards effective fund utilisation. In response, the State Government through Letter No. 5940, dated 12.03.2024, issued guidelines for the recruitment of Accountant-cum-DEOs. However, 2693 of the 7142 posts sanctioned remains vacant. The Commission recommends that these vacancies be filled at the earliest to address the operational bottlenecks. Furthermore, it calls for strengthening of critical support staff, such as Gram Panchayat Technical Assistants, to improve administrative and developmental efficiency at GP level.

**3.39** The Action Taken Report on Fifth SFC recommendations also records Government allocation of Rs. 150 crore to the E&IT Department for creating a dedicated space in the State Data Centre for storing local bodies' data. It is a matter of grave concern that the setting up of SDC is yet to commence on the ground.

**3.40** The preceding Finance Commissions have emphasised capacity building and training programmes for improving technological reach of PRIs across the State. It is noted that the State Government has undertaken capacity building initiatives, including ICT-related activities for GP-

level staff through State Institute for Rural Development and Panchayati Raj (SIRD & PR). Further, the roll-out of Ama Panchayat initiative for provisioning digital services to citizens, and recruitment of Accountant-cum-DEOs & Panchayat Executive Officers (PEOs) are aligned with the State’s broader digitalisation efforts.

**3.41** The overall impression of the existing framework indicates that while money flows to the PRIs are largely in place, human-resources and systems reforms continue to lag, implying that the capacity-creation side of decentralisation remains incomplete.

**3.42** Apart from hiring cluster-level staff for GPs, government must also strive to create block-level resource centres for continuous learning through web resources like iGOT Karmayogi, peer exchange, and helpdesks for PRIs. Customising training modules, factoring the locational and socio-economic conditions of GPs, and not one-size-fits-all training, would better address the unique needs of each locality.

**3.43** Lastly, to move away from nominal devolution and towards actual functionality, the State government must explore the feasibility of adopting a *Functionality Index* in line with the Centre’s *Devolution Index*. The Functionality Index may be designed to identify functional overlaps between departments and local bodies – making it a metric to assess the extent to which an assigned function is actually being executed by the local body.

### **Devolution of Funds- A Review of Progress**

**3.44** To execute the functions assigned to them, the PRIs require adequate resources. These institutions, by themselves, have limited capacity to raise revenues. Historically, a major share of their revenues had been transfers from the Central and the State Finance Commission recommendations. Between FY2019 and FY2024, the own revenues of the PRIs have averaged 1.2 per cent of the total transfers.

**3.45** The Fifteenth Finance Commission radically shifted the grants framework by recommending tier-wise transfers to each level of the Panchayati Raj Institution – moving away from the earlier practice of allocating a lump-sum grant to the local bodies, the allocation of which was left to the State Government’s discretion. The new approach was intended to ensure the genuine empowerment of all three levels of PRIs – panchayat, block, and district.

**3.46** While revenue mobilisation from own sources has remained characteristically stagnant, the fiscal transfers to the PRIs have seen a steady increase over the years. PRIs now enjoy greater flexibility to attend to their region-specific infrastructure gaps. However, the inadequacy in human and technical capacity to successfully envision, execute, and examine developmental activities often leads to suboptimal utilisation of these funds, resulting in systemic inefficiencies that hamper desirable outcomes.

**3.47** The table below presents the fund position of PRIs in Odisha over the last few years.

**Table 3.4: Fund Position of Panchayati Raj Institutions in Odisha (FY 2019 – 2024)**  
Own Source of Revenue vis-à-vis Funds transferred to PRIs

(Rs. In Crore)

Year	Own Source Revenue	Transfers from Government					Total Govt. transfer
		SFC			Performance Grant	Basic Grant	
		Devolution	Assignment of Tax	Grant-in-Aid			
1	2	3	4	5	6	7	8
2018-19	44.26	493.39	612.28	539.20	0.00	1768.44	<b>3413.31</b>
2019-20	42.36	493.77	686.63	581.72	196.40	2389.54	<b>4348.06</b>
2020-21	43.33	909.27	730.66	815.79	1129.00	1129.00	<b>4713.72</b>
2021-22	54.49	920.60	770.57	847.42	1001.4	667.60	<b>4207.33</b>
2022-23	62.44	915.09	922.09	847.82	1035.91	690.61	<b>4411.52</b>
2023-24	65.76	915.00	900.79	889.50	1049.04	699.35	<b>4453.68</b>
<b>Total</b>	<b>312.64</b>	<b>4647.12</b>	<b>4623.02</b>	<b>4521.45</b>	<b>4411.49</b>	<b>7344.54</b>	<b>25547.62</b>

Source: Panchayati Raj & Drinking Water Department, Government of Odisha

## Decentralised Governance Framework across ULBs in Odisha

**3.48** In 1992, the 74<sup>th</sup> Amendment formalised the Municipal Corporations, Municipal Councils and Nagar Panchayats – bringing urban local governance into the Constitutional fold. India experienced rapid urbanisation in 1980s, tremendously straining housing, sanitation, transport, water and waste management in these areas. The urban local bodies, however, lacked the necessary legal and institutional wherewithal to tackle these issues effectively. The weakness of the municipal framework was underscored by the fact that ULBs could be dissolved at the State’s whim. In the absence of a standard structure, each state could decide on its extent of decentralisation – inconsistencies abound. Over the years, several expert committees had underscored the need for empowering and revitalising local bodies, but it was the P.K. Thungan and Gadgil Committees (1989) that strongly advocated providing them with constitutional status.

**3.49** The Thungan Committee’s recommendations, while originally focused on PRIs, reshaped the entire discourse around democratic decentralisation, indirectly influencing the urban decentralisation framework as well. The 74<sup>th</sup> Amendment drew heavily from the conceptual schema of this Committee effecting democratic decentralisation in urban India synchronously with its rural counterparts.

**3.50** The 74<sup>th</sup> Amendment added the 12<sup>th</sup> Schedule to the Constitution, listing 18 activities to be performed by the municipal bodies – urban planning, regulation of land use, public health, sanitation, urban poverty alleviation, slum improvement and more. In 2015, Odisha introduced key amendments to the **Odisha Municipal Act, 1950**, and the **Odisha Municipal Corporation Act, 2003**. These changes established a strong framework for the formation of Ward Committees and Area Sabhas, clearly outlining their roles and responsibilities, institutionalising decentralised urban governance and elections. These elections are being held periodically albeit with some occasional delays. Odisha is among the few states that have increased women’s reservation to 50 per cent in urban local bodies.

**3.51** A Municipality in Odisha is composed of a Chairperson and Councillors elected directly from each ward within the municipal area, ensuring broad local representation. Additionally, the State Government is empowered to nominate persons with special knowledge or experience in municipal administration, who may participate in deliberations but do not hold voting rights in certain restricted meetings. The membership is further augmented by Members of Parliament and Legislative Assembly whose constituencies fall within or partly overlap the municipal boundaries; however, they too have limited participation rights.

**3.52** Odisha has a total of 115 Urban Local Bodies with 5 Municipal Corporations, 48 Municipalities and 62 Notified Area Councils (NACs).

**3.53** The conduct of municipal elections, overseen by the State Election Commission, includes the publication of elected Councilors’ names in the official Gazette. The Act mandates reservation of seats for Scheduled Castes (SC), Scheduled Tribes (ST), women, and backward classes of citizens in proportion to their respective populations in the municipal area. At least one seat each is reserved for SC and ST in municipalities where their populations are otherwise insufficient for reservation. Further, not less than one-third of seats reserved for SC, ST, and backward classes must go to women of these communities. In addition, a minimum of twenty-seven per cent of seats is reserved for citizens belonging to backward classes, along with one-third of these reserved for women from these groups. Overall, not less than one-third of all directly elected seats, including those reserved for SC, ST, and backward classes, are reserved for women and rotated among different wards. In cases where no eligible candidate is available for a reserved seat, the State Government may nominate an otherwise eligible person from the concerned category to ensure representation. This robust framework not only incorporates mechanisms for democratic participation and representation but also advances social justice and inclusivity in local self-government.

**3.54** The formation of ward committees plays a crucial role in promoting citizen involvement in grassroots governance. According to the Act, cities with population exceeding 3 Lakh are required to form ward committees covering one or more wards. These committees are intended to actively engage in addressing local issues through involvement in planning, budgeting, and administrative processes relevant to their areas. The Act also mandates that the State legislature enact laws to define the composition, territorial jurisdiction, and procedures for selecting members of these committees.

**3.55** The amendment stated - If a ward has a population of up to 10,000, the Ward Committee shall have four nominated members. For every additional 4,000 people or part thereof, one more member shall be added. Additionally, half of the nominated members must be women. The term of the Ward Committee will be co-terminus with that of the Municipal Corporation/ Municipality. Each municipal ward shall have one or more Area Sabhas, consisting of all registered voters within the designated polling area as defined by the State Election Commission. An Area Sabha Representative, nominated by the Municipality from among eminent persons of the area, will represent each Sabha. The eligibility criteria and disqualifications for the Representative will be the same as those applicable to a Municipal Councillor. The Representative's term will align with that of the Municipality.

**3.56** However, in March 2025, the Housing and Urban Development Department (HUDD) formally directed ULBs to prepare and submit Annual Action Plans—comprising lists of capital projects—based on identified local needs. The process is to be undertaken with the active involvement of local residents, elected representatives, community-based organisations, and designated ward- and ULB-level committees.

### **Devolution of Functions – A Review of Progress**

**3.57** The State government categorises the eighteen functions listed under Article 243W in the twelfth Schedule under Basic, Regulatory and Discretionary Functions. Under the **OMCA, 2003**, ten of these functions are classified as obligatory, seven as discretionary, and one as neither of them (see Annexure 3.3).

**3.58** Although both the Acts (Odisha Municipal Act, 1950, and the Odisha Municipal Corporation Act, 2003) were amended in 2015 to provide a legislative basis for decentralised urban governance in accordance with the 74th Constitutional Amendment, Ward Committees were not constituted in these ULBs. This led to limited citizen participation in local governance, as highlighted in the 2021 CAG Audit Report on Local Bodies in Odisha. Furthermore, ULBs failed to prepare and submit their comprehensive Development Plans to the District Planning Committees (Annexure 3.4).

**3.59** It is observed that, for three functions – Planning for economic and social development, Urban poverty alleviation, and safeguarding of interest of weaker sections of society – ULBs in Odisha act only as implementing agencies. For roads and bridges, ULBs perform a dual role, whereas the remaining thirteen functions either have a minimal role or share overlapping jurisdiction with State Government departments and parastatal agencies.

### **Devolution of Functionaries – A Review of Progress**

**3.60** The effective functioning of Urban Local Bodies (ULBs) is critically dependent on the devolution of functionaries alongside the devolution of powers and funds. The empowerment of ULBs necessitates the transfer and availability of technical, administrative, and operational staff—spanning engineering, planning, finance, ministerial, and community development cadres.

**3.61** The inability of ULBs to exercise real authority over devolved subjects arises principally from their limited access to and control over requisite personnel hitherto retained within State line departments. Without posting of appropriate technical and administrative functionaries to ULBs,

urban governance becomes a notional exercise, with a marked gap between the statutory assignment of functions and the actual ability to discharge them.

**3.62** This Commission has observed a significant number of vacancies in critical ULB positions such as Finance and Accounts Officers, Odisha Municipal Administrative Services (OMAS) officers, Junior Enforcement Officers, Accountants, Tax & Fee Collectors, Junior Engineers, Assistant Engineers, and Executive Engineers. In some cases, the vacancies reach up to 100 per cent of sanctioned strength, while in many others the shortfall exceeds 50 per cent.

**3.63** Urban governance in Odisha is enhanced by collaborations with several specialised agencies including the Development Authorities, State Urban Development Agency (SUDA), Water Corporation of Odisha (WATCO), Odisha State Housing Board (OSHB), and Capital Region Urban Transport (CRUT). These bodies enable ULBs to focus on local governance while drawing technical and financial support from the state ecosystem.

**3.64** The Commission has observed that continued retention of functionaries under State control and failure to fill the sanctioned posts undermine the spirit of the 74th Constitutional Amendment and inhibit the realisation of the objectives of decentralised urban governance. Immediate action is required to fill up the vacancies through direct recruitment, promotions, and deputation, as also to expedite court cases affecting appointments, ensuring that the ULBs are duly equipped with human resources commensurate with their statutory mandate and public expectations.

### **Devolution of Funds – A Review of Progress**

**3.65** Own source revenues of Urban Local Bodies (ULBs) have nearly doubled in the past six years, evidencing that increased local tax efforts – through tax collections, fee recoveries and other municipal measures - can successfully mobilise additional revenues. Excessive reliance on government transfers renders ULBs vulnerable to policy changes, delays, and conditionalities, often impeding the pace of developmental work. The table below illustrates fluctuations in basic grants to ULBs from the Central Finance Commission. Such unpredictable revenue streams hamper the ULB’s ability to plan and implement long-term infrastructure projects.

**Table 3.5: Fund Position of Urban Local Bodies in Odisha (FY 2019 – 2024)**

**Own Source of Revenue vis-à-vis Funds transferred to ULBs**

*(Rs. In Crore)*

Year	Own Source of Revenue	Transfers from Government					Total Government transfer
		SFC			CFC		
		Devolution	Assignment of Tax	Grant-in-Aid	Perf. Grant	Basic Grant	
1	2	3	4	5	6	7	8
2018-19	299.7809	164.60	850.33	180.93	0.00	292.72	1488.58
2019-20	363.6361	164.59	934.79	184.07	0.00	401.13	1684.58
2020-21	437.4865	304.45	403.71	329.88	543.50	566.90	2148.44
2021-22	489.0395	304.47	712.59	162.51	493.19	328.80	2001.56
2022-23	614.5869	305.05	769.95	167.44	510.64	340.43	2093.51
2023-24	586.2891	305.05	744.20	163.15	508.00	338.67	2059.07
<b>Total</b>	<b>2790.819</b>	<b>1548.21</b>	<b>4415.57</b>	<b>1188.00</b>	<b>2055.33</b>	<b>2269.00</b>	<b>11475.74</b>

*Source: Department of Housing & Urban Development, Government of Odisha*

**3.66** The Commission has observed that though Odisha has made meaningful progress in operationalising the devolution framework set by the 74th Constitutional Amendment—principally through periodic SFCs, institutionalised transfers, and strengthening of ULB finances—significant financial requirement is yet to be addressed. ULBs’ high dependence on state-controlled transfers, under-realised own-source revenues, and fund utilisation mismatches indicate that the spirit of fiscal devolution is only partially realised. Accelerated reforms in fund predictability, local revenue

mobilisation, and pragmatic matching of allocations to urban needs will be crucial to achieving effective and sustainable urban self-governance in Odisha, truly reflecting the mandate of the 74th Amendment.

### **Observations and Recommendations**

**3.67** The Commission has observed that to improve the evidence-based decision-making and to improve transparency in developmental planning, GIS-based planning and mapping of all existing community and public assets is necessary. Furthermore, colour-coding these assets based on their condition and utility will enable proper prioritisation for repair, upgrade, or new asset creation. The Commission recommends that the use of geo-tagging and spatial analytics be explored towards eliminating duplications in infrastructure investments.

**3.68** Further, the Commission has recommended clear demarcation of Functions – The fragmented and partial devolution of functions to PRIs should be addressed immediately. Despite constitutional backing, several functions meant for PRIs only are being carried out by the line departments, undermining the role of elected Panchayat representatives.

**3.69** To augment own revenue resources of the PRIs, the Commission recommends that the revenue-generating assets like market yards, tourist rest houses, rural haats, fish ponds, etc. should be brought under the ambit of PRI control exclusively. The State may enforce necessary guidelines for such transfers, mandate user charges, and specify reinvestment alternatives. Most importantly, the need for identifying innovative own revenue sources relevant to the local context, such as community dairy farming, maintenance of orchards, etc., is important.

**3.70** The District Local Fund Audit (DLFA) administer financial accountability, transparency, and compliance in the financial transactions and records of the GPs, PSs, and ZPs. The Commission has observed that the District Local Fund Audit (DLFA) has consistently been unable to conduct a complete certification of accounts within the same financial year for the past many years. This situation is attributed to inadequate manpower and vacancies in the existing sanctioned strength. Considering the magnitude of vacancies, the Commission, therefore, highlighted the pressing need of increasing the sanctioned strength of audit officers along with filling up of all existing vacancies to enable timely certification of all accounts of Local Bodies within one year.

**3.71** The Commission has observed that a large volume of outstanding dues, particularly property tax arrears and user charges, continues to constrain the ULBs. In this regard, the State could consider an exercise of making the list of defaulter's public by publishing their names on official website of the respective municipalities. This measure should be combined with SMS-based reminders and incentive schemes for timely-payment of dues.

**3.72** The Commission recognises the need for ULBs to intensify their local tax efforts through bringing about reforms in property taxation, identify viability of new user charges, and other GIS-based mapping for revenue mobilisation.

**3.73** The Commission underlines the need for clear and binding notifications assigning specific functions to the departments in the ULBs, in line with the 12<sup>th</sup> Schedule of the Constitution. Activity mapping should clearly delineate functions between ULBs and parastatals to avoid duplications and conflicts. Overlapping functions lead to weakened accountability and ambiguities in governance structures.

**3.74** Human Resource Development assumes major significance as a decisive factor in the optimisation of the performance of local bodies. A trained and skilled workforce can maximise efficiency of resource utilisation by prioritising expenditures, mobilising local revenues, and leveraging State and Central schemes more effectively.

**3.75** In this backdrop, the Commission recommends Human Resource Management through regular upskilling and reskilling of employees be undertaken/prioritized, to adapt to the changing needs of the ecosystem.

- The Commission has emphasised Human Resources development to support and adapt to the Local Bodies' overall growth and changing needs. Skilled personnel foster participatory governance by engaging communities and ensuring inclusive decision-making, adapting to technological and policy shifts through tools like e-governance and GIS planning, and strengthening accountability by adhering to governance protocols and grievance redressal mechanisms. Hence, it is imperative that strategic investment in the upscaling, upskilling and reskilling of local bodies multiplies the capacity of local bodies.
- Essentially, Human Resource development will ensure skilled and adequate functionaries, capacity enhancement, accountability, better fund utilisation, quality of spending with better outcome and augmentation of Own Source of Revenue. The details of Human Resource Development framework are incorporated in Chapter IX of this report.

After the deliberation on the status of decentralised governance and devolution, the Commission has analysed the recommendations of the previous finance Commission and reviewed the corresponding actions taken by the Government in the next Chapter. This exercise seeks to gauge the responsiveness of the Government and its commitment to turn around challenges into choices that strengthen decentralisation in the state.



# **CHAPTER - IV**

## **Status of Implementation of the Recommendations of Fifth State Finance Commission**



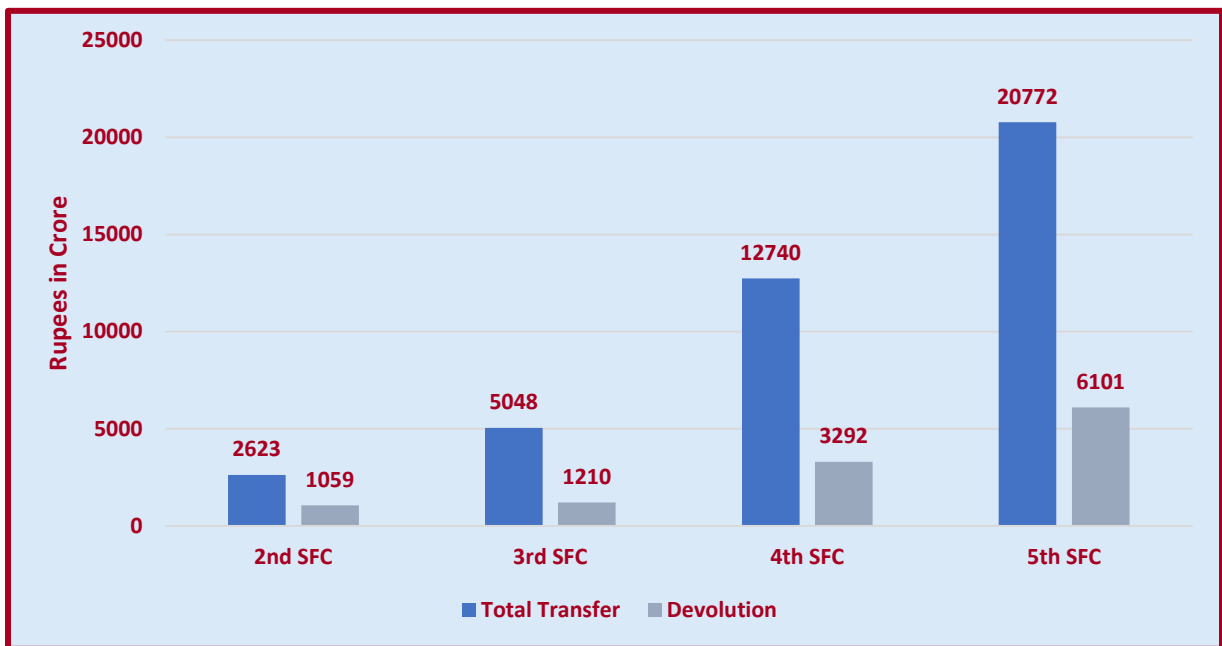
## Chapter – IV

### Status of Implementation of the Recommendations of Fifth State Finance Commission

4.1 The State Finance Commissions (SFCs) in Odisha, constituted under Article 243-I and 243-Y of the Constitution of India, have played a key role in empowering the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Odisha. So far, six SFCs have been constituted. After receipt of successive SFC Reports, the State Government used to lay the explanatory memorandum on the action taken on the SFC recommendations on the table of Odisha Legislative Assembly as per the provisions of Article 243-I (4) and 243-Y (2) of the Constitution. Brief details of major recommendations of the previous five SFCs are already provided in Chapters I and II.

4.2 Comparable information on total amount of SFC transfers to local bodies, percentage share of devolution in the divisible pool, and share of PRIs and ULBs in total SFC devolution are provided in Charts 4.1, 4.2 and 4.3 respectively. It can be observed from Chart 4.1 that there has been a gradual rise in the amount of SFC transfers to local bodies across successive SFC award periods.

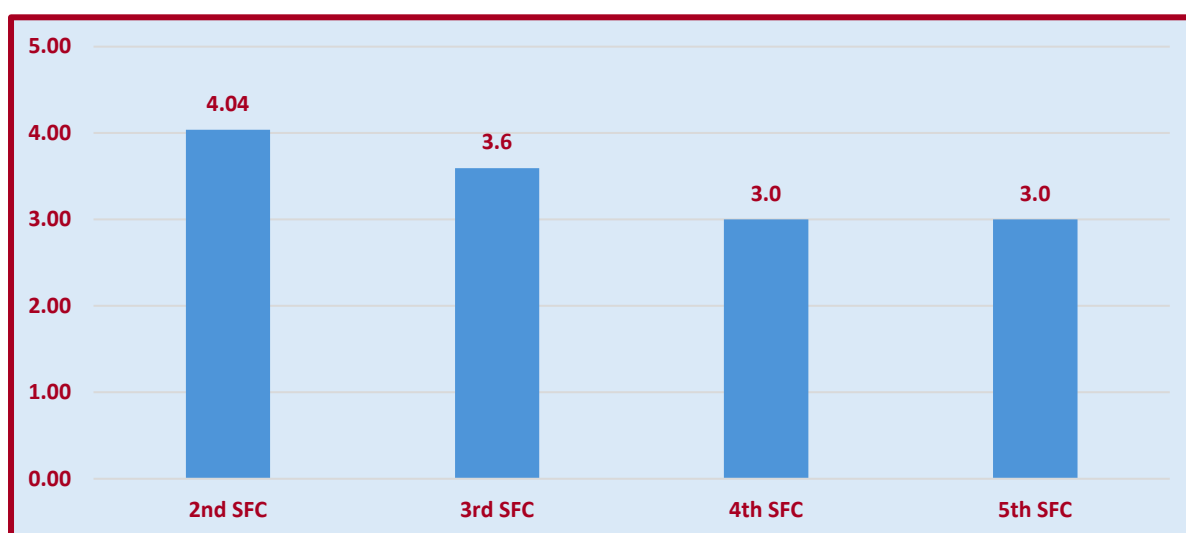
Chart 4.1: SFC Transfers to Local Bodies in Odisha



Source: Finance Department, Government of Odisha

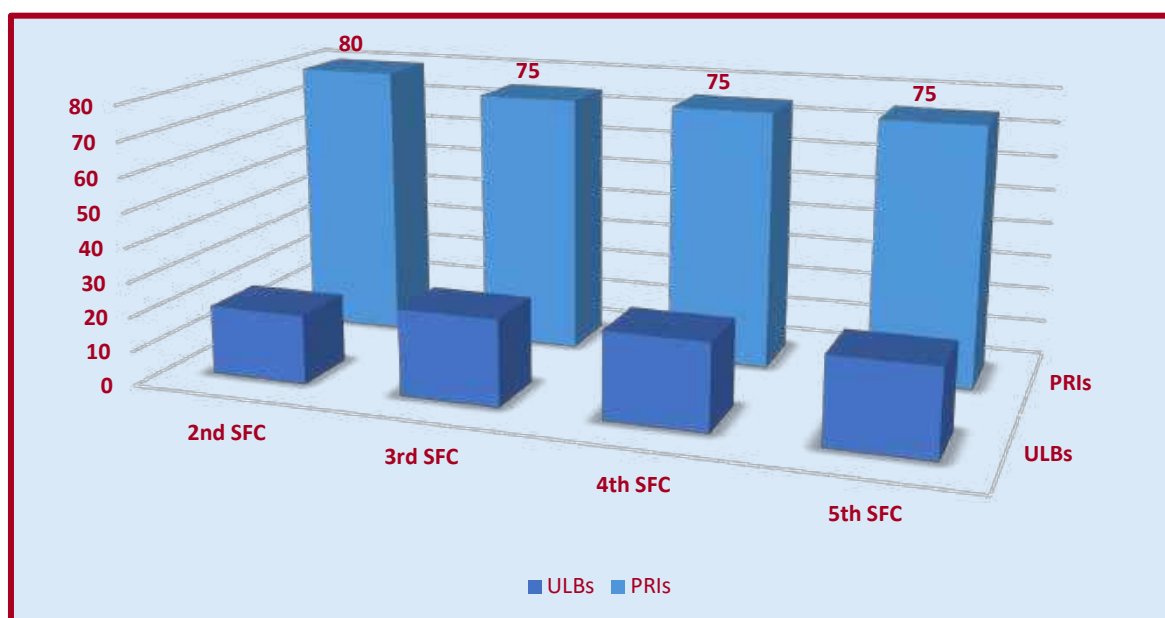
4.3 However, there was a drop in the share of devolution from 4.04 per cent during the Second SFC award period to 3.0 per cent during the award periods of the Fourth and Fifth SFCs (Chart 4.2). Despite a rise in urbanisation in the State, the share of ULBs was kept constant at 25.0 per cent during the award periods of the Third, Fourth and Fifth SFCs. In this context, the following section reviews the status of the recommendations of the Fifth State Finance Commission.

**Chart 4.2: Share of Devolution under Divisible Pool (%)**



Source: Finance Department, Government of Odisha

**Chart 4.3: Share of PRIs and ULBs in Overall SFC Transfers**



Source: Finance Department, Government of Odisha

### **Recommendations of the Fifth State Finance Commission**

**4.4** The major financial recommendations of the Fifth SFC pertaining to the transfers under Devolution, Assignment of Taxes and Grants-in-Aid are given below.

- The overall transfers of the Fifth SFC from the state to local bodies were pegged at 10% of Own Net Tax Revenue (NTR) of the state for the period 2020-25.
- Out of SFC devolution, the share of PRIs and ULBs were fixed at 75 and 25 per cent, respectively. A composite criterion based on population size and density, poverty levels (Tendulkar methodology), and SC/ST concentration was used to determine the above distribution.
- The share of devolution was fixed at 3 per cent of NTR. Inter-se devolution of funds among three tiers of PRIs, namely, for GP, PS and ZP was made in the ratio of 70:20:10,

respectively. Inter-se distribution of devolution of funds to GPs and ULBs was determined by population size. Additionally, 25 per cent was also recommended to GPs situated in tribal sub-plan areas.

- The Fifth SFC had recommended assignment of taxes to the PRIs and ULBs to meet the administrative and various establishment expenses including salary, allowances, sitting fees and honorarium of members, travel Allowances, daily allowances etc. out of SGST in lieu of Entry Tax. A share of 7.46 per cent of net proceeds of the SGST was assigned to the PRIs and the ULBs for this purpose. It also assigned 8.03 per cent of net proceeds of the MV Tax to the PRIs and the ULBs for maintenance and improvement of the road facilities within their jurisdictions under Assignment of taxes.

**4.5** Based on the projected net tax revenue (NTR) of Rs. 2,05,802.66 Crore for its award period 2020-21 to 2024-25, the Fifth SFC pegged total transfers to the local bodies in Odisha at Rs. 20,850 Crore (10 per cent of NTR). The transfers were recommended under three heads of (i) Devolution, (ii) Assignment of Taxes, and (iii) Grants-in-Aid. Detailed composition of the financial outlay of Rs. 20,771.64 Crore is provided in Table 4.1 below.

**Table 4.1: Summary of financial recommendations of Fifth SFC**  
(Rs. in Crore)

HEADS	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>a) DEVOLUTION</b>						
i) PRIs	915.09	915.09	915.09	915.09	915.09	4575.45
ii)ULBs	305.05	305.05	305.05	305.05	305.05	1525.25
<b>TOTAL</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>6100.70</b>
<b>b) ASSIGNMENT OF TAXES</b>						
i) PRIs	759.55	797.07	837.00	879.48	924.66	4197.76
ii)ULBs	664.89	716.05	685.27	745.94	812.03	3624.18
<b>TOTAL</b>	<b>1424.44</b>	<b>1513.12</b>	<b>1522.27</b>	<b>1625.42</b>	<b>1736.69</b>	<b>7821.94</b>
<b>c) GRANTS-IN-AID</b>						
i) PRIs	978.99	1018.99	1018.99	1018.99	1018.99	5054.95
ii)ULBs	348.81	361.31	361.31	361.31	361.31	1794.05
<b>TOTAL</b>	<b>1327.80</b>	<b>1380.30</b>	<b>1380.30</b>	<b>1380.30</b>	<b>1380.30</b>	<b>6849.00</b>
<b>GRAND TOTAL</b>	<b>3972.38</b>	<b>4113.56</b>	<b>4122.71</b>	<b>4225.86</b>	<b>4337.13</b>	<b>20771.64</b>

Source - Report of Fifth State Finance Commission Odisha (2020-25)

### Review of Status of Implementation of Recommendations of Fifth SFC

**4.5** To align the period of recommendations with that of the Fifteenth Finance Commission, the State Government, in its Action Taken Report (ATR) on the recommendations of the Fifth State Finance Commission, extended the award period to six years, covering 2020–21 to 2025–26. Accordingly, based on the broad principles recommended by the Fifth SFC, total amount of transfers was raised to Rs. 23,848.12 Crore as per the details provided in Table 4.2.

**Table 4.2: Summary of Transfer of Funds as per ATR***(Rs. in Crore)*

HEADS	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2020-26
<b>a) DEVOLUTION</b>							
i) PRIs	915.09	915.09	915.09	915.09	915.09	915.09	5490.54
ii)ULBs	305.05	305.05	305.05	305.05	305.05	305.05	1830.30
<b>TOTAL</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>1220.14</b>	<b>7320.84</b>
<b>b) ASSIGNMENT OF TAXES</b>							
i) PRIs	759.55	797.07	837.00	879.48	924.66	972.35	5170.11
ii)ULBs	664.89	716.05	685.27	745.94	812.03	883.99	4508.17
<b>TOTAL</b>	<b>1424.44</b>	<b>1513.12</b>	<b>1522.27</b>	<b>1625.42</b>	<b>1736.69</b>	<b>1856.34</b>	<b>9678.28</b>
<b>c) GRANTS-IN-AID</b>							
i) PRIs	815.79	847.79	847.82	847.82	847.86	847.87	5054.95
ii)ULBs	290.63	300.63	300.66	300.66	300.73	300.74	1794.05
<b>TOTAL</b>	<b>1106.42</b>	<b>1148.42</b>	<b>1148.48</b>	<b>1148.48</b>	<b>1148.59</b>	<b>1148.61</b>	<b>6849.00</b>
<b>GRAND TOTAL</b>	<b>3751.00</b>	<b>3881.68</b>	<b>3890.89</b>	<b>3994.04</b>	<b>4105.42</b>	<b>4225.09</b>	<b>23848.12</b>

*Source -Action Taken Report on the Recommendations of Fifth SFC, Odisha***Utilisation of Funds under Devolution**

**4.6** Although the Fifth SFC recommended inter se devolution of funds among the GP, PS and ZP in the ratio of 70:20:10, respectively, the Government accepted the same in the ratio of 60:30:10. Out of the 30 per cent allocated to PSs, 50 per cent was tied up for drinking water, sanitation, solid waste management etc. and remaining 50 per cent was untied fund to be utilised for providing basic services like communication, improvement of secondary educational institutions and health care institutions like CHCs and PHCs.

**4.7** The first 5-years of the Fifth SFC award period are completed as of now. The financial utilisation of funds by the PRIs and ULBs for this 5-year period, 2020-25, as against the release of funds based on ATR, is given in Tables 4.3 and 4.4, respectively.

**Table 4.3: Financial Utilisation of Devolution by PRIs (2020-2025)***(Rs. in Crore)*

PRIs	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>Gram Panchayats</b>	Provision(ATR)	549.05	549.05	549.05	549.05	549.05	<b>2745.25</b>
	Release	549.05	549.05	549.05	549.05	549.05	<b>2745.25</b>
	Utilisation	540.6	516.8	458.4	411.7	317.55	<b>2245.05</b>
	Utilisation %	98.46	94.13	83.49	74.98	57.84	<b>81.78</b>

PRIs	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>Panchayat Samities</b>	Provision(ATR)	274.53	274.53	274.53	274.53	274.53	<b>1372.65</b>
	Release	274.53	274.53	274.53	274.53	274.53	<b>1372.65</b>
	Utilisation	262.5	248.8	227.75	211.5	175.61	<b>1126.16</b>
	Utilisation %	95.62	90.63	82.96	77.04	63.97	<b>82.04</b>
<b>Zilla Parishads</b>	Provision(ATR)	91.51	91.51	91.51	91.51	91.51	<b>457.55</b>
	Release	91.51	91.51	91.51	91.51	91.51	<b>457.55</b>
	Utilisation	88.5	86.5	72.75	57.4	20.18	<b>325.33</b>
	Utilisation %	96.71	94.53	79.5	62.73	22.05	<b>71.10</b>
<b>Total PRIs</b>	Provision(ATR)	915.09	915.09	915.09	915.09	915.09	<b>4575.45</b>
	Release	915.09	915.09	915.09	915.09	915.09	<b>4575.45</b>
	Utilisation	891.60	852.10	758.90	680.60	513.34	<b>3696.54</b>
	Utilisation %	97.43	93.12	82.93	74.38	56.10	<b>80.79</b>

Source: Panchayati Raj & Drinking Water Department, Government of Odisha

**Table 4.4: Financial Utilisation of Devolution by ULBs (2020-2025)**

(Rs. in Crore)

ULBs	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>Municipal Corporations</b>	Provision (ATR)	123.95	123.95	123.95	123.95	123.95	619.75
	Release	123.95	123.95	123.95	123.95	123.95	619.75
	Utilisation	33.18	39.39	66.03	97.16	119.80	355.56
	Utilisation %	26.77	31.78	53.27	78.39	96.65	57.37
<b>Municipalities</b>	Provision (ATR)	130.00	130.00	130.00	130.00	130.00	650.00
	Release	130.00	130.00	130.00	130.00	130.00	650.00
	Utilisation	96.52	103.46	115.87	110.49	57.22	483.56
	Utilisation %	74.25	79.58	89.13	84.99	44.02	74.39
<b>NACs</b>	Provision (ATR)	51.10	51.10	51.10	51.10	51.10	255.50
	Release	51.10	51.10	51.10	51.10	51.10	255.50
	Utilisation	45.84	46.49	51.04	51.10	28.04	222.51
	Utilisation %	89.71	90.98	99.88	100.00	54.87	87.09
<b>Total ULBs</b>	Provision (ATR)	305.05	305.05	305.05	305.05	305.05	1525.25
	Release	305.05	305.05	305.05	305.05	305.05	1525.25
	Utilisation	175.54	189.34	232.94	258.75	205.06	1061.63
	Utilisation %	57.54	62.07	76.36	84.82	67.22	69.60

Source: Housing & Urban Development Department, Government of Odisha

**4.8** The average financial utilisation of funds transferred under devolution to the PRIs for 2020-25 is nearly 81 per cent. Utilisation levels for Gram Panchayats (GPs) and Panchayat Samitis (PSs), at approx. 82 per cent, were higher than those recorded for Zilla Parishads (ZPs). Similarly,

average utilisation of devolution of funds during the same period by NACs at 87.1 per cent is much higher in comparison to that of Municipalities and Municipal Corporations at 74.4 and 57.4 per cent, respectively.

#### Physical utilisation of devolution of funds:

4.9 Devolution of funds is untied in nature and local bodies can spend the amount as per their convenience with the opinion of the people. Some of the projects are also sanctioned by the utilisation of devolution funds. During the visit of the Commission to different ULBs and PRIs in different districts, the Commission found that quite a good number of the projects are at an implementation stage, while some are yet to commence. Even some of the projects taken up during 2020-21 are as non-starter projects which were supposed to be completed during the same year or by next year. The physical utilisation of funds of the PRIs and ULBs is given in Table 4.5 and Table 4.6, respectively.

**Table 4.5: Physical Utilisation of Devolution by PRIs (2020-2025)**

*(Rs. in Crore)*

PRIs	Release Amt.	No. of projects sanctioned	No. of projects completed	No. of on-going projects	% of on-going projects	No. of Non Starter projects	% of Non-Starter Projects
Gram Panchayats	2745.25	179390	118975	31641	17.6	28774	16.0
Panchayat Samities	1372.65	32624	24567	6187	19.0	1870	5.7
Zilla Parishad	457.55	16898	13287	2692	15.9	919	5.4
<b>Total</b>	<b>4575.5</b>	<b>228912</b>	<b>156829</b>	<b>40520</b>	<b>17.7</b>	<b>31563</b>	<b>13.8</b>

Source: Panchayati Raj & Drinking Water Department, Government of Odisha

**Table 4.6: Physical Utilisation of Devolution by ULBs (2020-2025)**

*(Rs. in Crore)*

ULBs	Release Amt.	No. of projects sanctioned	No. of projects completed	No. of on-going projects	% of on-going projects	No. of Non Starter projects	% of Non-Starter Projects
MCs	619.75	6002	4774	799	13.3	429	7.1
Municipalities	650	6471	5569	435	6.7	467	7.2
NACs	255.5	4710	3977	461	9.8	272	5.8
<b>Total</b>	<b>1525.3</b>	<b>17183</b>	<b>14320</b>	<b>1695</b>	<b>9.9</b>	<b>1168</b>	<b>6.8</b>

Source: Housing & Urban Development Department, Government of Odisha

4.10 From Table 4.5 and Table 4.6, it is observed that, Non-starter projects of PRIs and ULBs out of devolution fund are around 14% and 7% of total physical projects sanctioned.

#### Utilisation of Funds under Assignment of Taxes

4.11 Information on assignment from SGST in lieu of Entry Tax for Panchayati Raj Institutions (PRIs) towards Salary and Establishment Cost, Sitting Fee, Honorarium, TA&DA are provided based on actual requirement which exceeded the normative recommendations of the Fifth SFC. As per the Action Taken Report, the total provision under these components for PRIs during 2020-25

is Rs. 3651.29 Crore, whereas the actual transfer for the same period is Rs. 4262.84 Crore. Thus, the Government had transferred an additional amount of Rs.611.55 Crore, beyond the recommendation of the Fifth SFC. The year-wise details of actual transfer of funds to PRIs as assignment out of SGST are given in Table 4.7.

**Table 4.7: Actual Transfer of Assignment out of SGST to PRIs**

*(Rs. in Crore)*

Items	2020-21 (Actual)	2021-22 (Actual)	2022-23 (Actual)	2023-24 (Actual)	2024-25 (RE)	2020-25
(i) Salary & Establishment cost	557.04	588.84	732.35	699.92	1081.45	3659.6
(ii) Sitting Fee, Honorarium, TA & DA	80.47	81.13	81.10	83.78	276.76	603.24
Assignment out of SGST to PRIs (i+ii)	637.51	669.97	813.45	783.70	1358.21	4262.84

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

**4.12.** The financial utilisation of assignment of taxes for PRIs is given in Table 4.8. The utilisation of funds by PRIs for salary, establishment cost & honorarium and sitting fees etc. is found to be impressive at 98.5 per cent, but during the same period utilisation of funds for improvement of roads is merely at 70.71 per cent.

**Table 4.8: Financial Utilisation of Assignment of Taxes by PRIs**

*(Rs. in Crore)*

PRIs	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>Salary &amp; Establishment cost, Sitting fee, Honorarium, TA &amp; DA</b>	Provision	666.40	696.47	728.35	762.14	797.93	<b>3651.29</b>
	Release	637.51	669.97	813.45	783.70	1358.21	<b>4262.84</b>
	Utilisation	636.40	669.05	811.25	783.20	1298.70	<b>4198.60</b>
	Utilisation %	99.83	99.86	99.73	99.94	95.62	<b>98.49</b>
<b>Maintenance/ Improvement of road infrastructure</b>	Provision	93.15	100.60	108.65	117.34	126.73	<b>546.47</b>
	Release	93.15	100.60	108.65	117.34	126.73	<b>546.47</b>
	Utilisation	91.50	95.70	89.80	75.20	34.23	<b>386.43</b>
	Utilisation %	98.23	95.13	82.65	64.09	27.01	<b>70.71</b>

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

**4.13** The Government had agreed in ATR for transfer of funds under assignment of taxes to cover salary, establishment, honorarium and sitting fees to ULBs as per normative allocation of the Fifth SFC. The utilisation of funds under salary establishment cost etc. by ULBs remained low at 63.9 per cent, but utilisation of funds under improvement of roads is found to be much higher at 94.1 per cent during the same period (Table 4.9).

**Table 4.9: Financial Utilisation of Assignment of Taxes by ULBs***(Rs. in Crore)*

ULBs	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>Salary &amp; Establishment cost etc.</b>	Provision	596.50	642.40	605.93	660.46	719.91	<b>3225.20</b>
	Release	596.50	642.40	605.93	660.46	719.91	<b>3225.20</b>
	Utilisation	364.98	396.42	426.33	437.93	435.85	<b>2061.51</b>
	Utilisation %	61.19	61.71	70.36	66.31	60.54	<b>63.92</b>
<b>Maintenance/ Improvement of road infrastructure</b>	Provision	65.83	71.09	76.78	82.92	89.56	<b>386.18</b>
	Release	65.83	71.09	76.78	82.92	89.56	<b>386.18</b>
	Utilisation	45.60	68.68	76.78	82.92	89.56	<b>363.54</b>
	Utilisation %	69.28	96.61	100	100	100	<b>94.14</b>

*Source: Housing & Urban Development Department, Government of Odisha***Table 4.10: Physical Utilisation of funds assigned out of MV tax (2020-25)***(Rs. in Crore)*

Local Bodies	Release Amt.	No of projects taken up	No. of completed projects	No. of on-going projects	% of on-going projects	No. of Non Starter projects	% of Non-Starter Projects
PRIs	546.47	18754	7225	10647	56.8	882	4.7
ULBs	386.18	10137	9062	949	9.4	126	1.2
<b>Total</b>	<b>932.65</b>	<b>28891</b>	<b>16287</b>	<b>11596</b>	<b>40.1</b>	<b>1008</b>	<b>3.5</b>

*Sources: PR&DW Department & H&UD Department, Government of Odisha*

**4.14** The physical utilisation of funds assigned out of MV tax by PRIs and ULBs for Maintenance/ Improvement of road infrastructure is given in **Table 4.10**. It is observed that, on-going projects and non-starter projects under Assignment of Taxes (out of MV Tax) of Local Bodies are 40% and 3.5% respectively.

#### **Utilisation of Funds under Grants-in-aid**

**4.15** The progress (financial) on implementation of projects under grants-in-aid to PRIs and ULBs is given in Table 4.11.

**Table 4.11: Financial utilisation of Grants-in-aid by Local Bodies (2020-25)***(Rs. in Crore)*

Local Bodies	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
<b>PRIs</b>	Provision	815.79	847.79	847.82	889.50	827.02	<b>4227.92</b>
	Release	815.79	847.79	847.82	889.50	827.02	<b>4227.92</b>
	Utilisation	749.54	710.89	495.90	352.31	118.41	<b>2427.05</b>
	Utilisation %	<b>91.88</b>	<b>83.85</b>	<b>58.49</b>	<b>39.61</b>	<b>14.32</b>	<b>57.41</b>

Local Bodies	Items	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
ULBs	Provision	290.63	300.63	300.66	300.66	300.73	<b>1493.31</b>
	Release	286.29	304.97	300.66	300.66	300.73	<b>1493.31</b>
	Utilisation	203.00	114.54	111.03	131.18	124.65	<b>684.40</b>
	Utilisation %	<b>70.91</b>	<b>37.56</b>	<b>36.93</b>	<b>43.63</b>	<b>41.45</b>	<b>45.83</b>

Sources: PR&DW Department & H&UD Department, Government of Odisha

**4.16** The amount of funds as recommended by the Commission under grants-in-aid for the period of five years (2020-25) was extended for the six years period 2020-26 by Government in ATR. The Fifth SFC had recommended for creation of District Data centres at the district level for systematic collection of data at regular interval from each unit of PRIs and ULBs, and uploading the same for monitoring the progress of different schemes. However, the Government had decided to place the recommended amount of Rs. 150 Crore with the E&IT Department (OCAC) for creating State Data Centre exclusively for PR&DW Department and H&UD Department for storage of data relating to PRIs and ULBs. The State Data Centre is not yet started.

**4.17** The Fifth SFC had recommended an amount of Rs. 50 Crore for construction of electric crematoria in ULBs to promote use of electric crematorium thereby causing less pollution and conserving the environment. The Government had decided that this amount shall be spent for creation of environment friendly crematoria and not necessarily electric crematoria in the ULBs, keeping in view the ground reality.

**4.18** It is observed that the Government has transferred 67 per cent of the grants-in-aid to PSs, 7 per cent to ZPs and 3 per cent to GPs. The GPs received lesser pie of total grants-in-aid probably due to poor capacity. Besides, the Government had transferred around 23 per cent to other executive agencies for implementation of projects. From Table 4.11, it is observed that the average financial utilisation of sector specific grants-in-aid by PRIs and ULBs for first five years are 57.4 and 45.8 per cent, respectively. The status of utilisation of separate sector specific grants-in-aid for PRIs and ULBs are given at Annexure-I and Annexure-II, respectively.

**4.19** The average utilisation of PRIs in creation of infrastructure for banking facilities at GP headquarters (100%), all-weather connectivity (73.90%), maintenance of primary school buildings (72.96%) are relatively high. In convergence with the recommendations of the Fifth SFC for creation of infrastructure for banking facilities at GP headquarters, the State Government had launched a scheme namely *Providing banking services in unbanked GPs of the State through CSP Plus Outlets* with a total outlay of Rs.500 Crore out of which Rs. 125 Crore was utilised from the Fifth SFC Award. The balance amount is being funded by the State Government. A brief account of the above scheme is provided in Box 4.1.

**Box 4.1: Providing banking services in unbanked GPs of the State through CSP Plus Outlets**

In order to provide banking services in the under banked GPs, the State Government had taken an initiative for opening of CSP Plus outlets in 4237 GPs having no Brick & Mortar bank branches in collaboration with 6 Public Sector Banks namely State Bank of India, Punjab National Bank, Union Bank of India, UCO Bank, Bank of India and Bank of Baroda. The salient features of CSP plus outlets are given as follows:

**Assistance provided by State Government**

- Rent free accommodation for setting up of CSP plus outlets in all 4237 unbanked GPs for a period of 5 years.
- Provision of electricity connection with separate meter and Internet connectivity for smooth functioning of CSP plus outlets.
- One-time fixed cost support of Rs. 3.56 Lakh per outlet for all necessary equipment.

- Monthly recurring cost of Rs. 11000 per outlet for first 3 years.

#### **Services offered**

- CSP plus outlets is a low-cost banking model manned by two Business Correspondents (BCs) to ensure certainty of banking services, following the same time norm of its Link Bank Branch
- 15 banking services are provided along with door step banking facilities.
- Services like sanction of loan for any activities are not available.

#### **Monitoring and Supervision**

- A dedicated web portal (<https://csplus.odisha.gov.in>) to monitor the functioning of the outlets.
- Regular monitoring and supervision by respective banks.
- Steering Committee is headed by Chief Secretary, Working Committee is headed by Principal Secretary, Finance and District Level Implementation Committee is headed by CDO-cum-EO of the districts.

#### **Achievement**

- As on January 15, 2026, 3850 CSP plus outlets have been opened in the State with total volume of transaction of Rs. 9888.55 Crore including Doorstep banking of Rs. 356.19 Crores.
- Payments have been released to 6 partner banks for opening of CSP plus outlets in remaining 385 unbanked GPs.

**4.20** The average utilisation of ULBs during 2020-25 in sanitation and solid waste management is 85.2 per cent. During this period, average utilisation in sectors like provision for safe drinking water (16.96%), electric crematorium (14.95%), development of civic amenities at Konark NAC (0%), and incentives (0.05%) was below 20% of the net release to the ULBs.

**4.21** Summary of physical progress of projects for both PRIs and ULBs is given in Table-4.12.

**Table 4.12 : Physical utilisation of Grants-in-aid by Local Bodies (2020-25)**

*(Rs. in Crore)*

Local Bodies	Release Amt.	No of projects taken up	No. of completed projects	No. of on-going projects	% of on-going projects	No. of Non Starter projects	% of Non-Starter Projects
PRIs	4227.92	88811	49429	34547	38.9	4835	5.4
ULBs	1493.31	8544	5848	1595	18.7	1103	12.9
<b>Total</b>	<b>5721.23</b>	<b>97355</b>	<b>55277</b>	<b>36142</b>	<b>37.1</b>	<b>5938</b>	<b>6.1</b>

*Sources: PR&DW Department & H&UD Department, Government of Odisha*

**4.22** From the status of physical completion of the projects of ULBs, it is observed that, development of civic amenities at Konark NAC is not utilised by Konark NAC as the project has not been started. Around 89% of environment friendly/electric crematoria projects of ULBs are non starter projects. Around 15% of development of water bodies projects, 28% of Maintenance of Primary School Buildings projects and 18% of Maintenance of capital assets projects and 13% of creation of capital assets for revenue generation projects are non starter projects even if the award period of the Fifth SFC is nearing completion. Incentives to ULBs are not distributed properly. Summary of Grants-in-aid wise financial utilisation and physical utilisation by **PRIs** is attached at **Annexure-4.1** and **4.2**, respectively. The same for ULBs is attached in **Annexure-4.3** and **4.4**, respectively.

## Non-Financial Recommendations and their Implementation

**4.23** Identifying measures needed to improve the financial position of 3-tier Panchayati Raj Institutions and Urban Local Bodies is one of the terms of reference of the Commission. Like the previous Commissions, the Fifth SFC also recommended both financial recommendations and non-financial recommendations for improvement of financial position of 3-tier Panchayati Raj Institutions and Urban Local Bodies. The Fifth SFC made non-financial recommendations for consideration of State Government under three headings namely; (a) institutional strengthening (b) measures needed to enhance OSR of Local Bodies and (c) general issues. Out of total 55 NFRs, 25 NFRs are completely implemented, 17 NFRs are partially implemented, 9 NFRs are not implemented and 4 NFRs were dropped by Government. The summary status of implementation of Non-Financial Recommendations (NFRs) of 5<sup>th</sup> SFC is placed in Table 4.13.

**Table 4.13: Non-Financial Recommendations (NFRs) of 5<sup>th</sup> SFC**

Sl No.	Items	Total No. of NFRs	Completely Implemented	No. NFRs partially implemented	No. of NFRs dropped	No. of NFRs not implemented
<b>A</b>	<b>Institutional strengthening</b>	22	16	6		
(i)	Strengthening of Human Resources	8	7	1		
(ii)	Strengthening of infrastructure facilities	10	7	3		
(iii)	Other financing and accounting measures	4	2	2		
<b>B</b>	<b>Measures needed to enhance OSR of Local Bodies</b>	22	4	9	3	6
<b>C</b>	<b>General issues</b>	11	5	2	1	3
<b>Total</b>		<b>55</b>	<b>25</b>	<b>17</b>	<b>4</b>	<b>9</b>

*Source - Report of The Fifth State Finance Commission Odisha (2020-25)*

**4.24** Out of the total 55 NFRs recommended by Fifth SFC, Government has implemented 25 NFRs completely. Some of the key recommendations of the Fifth State Finance Commission have been implemented. Notably, a state-of-the-art training institute, the Odisha Urban Academy, has been established and declared a Centre of Excellence. All ULBs are maintaining the double-entry accrual-based accounting system (DEABAS). E-Accounting Module under SUJOG has been operational in all ULBs since 2021-22. PR&DW Department has created 7142 Accountant-cum-ADEOs (ADEOs) in GPs and 4605 ADEOs are in position. The Finance Department, in collaboration with the PR&DW Department, Banks, and other stakeholders, identified unbanked Gram Panchayats (GPs) and facilitated the establishment of CSP Plus outlets in all such GPs. The details of NFRs that are implemented are placed in **Annexure-4.5**

**4.25** 17 NFRs of Fifth SFC are partially implemented by Government. Some of the important (NFRs) include examining and incorporating the Tamil Nadu model of Rural Solid Waste Management for possible pilot implementation in select Gram Panchayats of Odisha, and initiating steps for Urban Local Bodies (ULBs) to develop Integrated Urban Accessibility Plans (IUAP). The

detailed list of NFRs partially implemented is placed at **Annexure-4.6**. [Both the Departments may once again examine the NFRs and complete the implementation wherever feasible].

**4.26** Four NFRs of fifth SFC have been dropped by the Government and some of the important NFRs of the Fifth SFC like imposition of Property Tax by Census Town GPs, establishment of a Regulatory Commission in the line of Chhattisgarh to safeguard the interest of citizen and to rationalise and regulate user charges and other revenue collections by ULBs, introduction of property tax with “Unit Area Method” of assessment and constitution of a “Valuation Board”, tax on vacant land in urban areas, sharing the proceeds of conversion charges between the Panchayats and the ULBs in the ratio of 75:25 respectively in cases of conversion of agricultural land for non-agricultural use, land transfer policy for ULBs etc. are not yet implemented by the Government. The details of NFRs dropped and not implemented are placed in **Annexure-4.7 & 4.8**. [Both the Departments may once again examine the NFRs and complete the implementation wherever feasible].

### **Conclusion**

**4.27** The Commission observed that there is a need to raise the share of SFC transfers to local bodies as a share of State NTR from the 10 per cent share as pegged by the Fifth SFC. With the rising urbanisation trend in the State, it is also imperative to raise the share of ULBs in the overall transfers. The Commission noted concerns about the low utilisation of allocated SFC transfers, particularly under Devolution and Grants-in-Aid. Necessary remedial measures are prescribed in Chapter XI of this report of the Commission. Strengthening human resource requirements of the local bodies in alignment with the devolved functions, both in terms of increasing staff and improving their skill sets, should be given due priority.

**4.28** Hence, the Commission feels there is a requirement for a new incentive framework, a Dashboard for close monitoring of the project and bridge data asymmetry, business process re-engineering to address the structural issues to implement the projects and capacity building of the local bodies to deal with the funds and functions devolved to the local bodies.

**4.29** The review of the Fifth SFC’s implementation has contributed to refining the Commission’s framework for financial transfers over 2026–31. This analysis leads to a closer look at the State’s fiscal landscape, explored in the following chapter.

**4.30** PR & DW Department and H & UD Department will once again examine the NFRs which are partially implemented and not implemented and take action for implementation of recommendations of Fifth SFC.

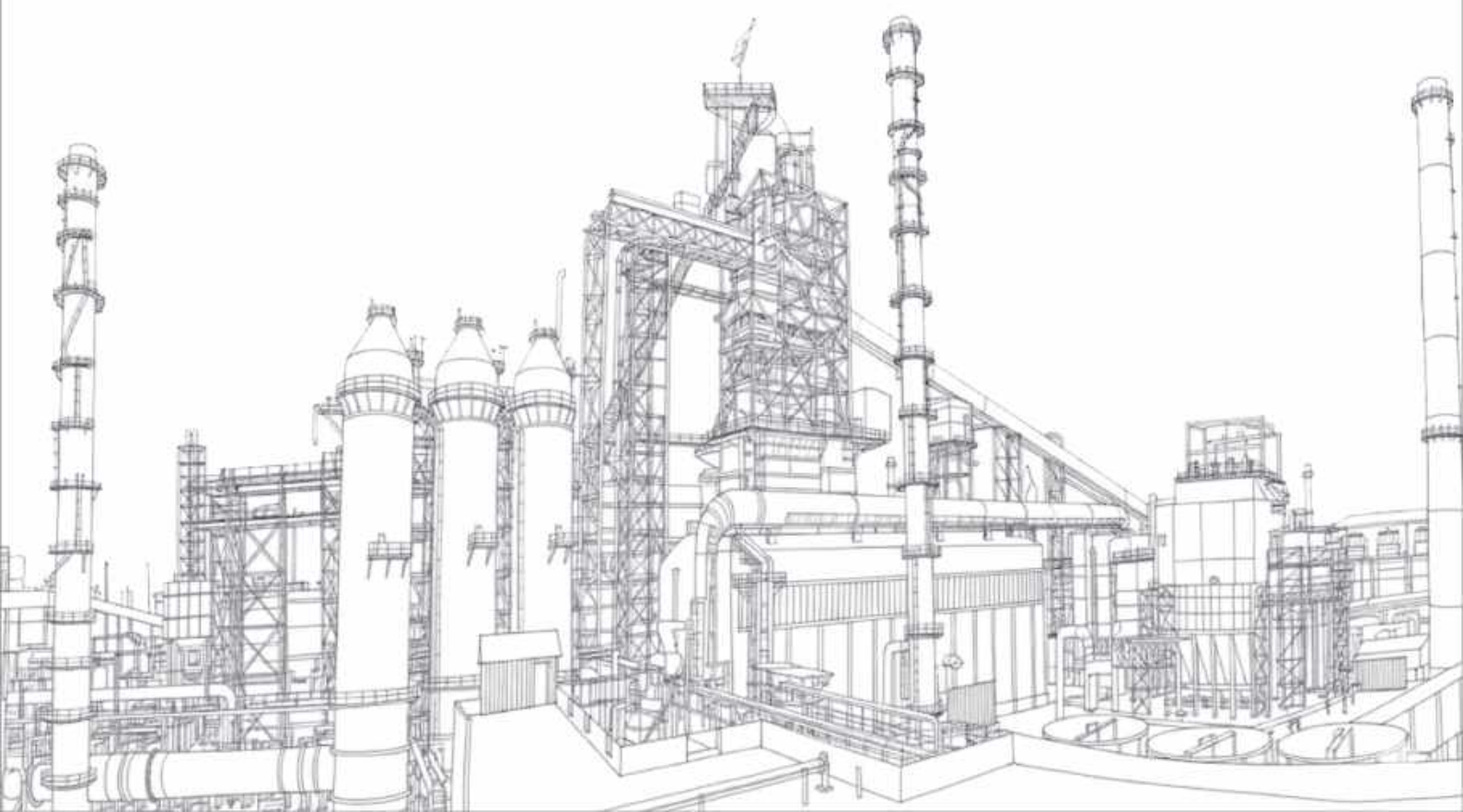
**4.31** OCAC is required to complete the State Data Centre for use of PRIs and ULBs data storage within a period of Six months (by June 2026). If OCAC fails to complete and operationalise the State Data Centre within the stipulated time, it must refund the amount along with interest to the State Government.

**4.32** The amount earmarked for development of civic amenities at Konark NAC is required to be utilised in Konark NAC within 2 Years with direct supervision of Tourism Department.



# **CHAPTER - V**

## **Assessment of State Finances**



## **Chapter – V**

### **Assessment of State Finances**

#### **Backdrop**

**5.1** The financial position of a state reflects its capacity to mobilise resources to fund developmental activities and deliver essential socioeconomic services like health, education, water supply, sanitation, and infrastructure. A stronger ability to raise resources enables higher levels of government expenditure, fostering economic growth, and improving public welfare. However, tax and non-tax revenues often fall short of the required spending, leading to borrowing. While borrowing helps bridge the fiscal gap, excessive reliance on debt is unsustainable and poses financial risks. Sound government finances involve meeting growing expenditure needs largely through non-debt resources, while keeping borrowing within prudent limits. A financially healthy state can undertake development without compromising fiscal stability, whereas a weak financial position indicates limited ability to generate resources and over-dependence on debt. Such a scenario can constrain growth and lead to financial vulnerability over time, hampering the state's ability to provide essential services effectively and sustainably.

#### **An Overview of State Finances of Odisha**

**5.2** The finances of Government of Odisha have witnessed a significant transformation from the episodes of financial vulnerability in the early 2000s to emerging as one of the top performers amongst the major states in India in terms of fiscal prudence. This is evident from a set of key fiscal indicators of the state. The average ratio of fiscal deficit<sup>4</sup> to Gross State Domestic Product (GSDP) during the five-year period 1999-2004 was as high as 6.9 per cent. During this period, it varied in the range of 6.5 to 7.8 per cent. The debt-GSDP ratio had reached a level of 55.4 per cent in 2003-04. Reflecting a high debt servicing burden, interest payments as a percentage of revenue receipts of the state nearly doubled from 21.0 per cent in 1999-2000 to 40.2 per cent in 2001-02. The stress on government finances was transmitted in reducing the ratio of total expenditure of the government to GSDP, declining gradually from 22.8 per cent in 2002-03 to 18.6 per cent by 2005-06.

**5.3** Given the limited flexibility to reduce committed expenditures such as interest payments, salaries, and pensions, the burden of fiscal adjustment fell disproportionately on capital expenditure. As a result, the ratio of capital expenditure to GSDP in the state declined from 2.1% to 1.3% over the reference period. This significant drop signaled a deterioration in the quality of public spending, with adverse implications for infrastructure development and the delivery of essential public services like health and education.

**5.4** With the concerted efforts of the State Government pursuing policies of fiscal discipline and consolidation and incentivised by the recommendations of the 12<sup>th</sup> Finance Commission, the fiscal position of the state witnessed a significant turnaround since the mid-2000s. The state finances witnessed a revenue surplus position since 2005-06. The debt-GSDP ratio started declining gradually from around a 50 per cent level during the mid-2000s to a sub-15 per cent level during the mid-2010s. The fiscal deficit-GSDP ratio was contained within 0.5 per cent in all the years, except once, during the period 2008-09 to 2012-13. The improvement in the State's fiscal position enabled an increase in the total expenditure-to-GSDP ratio to 24.0 per cent by 2015-16. The quality of government expenditure witnessed an improvement with the ratio of capital expenditure-to-GSDP rising to 6.2 per cent in the same year.

**5.5** In recent times, several macro-level events, including the COVID-19 pandemic, have impacted Odisha's finances. The pandemic led to a decline in revenue due to lockdowns, while expenditures on health and welfare surged. The fiscal position slightly deteriorated with the fiscal

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<sup>4</sup> Net Debt incurred as provided in the Report of Third State Finance Commission of Odisha (Table XV, page 74)

deficit-to-GSDP ratio rising to 3.5 per cent in 2019-20, and Debt-to-GSDP also rose from 16.4 per cent in 2018-19 to 17.3 in 2019-20, and further to 19.3 per cent in 2020-21. During the post-COVID-19 period, the state finances have recovered well.

**5.6** It is heartening to note that in a recent report<sup>5</sup> of NITI Aayog, Government of India, Odisha had the distinction of standing as the best amongst the top five high-performing states based on the Fiscal Health Index 2025. This is a composite index combining key fiscal parameters such as strong revenue mobilisation, effective expenditure management, and prudent fiscal practices.

## Government Revenue and Expenditure

**5.7** A higher capacity of the state government to deliver diverse public services, amenities, and physical infrastructure not only enhances the standard of living for its citizens but also drives accelerated economic growth. However, sustaining such a level of public expenditure requires the mobilisation of proportionately higher government revenues. In this context, the following sections present an assessment of the recent trends in revenue generation and expenditure patterns of the Government of Odisha.

### State's Own Revenue

**5.8** State's Own Revenue (SOR) of Odisha has expanded two and a half times, rising from Rs. 44,595 Crore in 2018-19 to Rs. 1,08,019 Crore in 2024-25. However, the year-on-year growth pattern has been volatile — ranging from a contraction of 6.03 per cent in 2022-23 to a peak growth of 76.7 per cent in 2021-22 (Table 5.2). This fluctuation was largely driven by the sharp swings in Non-Tax Revenue (NTR). In contrast, the growth of State's Own Tax Revenue (SOTR) remained relatively stable. Although SOTR growth was subdued during 2019-20 and 2020-21, it picked up significantly, averaging 16.7 per cent annually during 2021-22 to 2023-24 (Table 5.1). On the other hand, NTR witnessed extreme volatility — recording an exceptional 177.98 per cent surge in 2021-22 due to a multi-fold jump in mining revenue, followed by a 21.3 per cent decline in 2022-23 owing to a sharp drop in mining receipts. Since 2022-23, substantial mining revenue has enabled both SOTR and NTR to contribute almost equally to Odisha's SOR.

**5.9** This revenue performance underscores the State's continued efforts to strengthen its fiscal capacity, as reflected in the steady increase in the SOR-GSDP ratio from 8.9 per cent in 2018-19 to 12.5 per cent in 2023-24 (Table 5.1). Looking ahead, diversifying revenue sources and stabilising non-tax inflows will be critical for sustaining the State's fiscal health.

**Table 5.1: State's Own Revenue and its Components**

(Rs. in Crore)

Year	Own Tax Revenue	Growth of Own tax revenue	Non-Tax Revenue	Growth of Non-Tax Revenue	State's Own Revenue	Growth of State's Total Own Revenue	GSDP	State's Own Revenue/GSDP Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2018-19	30318.33	-	14276.53	-	44594.86	-	498611	8.9%
2019-20	32315.18	6.6%	14647.20	2.60%	46962.37	5.31%	537502	8.7%
2020-21	34258.17	6.0%	19518.06	33.25%	53776.23	14.51%	540150	10.0%
2021-22	40747.92	18.9%	54256.81	177.98%	95004.73	76.67%	662886	14.3%
2022-23	46553.88	14.2%	42719.54	-21.26%	89273.42	-6.03%	756286	11.8%
2023-24	54427.03	16.9%	53011.04	24.09%	107438.07	20.35%	862658	12.5%
2024-25 (P)	56413.00	3.6%	51503.19	-2.84%	108019.04	0.54%	949140	11.4%

Source: Budget documents, Government of Odisha

<sup>5</sup> Fiscal Health Index 2025 – Annual Report for the Financial Year 2023, NITI Aayog, Government of India, New Delhi

## State's Own Tax Revenue

**5.10** A detailed analysis of the State's Own Tax Revenue (SOTR) is given in Table 5.2 below. The increase of SOTR from Rs. 30,401 Crore in 2018-19 to Rs. 60,093 Crore in 2024-25 aligns closely with overall economic growth in the state. The rise in VAT and SGST collections reflects the performance of Odisha's industrial and services sectors. The state's mining boom, led by a surge in iron ore and coal exports, boosted VAT collections from mining-related services. The COVID-19 pandemic year (2020-21) saw a temporary dip in several components of SOTR, particularly in SGST, state excise duties, motor vehicle taxes, and land revenue, as economic activities suffered a severe setback. GSDP at constant prices contracted by 2.1 per cent in 2020-21. Nevertheless, total SOTR at Rs. 34,258 Crore in 2020-21 registered a growth rate of 6.0 per cent as compared to that in the preceding year. This is mainly due to higher mobilisation of stamp duty/registration fees, electricity duty, sales tax/VAT, more than compensating for the drop in the aforementioned components.

**5.11** The State economy witnessed a strong recovery in 2021-22- recording a GSDP growth rate of 16.4 per cent. The subsequent years also registered robust GSDP growth in the range of 6.0 to 9.6 per cent. Concomitantly, the annual growth rate of SOTR during 2021-22 to 2023-24 ranged between 14.2 to 18.9 per cent. It may be noted that amongst the various components of SOTR, SGST overwhelmingly dominated its overall mobilisation. Its share gradually increased from 39.4 per cent to 44.5 per cent in 2024-25. The year-on-year growth pattern of SGST broadly mirrored the annual GSDP growth of the state. The second largest component, sales tax/VAT, contributed to nearly a quarter of the overall SOTR. Its year-on-year growth rate has sharply decelerated from 28.6 per cent in 2021-22 to 2.8 per cent in 2024-25. The third largest component of state excise contributed to another 12-15 per cent share. This component has exhibited a robust double-digit growth consistently, except in the pandemic year of 2020-21. This is partly due to the state's policy measures aimed at streamlining the liquor sector. Stable growth in vehicle tax revenue post-COVID pandemic can be attributed to a rise in personal vehicle purchases alongside enhanced investments in road infrastructure.

**5.12** Revenue from Stamp Duty and registration fees increased sharply in 2020-21 due to one-time revenue from registration of new mining leases. However, in subsequent years, it has declined because of a higher base effect and subdued registration mainly on account of discontinuity of registration of sale of part plots and apartments.

**Table 5.2: Own Tax Revenue**

*(Rs. in Crore)*

Sl. No.	Items of Revenue	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>1</b>	Land Revenue	511.07	720.69	603.40	664.24	738.88	1122.56	765.08
	YoY Growth Rate		41.0%	-16.3%	10.1%	11.2%	51.9%	-31.8%
<b>2</b>	Stamps & Registration	1237.46	1434.97	2942.01	2418.62	1997.20	2126.66	1980.20
	YoY Growth Rate		16.0%	105.0%	-17.8%	-17.4%	6.5%	-6.9%
<b>3</b>	State Excise	3925.12	4495.42	4053.06	5527.60	6454.62	7215.30	8129.91
	YoY Growth Rate		14.5%	-9.8%	36.4%	16.8%	11.8%	12.7%
<b>4</b>	Sales Tax	7310.24	7454.81	7776.89	9999.60	12023.02	12714.43	13068.41
	YoY Growth Rate		2.0%	4.3%	28.6%	20.2%	5.8%	2.8%
<b>5</b>	SGST	11942.59	13203.52	13043.19	16392.24	18600.52	23895.66	25114.16
	YoY Growth Rate		10.6%	-1.2%	25.7%	13.5%	28.5%	5.1%
<b>6</b>	Taxes on Vehicles	1745.58	1836.32	1526.34	1663.53	2133.10	2478.44	2630.19
	YoY Growth Rate		5.2%	-16.9%	9.0%	28.2%	16.2%	6.1%

Sl. No.	Items of Revenue	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
7	Taxes & Duties on Electricity	3257.66	2819.67	3938.46	3716.92	4210.25	4473.76	4338.41
8	Other Taxes and Duties	388.61	349.78	374.81	365.17	396.29	400.22	386.90
9	Total Own Tax Rev.	30318.33	32315.18	34258.16	40747.92	46553.88	54427.03	56413.26
10	CAGR for Total Own Tax Rev							10.90%

Source: Budget documents, Government of Odisha

**5.13** Taxes and duties on electricity accounted for nearly one-tenth of the overall SOTR of the state in recent years. Erratic year-on-year growth in this component poses a risk to the stability of SOTR growth. Similarly, lack of consistency in the growth of stamps and registration revenue is another cause of concern.

### Non-Tax Revenue

**5.14** Odisha's Non-Tax Revenue (NTR) has witnessed substantial fluctuations, primarily driven by mining revenue, which surged from Rs. 10,480 Crore in 2018-19 to Rs. 48,642 Crore in 2021-22, reflecting higher mining lease premiums and global commodity price inflation. In addition to commodity price inflation, recent reforms in the mining sector have contributed significantly to increased government revenues. The State has also taken proactive measures to curb illegal mining activities, thereby ensuring better regulatory compliance and resource management. However, post 2021-22, mining revenue has shown a fluctuating trend because of significant price variation of these commodities. Detailed position of collection of the State's Own Non-Tax Revenue during the last 7 years is given in Table 5.3.

**Table 5.3: State's Non-Tax Revenue**

(Rs. in Crore)

Sl. No	Items of Revenue	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Interest	1462.25	1486.58	1261.79	1823.33	1656.50	921.17	491.21
2	Dividend	543.94	321.38	1062.81	523.43	584.50	1800.36	4522.63
3	Education	25.93	26.56	61.60	45.51	66.63	46.15	95.83
4	Medical	49.85	71.10	77.00	78.25	88.64	87.49	202.84
5	Water Supply & Sanitation	96.54	66.96	52.84	71.70	71.17	61.20	58.37
6	Housing	17.76	18.80	19.40	24.32	29.34	26.02	28.89
7	Forest & Wildlife	31.67	28.33	32.87	38.86	23.94	18.98	43.77
8	Irrigation and Industrial Water rate	677.06	709.92	807.80	804.37	923.99	951.28	1023.43
9	Mining Revenue (out of which)	10479.61	11020.02	13791.72	48642.02	37642.09	45045.55	41050.99
	Minor Minerals	329.86	418.45	518.40	642.16	714.22	1115.79	1259.29
10	Others	891.92	897.53	2350.23	2205.02	1632.75	4052.83	3985.23
11	Total Non-Tax Revenue	14276.53	14647.20	19518.06	54256.81	42719.54	53011.04	51503.19
12	CAGR for Total Non-Tax Revenue							23.84%

Source: Budget at a Glance, Finance Department, Government of Odisha

**5.15** It is pertinent to note that the boost in NTR in recent years, mainly driven by a multi-fold rise in mining revenue, significantly contributed to the fiscal empowerment of the state. During the last four years, NTR constituted nearly half of the state’s own revenue. This manifested in raising the SOR-to-GSDP ratio to nearly 12 per cent in these years. The CAGR of NTR is 23.84 per cent for the last 7 years. However, it has achieved no growth during the last 3 years compared to 2021-22.

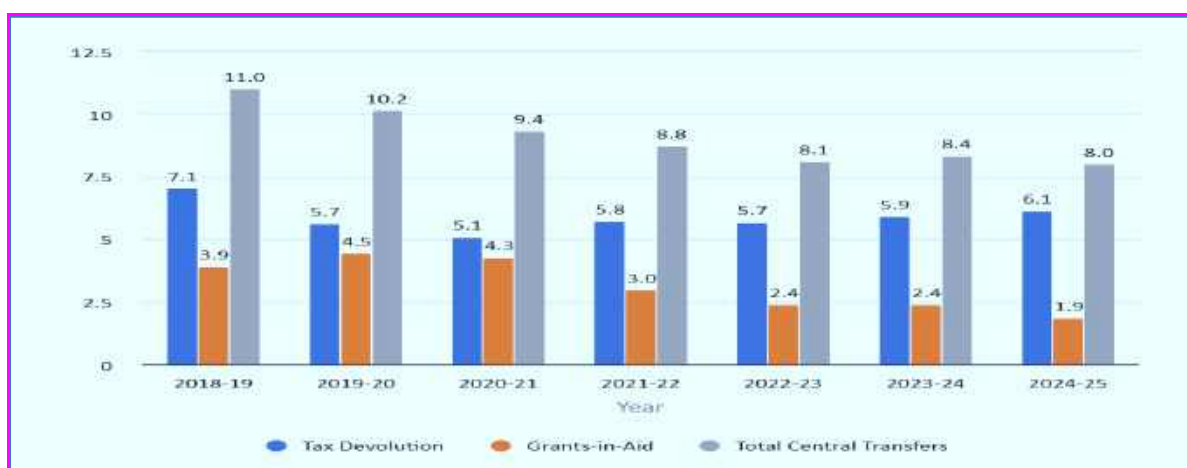
**5.16** Amongst other components of NTR, interest receipts declined in 2024-25, due to a moderation in investible cash balances, while dividends surged due to higher profits by State PSUs and change in dividend policy of the State Government. Revenue from irrigation & industrial water rates, education, and medical services showed consistent growth, driven by improved cost recovery and increased service fees. Water Supply & Sanitation, and Forest & Wildlife revenues remained volatile. Consistent robust growth in minor mineral revenue establishes the potential of the sector to significantly contribute to the State’s revenue in the coming years. It is more contextual, as local bodies can play a much bigger role in this particular activity.

### Central Transfers

**5.17** In our federal financial system, given the mismatch between assignment of taxes and responsibilities between the Centre and states, there is a constitutional provision for central transfers to the states in the form of a share in central taxes and grants-in-aid. Such transfers are guided by the recommendations of the Central Finance Commission and contribute significantly to the overall resource mobilisation of the states.

**5.18** As can be observed from Chart 5.1, central transfers accounted for nearly half of the overall revenue receipts for the state of Odisha. However, the share of central transfers in total revenue receipts of the State has declined by more than twelve percentage points in recent years from 55.2 per cent in 2018-19 to 41.4 per cent in 2024-25, primarily because of higher mobilisation of the state’s own revenue, driven by a significant increase in mining revenue and discontinuance of GST compensation since July, 2022. Chart 5.1 below depicts the pattern of central transfers to Odisha as a percentage of its GSDP.

**Chart 5.1: Central Transfers and its Components as Percentage of GSDP**



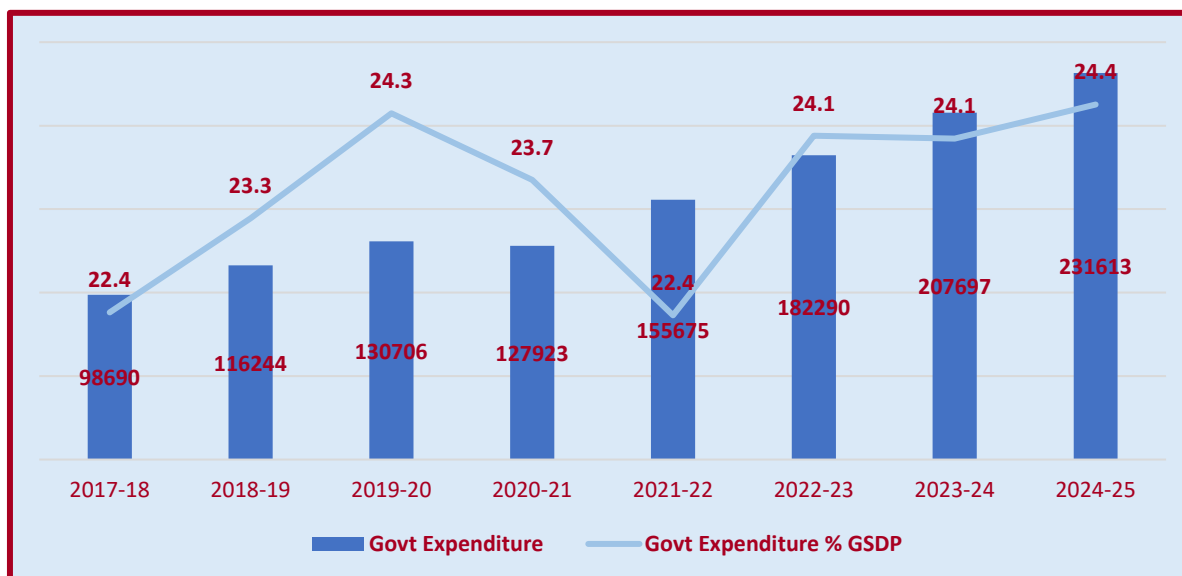
*Source: Budget documents, Government of Odisha*

**5.19** As can be observed from Chart 5.1, central transfers to the state as a percentage of GSDP had exhibited a declining trend until 2022-23. In the last couple of years, it has stabilised. It can also be observed that grants-in-aid as a percentage of GSDP have been declining. On the contrary, the ratio of the State’s share in central taxes to GSDP has been showing a gradual increase and is largely maintained at around 6.0 per cent during the 15<sup>th</sup> Central Finance Commission award period.

## State's Expenditure

**5.20** In an economy, the government at different levels, such as at the central/federal, state/provincial, and local bodies, provide a variety of services. Such services include general administration, national security, maintenance of law and order, education and health facilities, various civic amenities, as well as different types of infrastructure such as roads and bridges, irrigation facilities, etc. In the Indian federal system, the state governments are assigned responsibilities for the provision of key services such as education, health, law and order, along with routine public administration. Needless to mention, the provision of such services entails increasing demand for government spending.

**Chart 5.2: Recent Trend in Government Expenditure**



*Source: Budget documents, Government of Odisha*

**5.21** Government expenditure has been increasing steadily during the post-COVID-19 period. As can be observed from Chart 5.2, during the recent period, the Government expenditure more than doubled from Rs. 1,13,949 in 2018-19 to Rs. 2,31,613 in 2024-25. Particularly rise in government spending since 2021-22 (post-COVID-19) has become steeper. The average growth of government expenditure during 2021-25 is estimated to be 16 per cent. This reflects how fiscal empowerment of the state in terms of rising government revenue has supported the government in funding a substantial rise in demand for various government services.

**5.22** As a share of GSDP, there has been a steady rise in government expenditure in recent years, too – from 20.2 per cent in 2021-22 to 24 per cent in 2024-25. The increase in government expenditure as percentage of GSDP during the period—despite Odisha's rapid GSDP growth—indicates that government expenditure has been rising at a faster pace than the GSDP itself.

## Revenue Expenditure

**5.23** Overall government expenditure is broadly divided into two components, viz., (i) revenue expenditure, and (ii) capital expenditure. Odisha's revenue expenditure has almost doubled from Rs. 85,356 Crore in 2018-19 to Rs. 1,61,527 Crore in 2024-25 (Table 5.4), reflecting the government's growing spending priorities. A notable trend is the substantial increase in social sector expenditure, which rose from Rs. 36,427 Crore in 2018-19 to Rs. 80,294 Crore in 2024-25, reflecting significantly higher investments in healthcare, education, and welfare programmes. Similarly, economic services expenditure has also increased significantly during the comparable period, reaching Rs. 40,980 Crore in 2024-25, driven by a rise in government spending to support infrastructure projects, industrial promotion, and agricultural development. Spending on general services has grown steadily on account of administrative costs, pension liabilities, and salary

revisions, including the impact of the 7th Pay Commission. As a share of GSDP, revenue expenditure broadly remained within a 16.5 – 18.5 per cent band in recent years. Compensation and assignment to local bodies have been made as per the recommendations of the SFC.

**Table 5.4: Revenue Expenditure of the State**

*(Rs. in Crore)*

Sl. No	Item	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	General Services	24053.26	28600.98	28271.25	32970.09	47320.76	41479.05	38438.99
2	Social Services	36426.55	43516.66	39901.03	47312.15	52498.20	63347.98	80294.28
3	Economic Services	23513.58	25585.61	25808.78	27791.87	29603.28	42455.00	40979.80
4	Compensation & Assignment to LBs	1363.02	1434.05	1329.79	1513.43	1583.88	1549.75	1813.70
5	<b>Total Revenue Expenditure (1+2+3+4)</b>	<b>85356.41</b>	<b>99137.30</b>	<b>95310.85</b>	<b>109587.54</b>	<b>131006.13</b>	<b>148831.77</b>	<b>161526.77</b>
6	Growth (%)		16.15	-3.86	14.98	19.54	13.61	8.53
7	GSDP	498611	537502	540150	662886	756286	862658	949140
8	<b>Total Revenue Expenditure as % of GSDP</b>	<b>17.12%</b>	<b>18.44%</b>	<b>17.65%</b>	<b>16.53%</b>	<b>17.32%</b>	<b>17.25%</b>	<b>17.02%</b>

*Source: Budget at a Glance Finance Department, Government of Odisha*

### Capital Expenditure and Capital Outlay

**5.24** Capital expenditure and capital outlay of the State are given in Table 5.5. Odisha's capital expenditure trends from 2018-19 to 2024-25 reveal a clear and encouraging shift toward growth-oriented public investment. Capital expenditure increased from Rs. 28,592 Crore in 2018-19 to Rs. 49,434 Crore in 2022-23, signaling the government's focus on infrastructure and development. Despite a temporary dip during the pandemic years, the state has significantly ramped up its capital outlay in recent years, indicating higher spending on asset creation. Capital outlay almost doubled from Rs. 23,482 Crore in 2018-19 to Rs. 46,041 Crore in 2024-25. More notably, as a proportion of GSDP, it increased from 4.7 per cent in 2018-19 to 5.3 per cent in 2024-25. Similarly, capital outlay as a percentage of revenue expenditure has climbed steadily, reaching nearly 30 per cent in recent years. Its growing share signals a deliberate move to prioritise asset creation and infrastructure development over recurring expenses. Odisha appears to be leveraging its strong revenue surplus wisely, routing it into roads, irrigation, urban infrastructure, and other long-term projects that can catalyse industrial growth, improve service delivery, and create employment. Its growing share signals a deliberate move to prioritise asset creation and infrastructure development over recurring expenses.

**5.25** Going forward, sustaining this momentum will require targeted investments, efficient project execution, and complementary reforms, which together will be key to enabling inclusive and resilient growth across sectors. While the growth in government expenditure underscores the state's developmental priorities, maintaining fiscal sustainability will require strengthening revenue mobilisation through improved tax and non-tax efforts. Going forward, Odisha is well-positioned to balance its developmental aspirations with fiscal prudence by fostering greater financial decentralisation and supporting robust local governance structures.

**Table 5.5: Growth of the State's Capital Expenditure and Capital Outlay**  
(Rs. in Crore)

Year	Capital Expenditure	Growth rate of Capital Expenditure	Capital Outlay	Growth rate of capital Outlay	Capital Outlay to Revenue Expenditure (CORE)
(1)	(2)	(3)	(4)	(5)	(4)
2018-19	28592.09	-	23482.08	-	27.51%
2019-20	26030.33	-8.96%	20277.28	-13.65%	20.45%
2020-21	28798.29	10.63%	17948.98	-11.48%	18.83%
2021-22	44209.42	53.51%	22725.48	26.61%	20.74%
2022-23	49433.84	11.82%	33349.41	46.75%	25.46%
2023-24	55298.54	11.86%	43273.38	29.76%	29.08%
2024-25 (P)	66268.76	19.84%	46040.62	6.39%	28.50%

Source: Budget at a Glance, Finance Department, Government of Odisha

As the state pushes forward, sustaining this momentum through targeted investments, efficient project execution, and complementary reforms will be key to unlocking inclusive and resilient growth across sectors.

While the growth in government expenditure underscores the state's developmental priorities, maintaining fiscal sustainability will require strengthening revenue mobilization through improved tax and non-tax efforts. Going forward, Odisha is well-positioned to balance its developmental aspirations with fiscal prudence by fostering greater financial decentralization and supporting robust local governance structures.

### Moderation of Committed Expenditure

A noteworthy achievement of the fiscal management process in the state is the reduction in the share of the government's committed expenditure on salary, pension, and interest payment. Chart 5.3 depicts the recent trend of total committed expenditure and its components as a percentage of total revenue expenditure.

**Chart 5.3: Recent Pattern of Committed Expenditure**



**5.26** It can be observed from Chart 5.3 that the share of committed expenditure in total revenue expenditure of the state has significantly moderated in recent years. The share has declined by nearly 13 percentage points, from 46.9 per cent in 2018-19 to 34.9 per cent in 2024-25. It is pertinent to note that the containment of committed expenditure facilitated greater allocation of fiscal resources for developmental activities and the provision of public services.

**5.27** Amongst various components of committed expenditure, it is evident that the reduction in interest payment liabilities and salaries and wages of the government employees mainly contributed to its overall downward adjustment. Interest liabilities as a percentage of revenue expenditure have reduced by more than half in 2024-25 as compared to those in 2018-19. This was possible due to the State Government's effort to fetch low-cost borrowing and also reduce the debt-to-GSDP ratio. Significant reduction was observed in salaries and wages, which were reduced by nearly one-third between the comparable periods, primarily due to stabilisation of salary expenditure after a significant jump in 2018-19 due to implementation of the 7<sup>th</sup> pay Commission recommendation.

### **Rise in Developmental Expenditure**

**5.28** Odisha has been consistently allocating a specific portion of its budget towards developmental expenditure, especially in areas that foster social well-being and comprehensive growth. Spending in both the social services sector and the economic services sector constitutes developmental expenditure. Table 5.6 shows a noticeable shift in the state's spending patterns of 74.66 per cent of total expenditure on development sectors in 2024-25. This includes allocations in education (12.14%), healthcare (8.53%), water supply & sanitation (5.34%), rural development (4.65%), and social welfare & nutrition (11.37%), which highlights the state's continued emphasis on socio-economic enhancement. Notably, Social services saw a significant rise from 35.96% in 2018-19 to 40.13% in 2024-25. The Economic Services Expenditure constitutes 34.53% of total expenditure in 2024-25. On the other hand, non-developmental expenditure has shown a decreasing trend from 27.43% in 2018-19 to 25.34% in 2024-25. Considerably, it was at its peak in 2022-23 as it accounted for 37.09%, primarily because of a transfer of Rs.13,700 Crore to the Odisha Budget Stabilisation Fund. However, in subsequent years, it gradually came down to about 25.34% in 2024-25. Overall, the state has been moving towards development-driven sectors while downsizing non-development expenses.

**Table 5.6: Developmental & Non-Developmental Expenditure as % of Total Expenditure of the State from 2018-19 to 2024-25**

*(Rs. in Crore)*

Sl. No	Item	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Act
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Developmental Expenditure	72.57%	70.76%	66.71%	63.04%	62.90%	72.00%	74.66%
i.	Social Services	35.96%	38.97%	35.79%	34.67%	33.84%	35.74%	40.13%
(a)	Education, Sports, Art and Culture	14.94%	14.37%	14.36%	12.82%	13.90%	13.37%	12.14%
(b)	Health and Family welfare	5.01%	4.94%	6.34%	6.78%	6.83%	7.80%	8.53%
(c)	Social welfare and Nutrition	5.92%	8.70%	6.52%	6.11%	5.11%	6.11%	11.37%

Sl. No	Item	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Act
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(d)	Water supply sanitation, Housing & Urban development.	6.79%	8.34%	6.10%	6.66%	5.75%	5.74%	5.34%
(e)	Welfare of SC, ST and other backward classes	2.74%	2.09%	1.92%	1.90%	1.85%	2.02%	2.18%
(f)	Others	0.57%	0.54%	0.55%	0.39%	0.41%	0.71%	0.57%
<b>ii.</b>	<b>Economic Services</b>	<b>36.61%</b>	<b>31.79%</b>	<b>30.91%</b>	<b>28.38%</b>	<b>29.06%</b>	<b>36.26%</b>	<b>34.53%</b>
(a)	Agriculture and Allied activities	7.09%	8.95%	7.16%	6.55%	6.20%	6.89%	9.07%
(b)	Rural Development	9.81%	8.06%	9.15%	6.85%	5.65%	8.84%	4.65%
(c)	Irrigation and Flood control	6.48%	4.84%	3.86%	4.62%	5.67%	6.75%	5.42%
(d)	Transport	9.56%	6.68%	7.19%	6.03%	7.49%	8.97%	12.24%
(e)	Industry and Minerals	0.69%	0.60%	0.61%	0.78%	0.95%	1.20%	1.25%
(g)	General Economic Services	0.99%	0.74%	1.60%	1.02%	1.12%	2.03%	1.00%
(f)	Others	2.00%	1.93%	1.33%	2.51%	1.99%	1.58%	0.90%
<b>2.</b>	<b>Non-Developmental Expenditure</b>	<b>27.43%</b>	<b>29.24%</b>	<b>33.29%</b>	<b>36.95%</b>	<b>37.09%</b>	<b>28.00%</b>	<b>25.34%</b>
<b>i.</b>	<b>General Services</b>	<b>21.75%</b>	<b>23.49%</b>	<b>23.48%</b>	<b>22.00%</b>	<b>27.30%</b>	<b>21.35%</b>	<b>17.58%</b>
(a)	Pension & Misc. general services	9.84%	12.20%	11.56%	10.73%	17.93%	12.32%	9.51%
(b)	Administrative Services	5.26%	5.11%	5.24%	4.58%	5.09%	5.09%	4.33%
(c)	Interest payment and Servicing of debt	5.09%	4.84%	5.35%	5.42%	3.05%	2.54%	2.28%
(d)	Organs of State	0.76%	0.57%	0.54%	0.60%	0.57%	0.65%	0.69%
(e)	Fiscal services	0.80%	0.77%	0.78%	0.66%	0.67%	0.74%	0.77%
<b>3.</b>	<b>Others</b>	<b>1.20%</b>	<b>1.15%</b>	<b>1.07%</b>	<b>0.98%</b>	<b>0.88%</b>	<b>0.76%</b>	<b>0.27%</b>

Sl. No	Item	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		Actual	Actual	Actual	Actual	Actual	Actual	Pre-Act
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
4.	Loan Repayment/ Disbursement	4.48%	4.60%	8.74%	13.97%	8.91%	5.89%	7.49%
5.	Total Expenditure	113948.5	125167.63	124109.14	153796.96	180439.97	204130.31	231613.37

Source: Budget at a Glance, Finance Department, Government of Odisha

### Sectoral Budgeting Practices

**5.29** To ensure an appropriate allocative share for different vulnerable groups, Government of Odisha has introduced various sectoral budget documents alongside the Annual Budget. These include a separate Agriculture Budget, Gender Budget, Child Budget, and Nutrition Budget. Besides, the State Government is also bringing out a Climate Budget in line with the State Action Plan for Climate Change (SAPCC) for 11 identified sectors to identify the climate relevance and climate sensitivity of different schemes under these sectors. The table below reflects the sectoral allocation made by the State Government over the last five years.

**Table 5.7: Allocation under Sectoral Budgets**

(Rs. In Crore)

Item	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Total State Budget</b>	<b>150000</b>	<b>170000</b>	<b>200000</b>	<b>230000</b>	<b>265000</b>
<b>Agriculture Budget</b>	<b>19103</b>	<b>17042.28</b>	<b>19989.76</b>	<b>22522.55</b>	<b>31562.54</b>
<i>% of total Budget</i>	<i>12.74</i>	<i>10.02</i>	<i>9.99</i>	<i>9.79</i>	<i>11.91</i>
<b>Gender Budget</b>					
<b>Gender Specific Schemes</b>	2687.19	2684.49	6079.73	5783.70	17878.41
<b>Gender Sensitive Schemes</b>	51008.95	46461.45	50767.08	56046.94	57744.51
<b>Total Gender Budget</b>	<b>53696.14</b>	<b>49145.94</b>	<b>56846.81</b>	<b>61830.64</b>	<b>75622.92</b>
<i>% of total Budget</i>	<i>35.80</i>	<i>28.90</i>	<i>28.42</i>	<i>26.88</i>	<i>28.54</i>
<b>Child Budget</b>	<b>23665.76</b>	<b>24119.72</b>	<b>27246.55</b>	<b>29599.97</b>	<b>36298.94</b>
<i>% of total Budget</i>	<i>15.78</i>	<i>14.19</i>	<i>13.62</i>	<i>12.87</i>	<i>13.70</i>
<b>Nutrition Budget</b>					
<b>Nutrition Specific Schemes</b>	5210.29	5121.14	5408.72	7403.09	7658.75
<b>Nutrition Sensitive Schemes</b>	28964.06	33012.18	35830.91	45555.79	58229.91
<b>Total Nutrition Budget</b>	<b>34174.35</b>	<b>38133.32</b>	<b>41239.63</b>	<b>52958.88</b>	<b>65888.65</b>
<i>% of total Budget</i>	<i>22.78</i>	<i>22.43</i>	<i>20.62</i>	<i>23.03</i>	<i>24.86</i>

Source: Budget Documents, Finance Department, Government of Odisha

## Transfers to the Local Bodies

**5.30** The substantial contribution of the sectors of both Social and Economic Services to total developmental expenditures, together with the rise in Capital Outlay relative to Revenue Expenditure and to GSDP, as well as the moderation in committed revenue spending, underscores the growing importance of prioritising quality of expenditure in the management of State Finances. A snapshot of fund transfers to Local Bodies between 2018–19 and 2023-24 is presented in Table 5.8.

**Table 5.8: Transfer of Funds to Local Bodies**

*(Rs. in Crore)*

<i>Year</i>	<i>State's own Tax Revenue</i>	<i>SFC's total transfer to PRIs</i>	<i>SFC's total transfer to ULBs</i>	<i>Total SFC's transfer to PRIs &amp; ULBs</i>
(1)	(2)	(3)	(4)	(5)
2018-19	30318.33	1644.87	1195.86	2840.73
2019-20	32315.18	1762.12	1283.45	3045.57
2020-21	34258.17	2455.72	1038.04	3493.76
2021-22	40747.92	2538.59	1179.57	3718.16
2022-23	46553.88	2685.00	1242.44	3927.44
2023-24	54427.03	2705.29	1212.4	3917.69

*Source: Budget Documents, Finance Department, Government of Odisha*

**5.31** It can be observed from Table 5.8 that the transfer of funds to PRIs and ULBs has increased from Rs. 2,841 Crore in 2018-19 to Rs. 3,918 Crore in 2023-24. However, during the comparable period, Odisha's own tax revenue has shown a substantial jump from Rs. 30,318 Crore to Rs. 54,427 Crore. It is clearly discernible that the SFC transfers to local bodies have not kept pace with the rise in the State's tax revenue. The share of SFC transfers in the state's own tax revenue has declined, highlighting a mismatch between the state's growing fiscal capacity and the financial support extended to local governments.

**5.32** It is important to note that adequate fund flows to local bodies are essential for strengthening their capacity to deliver basic services and implement infrastructure development. There is scope to further strengthen local bodies to promote service delivery and infrastructure development in both rural and urban areas. However, the Local Bodies must take proactive and sustained steps to boost their own revenue sources, reducing their reliance on the State and Central Governments. Only then can they evolve into self-reliant entities capable of independently meeting the needs of their communities.

## Deficits and Debt of the State Government

**5.33** In a growing economy and with aspirational public demand, the requirement of raising government expenditure cannot be overemphasised. On the other hand, the availability of government revenue to meet and sustain the rising level of government expenditure usually falls short of the requirement. The gap is covered by incurring government borrowing, contributing to the fiscal deficit of the government. Table 5.9 provides information on different deficit indicators of the Government of Odisha from 2018-19 to 2024-25.

**Table 5.9: Fiscal performance of the State from 2018-19 to 2024-25***(Rs. in Crore)*

Indicators	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Actual	Actual	Actual	Actual	Pre-Actual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Revenue Surplus / Deficit	14189.71	2430.45	9076.40	43471.90	19456.21	30761.48	22650.56
Revenue Surplus / Deficit as a percentage of GSDP (%)	2.85%	0.45%	1.68%	6.56%	2.57%	3.57%	2.39%
Fiscal Deficit	-10157.38	-18818.97	-9785.53	20627.11	-15218.98	-14742.77	-25041.96
Fiscal deficit as percentage of GSDP (%)	-2.04%	-3.50%	-1.81%	3.11%	-2.01%	-1.71%	-2.64%
Capital Outlay	23482.08	20277.28	17948.98	22725.48	33349.41	43273.38	46,040.62
Capital Outlay as a percentage to GSDP	4.71%	3.77%	3.32%	3.43%	4.41%	5.02%	4.85%
Debt Stock (Year-end)	81675.32	92775.18	104452.26	97205.03	88164.87	96310.45	120710.18
Debt Stock (Year-end) as a percentage of GSDP (%)	16.38%	17.26%	19.34%	14.66%	11.66%	11.16%	12.72%
GSDP at the current price	498611	537502	540150	662886	756286	862658	949140

Source: Budget at a Glance, Finance Department, Government of Odisha

**5.34** It can be observed from Table 5.9 that the State has recorded a revenue surplus throughout the period 2018-25, reaching a peak of Rs. 43,472 Crore in 2021-22 before moderating to Rs. 22,651 Crore in 2024-25. The sustained revenue surplus is driven by higher state tax collections, better non-tax revenue mobilisation, and steady central transfers. The fiscal deficit remained mostly within the FRBM limit of 3.5 per cent of GSDP. However, in 2021-22, there was a fiscal surplus of 3.11 per cent, mainly driven by strong revenue inflows from the mining sector and reduced borrowing needs. The fluctuations in the fiscal deficit stem from the shifts in government spending on infrastructure and welfare programs. The rise in fiscal deficit in 2024-25 suggests higher developmental expenditure, which, if managed well, can support long-term economic growth.

### **Fiscal Prudence: Odisha's Fiscal Vision**

**5.35** Fiscal deficit supplements the state's own revenue by providing borrowed funds, enabling the government to undertake higher levels of public expenditure. On the other hand, a higher level of debt accumulation due to incurring a higher level of borrowing over the years entails higher interest payments. Higher interest payment liabilities can constrain resource availability to undertake developmental expenditure. Beyond a point, a surge in government debt poses risks to fiscal sustainability. This calls for balancing the temptation to incur a higher amount of fiscal deficit to support a higher level of government expenditure in the current period, vis-à-vis its long-term adverse consequences. In this perspective, fiscal responsibility rules are framed, putting in place guidelines that limit government deficits and debt to ensure sustainable public finances and macroeconomic stability. Government of Odisha enacted fiscal responsibility legislation in 2005, setting targets for fiscal and revenue deficits to promote fiscal discipline and intergenerational equity.

## Key Indicators of Fiscal Prudence

**5.36** Odisha is often cited as a model of fiscal prudence among Indian states. Since enacting its own FRBM Act in 2005, Odisha has consistently adhered to fiscal deficit limits and maintained a revenue surplus for several years. Odisha's fiscal performance from 2018-19 to 2024-25, in relation to the FRBM targets, reflects a strong track record of maintaining a consistent revenue surplus, managing fiscal deficits within prescribed limits, reducing the interest payment burden, and enhancing debt sustainability. Table 5.10 below presents Odisha's performance across key FRBM indicators. Notably, fiscal deficit targets have been consistently met, even amidst the fiscal pressures imposed by the COVID-19 pandemic and its associated expenditure demands.

**Table 5.10: Key Indicators of Fiscal Prudence Targets**

(Rs. in Crore)

Sl. No	Parameters/ Indicators	FRBM Target	Achievement						
			2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
			Actual	Actual	Actual	Actual	Actual	Actual	Pre-Act
1	Revenue Deficit/ Surplus	To maintain Revenue Surplus	2.85%	0.45%	1.68%	6.56%	2.57%	3.57%	2.39%
2	Fiscal deficit as percentage of GSDP (%)	within (-) 3.5% of GSDP	(2.04%)	(3.50%)	(1.81%)	3.11%	(2.01%)	(1.71%)	(2.64%)
3	Interest Payment to Revenue Receipt (IPRR) Ratio (%)	IPRR ratio within 15%	5.83%	5.97%	6.36%	4.14%	3.66%	2.88%	2.90%
4	Debt Stock (Year-end) as a percentage of GSDP (%)	within 25%	16.38%	17.26%	19.34%	14.66%	11.66%	11.16%	12.72%

Source: Budget at a Glance, Finance Department, Government of Odisha

**5.37** The State's commitment to controlling debt and prioritising capital expenditure has led to improved infrastructure and social spending. Unlike many other states, Odisha has built fiscal buffers, which proved crucial during natural disasters and economic downturns. With its fiscal priorities clearly defined, Odisha is steadily strengthening its position as a forward-looking state committed to inclusive growth, institutional resilience, and sustainable development. A similar picture of the sound financial position of the state can also be seen from other indicators of fiscal prudence.

## Prudent Debt Management

**5.38** As it can be observed from Table 5.9 and Chart 5.3, both the ratios of Debt- GSDP and Interest Payment to Revenue Receipt (IPRR) ratio have been well within the prudential norms. The Debt-GSDP Ratio, otherwise referred to as Debt Sustainability Ratio (DSR), peaked at 19.3 per cent in 2020-21, and gradually declined to 12.7 per cent in 2024-25. This ensured that Odisha's debt remains well below the FRBM limit, allowing for greater fiscal flexibility. The IPRR declined from 6.4 per cent in 2020-21 to 2.9 per cent in 2024-25. This trend indicates improved debt servicing capacity and reduced reliance on high-interest borrowings. Broadly, sound state finances of Odisha can be attributed to strong revenue mobilisation, controlled fiscal deficits, and higher GSDP growth, driven by infrastructure investments and industrial growth. Prudent government deficit and debt levels and a declining Interest Payment to Revenue Receipt (IPRR) ratio indicate

the state's ability to sustain its borrowing while ensuring that debt servicing does not strain its revenues, reflecting a fiscally responsible approach to long-term economic planning.

### **NITI Aayog Fiscal Health Index**

**5.39** The Fiscal Health Index (FHI), 2025 initiative by NITI Aayog, published in 2025, ranked the Indian States on fiscal health based on 5 fiscal parameters, namely Quality of expenditure, Revenue mobilisation, Fiscal prudence, Debt index, and Debt sustainability. The FHI analysis covered eighteen major states that drive the Indian economy in terms of their contribution to India's GDP, demography, total public expenditure, revenues, and overall fiscal stability. The composite Fiscal Health Index has been developed using data from the Comptroller and Auditor General of India (CAG), covering the Financial Year 2022-23.

**5.40** According to the Fiscal Health Index (FHI) 2022-23, Odisha has emerged as the top-performing state with an overall score of 67.8, significantly ahead of the second-ranked Chhattisgarh (55.2). Odisha's performance highlights:

- Debt Index (99.0) – Outstanding performance, reflecting low debt burden relative to GSDP and strong fiscal management.
- Revenue Mobilisation (69.9) – Robust own tax and non-tax revenue collection capabilities.
- Debt Sustainability (64.0) – Indicates the state's ability to manage debt without compromising fiscal stability.
- Quality of Expenditure (52.0) and Fiscal Prudence (54.0) – Moderate but balanced, ensuring developmental expenditure without undue fiscal risks.

**Table 5.11: NITI Aayog Fiscal Health Index (FHI), 2025 of States**

States	FHI Score	Rank 2022-23	Quality of Expenditure	Revenue Mobilization	Fiscal Prudence	Debt Index	Debt Sustainability
<b>Odisha</b>	67.8	1	52.0	69.9	54.0	99.0	64.0
<b>Chhattisgarh</b>	55.2	2	55.1	56.5	56.0	79.6	29.0
<b>Goa</b>	53.6	3	45.5	87.1	59.4	51.0	25.2
<b>Jharkhand</b>	51.6	4	47.3	45.7	62.4	66.9	35.7
<b>Gujarat</b>	50.5	5	40.0	48.7	52.7	69.0	42.0
<b>Maharashtra</b>	50.3	6	37.1	59.1	41.8	76.4	36.8
<b>Uttar Pradesh</b>	45.9	7	45.8	34.6	44.7	59.9	44.5
<b>Telangana</b>	43.6	8	36.9	75.2	40.8	53.3	11.7
<b>Madhya Pradesh</b>	42.2	9	59.7	27.6	35.6	61.0	27.2
<b>Karnataka</b>	40.8	10	47.4	43.9	43.9	62.2	6.7
<b>Tamil Nadu</b>	29.2	11	32.0	41.2	25.8	36.0	11.1
<b>Rajasthan</b>	28.6	12	38.3	35.4	19.9	32.3	16.8
<b>Bihar</b>	27.8	13	56.1	5.3	11.5	47.2	18.8
<b>Haryana</b>	27.4	14	24.8	47.8	26.1	24.1	14.3
<b>Kerala</b>	25.4	15	4.2	54.2	34.0	23.1	11.3
<b>West Bengal</b>	21.8	16	32.3	12.4	25.4	18.3	20.6
<b>Andhra Pradesh</b>	20.9	17	31.4	22.1	13.3	37.8	0.0
<b>Punjab</b>	10.7	18	4.7	28.1	5.6	0.0	15.2

*Source: NITI Aayog publication Fiscal Health Index (FHI), 2025*

## **Fiscal Risk Management**

**5.41** Fiscal risk is defined as the possibility of short- to medium-term deviations in fiscal variables from the levels projected in the government budget for a financial year. Such deviations can result from unforeseen shocks to the economy or government finances, leading to variations in revenue collection, expenditure requirements, and overall fiscal balance. Managing these risks has become increasingly important for both sovereign and sub-sovereign governments to maintain fiscal stability and avoid disruptions in public service delivery.

**5.42** The Government of Odisha introduced the practice of Fiscal Risk Management in 2019-20. In Odisha's context, fiscal risks are broadly categorised into three areas:

- a) **Macroeconomic Risks** – These arise from fluctuations in economic growth, inflation, interest rates, commodity prices, or global trade conditions that could directly impact the state's fiscal position.
- b) **Public Debt Risks** – Related to the potential fiscal strain from meeting debt servicing obligations, especially during economic downturns or periods of revenue shortfall.
- c) **Specific Risks** – These include exposure from Public-Private Partnerships (PPP), the financial health of Public Sector Undertakings (PSUs), liabilities from government guarantees, natural disasters, and other contingent obligations.

**5.46** Odisha adopts a systematic, three-step approach to fiscal risk management:

- a) **Identification** – A *Fiscal Risk Register* has been developed to record and track all potential risks that could affect state finances.
- b) **Quantification** – Each identified risk is assessed for its potential financial impact and the likelihood of occurrence.
- c) **Mitigation** – Risks are addressed through a *Fiscal Risk Matrix*, which provides a structured framework for prioritising and implementing risk-reduction strategies.

**5.47** This structured methodology enables the state to not only recognise vulnerabilities but also develop robust contingency measures. By institutionalising fiscal risk assessment and mitigation, Odisha has strengthened its ability to respond proactively to adverse events, thereby safeguarding fiscal stability and sustaining essential developmental and welfare expenditures.

## **Fiscal Risk Disclosure**

**5.48** Every year, along with the Annual Budget, the State Government brings out a Fiscal Risk Statement, a disclosure document on the exposure of the State Government to all possible fiscal risks and mitigation strategy. Fiscal Risk Disclosures (FRD) to the public gives additional advantage for additional scrutiny and ensures that risks are properly identified and assessed. The Fiscal Risk Disclosures bring in transparency, further smooth policy responses, and enhance the quality of decisions by strengthening accountability for risk management.

**5.49** Besides, as part of the disclosure mechanism, the state also brings out the Fiscal Strategy Report and, Status Paper on Public Debt. In addition, the monthly “Fiscal Monitor Report” (FMR) is brought out as part of the disclosure framework, where the public can view and evaluate the state's financial position every month.

## **Fiscal Risk Mitigation**

**5.50** The Government of Odisha has built a multi-layered fiscal risk mitigation mechanism to safeguard its financial stability against shocks:

- a) **Consolidated Sinking Fund (CSF)** – Established in 2002-03, initially for debt amortisation during crisis years. Its mandate now extends to covering foreign currency exchange risk from external borrowings. The corpus of the fund stands at about Rs. 21,000 Crore as of 31 March 2025.

- b) Budget Stabilisation Fund (BSF) – Created in 2022-23 with an initial allocation of Rs. 10,000 Crore, Odisha became the first state in India to establish such a fund. The BSF smooths revenue fluctuations, enabling uninterrupted revenue and capital expenditure even in stress periods. The corpus of the fund stands at about Rs. 20,000 Crore as on 31 March 2025.
- c) Guarantee Redemption Fund (GRF) – Protects the state against fiscal risks from defaults on government-guaranteed loans. The corpus of the fund stands at about Rs. 2,000 Crore as on 31 March 2025.
- d) Escrow Account Mechanism for Government Guarantee – Mandated for borrowing entities (State PSUs, ULBs, co-operatives, state-owned firms) to ensure priority loan repayments before any other expenditure, strengthening financial discipline.
- e) State Disaster Mitigation Fund (SDMF) – Dedicated to financing disaster mitigation projects for hazards under SDRF/NDRF as well as state-specific disasters.

**5.51** By institutionalising dedicated funds and enforcing repayment discipline, the State has minimised the risk of fiscal shocks, improved debt sustainability, and maintained budgetary stability.

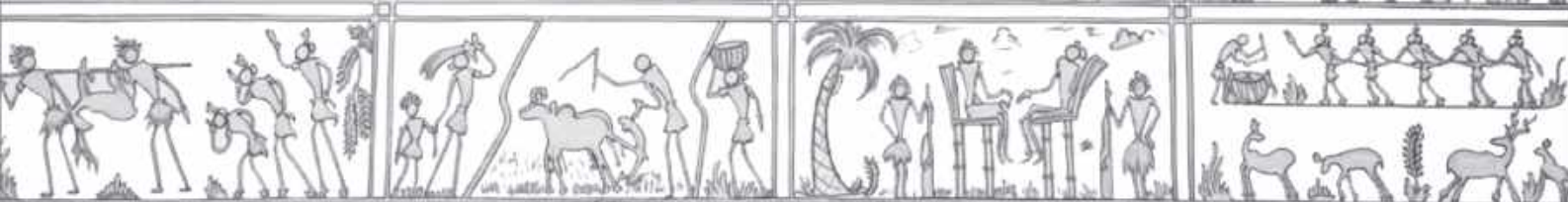
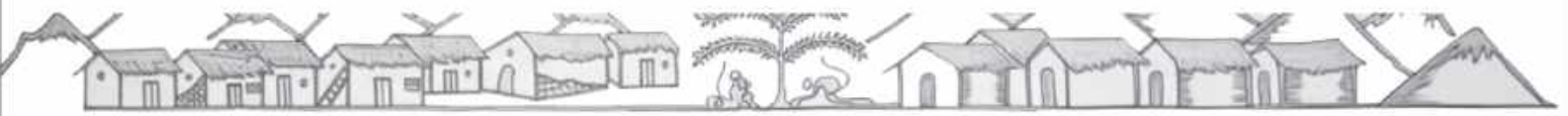
### **Conclusion**

This chapter has highlighted the fiscal opportunities and constraints shaping the State's capacity to advance its developmental and governance priorities. Understanding this broader fiscal scenario is essential to forge strong local governance by effectively employing State resources to support and stabilise local institutions. Building on this foundation, the next chapter turns to the finances of Panchayati Raj Institutions and Urban Local Bodies, assessing their fiscal standing, resource requirements, and position in the broader decentralised governance framework.



# **CHAPTER - VI**

## **Assessment of Finances of Panchayati Raj Institutions and Urban Local Bodies**



## **Chapter – VI**

### **Assessment of Finances of Panchayati Raj Institutions and Urban Local Bodies**

#### **Introduction**

**6.1** The 73rd and 74th Constitutional Amendments empowered the Local Bodies (LBs) such as Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) as the third-tier of governance in India. This entailed entrusting of responsibilities upon the LBs pertaining to the devolved functions, provisioning of local amenities and public service delivery. Over the years, increasing local aspirations coupled with shifting socio-economic dynamics and climate change imperatives widened the responsibilities of the LBs. Underscoring the centrality of fiscal adequacy to deliver the assigned responsibilities, above constitutional amendments mandated the State Finance Commissions (SFCs) to evaluate the revenue capacities, expenditure requirements, and resource gaps of these institutions to facilitate alignment of grants and tax devolutions with devolved functions. In this perspective, the present chapter attempts to undertake an objective assessment of finances of the PRIs and ULBs in Odisha. This is essential for analysing fiscal sustainability and service delivery capacity of the local bodies during the award period of the Commission.

#### **Finances of Panchayati Raj Institutions**

**6.2** Panchayats play a crucial role in local economic development through creation of livelihoods, promotion of entrepreneurship and the management of local assets and resources. They also implement schemes, facilitate markets, and provide a range of public goods in rural areas. Additionally, panchayats can also play an important role in protecting local natural resource commons that are instrumental in ensuring livelihoods of millions of people and conserving ecological systems in rural areas. Formalizing the three-tiered structure of Panchayati Raj Institutions (PRIs), the Constitution of India envisioned financial independence by provisioning devolution of funds from central and state Governments and empowering the PRIs to mobilize their own resources. So, it is important to analyze the finances of PRIs in the State.

**6.3** The resource envelope of the PRIs constitutes- the transfer of funds through State and Central Finance Commissions, own source revenue (OSR), different schemes sponsored by the State and Central Governments, local area development fund of the MLAs and MPs, and beneficiary contribution to different schemes and programme of the Government. However, the chapter discusses the first two components (Transfer of Funds and OSR), given the availability of data and the operational structure of PRIs.

#### **Transfer of Funds to PRIs**

**6.4** The PRIs receive funds from the State Government as per the awards of State Finance Commission (SFC) and from the Central Government as per Central Finance Commission (CFC) recommendations. Transfer of funds under SFC awards is the largest source of funds for PRIs in the State and has increased significantly during the last award period (2020-21 to 2025-2026 for 5<sup>th</sup> SFC and 15<sup>th</sup> CFC). Table 6.1 shows the transfer of funds to the three tiers of PRIs based on the recommendations of 4<sup>th</sup> and 5<sup>th</sup> SFC. It is evident that during the 4<sup>th</sup> SFC award period (2015-16 to 2019-20), Gram Panchayats (GPs) received the largest share of the total funds. However, during the 5<sup>th</sup> SFC period (post 2020-21), Panchayat Samities (PSs) took over GPs, receiving the largest transfers. The share of Zilla Parishad also increased. The shift is partially due to change in the devolution formula among these three tiers and implementation of Grant in Aid through PS.

**Table 6.1: Transfer of Funds to PRIs under the recommendation of 4th & 5th SFC***(Rs. in Lakh)*

Sl. No.	Year	Zilla Parishads	Panchayat Samities	Gram Panchayats	Total
(1)	(2)	(3)	(4)	(5)	(6)
1	2015-16	9086.21	51254.02	62137.53	122477.76
2	2016-17	11775.98	55607.38	68487.11	135870.47
3	2017-18	17019.01	61693.38	78189.05	156901.44
4	2018-19	29546.85	59192.31	75748.25	164487.41
5	2019-20	30527.2	65842.16	79842.96	176212.32
6	2020-21	35969.41	147358.05	59744.94	243072.40
7	2021-22	36134.61	151077.86	64187.73	251400.20
8	2022-23	43608.17	158782.47	63610.45	266001.09
9	2023-24	41373.15	162887.17	63794.87	268055.19

*Source: PR &DW Department, Government of Odisha*

**6.5** The transfer of funds from Union Government to PRIs through CFC recommendations has declined over the years. As illustrated by Table 6.2, GPs received the bulk of the transfer of funds to PRIs under the recommendation of the 15th Finance Commission. The 14th FC did not recommend any fund transfer in favour of ZP and PS. Hence, during the period of 2015-16 to 2019-20 (14<sup>th</sup> CFC), only GPs received funds. It was from 2020-21 (15<sup>th</sup> CFC) that funds were distributed across all three tiers. The funds allocated to GPs saw an upward trend till 2019-20, before declining in subsequent years. The share of funds through FC recommendation in the state has declined compared to the transfer through SFC recommendation during 15<sup>th</sup> CFC.

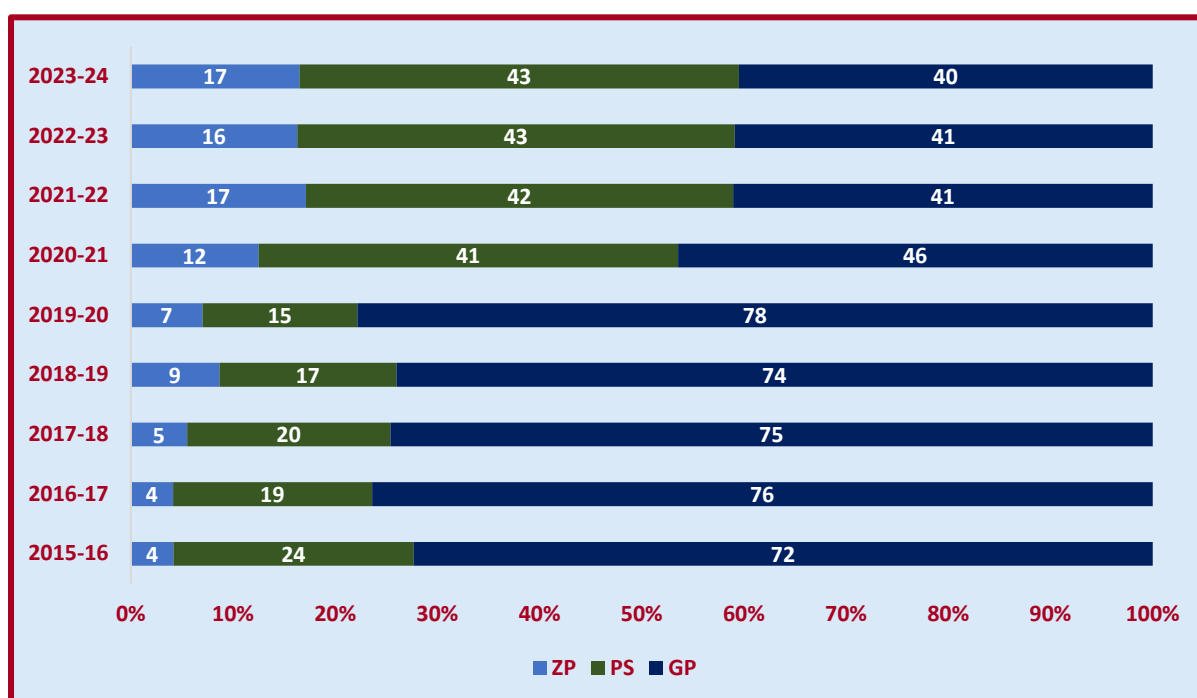
**Table 6.2: Transfer of Funds to PRIs under the recommendation of 14th and 15th FC***(Rs. in Lakh)*

Sl. No.	Year	Zilla Parishads	Panchayat Samities	Gram Panchayats	Total
(1)	(2)	(3)	(4)	(5)	(6)
1	2015-16	–	–	95572.29	95572.29
2	2016-17	–	–	149664.00	149664.00
3	2017-18	–	–	152871.00	152871.00
4	2018-19	–	–	176844.00	176844.00
5	2019-20	–	–	258594.00	258594.00
6	2020-21	22580.00	45160.00	158060.00	225800.00
7	2021-22	39393.00	33380.00	116830.00	189603.00
8	2022-23	29810.05	34560.00	120960.00	185330.05
9	2023-24	34575.14	34938.27	122431.72	191945.13

*Source: PR &DW Department, Government of Odisha*

**6.6** While the transfer from the State has compensated for the decline of transfer from Centre during 15<sup>th</sup> CFC award period, the share of GPs in the total transfer (SFC and CFC combined) has declined significantly during this period. The share of three tiers of PRIs in the funds transferred through SFC and FC recommendation is presented in Fig. 6.1. This shift in share is due to a change in inter-tier allocation by both SFC and FC. While 15<sup>th</sup> FC started providing grants to the PS and ZP, there is change in the 5<sup>th</sup> SFC allocation ratio (75:20:5 in 4<sup>th</sup> SFC to 60:30:10 in 5<sup>th</sup> SFC for GP, PS and ZP respectively) as well- higher share for PS and ZP and the channeling the Grants-in-Aid to GP through PS.

**Figure 6.1.: Share of different Tiers of PRIs in total transfer**



Source: SFC Calculations based on the data provided by PR & DW Department, Government of Odisha

**6.7** The SFC transfer to PRIs constitutes three components- Devolution, Assignment of Taxes, and Grants-in-Aid. The Tier-wise Transfer of Resources to PRIs are presented in table 6.3. The transfers reflect the changing inter-tier allocation during 5<sup>th</sup> SFC award period with increase in share of funds for PS and ZP. Also, during the 5<sup>th</sup> SFC award period, the Grant-in- Aid has entirely shifted to PS and ZP thus resulting in reduced share of GPs in the SFC transfer.

**Table 6.3: Tier-wise Transfer of Resources to PRIs (4th and 5th SFC)**

(Rs. in Lakh)

Year	PRI Tiers	Devolution	Assignment of Taxes	Grants-in-aid
(1)	(2)	(3)	(4)	(5)
2015-16 (Actual)	GP	37059.00	3369.57	21708.96
	PS	9963.00	38995.02	2296.00
	ZP	2355	1731.21	5000.00
	<b>Total</b>	<b>49377.00</b>	<b>44095.8</b>	<b>29004.96</b>
2016-17 (Actual)	GP	37059.00	4610.11	26818.00
	PS	9963.00	43119.38	2525.00
	ZP	2355.00	1920.98	7500.00
	<b>Total</b>	<b>49377.00</b>	<b>49650.47</b>	<b>36843.00</b>
2017-18 (Actual)	GP	37059.00	4896.05	30234.00
	PS	9963.00	48952.38	2778.00
	ZP	2355.00	2164.01	12500.00
	<b>Total</b>	<b>49377.00</b>	<b>56012.44</b>	<b>45512.00</b>
	GP	37021.12	4863.13	33864.00

Year	PRI Tiers	Devolution	Assignment of Taxes	Grants-in-aid
(1)	(2)	(3)	(4)	(5)
2018-19 (Actual)	PS	9963.00	46173.31	3056.00
	ZP	2355.00	10191.85	17000.00
	<b>Total</b>	<b>49339.12</b>	<b>61228.29</b>	<b>53920.00</b>
2019-20 (Actual)	GP	37059.00	5056.96	37727.00
	PS	9963.00	52516.16	3363.00
	ZP	2355.00	11090.20	17082.00
	<b>Total</b>	<b>49377.00</b>	<b>68663.32</b>	<b>58172.00</b>
2020-21 (Actual)	GP	54323.2	5421.74	0
	PS	27453	65241.05	54664
	ZP	9151	2403.41	24415
	<b>Total</b>	<b>90927.20</b>	<b>73066.20</b>	<b>79079.00</b>
2021-22 (Actual)	GP	55486.8	5500.93	3200
	PS	27453	68987.86	54637
	ZP	9151	2568.61	24415
	<b>Total</b>	<b>92090.80</b>	<b>77057.40</b>	<b>82252.00</b>
2022-23 (Actual)	GP	54905	5505.45	3200
	PS	27453	76664.47	54665
	ZP	9151	10040.17	24417
	<b>Total</b>	<b>91509.00</b>	<b>92210.09</b>	<b>82282.00</b>
2023-24 (Actual)	GP	54896.85	5698.02	3200
	PS	27453	80769.17	54665
	ZP	9151	3637.15	28585
	<b>Total</b>	<b>91500.85</b>	<b>90104.34</b>	<b>86450.00</b>

*Source: PR & DW Department, Government of Odisha*

**6.8** While the devolution grants recommended by the 5th SFC for Gram Panchayats (GPs) and Zilla Parishads (ZPs) are untied in nature, the utilization guidelines prioritize specific activities. For Panchayat Samitis (PSs), the guideline suggested 50 per cent of the devolution funds to be tied and to be spent on drinking water, sanitation, and solid waste management. The utilization of the remaining 50 per cent untied grant has to be prioritized for specified activities. In contrast, the CFC grants for PRIs comprise three components—tied, untied, and health-specific—with only one-third of the total grant as untied.

### **Own Source of Revenue for GPs**

**6.9** Only the Gram Panchayats, among the three PRIs are empowered to levy and collect taxes, fees, rent from remunerative enterprises and toll, under the Odisha Grama Panchayat Act, 1964 and Odisha Gram Panchayat Rules, 2014 (Table 6.4).

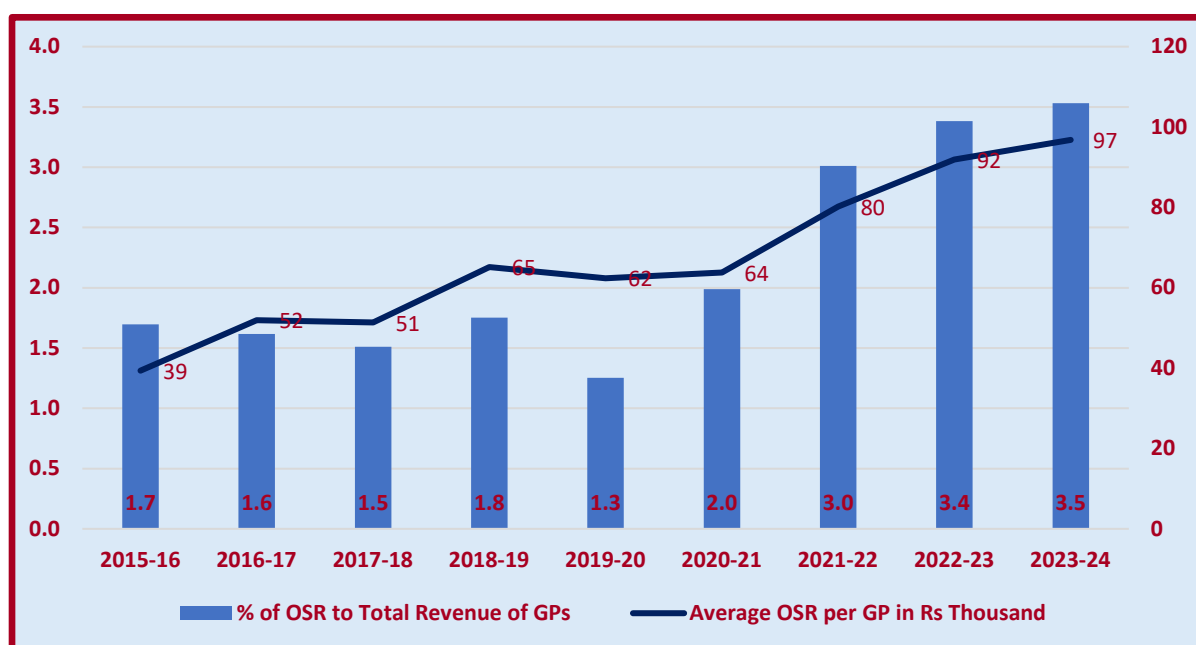
**Table 6.4: Major types of Taxation Power of the GPs in Odisha**

i.	vehicle tax
ii.	latrine or conservancy tax
iii.	water-tax;
iv.	lighting tax for public streets or buildings
v	drainage tax;
vi.	fee on private markets,
vii.	fee animals brought for sale
viii.	fees for regulating the movement of cattle for the protection of corps;
ix.	fees for use of any building, structure, shop, stall, pen or stall in public markets;
x.	fees for use of slaughterhouses and cart-stands maintained by the Gram Panchayat;
xi.	rent from temporary occupiers of open grounds, structures or buildings belonging to or maintained by the Gram Panchayat;
xii.	license fees on brokers, Commission agents, weigh men and measures;
xiii.	any other tax, rate or fee which a G.P. is empowered to impose by any law in force;
xiv.	any other tax, toll, fee or rate as may be decided by the G.P. subject to approval of the State Government.

*Source: Odisha Grama Panchayat Act, 1964*

**6.10** The own source revenue (OSR) of GPs through tax and non-tax sources and its share in the total revenue of GPs in the State has doubled (1.7 per cent in 2015-16 to 3.5 per cent in 2023-24) in last 10 years (see Figure 6.2). However, its share in the total revenue of PRIs remains low (~1.4 per cent in 2023-23 and 2023-24). The per-GP OSR has increased from Rs. 39000 in 2015-16 to Rs. 97000 in 2023-24. While the GPs in the State are doing well compared to several other states in terms of collection of OSR, the lag behind several other states like Chhattisgarh, Karnataka, Kerala, Andhra Pradesh, Gujarat, Tamil Nadu, Telangana and West Bengal where the share of OSR constitutes 10 to 20 per cent of the total revenue of GPs (NIPFP, 2025; NCAER, 2022). Despite overall growth, the total revenue from own sources among GPs in Odisha amounts to just Rs. 6576 Lakh in 2023-24, which is quite low for a state as large and populous as Odisha. This figure also points towards low fiscal autonomy at the grassroots level.

**Figure 6.2.: Own Source Revenue of GPs**



*Note: Revenue of GP includes the transfer from state and union government to GPs through SFC and FC recommendations and own source of revenue of GPs.*

*Source: SFC Calculations from the Data provided by PR &DW Department, Government of Odisha*

**6.11** The OSR of GPs in the State has registered an annual growth rate (CAGR) of 12 per cent during 2015-16 to 2023-24 though tax and non-tax revenues have different growth trends (Fig. 6.3). While the tax revenue of the GPs has grown at 4 per cent annually, the non-tax revenue has registered 14 per cent growth during this period. Table 6.5 presents the tax revenue and non-tax revenue of the state vis-à-vis the estimated national average. While the State is catching up on the national average on non-tax revenue, the tax revenue per-Panchayat remains low. These data trends are for the State average and do not reflect the challenges and opportunities for expansion of OSR for different GPs across the State, given the socio-economic and geographical diversities. So, availability of more granular data can help in better analysis and in devising effective strategies to tap the potential.

**Table 6.5: Own Source Revenue (Rs. in Thousands per Panchayat)**

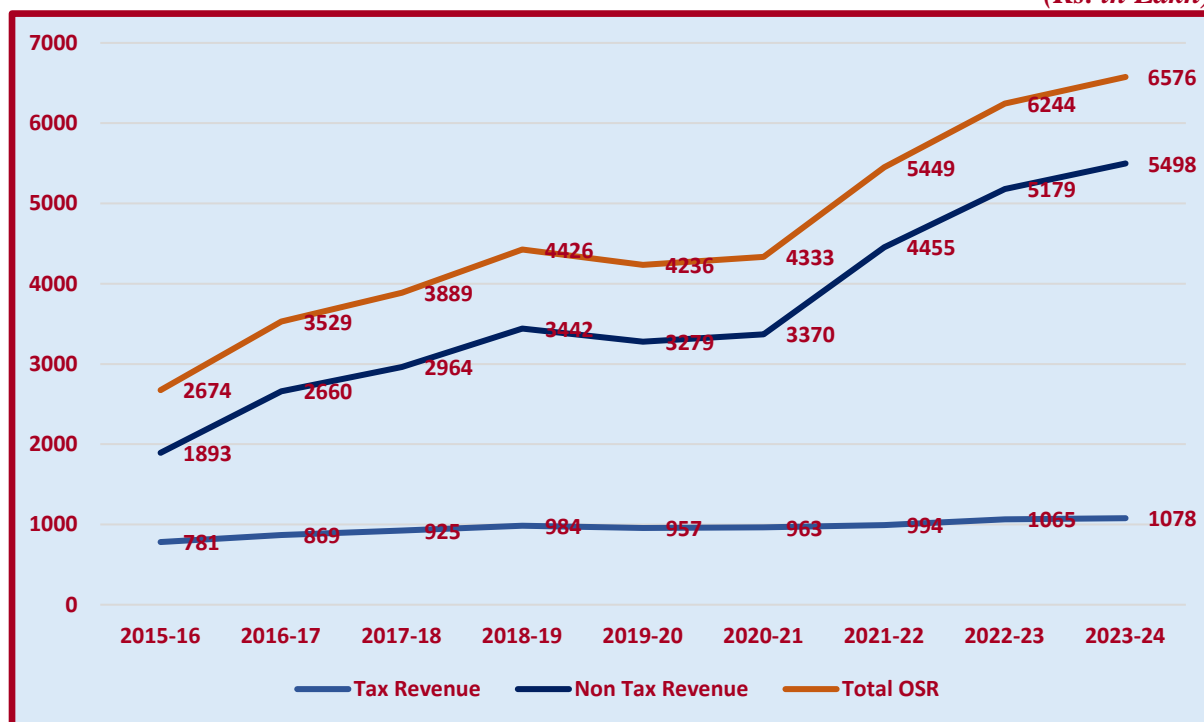
Year	Odisha\$		National Average#	
	Tax Revenue	Non-Tax Revenue	Tax Revenue	Non-Tax Revenue
2020-21	14	50	24	68
2021-22	15	66	26	72
2022-23	16	76	21	73

*Note: \$ SFC Calculations based on the Data provided by PR &DW Department, Government of Odisha;*

*# Based on MoPR Data as cited in Reserve Bank of India (2024) Finances of Panchayat Raj Institutions (Page 12)*

**Figure 6.3: Own Source Revenue (Tax and Non-Tax) of GPs**

(Rs. in Lakh)



Source: PR &DW Department, Government of Odisha

**6.12** The major heads of OSR for the GPs are presented in Table 6.6. As is evident from the table, while all components of OSR except for the Ferry Ghat have registered growth, some components like leasing of pisciculture tanks, market fees, building plan approval, collection of fees from capital assets have grown faster than others. These trends reflect the potential of GPs to enhance OSR, as services like access to piped water supply have expanded in recent years; capital assets are being created, and additional human resources for GPs are being provisioned. The tax components like vehicle tax, lighting tax etc. registered slow growth, which indicates that the tax base needs to be increased, along with building the capacity of GPs in enforcement and administration in local tax collection. It is necessary to explore other possible tax avenues for the GPs with existing statutory provisions and the possibilities of empowering GPs to levy/collect property/holding taxes as in few other states. Several states like Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, Kerala, West Bengal have statutory provisions for GPs to collect property tax, and this contributes a sizeable share to the finances of the GPs in these states (NIPFP, 2025; NCAER, 2022).

**6.13** Though the Grama Panchayat Rules, 2014 make provision for the listing of assets, assessment of OSR potential and demand for each financial year, such exercises are not being undertaken by the PRIs. Hence, there is no data on OSR potential and collection efficiency for GPs.

**Table 6.6: Own Sources of Revenue of GPs**

**(Rs. in Lakh)**

Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
		Vehicle Tax	Water Charges for DW	Lighting Tax	License Fees	Market Fees	Ferry Ghat	Pisciculture Tank lease	Orchard	Building Plan approval charges	Collection of fees from capital assets	Others (Mobile towers, fees from Mela/fare etc.)	Total receipts of all GPs
2015-16		15.23	350.60	260.30	155.40	395.60	28.60	670.54	145.20	12.60	585.30	55.27	2674.64
2016-17		16.45	425.30	262.30	165.40	400.25	35.60	815.60	150.45	25.60	680.45	551.86	3529.26
2017-18		18.45	450.60	275.80	180.25	425.15	25.30	802.30	150.15	35.40	685.20	441.00	3489.60
2018-19		20.62	493.60	282.50	187.30	620.60	24.50	981.00	156.5	40.50	1298.40	320.50	4426.02
2019-20		18.50	473.40	280.25	184.80	615.00	21.60	965.00	154.50	42.60	1184.30	296.00	4235.95
2020-21		19.20	480.50	284.65	178.60	618.00	23.00	974.00	158.50	91.80	1217.50	287.20	4332.95
2021-22		20.80	512.00	280.90	180.40	790.50	23.75	1170.80	186.00	77.50	1751.00	455.45	5449.10
2022-23		24.70	566.40	285.40	188.50	978.60	24.80	1235.50	215.00	211.40	2085.00	428.70	6244.00
2023-24		23.50	580.80	283.50	190.20	1026.00	24.40	1282.60	245.00	178.98	2329.50	411.52	6576.00

Source: PR & DW Department, Government of Odisha

**6.14** It is important to examine the existing institutional, legal, and administrative frameworks governing the revenue generation potential of PRIs in the State and to make required changes to unlock the potential. Innovative practices to generate OSR through non-tax revenue remain isolated instances. Similarly, in activities like Non-Timber Forest Products (NTFP trade), pond leasing, and renting of market complexes, opportunities to generate revenue are often lost due to under-pricing, favouritism or policy restrictions in leasing (e.g., SHG for ponds), and absence of business planning. Also, Panchayats lack authority over the valuation of their assets, yielding suboptimal financial returns. Defaulting occupants seldom pay penalties owing to inadequate legal enforcement mechanisms. This is exacerbated by the absence of systematic asset mapping, return-on-investment (RoI) monitoring, and formalized financing for operations and maintenance (O&M), resulting in asset degradation and substantial fiscal leakages.

### Expenditure Efficiency in PRIs

**6.15** The expenditure of OSR generated by the GPs has a high utilization rate (87 per cent for the period 2020-21 to 2023-24) compared to the other funds received by the GPs. Table 6.7 shows head wise expenditure of the OSR. New development work constitutes the largest share followed by establishment expenditures with these two items accounting for more than 54 per cent of the total expenditure. Around 17 per cent is spent on upgradation of capital assets and 14 per cent on maintenance reflecting the importance of own source revenue generated GPs in improving the functioning of the PRIs.

**Table 6.7: Expenditure of OSR by Gram Panchayats**

*(Rs. in Lakh)*

Year	Establishment	Maintenance	New Dev. Work	Upgradation of Capital Assets	Others	Total Expenditure
1	2	3	4	5	6	7
2015-16	850.20	450.25	940.44	248.15	185.60	2674.64
2016-17	869.65	455.65	1050.20	650.56	503.20	3529.26
2017-18	917.15	415.25	1130.25	785.25	634.29	3882.19
2018-19	1225.50	620.30	1204.75	820.90	728.20	4599.65
2019-20	1160.35	615.75	1020.50	759.85	632.45	4188.90
2020-21	1180.40	580.60	1125.60	793.00	615.00	4294.60
2021-22	1230.50	680.60	936.50	867.35	587.50	4302.45
2022-23	1285.50	785.50	1460.20	968.65	904.65	5404.50
2023-24	1270.20	920.00	1435.50	944.70	895.90	5466.30

*Source: PR & DW Department, Government of Odisha*

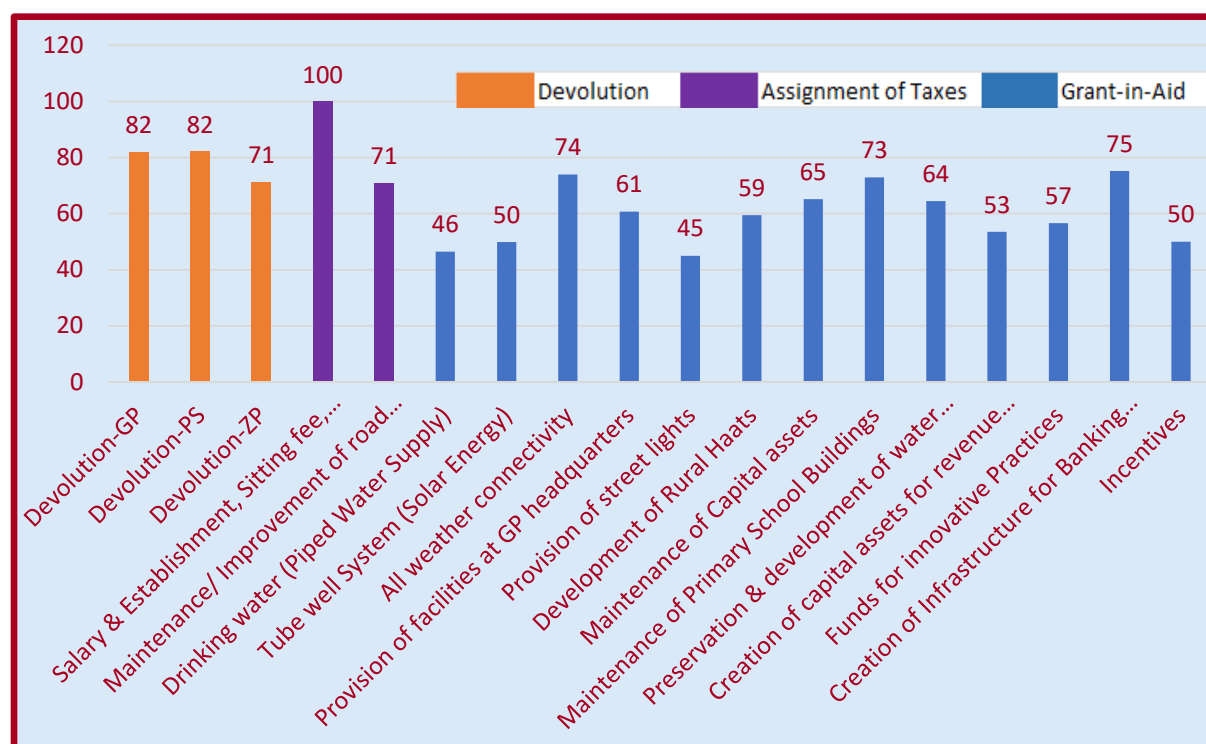
**6.16** Utilization of the funds by the PRIs continues to be a matter of concern. While there is no data available on utilization of CFC grant, the data for SFC grant indicates low levels of utilization for many key areas of expenditure. Figure 6.4 shows the utilization of SFC grants for the period 2020-21 to 2024-25. While the devolution and assignment of tax components of grants have a

utilization rate higher than 80 per cent, the utilization of Grant-in-Aid has been low for several key heads for which funds were allocated by 5<sup>th</sup> SFC. Some key factors contributing to the underutilization of funds that emerged during the discussions include administrative bottlenecks in the timely release of funds, delays in tender finalization, inadequate staffing, political disputes and inter-group conflicts within villages, issues related to site selection, and weak monitoring mechanisms, among others.

**6.17** The guidelines issued by the PR&DW Department made provision for District Level Monitoring Committee (DLMC) for review of utilization of devolution funds to PRIs. However, there are no information on the meetings of the DLMCs and its observations on the utilization of SFC funds for any of the 30 districts.

**6.18** The expenditure pattern varies across the blocks and districts. The study conducted by CYSD (CYSD, 2025) for the Commission indicates varied trends of utilization in select PRIs across the three Revenue Divisional Commissioner (RDC) zones with PRIs in southern zone having less utilization compared to the northern and central zones. Data on utilization patterns at the GP, PS, and ZP levels would provide deeper insights into the factors behind underutilization or delays, enabling the design of targeted strategies.

**Figure 6.4: Utilization of SFC Grant (in per cent ) Released to PRIs from 2020-21 to 2024-25**



*Source: PR &DW Department, Government of Odisha*

**6.19** The CYSD study analyzed the e-GramSwaraj data and pointed out the challenges in fund disbursement and utilization processes. In FY 2020–21, Odisha PRIs faced delays of up to 51 days in the release of 15th FC grants, resulting in interest liabilities of over Rs. 26 Lakh. Further, in FY 2021–22, Rs. 108.78 Crore remained unspent in 63 GPs; Rs. 62.19 Crore worth of utilization certificates were pending; and Rs. 48.9 Crore of advances were left unadjusted. So, it's important to have clear fund release protocols with timelines for release and utilization and incentive provisions for compliance to these for fund flow efficiency and fiscal discipline.

**6.20** To strengthen Panchayat finances amid socio-economic and climate challenges, PRIs need enhanced fiscal autonomy through greater own-source revenue (OSR) and robust governance. Key steps include

- a. allocating larger State Finance Commission (SFC) shares directly to Gram Panchayats (GPs) for asset maintenance and public goods
- b. mandating asset mapping, revenue potential assessments, and business plans aligned with GPDP
- c. empowering GPs to levy property taxes, user charges, trade licenses, and NTFP fees with market-based pricing
- d. standardizing budgeting via a localized training module in Odia/tribal dialects and mandatory annual audits
- e. institutionalizing business planning for capital assets with enforcement for rent recovery
- f. identifying opportunities for public-private and public-community partnership models for provision of services as well as generation of revenues
- g. exploring Panchayat led eco-tourism initiatives as the rural landscape in the State is endowed with several sites scenic beauty and sites of ecological importance
- h. utilizing and monetizing land
- i. exploring innovative green financing mechanisms like carbon monetization and solar land aggregation
- j. building a digital ecosystem for transparent fund flows, monitoring, and reporting accessible to PRI members, officials, and citizens

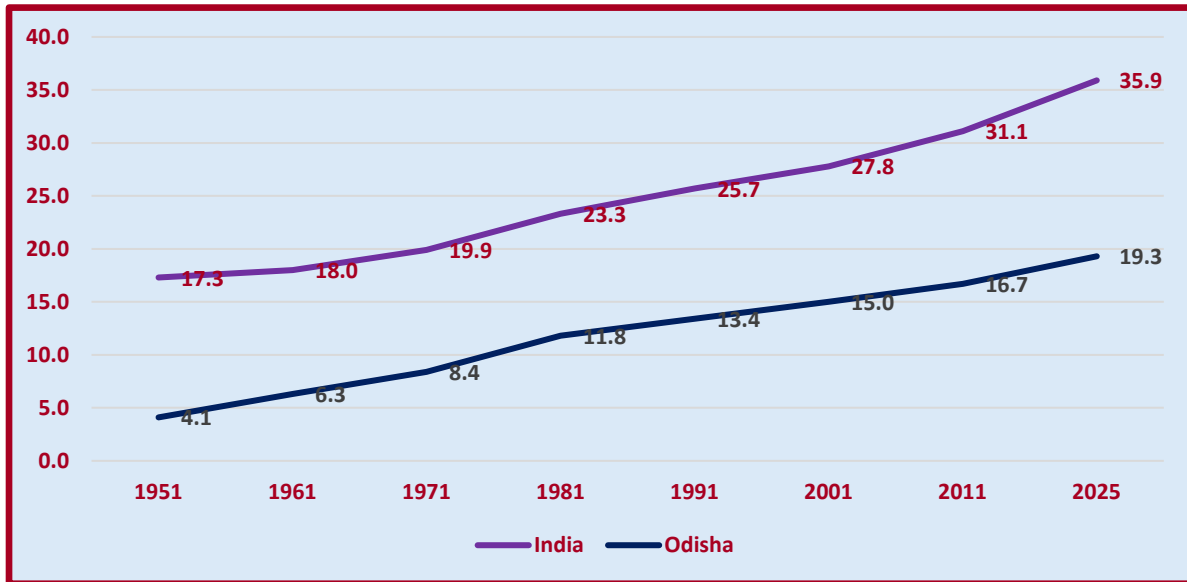
## **Finances of Urban Local Bodies**

### **Urbanization in Odisha**

**6.21** Urbanisation, being an outcome of spatial and demographic transformation, is also an indicator of evolving financial and governance structures. The scale, patterns, and pace of urban growth lead to an increase in the demand for public services, as well as a higher potential for generating revenue. Identifying and understanding these trends in urbanisation are essential to determine the requirements of municipal expenditure and the scope for enhancing municipal revenue. An examination of urban growth trajectory in Odisha provides better insights into improving finances in the State's urban areas.

**6.22** Odisha is one of the least urbanised states in India (only ahead of Assam and Bihar) with an urban population of 16.7 per cent as per Census 2011, as compared to the national average of 31.1 per cent. The projected rate for 2025 does not look promising too (see Figure 6.5). This gap between Odisha's urban population and the national average is expected to be at 15.6-16.6 per cent in 2025, similar to the national average in 1970s. Odisha's urban growth is viewed as lagging in comparison to the national average. Between 2001 and 2011, the State's urban population expanded at a Compound Annual Growth Rate (CAGR) of 2.4, which was significantly lower than the national average of 3.6 per cent.

**Figure 6.5: Urbanisation Trends in Odisha**



*Note: The data from 1951 to 2011 are based on Census of India. The data for 2025 is based on the projected urbanisation rate based on the MoHFW Report.*

**6.23** Odisha is characterised by a spatial imbalance in the share of urban population. In 2011, while four districts-Khordha, Ganjam, Sundargarh, and Cuttack-accounted for 47.5 per cent of the State’s urban population, 17 districts together formed only 19.4 per cent of the urban population (NIUA, 2025). 13 districts reported urbanisation below 10 per cent. Around 15 per cent of the urban population in the State lives in census towns (non-statutory urban settlements managed by PRIs).

**6.24** A study conducted by NIUA for the Commission (NIUA, 2025) indicated significant peripheral growth around the urban cities and the rural areas having industrial and mining activities. The spatial patterns of industrial activity in Odisha diverge significantly from the national norm 80 per cent of Odisha’s manufacturing jobs are in rural areas, compared to the national average of 53 per cent in 2023-24. This also indicates the potential of urbanisation in the State that the Odisha Vision 2036 and 2047 envisage.

**6.25** There are 115 Urban Local Bodies (ULBs) in the State, consisting 5 Municipal Corporations (MCs), 48 Municipalities, and 62 Notified Area Councils (NACs). As per the population projections by NIUA (2025), the MCs constitute 33 per cent of the State’s urban population, Municipalities make up about 34.8 per cent, while NACs account for around 13.5 per cent. There are two Industrial Towns (ITs) that constitutes 2.8 per cent of the urban population. The rest 15 per cent of the urban population lives in Census Towns and peri-urban areas.

### **Financial Performance of Urban Local Bodies**

**6.26** Urbanisation trends do have implications on municipal finances of any state. The expansion of administrative boundaries of ULBs brings a larger population under their jurisdiction. This requires municipal expenditure on urban infrastructure and service delivery. In addition, it provides scope to increase municipal revenues. This can be achieved in the form of expansion of the property tax base, and levying fees and user charges on municipal services. However, in Odisha’s context, a considerable share of the tax base is located outside municipal jurisdictions. Further, smaller ULBs tend to be weak performers in tax mobilisation.

**6.27** The 74<sup>th</sup> Amendment to the Constitution of India is an institutional measure to devolve funds, functions, and functionaries to the ULBs. Financial autonomy, or the power to make decisions on revenue generation and expenditure priorities, is an integral component of

decentralisation of governance. The Odisha Municipal Act, 1950 and the Odisha Municipal Corporation Act, 2003 prescribe that the ULBs shall prepare and present the budget containing detailed estimates of income and expenditure for the upcoming financial year. However, as per the Odisha Local Fund Audit Report 2023-24, budget was not prepared in 32 out of the 94 audited ULBs.

**6.28** An overview of fiscal performance of cities and towns across Odisha reveals that ULBs have recorded fiscal deficits between 2019-20 and 2021-22. This means that municipal revenues are not sufficient to meet the expected expenses for the financial year. The RBI report on Municipal Finances 2024-25 assessed the ratio of capital expenditure to total expenditure in ULBs across states. Capital expenditure estimates in ULBs across Odisha exceeded 50 per cent of total expenditure. However, capital projects often get delayed or remain incomplete. Delays in completion of public works requires the ULBs to levy liquidated damages subject to up to 10 per cent of the contract price. The Local Fund Audit report found that Rs. 61.2 Lakh of liquidated damages from 151 projects were not realised.

**6.29** The resource envelope of the ULBs consists of transfer from State and Central government through SFC and CFC recommendations, own source of revenue, loans and borrowings, different schemes of the State and Central Governments, and local area development fund of the MLAs and MPs.

### Transfer of Funds to ULBs

**6.30** As evident from the Table 6.8, the transfer of funds from the State government to ULBs through SFC recommendations have increased over the years. This constitutes the major source of finance for the ULBs though its share is declining with more grants from FC and more funds being generated through OSR. While the total transfer has grown at 4 per cent over last 10 years, the grant for municipalities have grown at 6 per cent. It is around 3 per cent for NACs.

**Table 6.8: Transfer of Funds to ULBs under the recommendation of 4<sup>th</sup> & 5<sup>th</sup> SFC**

*(Rs. in Lakh)*

Year				Total
	Municipal Corporation	Municipality	NAC	
2015-16	34,757.68	34,099.12	17,561.65	<b>86,418.45</b>
2016-17	36,482.09	42,226.92	15,968.92	<b>94,677.93</b>
2017-18	47,331.42	45,689.52	18,689.06	<b>1,11,710.00</b>
2018-19	42,227.82	44,362.26	18,643.50	<b>1,05,233.58</b>
2019-20	45,234.10	48,789.21	19,799.66	<b>1,13,822.97</b>
2020-21	41,037.86	47,382.94	19,054.45	<b>1,07,475.25</b>
2021-22	44,407.25	52,587.83	21,665.92	<b>1,18,661.00</b>
2022-23	47,457.16	54,306.23	25,410.65	<b>1,27,174.04</b>
2023-24	47,889.15	54,660.37	21,607.52	<b>1,24,157.04</b>

*Source: H&UD Department, Government of Odisha*

**6.31** The CFC has been providing grants to the ULBs since 10th CFC. The details of the grants for the ULBs in State during 14<sup>th</sup> and 15<sup>th</sup> FC are presented in Table 6.9. There is a significant

increase in the transfer to ULBs during 15<sup>th</sup> CFC period compared to the 14<sup>th</sup> CFC. This constitutes around one third of the finances of the ULBs.

**Table 6.9: Transfer of Funds to ULBs under the recommendation of 14th & 15th FC**  
(Rs. in Lakh)

Year				Total
	Municipal Corporation	Municipality	NAC	
2015-16	6,674.89	6,886.61	2,682.61	16,244.11
2016-17	11,994.93	13,277.22	4,679.59	29,951.74
2017-18	14,387.61	14,843.72	5,849.67	35,081.00
2018-19	11,895.66	12,529.16	4,847.90	29,272.72
2019-20	16,315.63	17,088.41	6,709.49	40,113.53
2020-21	42,375.02	46,289.37	20,035.61	1,08,700.00
2021-22	32,044.41	35,004.47	15,151.12	82,200.00
2022-23	32,990.81	36,428.13	15,688.95	85,107.89
2023-24	35,189.27	37,288.99	14,157.88	86,636.14

Source: H&UD Department, Government of Odisha

**6.32** Given the limited availability of ULB-wise data on the finances, the Janaagraha (2025) study analysed budget of 86 ULBs in the State available in cityfinance web portal. The study found that grants and assigned revenues together constituted 66.6 per cent of the municipal revenues during FY 2021-22, and the own sources revenue (OSR) contributed to only 29% of the total revenue for the same year. Table 6.10, that presents an overview of the financial performance of the ULBs in the State vis-à-vis the national average for the FY 2021-22, indicates the poor financial health of the ULBs in the State. The financial performance varies across the ULB types- MCs, Municipalities and NACs and individual ULBs, underscoring the need for differentiated policy approaches.

**Table 6.10: Comparison of per capita revenue and expenditure of ULGs in Odisha against ULGs of India for FY 2021-22**

Indicators	(In Rupees.)	
	Average of ULBs in Odisha	Average of ULBs in India
Total Revenue	2,850	6,162
Own Revenue	793	3,503
Revenue Grants	939	2,072
Share of Own Revenue in Total Revenue (in %)	28	57
Revenue expenditure	2,347	3,702
Debt	142	903

Source: Janaagraha (2025)

## Own Source Revenue of ULBs

**6.33** Own source of revenue (OSR) of ULBs is an indicator of the financial independence of ULBs. A higher share of revenue generated from the ULBs' own tax and non-tax revenue streams leads to lesser reliance on external grants. Table 6.11 presents the OSR of the ULBs during 2018-19 to 2023-24. The Municipal Corporations (MCs) generate more OSR (accounting for 62% for the total OSR) than other counterpart ULBs- Municipalities (28%) and Notified Area Councils (NACs) (10%). The growth of OSR varies across ULBs- while the CAGR for this 5 year period for total OSR is 14 per cent, the OSR for MCs grown at 18 per cent compared to 11 per cent for Municipalities and 6 per cent for NACs.

**Table 6.11: Own Source Revenue of the ULBs**

*(Rs. in Lakh)*

ULB Category	Year	Total Tax Revenue	Total Non-Tax Revenue	Total Revenue
1	2	5	6	7
Municipal Corporations	2018-19	8240.80	7575.72	15816.52
	2019-20	11704.49	9016.45	20720.94
	2020-21	13831.46	14255.10	28086.56
	2021-22	14540.14	17221.90	31762.04
	2022-23	12589.52	27641.40	40230.92
	2023-24	14455.38	21728.54	36183.92
<b>Total (A)</b>		<b>75361.79</b>	<b>97439.11</b>	<b>172800.90</b>
Municipalities	2018-19	3683.97	6719.59	10403.56
	2019-20	3801.60	8659.76	12461.36
	2020-21	4101.49	6862.55	10964.04
	2021-22	4601.71	7761.01	12362.72
	2022-23	5569.11	10125.64	15694.75
	2023-24	6373.62	11086.18	17459.80
<b>Total (B)</b>		<b>28131.50</b>	<b>51214.73</b>	<b>79346.23</b>
NAC	2018-19	608.17	3149.84	3758.01
	2019-20	608.35	2572.96	3181.31
	2020-21	688.35	4009.70	4698.05
	2021-22	805.88	3973.31	4779.19
	2022-23	1189.56	4343.46	5533.02
	2023-24	1256.03	3729.16	4985.19
<b>Total (C)</b>		<b>5156.34</b>	<b>21778.43</b>	<b>26934.77</b>
<b>Grand Total (A+B+C)</b>		<b>108649.63</b>	<b>170432.27</b>	<b>279081.90</b>

*Source: H&UD Department, Government of Odisha*

**6.34** The trends of change in tax and non-tax revenue across ULBs reveals interesting insights. Table 6.12 presents the shares of tax and non-tax revenues across different ULB types between 2020-21 and 2023-24. Across different ULB types in Odisha, non-tax revenue tends to form the

major share of total revenues. CAGR analysis reveals sustained growth in both tax and non-tax revenues across ULB categories from 2018-19 to 2023-24, with non-tax revenue generally outpacing tax revenue in Municipal Corporations but varying elsewhere. Overall, the tax revenue grew 12 per cent, while the non-tax revenue registered a 16 per cent growth.

**Table 6.12: Share of Tax and Non-Tax Revenues across ULB Types**

Municipal Corporations		
Year	Share (%) of Tax Revenue	Share (%) of Non-Tax Revenue
2020-21	49.25	50.75
2021-22	45.78	54.22
2022-23	31.29	68.71
2023-24	39.95	60.05
Municipalities		
Year	Share (per cent) of Tax Revenue	Share (per cent) of Non-Tax Revenue
2020-21	37.41	62.59
2021-22	37.22	62.78
2022-23	35.48	64.52
2023-24	36.50	63.50
Notified Area Councils		
Year	Share (per cent) of Tax Revenue	Share (per cent) of Non-Tax Revenue
2020-21	14.65	85.35
2021-22	16.86	83.14
2022-23	21.50	78.50
2023-24	25.20	74.80

*Source: H&UD Department, Government of Odisha*

**6.35** Taxes constitute the major share of OSR in ULBs, with the aggregate figure at the national level being 30 per cent (Reserve Bank of India, 2024). Several local-level taxes have been subsumed with the introduction of the Goods and Services Tax in 2017, affecting the OSR generation capacity of ULBs across the country. The share of tax revenue in municipal corporations has reduced from 49.25 per cent in 2020-21 to 39.95 per cent in 2023-24. In municipalities, the

share of tax revenue has reduced slightly from 37.41 per cent (2020-21) to 36.50 per cent (2023-24). NACs have witnessed a significant increase in tax revenue share from 14.65 per cent (2020-21) to 25.2 per cent (2023-24). A decline in tax revenue shares could be attributed to the inability to collect the estimated revenues from various tax sources such as property tax, holding tax, etc.

**6.36** Holding taxes form the largest component of OSR in Odisha’s ULBs. The Janaagraha report (Janaagraha, 2025) found that municipal corporations in the State, generate a significant share (61.7 %) of their OSR from holding taxes, while municipalities (24.8 %) and NACs (43.5 %) display weaker tax mobilisation. Odisha’s share of revenue generated from property taxes is much lower than that of other states, such as Tamil Nadu (72 per cent). Cities in Odisha have lower per capita property tax than their counterparts in other states. Table 6.13 shows the per capita property tax in cities of Odisha with figures from comparable cities from other states.

**Table 6.13: Property Tax Revenue Generation per capita in cities of Odisha vs. other states**

Population Class	City	Holding/Property Tax Revenue Per Capita	City	Holding/Property Tax per capita
500k-1mn	Bhubaneswar, Odisha	1,298	Thiruvananthapuram, Kerala	1,858
100k-500k	Rourkela, Odisha	340	Mohali, Punjab	6,562
	Puri, Odisha	200	Rewa Nagar, Madhya Pradesh	959

*Source: Janaagraha (2025)*

**6.37** Low per capita figures for holding tax revenue generation can be attributed to factors such as weak enforcement, pending arrears, incomplete property records, and undervaluation of properties. ULBs in Odisha follow the Unit Area Value (UAV) method of property tax. Although the Odisha Municipal Act, 1950, requires revision of unit area values every five years, many ULBs continue to apply outdated values, such as Berhampur Municipal Corporation’s rates of 2000. Furthermore, in the absence of periodic re-evaluations, ULBs revise values in a discretionary manner through executive notifications or council resolutions, as seen in Jatni Municipality’s tax rate hikes from 2016 to 2020. The Local Fund Audit 2023-24 reported that ULBs in Odisha have performed poorly in revenue generation through other taxes, particularly holding tax. While 75 out of 78 audited ULGs collected holding tax in 2022-23, 31 did not have organisations to carry out the valuation of holding tax. Further, Rs. 70.11 Crore worth of holding tax arrears remained unrecovered. This highlights the bottlenecks in tax enforcement and timely collection.

**6.38** Non-tax revenue for ULBs in the State have registered steady growth across Municipal Corporations, Municipalities, and NACs from 2018-19 to 2023-24 (Table 6.14), with Municipal Corporations generating 57 per cent of the total non-tax revenue (Municipalities 30 per cent, and NACs 13 per cent).

**Table 6.14: Non-Tax Revenue of ULBs***(Rs. in Lakh)*

ULB Category	Non Tax Revenue				Total Non-Tax Revenue
	Year	User fee	Interest	Other Revenue	
(1)	(2)	(3)	(4)	(5)	(6)
<b>Municipal Corporation</b>	2018-19	3,665.83	3,062.17	847.72	7,575.72
	2019-20	5,260.25	3,223.48	532.72	9,016.45
	2020-21	6,003.68	5,023.11	3,228.31	14,255.10
	2021-22	12,615.01	3,078.51	1,528.38	17,221.90
	2022-23	15,082.29	5,514.48	7,044.63	27,641.40
	2023-24	8,916.32	4,997.16	7,815.06	21,728.54
<b>Total (A)</b>		<b>51,543.38</b>	<b>24,898.91</b>	<b>20,996.82</b>	<b>97,439.11</b>
<b>Municipality</b>	2018-19	1,928.21	2,394.34	2,397.04	6,719.59
	2019-20	2,416.82	2,319.33	3,923.61	8,659.76
	2020-21	2,510.08	2,288.90	2,063.57	6,862.55
	2021-22	2,569.24	2,440.09	2,751.68	7,761.01
	2022-23	3,799.35	3,043.82	3,282.47	10,125.64
	2023-24	4,175.56	2,632.35	4,278.27	11,086.18
<b>Total (B)</b>		<b>17,399.26</b>	<b>15,118.83</b>	<b>18,696.64</b>	<b>51,214.73</b>
<b>NAC</b>	2018-19	641.78	986.52	1,521.54	3,149.84
	2019-20	657.40	837.56	1,078.00	2,572.96
	2020-21	961.98	763.87	2,283.85	4,009.70
	2021-22	825.84	928.88	2,218.59	3,973.31
	2022-23	1,276.65	1,121.35	1,945.46	4,343.46
	2023-24	1,062.25	1,084.85	1,582.06	3,729.16
<b>Total (C)</b>		<b>5,425.90</b>	<b>5,723.03</b>	<b>10,629.50</b>	<b>21,778.43</b>
<b>Grand Total (A+B+C)</b>		<b>74,368.54</b>	<b>45,740.77</b>	<b>50,322.96</b>	<b>1,70,432.27</b>

*Source: H&UD Department, Government of Odisha*

**6.39** The details of OSR of five municipal corporations in the State for which data is available is presented in Table 6.15. In all MCs, Holding Tax is the single largest source, but its share ranges from about 39–43 per cent of total OSR in Bhubaneswar (BMC) and Cuttack (CMC) to roughly one-third in Berhampur (BeMC) and Rourkela (RMC) and around half of the total OSR in (Sambalpur) SMC. Variation in OSR composition and growth across the five corporations reflects differences in economic base, administrative capacity, and exploitation of legal tax powers. BMC has a broad and relatively balanced OSR structure but remains overly dependent on Holding Tax and interest income, indicating scope to deepen user charges and commercial exploitation of assets. CMC’s heavy reliance on Holding Tax and Fees/User charges, with very low advertisement and rent income, suggests potential in outdoor advertising regulation and systematic monetisation of properties. BeMC and SMC display weak but improving OSR, where enhancing property tax

coverage, rationalising rents of markets, and expanding user charges could substantially raise revenue. RMC's diversified pattern—substantial collections from Holding Tax, Other Own Revenue, rent and interest—offers a model for secondary cities, but also indicates exposure to volatility in non-tax sources.

**Table 6.15: OSR of Municipal Corporations**

*(Rs. in Crore)*

Sl. No.	Municipal Corporations (MC)	Year	Holding Tax	Advt. Tax	Other Own Rev.	Rent	Fees/ User & hire charges	Interest on own fund	Total Income
1	Bhubaneswar Municipal Corporation (BMC)	2015-16	23.89	11.06	16.26	1.66	5.49	16.54	74.90
		2016-17	35.07	15.85	15.17	2.98	16.12	16.06	101.25
		2017-18	41.07	17.31	38.14	4.45	7.50	26.56	135.03
		2018-19	39.62	11.03	18.20	4.16	6.53	21.72	101.26
		2019-20	42.46	9.00	26.24	5.83	5.38	22.23	111.14
		2020-21	60.33	3.69	14.58	5.02	6.25	28.32	118.19
		2021-22	55.24	7.06	30.93	3.64	18.00	14.67	129.54
		2022-23	73.56	4.43	35.34	4.06	22.55	23.31	163.25
		2023-24	74.39	11.80	49.91	5.94	23.45	28.23	193.72
	<b>Total</b>	<b>445.63</b>	<b>91.23</b>	<b>244.77</b>	<b>37.74</b>	<b>111.27</b>	<b>197.64</b>	<b>1128.28</b>	
2	Cuttack Municipal Corporation (CMC)	2015-16	7.69	0.13	7.87	0.71	0.80	0.60	17.80
		2016-17	9.89	0.20	5.82	0.92	1.17	1.54	19.54
		2017-18	30.67	-	2.28	1.21	6.17	1.07	41.40
		2018-19	14.35	2.02	3.56	0.52	1.69	0.67	22.81
		2019-20	39.96	2.01	1.49	2.96	2.00	0.85	49.27
		2020-21	19.46	0.67	1.71	1.79	1.71	1.68	27.01
		2021-22	14.85	-	1.79	-	34.51	2.43	53.58
		2022-23	19.34	-	6.13	0.98	28.25	2.65	57.35
		2023-24	19.53	2.52	35.56	1.27	4.57	2.37	65.81
	<b>Total</b>	<b>175.74</b>	<b>7.55</b>	<b>66.21</b>	<b>10.36</b>	<b>80.87</b>	<b>13.86</b>	<b>354.57</b>	
3	Berhampur Municipal Corporation (BeMC)	2015-16	3.60	0.55	2.22	1.54	1.20	0.28	9.39
		2016-17	4.19	0.46	1.41	1.60	1.71	0.43	9.80
		2017-18	4.54	0.90	1.77	1.58	1.83	0.30	10.92
		2018-19	4.59	0.98	2.21	1.75	0.69	0.00	10.22

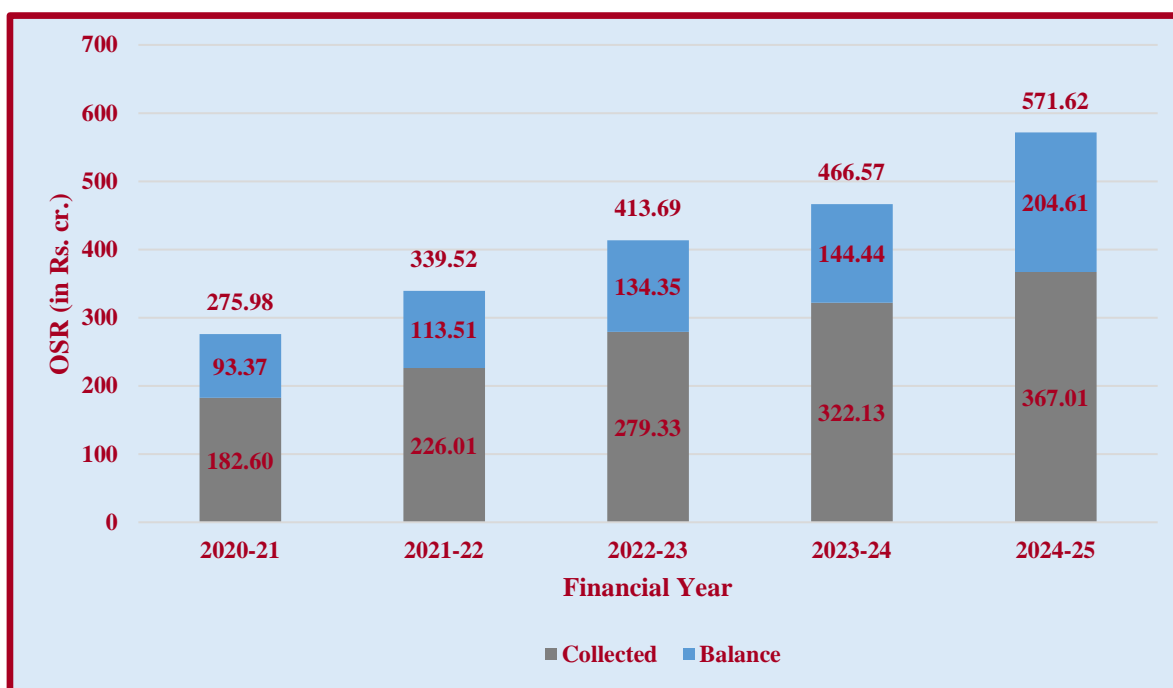
Sl. No.	Municipal Corporations (MC)	Year	Holding Tax	Advt. Tax	Other Own Rev.	Rent	Fees/ User & hire charges	Interest on own fund	Total Income
		2019-20	9.44	0.67	3.16	1.89	0.64	0.00	15.80
		2020-21	8.30	0.85	1.66	2.21	0.36	0.00	13.38
		2021-22	5.52	0.64	6.94	2.40	0.39	0.00	15.89
		2022-23	8.39	0.37	4.05	2.08	1.01	0.03	15.93
		2023-24	7.05	2.41	9.88	1.37	1.08	0.00	21.79
	<b>Total</b>		<b>55.62</b>	<b>7.83</b>	<b>33.30</b>	<b>16.42</b>	<b>8.91</b>	<b>1.04</b>	<b>123.12</b>
4	Sambalpur Municipal Corporation (SMC)	2015-16	1.70	0.27	0.10	0.13	0.12	0.43	2.75
		2016-17	3.46	0.31	0.27	0.66	0.18	0.71	5.59
		2017-18	3.92	0.42	0.21	0.95	0.64	1.54	7.68
		2018-19	3.31	0.61	2.17	0.61	0.01	0.22	6.93
		2019-20	4.82	0.33	0.47	0.75	0.07	0.26	6.70
		2020-21	4.31	0.25	5.73	0.64	0.11	0.17	11.21
		2021-22	4.89	0.29	6.97	0.78	0.18	0.31	13.42
		2022-23	6.34	0.45	0.8.13	0.67	0.62	0.42	8.50
		2023-24	7.31	0.24	13.12	0.75	0.63	0.63	22.68
	<b>Total</b>		<b>40.06</b>	<b>3.17</b>	<b>29.04</b>	<b>5.94</b>	<b>2.56</b>	<b>4.69</b>	<b>85.46</b>
5	Rourkela Municipal Corporation (RMC)	2015-16	2.48	0.68	0.57	1.94	3.98	1.67	11.32
		2016-17	3.89	1.17	0.27	2.00	4.41	1.30	13.04
		2017-18	3.35	0.96	0.54	1.45	2.56	1.73	10.59
		2018-19	4.32	1.06	2.62	1.00	0.25	0.88	10.13
		2019-20	7.47	1.25	4.13	1.07	0.32	1.32	15.56
		2020-21	8.67	0.69	8.79	1.75	0.32	0.72	20.94
		2021-22	7.03	0.62	8.27	1.81	0.91	1.50	20.14
		2022-23	9.18	1.24	16.86	3.85	1.10	1.25	33.48
		2023-24	10.38	1.29	14.25	2.93	1.25	1.55	31.65
	<b>Total</b>		<b>56.77</b>	<b>8.96</b>	<b>56.30</b>	<b>17.80</b>	<b>15.10</b>	<b>11.92</b>	<b>166.85</b>

Source: H&UD Department, Government of Odisha

## Collection Efficiency in ULBs

**6.40** The growth of OSR share in total revenue depends on the collection status of income from own sources. Figure 6.6 indicates the collected and balance amounts for OSR in Odisha's ULBs. These figures include OSR from various sources such as holding tax, advertisement fees, user charges, rent from municipal properties, and interest. The share of revenue which is left to be collected has remained consistent over the years. This suggests that ULBs continue to have arrears between 30 to 35 per cent of OSR and have not been successful in increasing the amount of OSR collected.

**Figure 6.6: Status of Collection of Own Source Revenue**



*Source: H&UD Department, Government of Odisha*

**6.41** The Janaagraha (2025) study found that ULBs in the State are able to collect holding tax dues only from 62 per cent of the properties. While the total collection efficiency has improved from 47 per cent in 2018-19 to 57 per cent in 2022-23, the arrear collection efficiency remains a challenge, with only 30 per cent of arrear dues being collected during this period. Similar trends are found for the collection and collection efficiency of rental income. Inadequate staff and manual distribution & collection of taxes are some of the factors explaining the collection efficiency. There is also a significant untapped revenue potential from advertising, monetization of other assets, and user fees for services provided by ULBs in the State.

**6.42** The demand to collection ratio of tax and non-tax revenue for select ULBs are presented in Table 6.16 and 6.17 respectively. The ratio for many ULBs is indicative of the issues concerning collection efficiency, the assessment of demand, and some of the challenges in OSR collection by the ULBs in the State that Janaagraha (2025) flags.

**Table 6.16: Demand to Collection Ratio of Tax Revenue for Select ULBs in Odisha**

Name of the ULBs	Percentage of Collection (to demand) in Tax Revenue of selected ULBs									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Sambalpur Municipal Corporation	25.32	47.45	35.64	25.51	32.16	19.56	20.37	25.37	22.87	71.00
Birmitrapur Municipality	48.24	74.83	26.78	38.77	35.49	35.91	34.20	32.52	32.93	56.37
Padampur NAC	49.83	74.79	68.87	65.13	64.29	72.68	53.10	80.09	70.50	73.52
Balasure Municipality	30.86	74.96	78.48	119.54	95.68	50.93	50.31	64.37	63.56	35.51
Vyas Nagar Municipality	55.25	57.79	56.80	54.32	104.31	82.94	70.67	86.43	64.33	66.28
Konark NAC	3.54	23.42	11.32	6.77	8.24	14.87	10.96	5.39	35.34	51.93
Umerkote Municipality	43.30	52.55	58.83	54.34	50.71	38.73	27.66	66.64	43.55	57.23
Rayagada Municipality	81.85	85.09	76.50	71.97	74.26	18.69	63.77	126.45	115.42	95.54
Rambha NAC	13.89	14.19	14.46	10.42	15.03	9.76	29.04	129.16	127.44	51.93

Source: H&UD Department, Government of Odisha

**Table 6.17: Demand to Collection Ratio of Non-Tax Revenue for Select ULBs in Odisha**

Name of the ULBs	Percentage of Collection (to demand) in Non-Tax Revenue of selected ULBs									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Sambalpur Municipal Corporation	76.97	75.58	166.79	69.18	25.33	57.69	61.09	71.20	80.98	
Birmitrapur Municipality	74.49	77.15	250.73	293.38	451.89	175.64	478.00	126.40	85.90	
Padampur NAC	73.27	33.00	60.20	61.97	80.18	63.44	79.08	73.94	52.19	
Balasure Municipality	70.87	70.22	128.15	129.35	116.97	85.00	106.19	125.95	102.07	
Vyas Nagar Municipality	100.67	57.90	99.59	99.63	20.71	27.57	-	83.19	68.59	
Konark NAC	79.68	57.75	100.00	100.00	100.00	100.00	100.00	103.87	36.21	
Umerkote Municipality	29.18	58.34	116.75	146.98	116.74	128.19	104.25	70.52	59.28	
Rayagada Municipality	84.76	81.42	59.46	32.49	69.64	60.05	84.35	80.11	78.71	
Rambha NAC	19.74	44.36	75.77	62.16	71.49	51.00	67.49	46.94	40.21	

Source: H&UD Department, Government of Odisha

### Expenditure Efficiency in ULBs

**6.43** The utilization of funds by the ULBs varies across different sources of fund. Table 6.18 presents the percentage utilization of 5<sup>th</sup> SFC transfer by the ULBs. With limited ULB wise or ULB type data available for different components, the table indicates that NACs have performed better in utilization of devolution funds compared to MCs and Municipalities. The utilisation of Grants-in-Aid has remained low for ULBs.

**Table 6.18: Utilization (%) of SFC Transfer in ULBs**

Categories	2020-21	2021-22	2022-23	2023-24	2024-25
MCs (Devolution)	26.77	31.78	53.27	78.39	96.65
Municipalities (Devolution)	74.25	79.58	89.13	84.99	44.02
NACs (Devolution)	89.71	90.98	99.88	100	54.87
ULBs (Assignment of Taxes- Salary, Establishment etc.)	61.19	61.71	70.36	66.31	60.54
ULBs (Assignment of Taxes- Maintenance/Improvement of Roads)	69.28	96.61	100	100	100
ULBs (Grants in Aid)	70.91	35.56	36.93	43.63	41.45

*Source: H&UD Department, Government of Odisha*

**6.44** The Local Fund Audit found that ULBs in Odisha utilise only 43.23 per cent of the grants they receive. In 2022-23, grants amounting to Rs. 2044.37 Crore across 78 ULBs had not been used. Further, Rs. 1260.98 Crore were received as grants in the same year, resulting in a total of Rs. 3305.35 Crore worth of grants. Of this amount, only Rs. 1428.77 Crore were utilised. The audit report highlighted that this results in implementation delays in developmental programmes, and deprives the target groups of their benefits. Janaagraha (2025) study indicated that ULBs were able to spend 78 per cent of the funds during 2020-21 to 2024-25 with significant variations in expenditure for different sources of revenue.

### Benchmarking ULB Finances in Odisha with other States

**6.45** Analysis of municipal finances of ULBs in Odisha with peer states will provide us deeper understanding about their relative fiscal performance. Janaagraha (2025) selected states like Chhattisgarh, Jharkhand, Madhya Pradesh and Rajasthan as peer states for comparison. Table 6.19 compares the states and national level data of FY 2021-22 based on key fiscal indicators. The total revenue per capita in Odisha is Rs. 2,850, which is significantly less than the national average (Rs. 6,162). It is lower than in Chhattisgarh (Rs. 3,936) and Rajasthan (Rs. 2,703). This indicates the weak revenue-generating capacity of Odisha's ULBs. A bigger cause of concern is the own revenue per capita, which is Rs. 793 only. The national average of this indicator is Rs. 3,503. Odisha's own revenue per capita is only 22.63 per cent of the national average. Odisha performs marginally better than Jharkhand (Rs. 563) and Rajasthan (Rs. 782). The typology-wise distribution of own revenue per capita provides a clearer understanding of the fiscal performance of ULBs (Table 6.15). The own revenue per capita of Municipal Corporations showed a significant increase from Rs. 934 to Rs. 1,772 (a growth rate of 89.6 per cent in four years) during the study period. Similarly, the State average has also risen from Rs. 634 to Rs. 1043 (a growth rate of 64.48 per cent in four years), indicating an overall improvement in revenue mobilisation across ULBs in Odisha. Municipalities and NACs have also shown considerable growth in their own revenue per capita, with growth rates of 14 per cent and 57 per cent, respectively.

**Table 6.19: Comparison of State with other states and national averages***(In Rupees.)*

Indicator	National	Odisha	Chhattisgarh	Jharkhand	Madhya Pradesh	Rajasthan
Total Revenue Per Capita	6162	2850	3936	1256	5017	2703
Own Revenue Per Capita	3503	793	1335	563	1543	782
Own revenue as percentage of total Revenue	57	28	34	45	31	29
Property Tax Per Capita	929	203	446	279	511	56
Revenue Grants Per Capita	2072	939	2037	678	1613	344
OSR as percentage of Revenue Expenditure	63	34	58	99	46	32
Debt Per Capita	903	142	167	711	920	339

*Source: Janaagraha (2025)*

**6.46** Per Capita property tax for Odisha is Rs. 203 only, and is significantly lower than the national average of Rs. 929. In comparison, peer states like Chhattisgarh and Madhya Pradesh are performing relatively better, whereas Odisha, Jharkhand and Rajasthan continue to lag behind in property tax mobilisation. Notably, the performance of all four states is below the national average. Similarly, contribution of own revenue to total revenue is only 28 per cent, which is around half of the national average (57 %) and the lowest among the peer state. Low property tax per capita and OSR per capita, coupled with rising revenue grants per capita, represent increasing dependence of Odisha ULBs on intergovernmental transfers. This growing reliance on State and Central grants undermines fiscal autonomy and weakens financial sustainability.

**6.47** The analysis of the finances of ULBs in the State indicates the need to strengthen the fiscal sustainability of ULBs. We must prioritize three interconnected reforms drawn from persistent challenges.

- a. Expand property tax base amid peri-urban growth: Adopt a lifecycle approach—enumeration, valuation, assessment, billing, collection, and reporting—integrated with GIS technology. This overcomes limitations of outdated records and formal boundaries.
- b. Boost grant utilization and accrual accounting: Enforce Odisha Municipal Accounts Rules via mandatory digital audits and performance incentives. These measures will speed infrastructure delivery, rebuild credibility, and unlock borrowing hampered by cash-based systems.
- c. Overhaul devolution and planning: Fully transfer 18th Schedule functions, grant tax autonomy, and establish a State Urban Commission. This will help diversifying own-source revenues and align urbanization patterns to achieve its lofty goals in Odisha's Vision 2036 and 2047 goals.

These reforms build on each other to create a robust fiscal framework for ULBs.





## Chapter – VII

### Infrastructure and Services in Local Bodies

**7.1** The urban and rural local bodies are required to provision basic civic amenities in the jurisdictions they serve. In the past, several Central and State Finance Commissions have noted that the level of basic services rendered by these institutions falls short of normative benchmarks. The Commission has referred to data provided by the Panchayati Raj and Drinking Water and Housing and Urban Development Departments, and consulted elected representatives, public representatives, and stakeholders through several district visits to review the core services provisioned by local bodies.

**7.2** There is no doubt, the dimensions of infrastructure and the level of service delivery at the grassroots level have improved over the decades. The modes of delivery have been digitised, automated, and delegated using advanced ICT systems and enhanced human resource training. The Commission acknowledges the progressive initiatives rolled-out by Government of India and the Government of Odisha towards improving governance outcomes in this regard.

**7.3** The Commission, however, has observed significant gaps in infrastructure as well as service delivery. Despite the progressive devolution framework and increased fiscal transfers to PRIs and ULBs, the Commission in its field visits and interactions with officials and citizens, found deficiencies in last-mile public service delivery.

**7.4** The Commission noted significant variations in service standards across districts, limited functional and financial capacity of local bodies in executing core services such as drinking water supply, sanitation, solid waste management, street lighting, and maintenance of community assets.

#### Services provided by PRIs

**7.5** The multi-sectoral Panchayat Advancement Index (PAI) was introduced by the central government in FY 2022-23 to measure various socio-economic indicators and the development status of Panchayats. While the State's overall score of 50.03 places it in the medium-scoring category, there is considerable scope of improvement in several dimensions.

**7.6** The indicators of PAI are grouped under Framework, Functions, Finances, Functionaries, Capacity enhancement, and Accountability categories. While the State's performance with regards to framework, functions, and finances remains above the national average, weak scores in functionaries and capacity enhancement point to a broader systemic challenge. The Commission's analysis echoes this finding.

#### Rural Water Supply:

**7.7** Over the past decade, ensuring safe and sustainable access to drinking water for all rural households has remained a key priority of the State Government. Information on the progress of rural water supply was obtained from the Panchayati Raj Department. The Government has set a target of achieving universal coverage of Functional Household Tap Connections (FHTCs) by 2026. Examination of departmental data reveals that, out of 8,869,536 rural households in the State, 6,778,141 households, representing 76 per cent, have been provided with tap water connections.

**7.8** It is noted that 73 per cent of schools, 63 per cent of Anganwadi Centres, and all Gram Panchayat offices are now fully equipped with functional tap water facilities. While the achievement of universal coverage in GP offices indicates focused administrative prioritisation, the comparatively lower coverage in schools and AWCs raises concerns, given their critical role in child health, nutrition, and hygiene.

**7.9** The Commission also notes that reported figures pertain only to coverage and do not provide assurance regarding the functionality, regularity, or quality of water supply. The Commission stresses the need of framing a time-bound action plan for achieving universal coverage

in schools and AWCs.

**7.10** The rural water supply network comprises multiple surface water source based mega piped water supply projects. The Commission is of the view that the Solar Piped Water Supply Projects (SPWS) warrant prioritisation. Odisha's high solar potential, coupled with its tropical climate, makes solar energy a viable and cost-effective option for rural water supply. Once installed, SPWS projects significantly reduce recurring operational costs, particularly expenditure on electricity bills and diesel, thereby easing the financial burden on Gram Panchayats and local water user committees.

### **Sanitation & Solid Waste Management:**

**7.11** In recent years, the State Government, in convergence with the Swachh Bharat Mission (Gramin) of the Government of India, has made substantial progress in achieving Open Defecation Free (ODF) status across rural areas. With the launch of Phase II of SBM (G) in 2020, efforts have shifted from access creation to sustainability, with increased investments in rural sanitation infrastructure such as household and community toilets, and solid and liquid waste management systems. A significant proportion of these assets were reportedly created during FY 2024–25. As per data furnished by the Panchayati Raj & Drinking Water (PR&DW) Department, 46,928 villages have been declared ODF Plus Model Villages, reflecting an achievement level of approximately 95 per cent.

**7.12** However, field inspections and stakeholder consultations reveal that while infrastructure coverage has expanded, behavioural change and operational sustainability remain uneven. The Commission observes that in several locations, public and community toilets are either non-functional or inadequately maintained. Such gaps risk pushing vulnerable populations back towards open defecation, thereby undermining the durability of ODF gains.

**7.13** Interactions with field officials underscore the need for an integrated approach linking water supply, waste management, and community engagement for making ODF status truly meaningful on ground. The Commission concurs that greater and more structured involvement of stakeholders, such as community leaders, PRIs, SHGs, NGO, school children, and teachers, Anganwadis, health workers, social workers/religious and leaders, women workers etc. towards sensitisation and awareness of sanitation and solid waste management systems is essential to deepen behavioural change.

### **Review of Physical and Digital Infrastructure in PRIs**

**7.14** Rural infrastructure, both physical and digital, has expanded significantly in the past decades. **Rural housing** has been strengthened through several schemes like, the *Pradhan Mantri Awaas Yojana (Gramin)*, *PM – Janjati Adivasi Nyaya Maha Abhiyan (JANMAN)*, and *Antodaya Gruha Yojana*. Approximately 28 lakh houses have been sanctioned through PMAY, and survey to identify left out eligible households has been prioritized. PM-JANMAN focuses on saturating habitations dominated by Particularly Vulnerable Tribal Groups (PVTGs) with all essential services, such as housing, health infrastructure, education, water supply, and connectivity, while also improving mobility to these remote areas. Under this scheme, 41341 pucca houses have been sanctioned and the State continues to identify additional eligible PVTG families.

### **Rural Roads:**

**7.15** A significant share of the State's population lives in rural areas. Improving state-wide accessibility is a core mandate for the government. Therefore, rural roads assume great significance in the Government's developmental agenda.

**7.16** Several central and state schemes, such as Pradhan Mantri Gram Sadak Yojana (PMGSY), PM-JANMAN, the Mukhya Mantri Sadak Yojana (MMSY) target the strengthening of State's rural road network and improving accessibility to the hilly and difficult terrain/areas.

**7.17** Despite all concerted efforts, many villages and hamlets remain without proper accessibility. The recently launched State Sector Scheme “*Bikashita Gaon, Bikashita Odisha*” aims to bridge critical gaps in villages of rural Odisha by commissioning multiple sustainable development projects that will mobilize accelerated and inclusive growth over the next five years. Construction of roads, bridges, culverts, etc in rural areas with keen focus on PVTG and remote hilly areas is accorded great importance in the scheme.

**7.18** Besides, the BGBO Scheme includes construction of civic assets and amenities in villages like Kalyan Mandap, community centre, bathing ghats, drains, market sheds, development of micro-tourism spots, and rejuvenation of community pond and water harvesting structures, reading rooms, etc. If systematically implemented, these will improve the quality of life in rural areas, improving public health, local livelihoods, and environmental sustainability.

**7.19** The Commission in its field visits observed that many gram panchayats lack dedicated spaces for local governance. Administrative functions continue to be carried out from temporary, rented, or shared premises often without adequate seating, storage, and digital facilities. This constrains routine administrative work, hampering efficiency and hindering citizen engagement. In this context, the Commission considers it absolutely necessary to establish a Panchayat Bhawan in every GP. A permanent and well-equipped Panchayat Bhawan will facilitate administrative efficiency, digital service delivery, record management, and citizen interface at a single location, strengthening grassroots governance, enhancing accountability, and supporting more inclusive and participatory rural development.

**7.20** In addition, the Commission notes that there is no service level benchmarking with respect to public services in rural areas. The Government has not prescribed measurable service standards or performance indicators for key rural services such as drinking water supply, sanitation, rural roads, housing, and solid and liquid waste management. The absence of clearly defined benchmarks makes it difficult to assess the adequacy, quality, and reliability of service delivery, or to monitor improvements over time. The lack of benchmarking also constrains evidence-based planning, prioritisation of investments, and accountability at the level of Panchayati Raj Institutions. The Commission, therefore, considers it necessary for the Government to devise and notify minimum service level benchmarks for essential rural services, aligned with national norms and local conditions, to enable systematic monitoring and improved outcomes.

### **Health Services:**

**7.21** Primary Health Centres, Community Health Centres and Sub-Centres form the backbone of rural health services network. In alignment with the Central Government’s directives, to ensure comprehensive primary health care services, existing Sub-Centres (SCs), Primary Health Centres (PHCs), Urban Primary Health Centres (UPHCs), have been upgraded to Health and Wellness Centres (HWCs), now known as Aayush Aarogya Mandir (AAM).

**7.22** All operational AAMs are equipped to provide expanded primary care including RMNCHA+, Non-Communicable Diseases Screening, Disease Control Programme, basic diagnostics, and teleconsultation. The operational status for AAMs in Odisha is noted below:

**Table 7.1 Operationalisation of Health Facilities in Odisha as of January 2025**

Type of Health Facilities	Targeted Number for the FY 2024-25	Operationalised as of Jan 2025	Percentage Operationalised of Targeted
SHC	6020	5420	90%
PHC	1296	1262	97%
UPHC	116	116	100%
UHWC	140	128	91%
AYUSH	422	422	100%
Overall	7994	7348	92%

*Source: Department of Health and Family Welfare in its Annual Report of 2024-25*

**7.23** Despite improvements in health infrastructure and coverage, the Commission emphasises the need to further strengthen the access to, quality of, and equity of rural health services. In this regard, the Government must ensure uninterrupted availability of essential drugs, vaccines, diagnostic services, ambulance services, along with expansion of tele-medicine and digital health platforms. Most importantly, critical human resource gaps, specifically shortages of doctors, nurses, and paramedical staff should be addressed on a priority basis.

### **Primary Education:**

**7.24** The School and Mass Education Department (SMED) provides the policy directives, sets the infrastructural standards, allocates funds, and the PRIs serve as the local facilitators of primary education services. PRIs are supposed to ensure community participation, last-mile implementation of departmental programmes, and improve accountability in the government primary schools.

**7.25** Members of the GPs also partake in the School Management Committees (SMCs) and Gaon Kalyan Samitis (GKSs), thereby monitoring school attendance, supporting enrolment drives, overseeing routine activities and administrative issues related to the functioning of schools. Through coordination with SMED, they ensure the timely supply of school textbooks, uniforms, scholarships, and mid-day meals. They are also entrusted with the maintenance of school infrastructure.

**7.26** However, in FY 2023-24 (vis-à-vis FY 2018-19) Odisha's score in SDG-4 (Quality Education) dropped by 4 points while the national average gained 3 points, highlighting the critical need for addressing local challenges to align the State with the national trend. Subsequently in FY 2024-25, the *Godabarisha Mishra Adarsh Prathamika Vidyalaya Yojana* was launched to strengthen primary education coverage for children across all the 6794 GPs of Odisha. It aims to establish modern schools, with state-of-art infrastructure like digital libraries, language labs, and smart boards, in every panchayat.

**7.27** Several Central Schemes like National Education policy (NEP) 2020, PM Shri, PM POSHAN, New India Literacy Programme (NILP), etc., in conjunction with State Schemes like *Aitihya Vidyalaya Scheme* (for preservation and improvement of the oldest schools of the State), *Nipun Odisha*, *Pancha Sakha Shikshya Setu*, *Mukhyamantri Odia Bhasabruti* (rewarding highest marks in Odia subject in HSC examinations), *Gangadhar Meher Sikshya Manakbrudhi Yojana* (incentivizing girl students from dropping-out of school by providing bicycles), *Mukhya Mantri Sikshya Puraskar* (to recognize and reward excellence for academic achievement, leadership to institutional best practices and engagement), *Mukhya Mantri Chhatra Chhatri Paridhan Yojana* (providing free uniforms) are being implemented to strengthen the education landscape in the State.

**7.28** The *Mukhyamantri Medhabi Chhatra Protsahan Yojana* provides financial assistance to meritorious students of primary, upper primary, secondary, and higher secondary schools. The State's comprehensive scholarship framework aims to support meritorious students from economically weaker backgrounds and protect them from financial adversities.

**7.29** The Commission observes that the access to primary education has expanded significantly, wide disparities persist across the State with respect to learning outcomes, infrastructure quality and availability of teachers. Accordingly, the State must shift its focus from enrolment-centric approach to outcome-based education. Further, addressing vacancies in schools is of paramount importance. The Commission reckons that establishing clear performance standards, routine reviews, and community-based monitoring would enhance primary education at the grassroots level.

### **Technological Interventions in PRIs**

**7.30** The Panchayati Raj Institutions in Odisha have adopted several technological tools to improve governance and service delivery. Some of these are detailed below:

## **e-GramSwaraj**

**7.31** eGramSwaraj was launched in 2020 by the Ministry of Panchayati Raj, Government of India, to digitise the operations of Panchayati Raj Institutions and boost e-Governance across all Gram Panchayats. It is designed to be a user-friendly web-based single sign-on (SSO) portal which unifies and standardises all functions and applications under a single umbrella for PRIs.

**7.32** Through integration with PFMS and iFMS, the application enables online payments for 3-tier Panchayati Raj Institutions (PRIs) and facilitates direct fund transfers from the State Government. It supports the preparation and management of development plans at the village, block, and district levels, while enabling the tracking of physical and financial progress of projects through geo-tagging. Using a simplified accounting system linked to PFMS, the platform maintains a central record of Panchayat assets and interfaces with other government apps for planning, auditing, and bill payments. Its integration module enables digital payments and fund tracking for vendors, workers, and beneficiaries. In FY 2024-25, Odisha achieved full compliance and transparency in accounting of yearbooks at both the block and the GP level.

### **AuditOnline:**

**7.33** AuditOnline facilitates both internal and external audits for government bodies while ensuring compliance with standards and guidelines prescribed by the Comptroller and Auditor General of India (CAG). It has improved financial transparency and oversight of Panchayat accounts at the district, block, and village levels. A key feature of AuditOnline, which makes it widely adaptable across all States, is that it allows different states to tailor it to fit their own audit rules and formats while also maintaining an archive of previous audit records, ensuring no important data is lost.

### **Panchayati Raj Project Management System (PPMS):**

**7.34** The Panchayati Raj Project Management System (PPMS) is a user-based workflow web application that effectively manages and oversees the creation, approval, and execution of projects carried out by the PR & DW Department. The application facilitates creation of case records, estimation of costs, and generation of work bills in a standardized format, addressing challenges previously faced by the department while carrying out any project.

**7.35** PPMS has streamlined administrative workflows by minimising the time taken for technical sanction, administrative approval, and case tracking within departmental hierarchies. The digital archive ensures a centralized database of projects, reducing the risks of misplaced records, submission of fraudulent documents, and delays in updating asset registers. The platform enables real-time monitoring of project execution and the timely submission of Utilisation Certificates. Integration of PPMS with IFMS has enabled online payment disbursements, reducing workload, saving time, and minimizing department visits to departments.

### **Bikashita Gaon Bikashita Odisha (BGBO):**

**7.36** With BGBO, the State aims to systematically bridge infrastructural gaps in rural areas. The Scheme uses a dedicated digital application that enables stakeholders, such as block users, block technical committees, district users, district collectors, and state users, to create user profiles and manage project-related activities within a unified system. The platform integrates data collection and setup processes related to population, Integrated Tribal Development Agency (ITDA) Block-specific needs, and GP mapping with Assembly segments. It also captures financial year details to synchronize planning, budgeting, and fund allocation cycles. Budgetary provisions mandate that at least 40% of total allocations be directed towards ITDA blocks, thereby promoting equitable development. This supports evidence-based decision-making and ensures projects are tailored to local needs and priorities.

### **Government Consumer Management System (GCMS):**

**7.37** The GCMS is a workflow-based hybrid portal (both web and mobile) to provide the consumers of PR & DW Departments, Govt. of Odisha, a unified channel to verify and pay for the multiple electricity connections at the DISCOM-division level. The application supports various functions like bill verification, bill payment, and dispute resolution through a hierarchical, access-based system, covering the entire electricity bill management lifecycle down to the individual consumer level.

### **e-Panchayat Sabha**

**7.38** The e-Panchayat Sabha is a hybrid web and mobile application designed to improve the quality of conduct of Gram Panchayat meetings. It helps with better meeting notifications, record keeping, data sharing, and coordination between departments based on the meeting agenda. The app generates system-based minutes of meetings (MoM), supports GPDP preparation, tracks attendance digitally, and promotes transparency and accountability in Panchayat schemes and activities.

### **Ama Panchayat Seva:**

**7.39** Ama Panchayat Seva is a web-based system developed by Panchayati Raj & Drinking Water Department to help Gram Panchayats collect Own Source of Revenue (OSR) for local services like water supply, lighting, and markets. It allows citizens to make online payments, which go directly to the Panchayat's bank account. The system improves transparency, enables real-time revenue monitoring, and supports paperless governance, helping Panchayats manage finances more effectively.

### **NREGASoft & AwasSoft**

**7.40** NREGASoft and AwasSoft are information management systems, developed by the National Informatics Centre (NIC), that monitor development of central schemes like MGNREGS and the Pradhan Mantri Awas Yojana – Gramin (PMAY-G). They track real-time physical work progress, payments, and asset creation at the most granular level.

**7.41** The Commission acknowledges the adoption of several technological tools aimed at improving governance, efficiency, and reach of public service delivery in rural areas. **Going forward, bettering digital literacy among PRI functionaries and rural communities, along with ensuring adequate infrastructure through reliable internet connection and upgraded hardware in remote areas, will be critical to advancing the digital drive.**

### **Services provided by ULBs**

**7.42** Odisha's urbanisation level stands at 16.7 per cent, substantially below the national average of 31.1 per cent. Urban development has remained uneven. While some districts like Khordha, Jharsuguda, and Sundargarh exhibit higher urbanisation, many other districts remain largely rural. Although rapid growth is visible around major city centres like Bhubaneswar and Cuttack, the urbanisation process is increasingly being shaped by the growth of smaller towns, peri-urban regions, and large populated villages that are urbanising in-situ due to rising population density and expansion of the non-farm activities.

**7.43** Odisha currently has 115 Urban Local Bodies (ULBs) comprising 5 Municipal Corporations, 48 Municipalities, and 62 Notified Area Councils (NACs) which are critical to the delivery of essential civic amenities that enhance the urban quality of life. As the State's urban population is expected to grow rapidly, upcoming urban spaces present a critical opportunity for well-coordinated planning and design, ensuring that the State's urban transition is orderly and sustainable.

## Urban Water Supply:

**7.44** The Water Corporation of Odisha (WATCO) and Public Health Engineering Organisation (PHEO), spearheading the urban water supply projects, have strengthened water supply infrastructure across the State. Several sustainable water management strategies have been implemented, focusing on shifting the burden of urban water demand from groundwater to surface water sources by utilizing new intake wells and water treatment plants.

**7.45** The Government of Odisha currently operates 3 major urban water supply schemes to ensure the availability and quality of drinking water: **24/7 Drinking Water, BASUDHA, and AMRUT 2.0**. In FY 2024-25, a total of 112 projects were completed under these flagship schemes.

418 Detailed Project Reports (DPRs) worth approximately Rs. 317 Crore have been sanctioned across 68 Urban Local Bodies (ULBs), including 137 projects under AMRUT 2.0, 19 under AMRUT Mitra, and 262 through convergence with various schemes such as the 15th Finance Commission, 5th State Finance Commission, *Mukhyamantri Sahari Bikas Yojana* (MSBY), OMBADC, and WODFC.

**7.46** The Commission also notes that WATCO, with assistance from the Odisha Urban Academy, has rolled out the Drink From Tap (DFT) mission. Subsequently, Puri was declared the first drink-from-tap Indian city in 2021 (Table 7.3). Thereafter, in December, 2022 Gopalpur was declared the second drink-from-tap Indian city. As of 2024, eleven cities in the State have been universally covered under the drink-from-tap mission.

**7.47** Further, the progress report submitted by the Housing and Urban Development Department was duly examined by the Commission. The Commission notes that the department has prepared a comprehensive plan aimed at strengthening urban water storage and management systems. In this context, the Commission recommends pursuing the following goals to enforce a reliable and sustainable water supply system in the urban areas –

- a. *Towards augmenting Water Treatment Capacity* – establishing new water treatment plants with additional 301 MLD capacity and adopting energy-efficient and automated treatment technologies
- b. *Towards building additional Clear Water Storage* - construction of new Elevated Service Reservoirs (ESRs) and Underground Reservoirs (UGRs) with combined storage capacity of 130.45 million Liters.
- c. *Towards Improvement in Distribution Network Efficiency* – old pipelines must be replaced to minimise physical water loss and improve pressure management, and Smart Distribution Zones and District Metered Areas (DMAs) should be implemented to enable accurate monitoring of non-revenue water.
- d. *Towards upgradation of electrical and pumping system* – pumping stations should be modernized focusing on energy efficiency, and Supervisory Control and Data Acquisition (SCADA) systems should be deployed to monitor flow, pressure, and power usage in real time.

## Rejuvenation of Water Bodies:

**7.48** In its review, the Commission observed that several plantations drives and rejuvenation activities have been undertaken across 90 urban water bodies. Paved blocks have been laid at 22 locations to improve accessibility and utility. The H&UD department has also focused on waterfront development and the maintenance of completed water bodies.

**7.49** Additionally, under Phase II of AMRUT, operational since 2022-23 across nine cities of the State, projects amounting to Rs. 1607.64 Crore have been approved. These projects include

allocations for water-body rejuvenation alongside a broader focus on strengthening water supply systems (Table 7.4). As per the latest figures from Ministry of Housing and Urban Affairs (MoHUA), a total outlay of Rs. 4,066.03 Crore has been approved for 89 major urban local bodies (including NACs), across Odisha.

**7.50** Cognisant of the pressures of climate change and weather extremes, the State government has directed that rejuvenation of waterbodies is to be carried out under AMRUT (Phase II) through convergence with various schemes such as the 15th Finance Commission, 5th SFC, Mukhyamantri Sahari Bikas Yojana (MSBY), OMBADC, and WODFC. The rejuvenation drive is currently being operationalised under MSBY.

**7.51** In view of the scale of investments and the emphasis on water body rejuvenation, the Commission concurs that an appropriate policy and institutional framework is in place. However, sustained focus on timely execution, maintenance, and outcome-based monitoring will be essential to ensure long-term environmental and service delivery benefits.

### **Solid Waste Management:**

**7.52** The Solid Waste Management Rules, 2016 mandate that ULBs implement all provisions concerning segregation, collection, storage, transportation, processing, and disposal of municipal solid waste (MSW). However, in practice, the responsibility of Waste Management falls not just on the ULBs but is also looked after by institutions like the Odisha Pollution Control Board (OPCB), the Directorate of Town Planning, and Odisha Urban Infrastructure Development Fund (OUIDF). The status of Solid Waste in Odisha is detailed below:

**Table 7.2 Status of Urban SWM activities as of FY 2020-21**

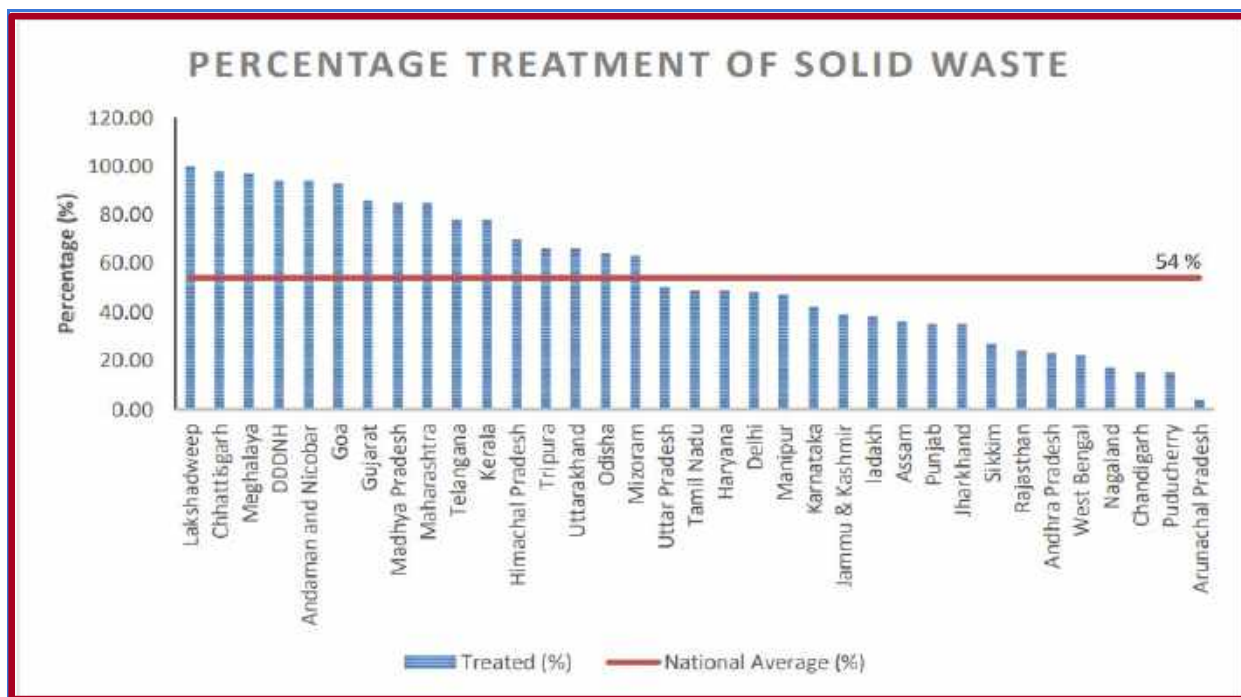
Parameter	Value
Waste Generated	2,575 TPD
Waste Transported	2,253.36 TPD
Waste Processed	1,030 TPD (40%)
Wards with D2D Collection	1,840 (112 ULBs)
% of Wards with D2D Collection	92%
Wards with Source Segregation	833 (96 ULBs)
% of Wards with Segregation	41%
Sites identified for Sanitary landfill	83
Composting Plant Operational (Includes pit composting)	1,833 (79 ULBs)
Composting Plant Capacity	1,762.92 TPD
MRF Operational	132 (48 ULBs)
MRF Capacity	1,027.82 TPD

*Source: State Pollution Control Board, Odisha*

**7.53** When the report of the 5th State Finance Commission was drafted, the State did not possess an expansive SWM disposal and treatment fleet. As of 2025, every district in Odisha is equipped

with a dedicated SWM facility along with 254 Micro Composting Centres (MCC) and 216 Material Recovery Facilities (MRF) spread across the ULBs. These investments have boosted Odisha’s Municipal Solid Waste (MSW) treatment capacity significantly, placing Odisha above the national average in recent times (Fig 1).

**Fig 1 - Municipal Solid Waste (MSW) treatment capacity across India**



Source: Annual Report of Central Pollution Control Board on Solid Waste Management (2021-22)

### Case Study: Indore – Transforming Urban Sanitation

Under the Swachh Bharat Mission-Urban the ULB of Indore has emerged and persisted as the cleanest city in India since 2017. The Municipal Corporation of Indore has dedicated itself to enabling a well-structured solid waste management (SWM) system, anchored in source segregation, decentralised participation, and streamlined processing, thus maintaining its position as the frontrunner under the category of cleanliness. This case-study elaborately illustrates the working of this system.

1. Indore is divided into 19 zones and 85 wards, all serviced by door-to-door waste collection using tri-partitioned vehicles for wet, dry, and hazardous waste, with user charges ensuring cost recovery. Then the segregated waste is moved to ten modern, decentralized Garbage Transfer Stations (GTS) with colour-coded hoppers, easing the burden on transport and improving operational efficiency.
2. Post-segregation, the wet waste is treated at a central composting facility and a 550-TPD Bio-CNG plant developed by IEISL (Indo Enviro Integrated Solutions Ltd) while bulk waste generators process waste at the source.
3. Nepra Resource Management Pvt. Ltd. Sorts the dry waste at two centralised MRFs with advanced automated systems under a PPP model employing 700 informal sector workers and processing 400 tonnes of waste daily. This is further supplemented with a decentralised network in Zero Waste Wards with 44 TPD more. The Plastic waste in the city is handled at a dedicated PCC and a plastic-to-fuel plant converting 10 TPD of low-

value plastic into 2,400 litres of fuel. Thus, managing non-recyclable plastic with a capital cost of Rs. 3 Crore.

4. About 100 TPD of C&D waste is processed into bricks and paver blocks, while the hazardous and sanitary waste is managed as per Biomedical Waste Rules 2016.
5. Indore has remediated 13 lakh MT of legacy waste at Devguradia, reclaiming 100 acres of a now developed city forest with 1.5 lakh trees, recovering land worth Rs. 300 Crore. Engineered sanitary landfills are now used only for inert waste, constituting only 5 to 6 per cent of the daily waste.

The efficacy of the SWM system is further enhanced by engaging NGOs to spread awareness about plastic waste management, generating biometric attendance systems to strengthen worker accountability, and employing digital governance tools like the Indore 311 app, achieving a 98.8% grievance resolution rate.

The city has hosted one of India's largest zero-waste events and leads in carbon credit monetization, becoming the first ULB to earn Rs. 9 Crore from three waste-to-energy and mitigation projects. It now offers no-capital-investment consultancy to over 400 ULBs nationwide, sharing its model across cities.

**7.54** Indore offers a robust model for Solid Waste Management (SWM). During its exposure visit to Indore, the Commission observed that the city's success in SWM stems from universal door-to-door collection, decentralized transfer stations that improve logistics, advanced waste processing facilities, PPP-operated Material Recovery Facilities (MRFs), and innovative practices like plastic-to-fuel conversion. These interventions have enabled high recovery and minimal landfill use.

**7.55** Further, Indore's use of e-governance tools, accountability systems, and large-scale legacy waste remediation demonstrate scalable best practices. The Commission also noted the emphasis placed by the municipal corporation on sustained sensitisation drives to promote behavioural change among all stakeholders, including citizens, sanitation workers, and officials. Taken together, these elements present a practical and proven roadmap for Bhubaneswar and other municipal corporations to enhance operational efficiency, improve recycling outcomes, and progress towards a low-waste urban system.

**7.56** While the Commission acknowledges the substantial progress achieved in solid waste management across the State, ground-level assessments indicate that significant challenges remain, particularly in source segregation, processing capacity, continued reliance on landfills, and public behavioural compliance. Additionally, weak Own Source Revenue (OSR), high vacancy levels in technical positions, and incomplete implementation of source segregation are impeding the transition from routine municipal maintenance to the high-productivity "Growth Hub" model envisaged by the State.

**7.57** The Commission emphasises strict enforcement of source segregation into wet, dry, and domestic hazardous waste, supported by sustained Information, Education, and Communication (IEC) campaigns, incentives, and penalties; 100 per cent door-to-door waste collection through GIS-enabled vehicles; and scaling up of decentralised waste processing facilities.

**7.58** The Commission observes that the Odisha Urban Academy (OUA) has supported solid waste management (SWM) initiatives by imparting practical training on waste segregation, collection, and processing to over 4,000 Urban Local Body officials, sanitation workers, and community members. The Academy has also developed standardised toolkits aligned with the Solid Waste Management Rules, 2016. Going forward, the Commission considers it necessary for the Academy to play a more active role in facilitating the adoption of technology-driven solutions and in structuring training modules aimed at wider use of digital platforms, integrated dashboards,

GPS-based tracking, grievance redressal systems, and performance-based monitoring, thereby strengthening accountability and informed decision-making.

**7.59** The State’s cleanliness infrastructure has improved significantly in alignment with Swachh Bharat Mission Phase II. The Commission takes note of the improvement in Odisha’s *Swachh Survekshan* rankings. A list of achievements from the latest round for all ULBs of Odisha is listed below:

**Table 7.3 Odisha’s Markers from the 2024 round of Swachh Survekshan**

Inter-state Rank	Rank Among Cities having Population < 1 Lakh	Cities having Population > 1 Lakh	Other Big Cities
9th	Chikiti NAC (2)	Bhubaneswar (9)	Rourkela (15)
	Aska (2)		Cuttack (30) Brahmapur (75)

*Source: Swachh Survekshan 2024*

### Septage Management:

**7.60** Along with water and solid waste, Faecal Sludge and Septage Management (FSSM) infrastructure in the state has also seen a steady growth. With a cent per cent coverage, 120 Sewage Treatment Plants (STPs) are spread across 115 ULBs in the State. Infrastructural upgrades are currently underway for 53 plants, while work on 20 others is nearing completion. Together, these facilities can treat 2,087 kilolitres of sludge and grey water (which accounts for nearly 60-70% of total household water consumption in MCs and municipalities) per day (KLD). Further, to promote inclusive livelihood opportunities, 97% of these plants are managed by SHGs and transgender groups.

**7.61** Nevertheless, with rapid urbanisation and advancing industrialisation, the need to intensify wastewater management in the State has become critical. The State should deepen efforts to establish and improve underground sewerage network, particularly in small and medium towns. The focus now needs to be directed at the peri-urban and newly included municipal zones, where sanitation infrastructure is either under-developed or non-existent. In these areas, cesspool vehicles can fill the critical gaps in urban sanitation services.

**7.62** While considerable attention remains vested in black water management, measures need to be taken to integrate greywater management with ongoing FSM efforts. Onsite Sanitation Systems need fundamental improvements, such as preventing connections of onsite systems to open drains, etc. Septic tanks and pits need to be designed to prevent direct discharge of grey water and faecal sludge into drains, nallahs, and waterbodies.

**7.63** In this regard, the H&UD department has identified several special projects, including the treatment of sewage flowing into Gangua Nallah. **These projects merit prioritisation, and the requisite infrastructure upgrades should be expedited to mitigate environmental risks and improve urban sanitation outcomes.**

### Urban Mobility:

**7.64** The Commission notes that accessibility has been improved through incentivising **urban public transport** under the *PM E-Bus Sewa* scheme in conjunction with Bhubaneswar City Bus Modernisation Plan (BCBMP) and *Faster Adoption and Manufacturing of Electric Vehicles* in India Phase II (FAME II). Under this scheme, electric bus services have been launched in five major urban hubs across Odisha: Bhubaneswar (100 buses), Cuttack (100 buses), Rourkela (100 buses),

Sambalpur, and Berhampur (50 buses each), with a total of 400 buses allotted in total under CRUT on July 2024. The Central government covers 60% of the civil infrastructure cost, capped at Rs. 100 Crore for 100 buses, and 100% of power infrastructure costs. Additionally, operational assistance is provided at Rs. 24 per km, Rs. 22 per km, and Rs. 20 per km for standard, mid, and mini e-buses, respectively. The State has also launched the ride-hailing application – *Odisha Yatri*.

**7.65** Nevertheless, with increasing number of urban citizens, pressures on existing transport systems have intensified. Thus, the Commission considers it critical to prioritise **integrated and sustainable urban mobility planning**, with emphasis on strengthening public transport.

### Urban Infrastructure

**7.66** *The Odisha Renewable Energy Policy & PM Surya Ghar Yojana* have furthered the State’s renewable energy transition by incentivising the use of clean energy. The Odisha Renewable Energy Development Agency (OREDA), is leading localized renewable energy initiatives, particularly for homes and farms. Further, the organisation plans the landmark initiative of installing 28.3 MW of rooftop solar panels on government buildings, aiming to meet all government electricity demand through clean energy by 2036.

**7.67** Besides, under *Pradhan Mantri Surya Ghar Muft Bijli Yojana*, households installing a 1 Kwp (Kilowatt-peak) plant are given an extra subsidy of Rs. 25,000 from the State Government. This is over and above the Rs. 30,000 subsidy already provided by the Central Government for household solar systems. This initiative aims to promote widespread adoption of rooftop solar technology, with a target of installing solar panels in over 3 lakh homes by 2027.

**Table 7.4 PM Surya Ghar Central and State Assistance**

Plant capacity	Central subsidy	State subsidy	Total subsidy
1 kWp	Rs. 30,000	Rs. 25,000	Rs. 55,000
2 kWp	Rs. 60,000	Rs. 50,000	Rs. 1,10,000
3 kWp	Rs. 78,000	Rs. 60,000	Rs. 1,38,000

*Source: PM Surya Ghar National Portal, Ministry of New and Renewable Energy, Government of India*

### Technology Interventions for Urban Local Bodies

**7.68** The H&UD Department has taken important measures to improve service delivery, transparency, accountability, and responsiveness of ULBs leveraging ICT enabled solutions like – SUJOG, Digital Door Numbering (DDN), SWIMS, Ama Sahar, etc.

### SUJOG

**7.69** Sustainable Urban Services in a Jiffy of Odisha Government (SUJOG), launched by the Department of Housing and Urban Development in 2020, unifies municipal services like Property Tax, Building Plan Approval, Trade License, Marriage Registration, Water Tax, Public Grievance, Faecal Sludge & Septage Management under a single digital platform. The application has a simplified and streamlined user interface (mobile access, status tracking, reduced documentation, etc.), enables auto-updating and hierarchy-based elevation system, making procedures transparent for citizens and officials alike.

**7.70** Integration of SUJOG with the GIS-based web application - Bhubaneswar One, has further enhanced service efficiency by enabling identification, automatic-verification of No Objection Certificates (NOCs), and auto-scrutiny of building plans under the Online Building Plan Approval System (OBPAS). This has streamlined the entire process of drawing validation, fee payments, and certificate issuance.

**7.71** The portal is operational across all 115 ULBs in the state, with more than 26 lakh registered citizens, and over 24 lakh completed digital transactions, 7 lakh registered properties, and more than 25 lakh online applications. Additionally, it has enabled more than 9 lakh water and sewerage connections statewide and generated more than Rs. 1,000 Crore in revenue through digital services.

### **Digital Door Numbering (DDN)**

**7.72** The Digital Door Numbering (DDN) initiative is targeted at achieving enhanced efficiency through a transparent, reliable, and easily accessible address database, supporting better urban planning, governance, and safety. A unique 14-character alpha-numeric code in the format: 2-digit state code, 3-digit unit ULB code, 3-digit unique locality code, 3-digit unique street code, 3-digit unique house number is assigned to all properties. This procedure aids identification and demarcation of individual-owned properties, preventing overlap or overlooking of any property across all 112 urban sectors where it has been rolled out.

**7.73** The DDNs are also assigned a scannable unique QR code for each to be identified instantly, and a centralised digital platform for real-time property and service tracking. Further, the DDNs can be mapped to their exact geographic location with corresponding location-based data through GIS mapping. The project piloted in Jatni Municipality, where 93 street boards were installed during 2022–23, and till date, over 14 lakh properties have been surveyed and over 1500 streets have been covered.

**7.74** The initiative has improved the collection of Property taxes by ensuring all urban properties are marked and brought the purview of the ULB, has ensured garbage collection and water management at the household level through enhanced tracking, and improved decision-making and department efficiency, centralized through GIS and dashboard data.

### **OSWAS & OSWAN**

**7.75** The Odisha State Workflow Automation System (OSWAS) standardises internal processes across all ULBs for improved coordination and reduced manual intervention. As of April 1, 2025, OSWAS has been fully functional in all ULBs across the State by the mandate of H&UDD. OSWAS facilitates seamless file transfers, enabling secure digital correspondence between departments and across ULBs. The system is equipped with Management Information Systems (MIS) and interactive dashboards, allowing real-time monitoring of file pendency and movement through visual analytics. This is complemented by a unified communication framework, which connects all stakeholders through a single digital platform, fostering easier collaboration and coordination.

**7.76** Powering OSWAS is Odisha State Wide Area Network (OSWAN), a secure and robust communication link between departments and remote offices. OSWAN is the State Government's digital backbone, using data, video, and voice communication to link all administrative tiers. Both initiatives, OSWAS and OSWAN, are managed by OCAC (Odisha Computer Application Centre).

### **Smart Water Information Management System (SWIMS)**

**7.77** SWIMS is a web-based application for data collection and analysis of surface and ground water, aimed at maintaining water quality and reducing water loss, especially the kind that is not billed or properly utilized. This is termed as non-revenue water. Water Corporation of Odisha (WATCO) manages the entire system by employing modern technology to operate SWIMS.

**7.78** Real-time monitoring constantly tracks water flow, pressure in the pipes, and water quality. Upon a leak or a decline in water quality, the system immediately alerts officials, enabling them to respond swiftly and address the issue before it worsens.

### **Ama Sahar**

**7.79** Ama Sahar is a digital application designed to strengthen solid waste management in urban areas. It is used by Urban Local Bodies to keep towns clean. The platform helps plan and monitor

garbage collection better. Citizens can use it to give feedback, raise complaints, or request services. Officials use the platform to make quick and smart decisions using real-time data. It shows useful details like pickup schedules and complaint status. Ama Sahar also improves coordination between staff and officials. It helps solve garbage issues faster and more efficiently.

### **Summary of Observations:**

**7.80** The most critical missing link in addressing these challenges is the acute shortage of human resources in local bodies, compounded by significant gaps in technical capacity and training. Addressing this deficiency is imperative if the State's broader developmental objectives are to be realised.

**7.81** These challenges are further magnified in urban areas. Rapid and often unplanned urbanisation has placed existing systems for drainage, water supply, and waste management under severe stress. In the twin cities of Bhubaneswar and Cuttack, recurring monsoon waterlogging and persistent gaps between water demand and supply starkly illustrate prevailing infrastructure inadequacies.

**7.82** Additionally, widespread encroachment on public and natural spaces poses serious governance and planning challenges. Illegal occupation of government land, pavements, natural drainage channels, and other public spaces—along with unauthorised slums and street vending—has created traffic bottlenecks, safety hazards, and significant obstruction of natural waterways. These factors have exacerbated urban flooding, which has become a recurring and increasingly severe problem in cities such as Bhubaneswar and Cuttack, particularly during the monsoon season.

**7.83** Inadequate provision of basic urban services constitutes another major concern. While the number of vehicles, especially private four-wheelers, has increased sharply in recent years, road infrastructure and public transport systems have failed to keep pace. Compounding this, encroachment of public roads and poor maintenance have led to chronic congestion and deteriorating mobility conditions. All these insights have been carefully considered in framing the following recommendations:

### **Recommendations:**

#### **For Rural Local Bodies, the Commission recommends -**

- a) Establishing Panchayat Bhawans in Gram Panchayats (GPs) where no dedicated administrative infrastructure currently exists, and undertaking systematic upgradation of existing Panchayat Bhawans.
- b) Supplementing rural water supply schemes with solar-based piped water supply systems wherever feasible. Given the State's high solar potential, integrating renewable energy into water supply infrastructure will help bridge existing service gaps, ensure reliability in remote and power-deficient areas, and significantly reduce long-term operation and maintenance (O&M) costs, thereby enhancing financial sustainability of rural water supply systems.
- c) Placing strong emphasis on incorporating climate-resilient design principles in all infrastructure creation. This includes resilience to extreme weather events, efficient water and energy use, and adoption of sustainable materials and technologies. Climate-resilient infrastructure will reduce vulnerability, lower lifecycle costs, and ensure continuity of essential services in the face of increasing climate variability.
- d) Filling vacant positions across government offices, educational institutions, and healthcare facilities to improve the efficiency, coverage, and quality of public service delivery.
- e) Intensifying sensitization and awareness campaigns on sanitation and solid waste management systems to reinforce and sustain behavioural change. Infrastructure investments must be complemented by community engagement, capacity building, and

continuous awareness initiatives to ensure proper usage, segregation of waste, and long-term adoption of hygienic practices.

- f) Devising and notifying minimum service level benchmarks for essential rural services, aligned with national norms and local conditions, to enable systematic monitoring and improved outcomes.
- g) Shifting focus from enrolment-centric approach to outcome-based with respect to primary education. Further, addressing vacancies in schools and ensuring rural postings are duly honoured is of paramount importance. The Commission reckons that establishing clear performance standards, routine reviews, and community-based monitoring would enhance primary education at the grassroots level.
- h) Focus on improving digital literacy among PRI functionaries and rural communities, along with ensuring adequate infrastructure through reliable internet connection and upgraded hardware in remote areas towards advancing the digital drive.
- i) The Commission further underscores the need to ensure seamless data sharing between departmental databases and their integration with unified dashboards, to enable real-time availability of information on scheme implementation, revenues, expenditures, and key performance indicators. This will support evidence-based decision making in policy formulation and research.

**For Urban Local Bodies, the Commission recommends:**

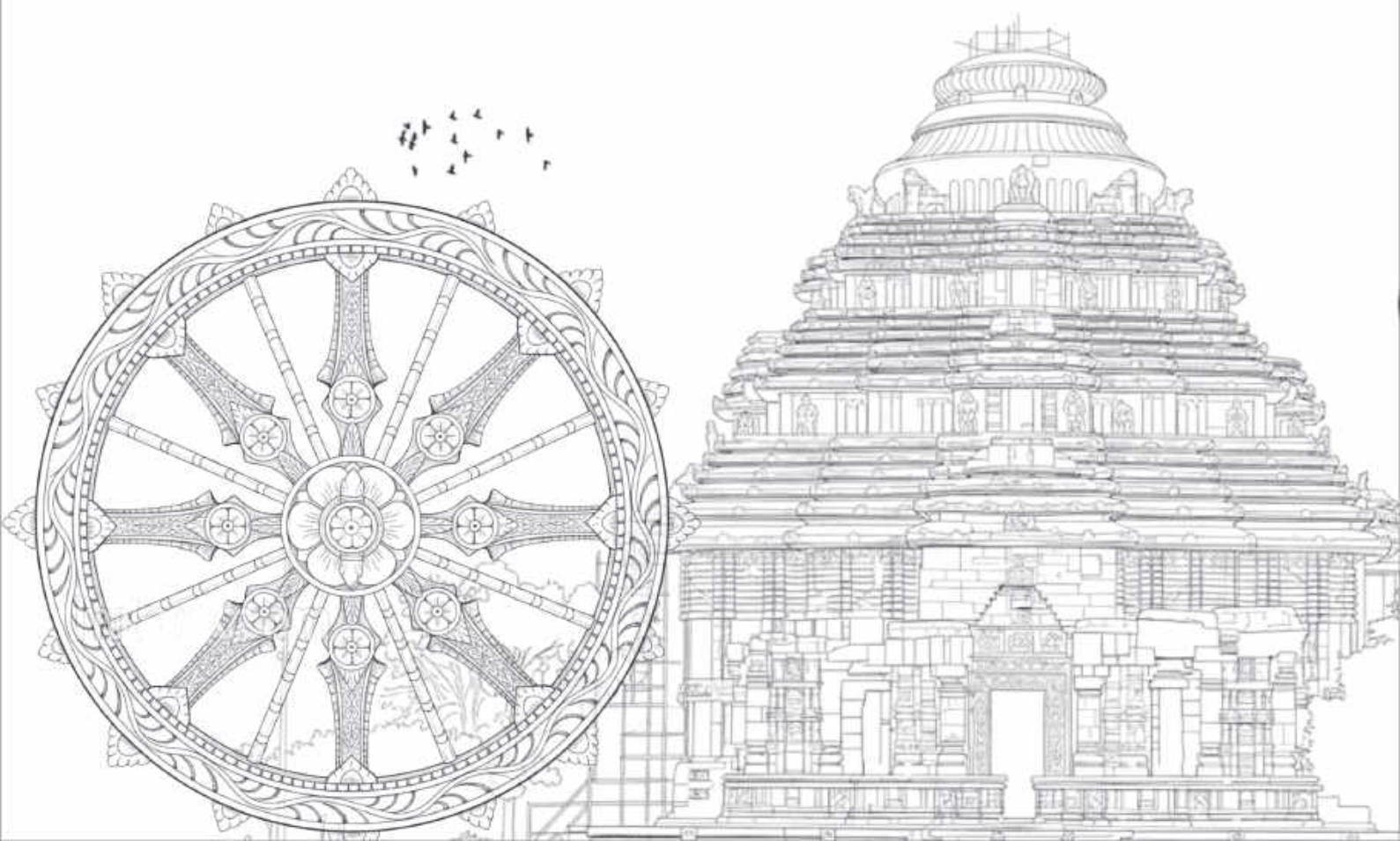
- a) At the urban level, efforts to align service delivery with the service level benchmarks (SLBs) laid down by the MoHUA should be made an administrative target. To ensure this, municipalities should be subject to monitoring with penal consequences upon failure to meet the standards.
- b) With respect to waterbody rejuvenation, sustained focus on timely execution, maintenance, and outcome-based monitoring will be essential to ensure long-term environmental and service delivery benefits.
- c) In the context of solid waste management, to address persistent challenges with respect to segregation at source, processing capacity, landfill dependence, and behavioural compliance, strict enforcement of source segregation into wet, dry, and domestic hazardous waste, supported by sustained IEC campaigns, incentives, and penalties; 100 per cent door-to-door waste collection through GIS-enabled vehicles; and scaling up of decentralised waste processing facilities must be prioritised.
- d) Measures should be taken for facilitating the adoption of technology-driven solutions and in structuring training modules aimed at wider use of digital platforms, integrated dashboards, GPS-based tracking, grievance redressal systems, and performance-based monitoring, thereby strengthening accountability and informed decision-making in SWM.
- e) Towards septage management, special projects identified the H&UD department, including the treatment of sewage flowing into Gangua Nallah, must be prioritised, and the requisite infrastructure upgrades should be expedited to mitigate environmental risks and improve urban sanitation outcomes.
- f) For the development of solar-powered infrastructure, scaling up the use of solar energy for public utilities such as water supply systems, street lighting, public buildings, and transport infrastructure must be actively promoted. Emphasis should also be placed on decentralised solar solutions, net metering, and energy storage, particularly to enhance resilience and ensure uninterrupted service delivery. Such interventions would support climate goals while strengthening the financial and environmental sustainability of urban infrastructure.

- g) In view of rapid urbanisation, increasing climate variability, and reduced green cover in urban areas, exacerbating heat stress, flooding, air pollution, and declining quality of lives in these areas, the Commission recommends that urban greening and urban forestry should be recognised as a core municipal function and mainstreamed into urban planning, budgeting, and service delivery frameworks across the State.
- h) The Commission recommends that urban traffic management be institutionalised as a core municipal function, integrated mobility planning, strengthened inter-agency coordination, scientific traffic engineering and parking management, strict encroachment control, adoption of data-driven and technology-enabled solutions, and sustained capacity building and public engagement to reduce congestion and improve urban mobility outcomes.
- i) To ensure scalability and replication of technological interventions in ULBs, integration and interoperability between digital platforms should be facilitated. Further, wider adoption of GIS, dashboards, and analytics towards urban planning, asset management, traffic management, and performance monitoring should be strongly pursued.



# **CHAPTER - VIII**

## **Financial Accounting and Audit in Local Bodies**



## Chapter – VIII

### **Financial Accounting and Audit in Local Bodies**

#### **Introduction**

**8.1** The role of financial accounting and its audit is immensely critical in public administration and governance. Financial accounting ensures proper record keeping of different items of receipts and expenditure, various assets and liabilities as per the duly laid down norms and guidelines. Audit entails careful and comprehensive scrutiny of accounts pertaining to the revenue collection and spendings of the public authorities. While financial accounts are prepared and maintained by officials who are directly associated with the receiving funds and spending, audit exercise is often carried out by independent bodies and/or separate public authorities.

**8.2** Different departments/authorities at various layers of the government receive funds mobilised in the form of tax and non-tax revenues. Such funds are utilised to meet the spending requirements for providing a variety of government services. The combined central and state government expenditure in India was to the tune of Rs. 98.0 trillion in 2024-25. As a proportion of GDP, aggregate expenditure of the central government stood at 14.8 per cent in 2024-25. On the other hand, aggregate disbursements of the states were 19.2 per cent of GDP in 2023-24. It is imperative that such massive sums are fully utilized for providing the desired public services without any leakage and embezzlement. In this perspective, the rationale for maintaining proper and accurate accounts of government receipts and expenditure, and its effective audit is obvious and straight forward.

**8.3** Usually, financial accounting requires maintaining different types of books and registers viz., cash book, bank book, reconciliation balance, demand and collection, etc. Sound accounting practices entail systematically recording, classifying and summarising financial transactions pertaining to all types of income, expenditure, assets and liabilities of the public authorities or corporate bodies. Analysis of financial statements derived from records and accounts help in assessing the spending priorities, sources of funding, and financial position of the concerned entities. Authenticity, reliability and comprehensiveness of such financial statements constitute as the first pillar of accountability of the public authorities. Relevant guidelines for preparing and maintaining accounts are issued, and periodic training for skill upgradation is provided to the concerned officials towards ensuring proper financial accounting at all level levels of government offices.

**8.4** Secondly, there is also a pressing need of comprehensive scrutiny of utilisation of public funds. Audit accomplishes this objective. Auditing is required to be undertaken by independent bodies and officials not reporting to the authorities approving and executing all varieties of public spending. In addition to examination of financial accounts, the audit exercise often covers verification of various assets created using public funds.

**8.5** It is pertinent to note that proper record keeping, maintenance of accounts and independent audit promotes accountability on the part of public authorities like local bodies, lack of which is very likely to lead to misuse and misallocation of public funds, and consequent poor service delivery.

**8.6** The origin of ideas highlighting the importance of financial accounting and auditing pertaining to the revenue and expenditure of the government can be traced back to Kautilya's *Arthashastra*. It laid down relevant procedures and fundamental principles of maintaining public accounts, auditing, remedial/punitive actions for any violation, as applicable to the King's administration in ancient India. Its Chapter VII (The Business of Keeping up the Accounts in the Office of Accountants) of Book II (The Duties of Government Superintendents) provided the

necessary details<sup>6</sup>.

**8.7** The present chapter takes stock of financial accounting and auditing of local bodies in Odisha. There are four broad components of financial accounting and auditing pertaining to local bodies. These are (a) budgeting, (b) accounting and record keeping, (c) auditing, and (d) public disclosure. On all the above four components, we begin with providing an outline of the extant legal provisions, followed by assessment of current state of affairs, and finally outline relevant recommendations of the Commission.

**8.8** There is a well laid out legal framework for the above four components as applicable to the local bodies (LBs) in Odisha. The Article 243(j) of the Constitution of India empowered the Legislature of a State to stipulate legal provisions with respect to maintenance of accounts by the Panchayati Raj Institutions (PRIs) and auditing of such accounts. Article 243(z) has similar provisions for Urban Local Bodies (ULBs). Accordingly, the State Government has enacted Odisha Grama Panchayat Act, 1964 and Odisha Municipal Act, 1950 and framed Rules thereunder in which provisions have been made for maintenance of accounts and auditing of accounts in respect of both PRIs and ULBs.

**8.9** Assessment of the current state of accounting and auditing of the LBs in Odisha is primarily based on the interaction of the Commission with different stakeholders such as representatives of the local bodies, officials of the Directorate of Local Fund Audit (DLFA), and findings of the studies commissioned by the 6<sup>th</sup> SFC. The recommendations of the Commission are framed with a view to bringing greater transparency in use of public funds by the LBs in Odisha, as also to broadly enhance the effectiveness of public spending.

## **Financial Accounting and Audit of ULBs**

### **Budgeting:**

#### **Legal Provisions**

**8.10** The Odisha Municipal Act 1950, the Odisha Municipal Corporation Act, 2003 in conjunction with the stipulations under the Odisha Municipal Accounting Manual provide the legal basis and guidelines for preparation of annual budgets in the ULBs in Odisha.

#### **Present State of Affairs**

**8.11** While budget documents are prepared and available for perusal in the ULBs, it was observed that in some cases due procedure was not followed in preparation of budget by not aligning it with annual action plan. This dilutes the budget-making process by not truly reflecting the requirements of physical infrastructure and service delivery. In most ULBs, ward-wise budgeting was not followed. Failure to obtain inputs from the elected representatives and lack of timely availability of information on the sanctioned amounts under grants-in-aid have impaired the effectiveness of budget-making process in a large number of the ULBs. (On visit to a Municipal Corporation, it was observed that due procedure for preparation of the Annual Budget was not followed).

#### **Recommendations**

**8.12** The Commission is of the view that ensuring timely access to information on fund availability under the grants-in-aid to the respective ULBs will help them in preparation of meaningful action plans, budgeting, and prioritising the allocations as per critical local needs. The Commission recommends strict adherence to the laid down guidelines for preparation of budget, and its timely approval by appropriate bodies. Failure to adhere to due procedures in budgeting and its approval should attract penalty in terms of withholding of part of

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<sup>6</sup> Refer to Shamasastri, R. (1915): *Kautilya's Arthashastra*, Government Press, Bangalore.

devolution and grants-in-aid in subsequent years to the concerned ULBs.

## **Accounting and Record-keeping**

### **Legal Provisions**

**8.13** The National Municipal Accounting Manual (NMAM) developed by the Comptroller and Auditor General of India (CAG) in 2004, pursuant to the 11<sup>th</sup> and 12<sup>th</sup> Finance Commission recommendations provides the broad framework for formulating state-level accounting manual for ULBs. Detailed official guidelines for accounting practices to be followed by the ULBs in Odisha are provided in Odisha Municipal Accounting Manual (OMAM) drafted in 2008, and Odisha Municipal Accounts Rules published in 2012.

### **Present State of Affairs**

**8.14** There are some differences or discrepancies on certain official guidelines under different legal provisions as listed below:

- As per the Odisha Municipal Corporation Act, 2003, the Commissioner of a ULB is responsible for preparation of annual accounts, whereas as per the OMAR, 2012 the same responsibility is entrusted to the Accounts Officer.
- As regards the timeline, the Odisha Municipal Act, 1950 stipulated that annual accounts to be prepared within three months of the end-of the year, while OMAR provided the same is to be prepared within two months.
- As per the Odisha Municipal Act, 1950, the frequency of preparation of in- year financial report is half-yearly basis, while that under OMAM is quarterly basis.

**8.15** Serious lapses are observed in terms of record keeping and maintaining prescribed accounts by the ULBs. There was lack of proper preparation and maintenance of key financial statements in the form of balance sheet, income and expenditure statement, receipts and payments statements, cash flow statements, notes to accounts, financial performance indicators not fully reflecting all the transactions undertaken by the ULBs. Serious gaps were observed in maintaining an updated Fixed Asset Register by even the leading ULBs. Incomplete maintenance of key financial statements compromises financial accountability of the ULBs. Section 162 of the Odisha Municipal Act, 2003 explicitly mandates timely preparation and dissemination of year-end municipal accounts. Non-compliance of these statutory mandates not only undermines data integrity and the related transparency and management of municipal finances, but also does not facilitate effective oversight role of the elected representatives.

**8.16** It was observed that several ULBs in Odisha are preparing and maintaining dual set of accounts. The deficiencies observed in this regard are follows:

- The ULBs are observed to be maintaining physical accounts in the form of cash book, cheque register, bank reconciliation statement, advance register, security deposit register, utilization certificate register, etc. on routine basis. In most ULBs, data from such physical registers are entered onto SUJOG portal at the end of the financial year. No independent agency undertakes robust process of data reconciliation between the physical registers and SUJOG.
- DLFA examines physical registers, while SUJOG portal entries are examined by the chartered accountants (CAs) hired for audit the financial accounts of the ULBs. This dual system without robust reconciliation dilutes the reliability of the accounting data, and adds to the administrative burden.

**8.17** Recent DLFA audit observed the following deficiencies as regards record keeping and accounting in the ULBs in Odisha

- Inventory Asset Register not maintained in the prescribed format
- Maintenance of Plants and Machineries (Municipal vehicles, pumps and motors, cess pool, public transport system, etc.) is very poor
- Failing to submit Action Plans soon after the receipt of first installment which caused delays in sanctioning of subsequent grants for creation of capital assets

## **Recommendations**

**8.18** There is a need to bring uniformity as regards stipulations on accounting practices under different legal provisions for the ULBs in Odisha by overcoming the deficiencies as indicated above, and any such other discrepancies.

**8.19** There is an urgent need to put in place a robust data reconciliation process between the physical registers and SUJOG portal. It is imperative to phase out manual data entry onto SUJOG and automatically link all revenue and payments entries from different modules to the Finance and Accounts Module of SUJOG. This will enhance reliability of accounting data and economise on the administrative burden.

**8.20** The Finance and Account Module of SUJOG at present is not linked to a broader workflow-based system. Several ULBs also reported several technical glitches in SUJOG hindering its effective and timely use. The Commission strongly recommends real-time entry of all financial transactions on to the SAP and SUJOG platforms. It is imperative to develop systems and strengthen capacities to put in place a unified set of digital accounts, generated from a comprehensive workflow-based system. In this direction, automating generation of financial statements in SUJOG by integrating all receipts and payments, and enabling capturing and maintaining all the financial statements within SUJOG must be explored, at the earliest.

## **Auditing**

### **Legal Provisions**

**8.21** As per the Odisha Municipal Act 1950, the provisions of Orissa Local Fund Audit Act, 1948 shall apply as regards audit of funds under the control and management of the Municipality or any of its Committees. Odisha Municipal Accounts Rules, 2012 and Odisha Municipality Accounting Manual entrusted the responsibility pertaining to auditing of the ULB accounts upon the Chief Municipal Auditor. Odisha Municipal Accounts Rules, 2012 stipulates to complete the audit of Annual Financial Statements before 30<sup>th</sup> September of the subsequent year. Odisha Municipal Accounting Manual also provides for internal audit by the Chief Municipal Auditor and his Internal Audit Department. The scope for internal audit included examination of internal evidence such as records, vouchers and book of accounts. Provision for obtaining external evidences such as confirmation of bank balances, conduct of physical counts, evaluation of relevant systems is also covered as part of internal audit.

### **Present State of Affairs**

**8.22** It is observed that for the ULBs in Odisha, four types of audit are followed. They are (a) financial audit, (b) compliance audit, (c) performance audit, and (d) internal audit. Current position as regards auditing under above four components are summarised below.

### **Financial Audit**

**8.23** The financial audit entails audit of financial accounts of the ULBs. At present, the Directorate of Local Fund Audit examines all financial records such as cash book, cheque register, bank reconciliation statements, advance register, UC register, work files etc. The DLFA, however, doesn't look into the financial statements prepared on an accrual basis, namely the Balance Sheet, Income and Expenditure (I&E) Statement, and Receipts and Payments (R&P) Registers. The audit and certification of these financial statements is done by the Chartered

Accountant firms as per the mandate by the Housing and Urban Development Department (HUDD).

**8.24** A major deficiency was observed in terms of considerable delays in the audit undertaken by the DLFA. For example, audit for the year 2021-22 was ongoing in 2024-25 in the Municipal Corporations of Bhubaneswar, Berhampur and Rourkela. In Baripada Municipality, NACs of Dhamnagar and Hindol, the audit was completed until 2023-24. Capacity constraints, mainly inadequate manpower is cited as the main reason behind the delays in audit undertaken by the DLFA. Another deficiency was observed in terms of non-submission of the audited reports to the elected body in the ULBs in some cases.

### **Compliance Audit**

**8.25** The compliance audit entails assessing if the ULBs adhered to the extant rules, regulations and internal policies in delivery of public services and financial management. The DLFA undertakes compliance audit of the ULBs in Odisha as per the Odisha Local Fund Audit Act, 1948. The Comptroller and Auditor General of India (CAG) also conducts compliance audit as per the Technical Guidance and Support (TGS) arrangement with the Government of Odisha. The compliance audit is risk-based and selective, and does not cover all ULBs every year.

### **Performance Audit**

**8.26** The performance audit for the ULBs focus on the effectiveness of the expenditure undertaken, particularly with a view to assessing the stated objectives of the various schemes and uncovering the deficiencies in implementation of the projects through root cause analysis. The CAG undertakes performance audit for the ULBs in Odisha selectively for specific sectors and schemes in sample ULBs. For example, in 2023-24, the CAG undertook performance audit of Storm Water Drainage and Sewage Management Systems of Municipalities pertaining to the year 2021-22.

### **Internal Audit**

**8.27** The internal audit refers to examination of records, vouchers and accounts by the internal auditors; obtaining external evidences such as bank balances; testing and evaluating relevant systems in the ULBs; conducting physical counts and service; as also calling for independent expert opinion on technical matters. This is as stipulated in the Odisha Municipal Accounting Manual. The DLFA, chartered accounts, and CAG are involved in internal audit of the ULBs in the concerned scope of their work.

**8.28** It was observed that in four leading ULBs namely Municipal Corporations of Bhubaneswar, Berhampur and Rourkela, and Balasore Municipality, internal auditors recruited through Odisha Staff Selection Commission were posted. In other ULBs, internal auditors are yet to be posted. This significantly undermines the scope of internal audit in the ULBs in Odisha.

### **Recommendations**

**8.29** As regards financial audit, the Commission recommends timely completion of audit by the DLFA and submission of the reports for perusal of the elected bodies in the ULBs to improve financial accountability. Oversight by the elected representatives will promote timely corrective action on financial irregularities.

**8.30** A major deficiency as regards compliance audit for the ULBs in Odisha is the lack of comprehensiveness. It is observed that the ULBs in Odisha are not preparing timely budgets by following the laid-out procedure. The budget is treated as a nominal document in reality without any functional use. It is imperative that the DLFA ensure comprehensive compliance audit to ensure adherence to basic principles of accounting compliance and service delivery responsibilities in the letter and spirit. Putting in place a robust internal audit mechanism and capacity building through filling the vacant posts and upskilling within DLFA are to be taken up

urgently.

**8.31** Given the importance of performance audit, there is a need to scale it up covering a larger number of schemes and ULBs. In this perspective, it is imperative to empower ULBs, both in terms of manpower and skill upgradation to undertake performance audit in ULBs in Odisha. Similarly, strengthening internal audit in the ULBs with adequate posting and training of the required staff will not only act as the first line of defence to deal with potential malpractices, financial irregularities and non-compliance, it will also reduce the overall auditing burden of the DLFA.

## **Public Disclosure**

### **Legal Provisions**

**8.32** Public disclosure pertains to placing financial statements and audited reports in the public domain with ease of access to different stakeholders including the general public. Transparent and adequate public disclosure of financial accounts and reports ensure accountability of public authorities like ULBs. They also strengthen trust and confidence of the citizens on such institutions.

**8.33** The Odisha Municipal (Amendment) Act, 2008 and Odisha Municipal Corporation (Amendment) Act, 2008 mandate public disclosure of a host of items pertaining to the ULBs including audited financial statements, particulars of all plans, proposed expenditure, particulars of taxes, fees, fines, rents, etc. and particulars on works, their completion, and contract details. Such information for public dissemination can be affixed on the notice board of the ULBs, published in the newspapers, posted in internet or public announcement, etc. The 15<sup>th</sup> Finance Commission had stipulated publishing provisional and final accounts of the ULBs in the public domain as an entry level criterion for availing the Central Finance Commission grants for the local bodies.

### **Present State of Affairs**

**8.34** Adhering to the stipulation of the 15<sup>th</sup> Finance Commissions, the ULBs in Odisha are disclosing audited financial statements in the public domain by uploading them in city finance. However, there were delays in preparation and audit of the accounts/financial statements – not confirming to the provisions in the law. However, several ULBs are found to be not disclosing their budgets by putting them in office notice board or official website. Contrary to the provisions in the law, the ward-wise budget is not disclosed publicly.

### **Recommendations**

**8.35** It is recommended to develop a dashboard or digital platform to serve as an integrated depository of all information pertaining to the ULBs such as budgets, annual action plans, project works, financial statements, audited reports and service delivery. This platform should be updated on real time basis and should be easily accessible to different stakeholders on different digital modes including mobile governance platforms.

## **Financial Accounting and Auditing of PRIs**

### **Budgeting**

#### **Legal Provisions**

**8.36** According to section 98(1) of the Odisha Grama Panchayat Act, 1964, “The Sarpanch shall in each year prepare and place before the Grama Sabha for its consideration a budget estimate showing the probable receipts and expenditures for the following year and the GP shall with such modifications as it thinks fit, submit the budget to each of the Palli Sabhas within the Grama for their recommendations under subsection (6) of section 6 and shall therefore submit the same along with the recommendations, if any of the Palli Sabhas to the Grama Sasan for its

approval.” As per section 98(2) of Odisha GP Act, 1964, a copy of the budget is sent to the concerned Panchayat Samiti (PS) for their information and consolidation. Such action plans received from the constituent GPs under the concerned PS are used to prepare the Block Panchayat Development Plan (BPDP). The development plan broadly should outline the projects, strategies, and action plans to be undertaken to improve overall socioeconomic wellbeing at the block level. BPDPs from the constituent PSs, in turn, should be consolidated to prepare the District Panchayat Development Plan (DPDP)

### **Present State of Affairs**

**8.37** The budgeting exercise in the PRIs in Odisha suffer from several inadequacies. Lack of skilled manpower such as engineers and accountants at GP level hinder the process of making realistic estimates for different project works. Secondly, timely preparation of the budget of the PRIs critically depends on availability of the funding information on sanctioned amounts for different projects. Information on fund availability to the PRIs under SFC devolution is found to be not suffering from much uncertainty. However, the PRIs faced severe challenges in assessing their fund availability under grants-in-aid, as there is considerable delay in receiving such information from block/district level officials. Recent DLFA audit observed that GPDP was not prepared with realistic approach and in accordance with scheme guidelines. Consequently, it resulted in undue delays in execution and utilisation of sanctioned funds.

**8.38** It was observed by the Commission that the budget documents were not available with many of the GPs. Wherever available, the budgets were prepared in a manner not aligning to the Annual Action Plan of the GP. Several GPs also mentioned the lack of skill and expertise of the staff to prepare and maintain accounts.

### **Recommendations**

**8.39** The Commission recommends ensuring timely availability of information on fund availability under the grants-in-aid to the respective PRIs. This will help in preparation of meaningful annual action plans and budgeting at the PRI level. The PRIs have to prioritise this allocation depending on critical local needs.

**8.40** The Department of Panchayati Raj and Drinking Water Supply needs to ensure timely posting of required manpower such as engineers and DEO-cum-Accountant, and facilitate training and skill upgradation of representatives and staff of the PRIs for enabling effective budget-making.

**8.41** The Commission recommends strict adherence to laid out guidelines for preparation of budget and its timely approval by appropriate bodies. Failure to adhere to due procedures in budgeting and its approval would attract penalty in terms of withholding a part of the devolution fund and grants-in-aid in subsequent years to the PRIs concerned.

### **Accounting and Record-keeping**

#### **Legal Provisions**

**8.42** The practice of proper record keeping and maintenance of accounts entails the practice of recording all financial transactions in a systematic manner. As per section 100(1) of the Odisha Grama Panchayat Act, 1964, “The Gram Panchayat shall keep regular accounts of all receipts to and disbursement from the Grama Fund and such accounts shall be published in the prescribed manner.” The Odisha Grama Panchayat Rules, 2014 provides an exhaustive list of different forms and formats for the maintenance of the financial record keeping of the GPs. Major Accounting Records prescribed by OGP Rules, 2014 includes:

- Cash Book of Receipts and Expenditure (Format No. 1)
- Advance Ledger (Form No. 11)

- Miscellaneous Receipt (Form No. 7)
- Leased Property Register (Form No.15)
- Loan ledger (Form No. 19)
- Daily Collection Register (Form No. 23)
- Demand and Collection Register (No. 24)
- Register of Immovable Properties
- Reconciliation Register (Format No. 3)
- Bank Register (Form No.32)

### **Present State of Affairs**

**8.43** The Commission observed several deficiencies as regards record keeping and maintenance of accounts in several GPs. While the GPs are found to be preparing the *Annual Financial Statement* and *Statement of Assets and Liabilities*, some of them were lacking in not preparing such statements in the prescribed format. Several GPs were found to be not diligent in maintenance of accounts as required under the rules.

**8.44** OGP Rules, 2014 requires the GPs to maintain an inventory register of stock of tools and plants in Form No. 36. All entries and disposals shall be initialled by the Sarpanch or his/her authorized person. The GP Rules also mandate that all the properties, both movable and immovable, be recorded in the register in the formats V and VI. The stock of assets shall be verified twice in every year jointly by the PEO and Sarpanch, and the result of the verification should be recorded in the stock register. Further, the Sarpanch shall place the list of properties before the GP in a meeting to be held in the month of September or October every year for consideration and suggestion for better management. The 5<sup>th</sup> SFC observed that these rules are not being followed meticulously, and the GPs were are not maintaining the asset register in the manner specified in the GP Rules. The Commission did not observe any improvement in this regard.

**8.45** Recent DLFA audit observed several deficiencies in accounting and record keeping in the PRIs as listed below:

- Improper accounting of transactions in e-Gram Swaraj portal. In many cases, the net amount of the bill was booked as expenditure for which the report in support of deduction liabilities such as SD, royalties, EGB, labour cess, etc. are not generated from e-Gram Swaraj.
- Non-maintenance of Grant Register and Asset Register (not uploading online in NAD) compromises the Scheme performance and asset evaluation.
- Diversion of funds from 4<sup>th</sup> and 5<sup>th</sup> SFC grants towards meeting Covid- 19 related expenditure is flagged as a cause of concern as regards fund utilization.
- Deficiencies as regards execution of projects outside GPDP/BPDP plan.
- Huge underutilization of funds towards installation of street lights at ZP level due to poor execution by the bidders and lack of proper monitoring; delay in selection of suitable clusters at GP level and poor coordination between authorities of TPCODL and PRIs.
- Poor execution of work in several schemes due to lack of proper monitoring by the PS and GP officials.
- Receipt of funds towards a number of SFC schemes in PL account under one Scheme code blurred component-wise analysis of receipts and expenditure.

**8.46** It is heartening to note that the Commission observed maintenance of unutilised/surplus funds in the form of flexi deposit accounts by the GPs following the recommendation of the 5th SFC. This helped enhancing returns on their idle funds, earlier kept in current accounts.

### **Recommendations**

**8.47** The DLFA in coordination with concerned stakeholders need to develop simple format of statements for maintaining financial accounts for the PRIs in alignment with the requirement. Mandating the GPs to maintain a large number of records and registers which are not aligned with the current requirements needs a thorough review as suggested by the 5th SFC. Use of IT based accounting system with upskilling of the PRI personnels and ensuring internet connectivity and uninterrupted electricity supply at the office premises of the PRIs cannot be overemphasised.

**8.48** Effective use of National Asset Directory (NAD) as a depository of various assets created/controlled/maintained by the PRIs with its unique identification number leading to effective utilization of assets needs to be strengthened. This can be integrated with the dashboard or digital platform proposed to be developed for the PRIs, which should ensure real time updation of information of progress of different project works along with financial statements. This can be used by different stakeholders including general public for effective monitoring and promoting accountability.

### **Auditing**

#### **Legal Provisions**

**8.49** According to rule (5) of the OGP Rules, 2014, on receipt of the audit report, the Sarapanch of the GP has to convene a special meeting of GP to consider the objections made by the auditor and decide upon the action to be taken thereto. The compliance report has to be submitted to the Examiner of Local Accounts within three months of the receipt of the audit report. Each GP has to maintain a record of Audit Register in Form No. 37 along with the objections raised by the auditor and the compliance thereto.

#### **Present State of Affairs**

**8.50** The DLFA audit has identified a number of shortcomings like non- maintenance of advance register, non-reconciliation of cash book with the bank pass book, non-submission of UCs, delay in the uploading of vouchers in the e-Gram Swaraj, absence of Asset Register, non-operation of flexi account, improper preparation of the plan and estimate, and omission of important items in the project cost etc. in the past.

### **Recommendations**

**8.51** The Commission recommends strengthening manpower of the PRIs by posting of DEO-cum-Accountants in all PRIs and their training and upskilling. Internal audit for the PRIs must be strengthened. The record keeping and formats for maintaining different financial accounts need to be simplified. Due care should be taken by PRIs to remove the deficiencies identified in the above assessment.

**8.52** The Commission also recommends to devise a suitable framework for fixing accountability against the officials responsible for delays in execution of projects and underutilisation of funds.

### **Public Disclosure**

#### **Legal Provisions**

**8.53** The Rule 97 of the OGP Rules, 2014 specifies that the annual accounts of the GP shall be placed in the Grama Sasan in a meeting convened for this purpose. Further, rule 97(4) also makes it mandatory for the GPs to publish a copy of the approved annual report in the notice

board of the Gram Panchayat for general information. As indicated earlier, the 15th Finance Commission stipulated publishing provisional and final accounts of the ULBs in the public domain as an entry level criterion for availing the Central Finance Commission grants for the PRIs.

### **Present State of Affairs**

**8.54** Even though there is a provision for e-panchayat portal, where essential information about the GPs relating to the financial transactions can be uploaded through Gram Swaraj, regular uploading of such information by many GPs was found to be lacking.

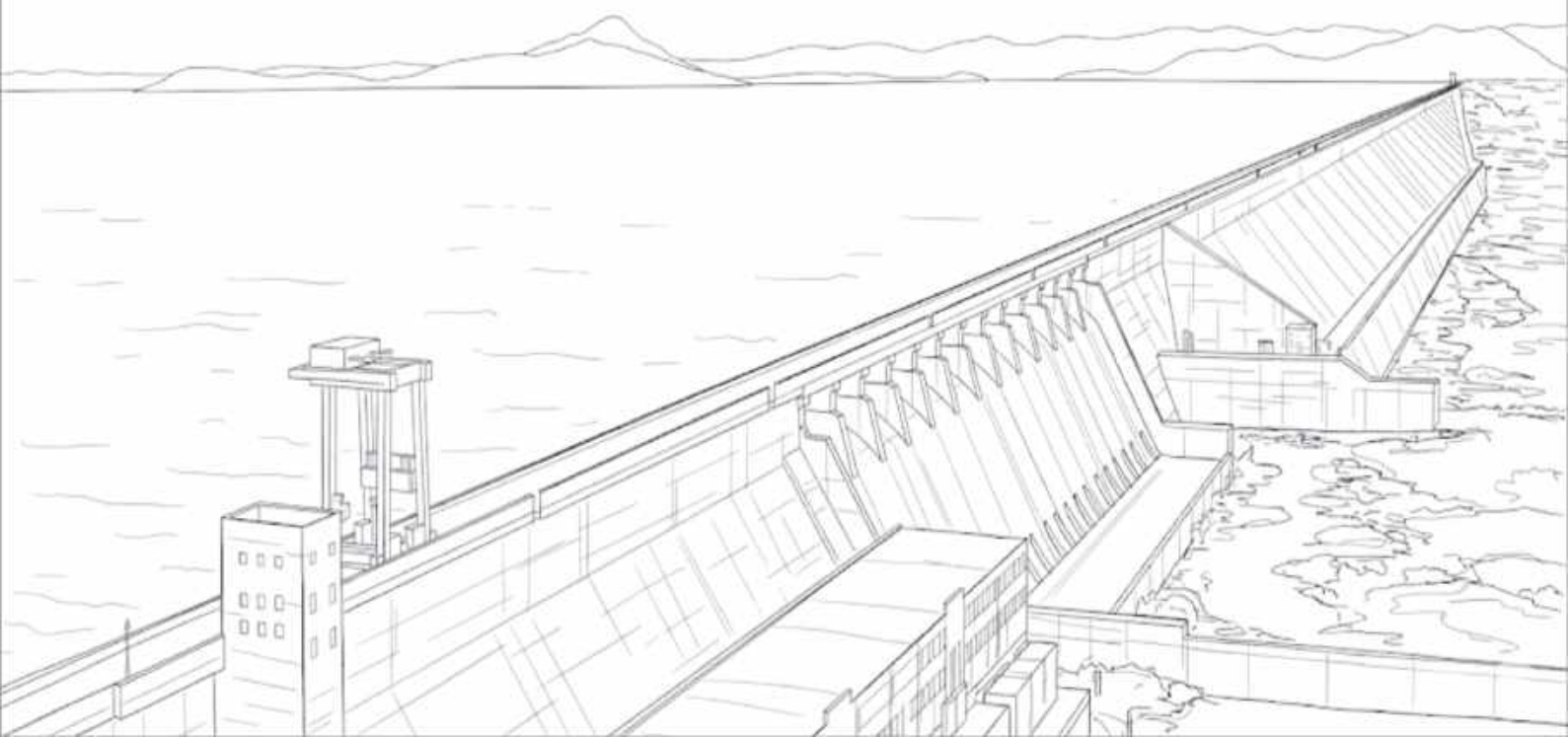
### **Recommendations**

**8.55** The Commission reiterates its recommendation to develop a dashboard or digital platform to upload all information pertaining to the PRIs such as annual budget, specific projects with work in progress status, utilisation of funds, key financial statements, asset registers, audit reports, etc. Information on this platform need to be updated at regular intervals. Designated officials of the PRIs in charge of uploading information in the dashboard are to be identified and responsibility for any discrepancies/delays in submission of required information is to be fixed. The platform should be easily accessible to different stakeholders including general public so that transparency and accountability towards service delivery and financial transactions can be strengthened.

**8.56** Overall, the Commission strongly recommends putting in place a comprehensive system of recording keeping, maintaining accounts, conducting audit and placing key accounting statements, and audit reports transparently in the public domain in a digital platform (dashboard) with the broad objective of strengthening financial accountability in the LBs in Odisha. This will also aid timely detection of financial irregularities and non-compliance on the one hand, while on the other hand can effectively support informed decision-making pertaining to the LBs. This will truly strengthen the local bodies as the third-tier of governance towards promoting service delivery and social welfare.

# **CHAPTER - IX**

## **Strengthening of Human Resources and Incentivising Performances in Local Bodies**



## **Chapter – IX**

### **Strengthening of Human Resources and Incentivising Performances in Local Bodies**

#### **Introduction**

**9.1** The 73rd and 74th Constitutional Amendments envision a system of democratic decentralisation by constitutionally empowering local self-governments as the third tier of governance. The vision of the Amendment was to bring governance closer to the people, ensuring greater participation, accountability, and responsiveness in public administration, by transforming PRIs and ULBs from mere implementing agencies into autonomous institutions of self-rule. Decentralised planning for economic development and social justice is a central objective, enabling local bodies to address area-specific needs more effectively.

**9.2** Institutional effectiveness depends not just on a well-structured framework, but on how efficiently people work and deliver. This involves processes, workflows, coordination, decision-making, service delivery, and the use of technology, among others. In this context, the Commission notes that the human resource systems in local bodies remain insufficiently aligned with emerging needs. As discussed in Chapter III, the State's low devolution index reflects gaps in functionalities, capacity building, and accountability, with local bodies constrained by limited skills, financial pressures, and weak citizen engagement.

**9.3** The Commission has observed that persistent staffing constraints in local bodies restrict their ability to deliver services effectively. Many local bodies continue to operate with significant vacancies in key technical, operational, and administrative positions, which limits both the efficiency and quality of the functions carried out in various departments. These gaps are further widened by the absence of specialised, and trained personnel in areas such as planning, accounting, and IT, which are absolutely essential for the ever-changing conditions of local governance.

**9.4** As a result, human resource development remains a critical challenge, with local bodies often unable to fully utilise available funds, implement schemes efficiently, or respond to emerging responsibilities and service delivery requirements in a timely manner. The Commission believes that strengthening staffing systems, targeted training and building sustained capacity will be key to improving local governance in the State.

**9.5** Over the years, due to implementation of previous Finance Commissions recommendations, the funds, functions and functionaries positions of PRIs and ULBs are gradually improving. Fifth SFC had recommended for creation of Accountant-cum-Data Entry Operators and JEs in GPs and the Government has created the post of Accountant-cum-Data Entry Operators in each GP, though around 36 per cent posts have remained vacant till date. (Detailed review of the implementation of 5<sup>th</sup> SFC may be referred to in Chapter IV). In order to strengthen local bodies, the Commission is inclined to recommend a dedicated Human Resource Development (HRD) Fund for strengthening of Human Resources, training and capacity building for utilisation of funds, better delivery of services through adoption of new technologies.

**9.6** Further, incentivisation would play a critical role in motivating local bodies—both Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs)—by promoting efficiency, accountability, and innovation in local governance. Performance-based incentives encourage local governments to move beyond routine compliance and focus on measurable outcomes such as improved service delivery, financial discipline, and citizen satisfaction. Hence, Commission also recommends a Performance Incentives Fund for Local Bodies as delineated below.

## Human Resource Development (HRD) Fund

**9.7** The Commission observed that the existing personnel are often overburdened and lack opportunities of structured upskilling, resulting in inefficiencies and delayed service delivery. Therefore, the Commission considers investments in training, upskilling existing staff, and filling vacancies as imperative. Targeted capacity-building programmes for elected representatives and officials of local bodies will equip them with the skills required for effective planning, implementation, and digital governance.

**9.8** Recognising that strong institutions require not only robust financial outlays but also capable and adequately staffed administrative systems, the Commission underscores the urgent need to augment manpower and capacity-building of the local bodies.

**9.9** Earlier State Finance Commissions in Odisha recommended for sharing of resources with local bodies from the Government's net tax revenues. Acknowledging the importance of human resources of local bodies, the Commission recommends 1% of the State's Mining revenue (under Non-Tax Revenue) of Rs. 2320 Crore over the period of five years as Human Resources Development Fund, out of which Rs. 1,624 Crore is proposed to be allocated to Panchayati Raj Institutions (PRIs) and Rs. 696 Crore to Urban Local Bodies (ULBs).

**9.10** This HRD Fund of Rs. 2320 Crore for local bodies is to be expended under the following heads to bridge the capacity gaps in Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs):

- a. Human Resource Engagement
- b. Professional Services
- c. Finance Department led Fund Monitoring including Dashboard
- d. Training and Capacity Building
- e. E-Governance

### (A) HRD Fund for PRIs

#### (a) Human Resource Engagement:

**9.11** The Commission has observed that PRIs continue to face serious challenges due to inadequate availability of full-time staff and prolonged vacancies in key positions, such as Panchayat Executive Officers, Junior Engineers, and Accountants-cum-Data Entry Officers. In many cases, these posts remain vacant for extended periods, as a result of which occupied positions are overburdened with responsibilities across multiple panchayats, adversely affecting the quality and timeliness of service delivery. This situation has increased reliance on external officials.

**9.12** During its visits to various GPs across the State, the Commission observed that service delivery is severely impacted, project implementation is frequently delayed, and funds remain unutilised and are parked in bank accounts. The vacancy levels in GPs were found to be alarmingly high, as detailed below –

**Table 9.1: GP-level Human Resources Positions**

#### Human Resources Positions in Gram Panchayats

Sl. No.	Name of the Post	Sanctioned Strength	Persons in Position	Vacancy	% of posts lying vacant
1	Panchayat Executive Officer (PEO)	6794	5293	1501	22%
2	Accountant-cum-Data Entry Operator (ADEO)	7142	4605	2537	36%
3	GPTA (Dying Cadre)	45	45	0	0%
4	Junior Engineer	2289	1405	884	39%
5	Assistant Engineer	1144	832	312	27%
<b>Total</b>		<b>17414</b>	<b>12180</b>	<b>5234</b>	<b>30%</b>

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

**9.13** Therefore, to strengthen functionaries in Gram Panchayats, the Commission recommends the following strategy for strengthening the Human Resources of GPs:

- (i) State Government must ensure filling up of the vacant sanctioned posts of 2537 Accountant-cum-Data Entry Operator (ADEO), 1501 Panchayat Executive Officer (PEO), 884 Junior Engineers (JEs), and 312 Assistant Engineers (AEs) within a period of six months following due provisions. The expenditure towards salary and allowances as admissible are to be booked under Assignment of Taxes as the Commission considers the same under existing staff. Commission is of the view that an additional 30 per cent of Human Resources, in the form of filling vacancies, will provide a boost to the GPs in discharging their duties. This must be given the top-most priority.
- (ii) Secondly, the Commission recommends creation of an additional 3,361 posts of Junior Engineers/Assistant Engineers (JE/AE) to ensure the deployment of one JE/AE per Gram Panchayat (GP). With this addition, the total sanctioned strength will increase to 6,794 JE/AE, corresponding to 6,794 GPs.
- (iii) The newly created 3,361 JE/AE posts are to be filled by the State Government within one year, following due recruitment procedures. Each JE/AE shall be tagged to a specific GP, and will officiate from the specific GP. They will report to the Sarpanch of the concerned GP, thereby ensuring the availability of dedicated technical support at the Gram Panchayat level.

**9.14** Accordingly, the Commission has earmarked an allocation of Rs. 1,285 Crore from the HRD Fund to support the newly created posts over a period of five years.

#### **(b) Professional Services**

**9.15** The Commission recommends establishment of a Project Monitoring Unit (PMU) at the State level with the PR&DW Department and at the district level in each Collectorate selected from reputed agencies following due procedure as per Government guidelines. An amount of Rs. 33 Crore is earmarked for PMUs for a period of 5 years. An amount of Rs. 17 Crore is recommended to be allocated to the PR& DW Department for the engagement of professional agencies to provide services aimed at raising revenue from untapped taxes, exploring new avenues to enhance OSR, enhancing the quality & coverage of service delivery, and utilising technology for monitoring, facilitating support for better management of services and assets. PR&DW Department, in consultation with the Finance Department and other related organisations, will utilise the said amount within the award period.

#### **(c) Monitoring Dashboard (SAMIKSHYA)**

**9.16** The Commission recognises the absence of real-time data on projects undertaken through State Finance Commission awards, and emphasises the need for a comprehensive monitoring dashboard. Such a dashboard would facilitate end-to-end tracking of projects—from fund release and physical progress to financial utilisation and outcomes—thereby enhancing transparency, accountability, and the effective use of devolved funds. Incorporation of real-time data, geo-tagged images, and milestone-based monitoring would help minimise delays, cost overruns, and scope deviations, while also enabling cross-district and cross-sectoral comparisons, better planning and oversight.

**9.17** Under the guidance of 6<sup>th</sup> SFC, OCAC has developed SAMIKSHYA, a dashboard ([URL: https://samikshya.odisha.gov.in](https://samikshya.odisha.gov.in)) for monitoring of projects and utilisation of funds of SFC/CFC which has been launched by the Hon'ble Chief Minister. The platform enables everyone, including citizens and elected representatives at all levels to track project progress and utilisation of funds in their respective jurisdictions. The Commission has also recommended to develop a mobile application for the dashboard. For setting up, maintenance, upgradation, and popularisation of the dashboard and for engaging PMU in Finance Department for monitoring projects and utilisation of funds of PRIs and ULBs, the Commission proposes allocation of Rs. 15 Crore over a period of 5

years. OCAC will prepare a detailed work-flow chart and SOP. The PR&DW Department and Housing & Urban Development Department will draw a programme for conducting sensitization workshops in SIRD, Odisha Urban Academy, three Divisional headquarters, all District headquarters, all Blocks and ULBs for proper dissemination of information. Government may permit two months to the local bodies to upload the required information of 5<sup>th</sup> SFC awards in the portal (SAMIKSHYA).

#### **(d) Training and Capacity Building:**

**9.18** Given the diverse educational and social backgrounds of the elected representatives and officials, regular professional development is critical to harmonize their understanding of governance laws, policies, procedures, and their specific roles and responsibilities. Moreover, the Commission has also observed that the erstwhile Gram Rojgar Sahayaks, who have been absorbed into the posts of Accountant-cum-Data Entry Operator (ADEO), require adequate training in accounting practices and computer-related work.

**9.19** The Commission recommends an amount of Rs. 70 Crore over the period of 5 years for Training and Capacity Building of PRIs. Of this, an allocation of Rs. 50 Crore is earmarked for exposure visits of elected PRI members and field-level officials to observe best practices within and outside the State. The remaining amount is proposed to be utilised for the training of PRI members, both within and outside the State, over a period of five years.

#### **(e) E-Governance:**

**9.20** Technology-driven solutions are the need of the hour. Digital tools and online platforms can significantly enhance public service delivery and local governance by streamlining core processes, increasing transparency, and expanding last-mile reach. The Commission, therefore, places strong emphasis on e-governance initiatives and recommends an allocation of Rs. 125 Crore for PRIs to build the necessary digital infrastructure, systems, and capacities.

**9.21** The Commission has recommended developing an Odia AI Chatbot that removes language barriers and enables elected representatives, PRI and ULB officials, and citizens to easily access information on schemes, SFC grants, rules, procedures, and service entitlements. The chatbot will support capacity building by offering step-by-step assistance, FAQs, and reminders on compliance and timelines. For citizens, it will enhance transparency by facilitating grievance registration, tracking service status, and raising awareness of local development projects. The Commission has set aside an amount of Rs. 25 Crore for developing AI chatbot for the use of PRIs and ULBs. The Commission also recommends an additional amount of Rs. 100 Crore for other e-Governance initiatives for the PRIs and ULBs. The fund will be with the PR&DW Department, and the Department, in consultation with other stakeholders, is required to take steps for the implementation of e-Governance Initiatives for PRIs.

### **(B) HRD Fund for ULBs**

#### **(a) Human Resource Engagement**

**9.22** During the visit of the Commission to various ULBs in different districts and interaction with the Mayors/Chairpersons, it transpired that ULBs are understaffed for the delivery of services entrusted to them. According to information received from the H&UD Department, out of the sanctioned strength of 3,191 staff members across 115 ULBs, only 1,275 persons are currently posted, resulting in an alarmingly high level of vacancy of 1,916 posts, which is approximately 60 per cent of the sanctioned strength.

**9.23** The Commission recommends that the H&UD Department must take urgent steps to fill the regular posts following the due recruitment procedures within a period of six months. The expenditure on remuneration arising from the filling up of vacancies is to be met from the Assignment of Taxes.

**Table 9.2 Status of sanctioned posts and staffing positions for 115 ULBs**

Particulars	Staff Status
Total Sanctioned Strength	3191
Regular Staff in Position	1275
Vacancy Position	1916

*Source Housing & Urban Development Department, Government of Odisha*

**9.24** State Government has announced the creation/ upgradation of ULBs. Accordingly, H&UD Department proposed for creation of 499 staff as per standard staffing pattern. Considering human resource requirements, the Commission recommends the creation of 499 new posts in the newly established/notified ULBs and allocates an amount of Rs. 635 Crore from HRD fund for a period of 5 years for the purpose.

**Table 9.3 - Creation of new posts in ULBs during the award period**

**Additional Staff requirement for Newly created NAC, Municipalities & Municipal Corporation**

Sl No	Type of ULBs	No of ULBs	Staff per ULBs	No of Posts to be created
1	New NAC	30	12	360
2	NAC to Municipality	8	12	96
3	Municipality to Corporation	1	43	43
<b>Total</b>		<b>39</b>	<b>67</b>	<b>499</b>

*Source: Housing and Urban Development Department, Government of Odisha*

**(b) Professional Services:**

**9.25** The Commission recommends an allocation of Rs. 30 Crore for professional services to support Urban Local Bodies (ULBs). An amount of Rs. 24 Crore over a period of five years is earmarked for establishing and operating a Project Management Unit (PMU) at the state level and across 30 districts. In addition, Rs. 6 Crore is recommended for other professional services, to be deployed as per the decision of the Housing & Urban Development Department in consultation with Finance Department.

**(c) Training and Capacity Building:**

**9.26** Training and capacity building are critical for strengthening the ability of Urban Local Bodies (ULBs) to effectively manage expanding urban responsibilities. Exposure to best practices and continuous skill upgradation foster innovation and enhance problem-solving capabilities. Accordingly, the Commission recommends an allocation of Rs. 25 Crore for exposure visits of elected ULB representatives, and field level officials, and Rs. 10 Crore for training programmes within and outside the State over a period of five years.

**(d) E-Governance:**

**9.27** The Commission recommends an amount of Rs. 25 Crore for the digitisation of OSR-generating properties, demand, and collection of OSR through an IT application, provision of e-receipt of OSR and e-payment for expenditure out of OSR, listing of houses for holding tax collection, etc. The Commission recommends an additional amount of Rs. 50 Crore for other E-Governance initiatives as per the decision of the H&UD Department.

**9.28** In summary, the Commission recommends a total allocation of Rs. 2,320 Crore for the Human Resource Development of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). This includes Rs. 1,530 Crore for PRIs, Rs. 775 Crore for ULBs, and Rs. 15 Crore to be placed with the Finance Department for common HRD initiatives benefiting both PRIs and ULBs. The year-wise break-up across various sub-categories of the HRD Fund is presented in the table below.

**Table 9.4: Human Resource Development Fund for PRIs and ULBs**

(Rs. in Crore)

Sl. No	Items	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
1	HR Engagement		425.0	455.0	495.0	545.0	1920.0
	PRIs: Creation of 3361 posts of Junior Engineer/Assistant Engineer		285.0	305.0	330.0	365.0	1285.0
	ULBs: Creation of new posts		140.0	150.0	165.0	180.0	635.0
2	Professional Service	16.0	16.0	16.0	16.0	16.0	80.0
	PRI	10.0	10.0	10.0	10.0	10.0	50.0
	PMU at State and District level	6.6	6.6	6.6	6.6	6.6	33.0
	Other Professional Service	3.4	3.4	3.4	3.4	3.4	17.0
	ULB	6.0	6.0	6.0	6.0	6.0	30.0
	PMU at the State and District level	4.8	4.8	4.8	4.8	4.8	24.0
	Other Professional Service	1.2	1.2	1.2	1.2	1.2	6.0
3	Monitoring at the Finance Department, including the monitoring Dashboard	3.0	3.0	3.0	3.0	3.0	15.0
4	Training and Capacity Building	21.0	21.0	21.0	21.0	21.0	105.0
	PRI	14.0	14.0	14.0	14.0	14.0	70.0
	Exposure Visit of Elected Members (inside and outside the State)	10.0	10.0	10.0	10.0	10.0	50.0
	Training inside and outside the State	4.0	4.0	4.0	4.0	4.0	20.0
	ULB	7.0	7.0	7.0	7.0	7.0	35.0
	Exposure Visit of Elected Members (inside and outside the State)	5.0	5.0	5.0	5.0	5.0	25.0
	Training inside and outside the State	2.0	2.0	2.0	2.0	2.0	10.0
5	E-Governance	40.0	40.0	40.0	40.0	40.0	200.0
	PRI	25.0	25.0	25.0	25.0	25.0	125.0
	AI Odia chatbot	5	5	5	5	5	25.0
	Other E-Governance initiatives	20	20	20	20	20	100.0
	ULB	15.0	15.0	15.0	15.0	15.0	75.0
	Digitisation of OSR generating properties & House Listing	5	5	5	5	5	25.0
	Other E-Governance initiatives	10	10	10	10	10	50.0
6	Grand Total	80.0	505.0	535.0	575.0	625.0	2320.0
	PRI	49.0	334.0	354.0	379.0	414.0	1530.0
	ULB	28.0	168.0	178.0	193.0	208.0	775.0
	State Level (Finance Department)	3.0	3.0	3.0	3.0	3.0	15.0

Source: Computed by the Sixth State Finance Commission, 2025

### Performance Based Incentive Fund for Local Bodies

**9.29** An incentive mechanism will be a strategic intervention designed to improve specific functions carried out by the Local Bodies. Therefore, to maximise its effectiveness, there is a necessity to tailor the incentive mechanism to the local bodies' requirements, focusing on achievements and current goals of the government. The mechanism should, thus, be built on a few principles to optimise its efficiency. It should be flexible enough to adapt to changing performance levels over time, simple yet well-defined, data-driven, transparent, and concise, for easy incentivisation. Finally, the incentive must be substantial enough to motivate local bodies.

**9.30** The Government of India introduced performance-based incentive structures for both Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs) in a phased manner in the early 2000s. The Commission has also reviewed the incentive frameworks evolved in India through

various Central Finance Commissions. The Commission carried out a comprehensive review of the Incentive Framework (IF) adopted by various States in India. It was observed that several State Finance Commissions (SFCs)—including those of Karnataka, Tamil Nadu, Kerala, Rajasthan, Haryana, West Bengal, Bihar, Chhattisgarh, Odisha, Assam, and Delhi—have incorporated incentive-based transfers in their recommendations across different award periods. These incentives are provided to both PRIs and ULBs to encourage improved governance, fiscal discipline, and enhanced service delivery.

**9.31** The Commission recommends Performance Incentive Fund broadly under three categories, namely, Incentives, Awards, and State Innovation Fund. The award period of the Commission will be from 2026-27 to 2030-31. All PRIs and ULBs will be notified of the new incentive structure, and their performance will be judged on the basis of their performance during 2026-27 onwards. So, the Commission recommends incentives for PRIs and ULBs for the last 4 years of the award period commencing from 2027-28.

**9.32** The Commission further recommends that the incentive funds and award money of respective GPs, PSs and ZPs will be added to the Devolution Funds of respective PRIs, and the funds will be utilised as per Devolution guidelines. Information available in monitoring dashboard SAMIKSHYA (<https://samikshya.odisha.gov.in>) on various parameters will be taken for the evaluation of incentives and awards.

### **(A) Performance Incentive Fund for Panchayati Raj Institutions (PRIs)**

#### **Incentive Structure:**

#### **9.33 (a) Incentive for preparation of Annual Gram Panchayat Development Plan (GPDP) and budget:**

The Commission is of the view that GPDP essentially constitutes planning at the Gram Panchayat level, as it incorporates the identified priorities and works based on local needs, alignment with the available resource envelope, costing of projects, phasing of expenditures, and linkage of the financial plan with budgeting and execution. The Commission recommends an incentive of Rs. 50,000/- for the eligible GPs for the preparation of GPDP and the budget for next year (Y+1).

**Explanation:** *If GP-A prepares its GPDP and budget for the next year (2028-29), it will be eligible to receive an incentive of Rs. 50,000 on this criterion during 2027-28.*

#### **(b) Incentive for completion of the Books of Account:**

The Commission recommends an incentive of Rs. 50,000/- for the eligible GPs for completion of the Books of Accounts of the second preceding year (Y-2).

**Explanation:** *If GP-A maintains the books of accounts for FY 2025-26, then it will be eligible to receive an incentive of Rs. 50,000 under this criterion during 2027-28.*

**(c) Incentive for Maintenance Asset Register:** The assets of the Gram Panchayats are the movable and immovable properties created, owned, transferred to, or managed by the GPs for the purpose of delivering public services and promoting local development. These assets include physical infrastructure, natural resources, community facilities, and equipment developed using government funds, own-source revenues, or community contributions.

The Commission recommends an incentive of Rs. 50,000/- for eligible GPs for maintaining the asset register for all assets as described above until the second preceding year (Y-2). An illustration of the classification of assets is provided in Table 9.5 below.

**Explanation:** *If a Gram Panchayat (GP-A) completes the Asset Register by FY 2025–26, it will be eligible to receive an incentive of Rs.50,000 under this criterion in 2027–28.*

**(d) Incremental OSR of (Y-2) year over (Y-3) year:** The Commission observes that an increase in Own Source Revenue (OSR) over the previous year is indicative of enhanced revenue effort by the local body. To increase the OSR of the GPs, the Commission recommends an incentive of 200 per cent of incremental OSR during the previous year (Y-2) over the second preceding year (Y-3) after finalisation of accounts of (y-2) year.

**Explanation:** *If the collection of OSR of a GP-A during 2024-25 and 2025-26 is Rs. 20 Lakh and Rs. 25 Lakh, respectively, the incremental increase in OSR is Rs. 5 Lakh, and the GP-A will be eligible to get an incentive amount of Rs. 10 Lakh during 2027-28 after finalization of books of accounts of 2024-25 and 2025-26.*

**(e) Incentive for utilisation of SFC Funds:** The Commission observes that the utilisation of funds indicates the absorptive capacity of local bodies, the robustness of their planning processes, and the efficiency of financial management and execution mechanisms. The Commission recommends providing incentives to eligible GPs, PSs and ZPs for the utilisation of SFC funds based on the utilisation rate in the preceding year (Y-1) as follows:

- (i) GPs, PSs and ZPs achieving utilisation of 90 per cent or more of SFC funds released during previous year (Y-1) will receive additional 20 per cent of the devolution amount of the immediate preceding year (Y-1) of the concerned GPs, PSs and ZPs as incentives.
- (ii) GPs, PSs and ZPs achieving utilisation of 80 per cent or more and less than 90 per cent of SFC funds released during the previous year (Y-1) will receive an additional 15 per cent of the devolution amount of the preceding year (Y-1) of the concerned GPs, PSs and ZPs as an incentive.
- (iii) GPs, PSs and ZPs achieving utilisation of 70 per cent or more and less than 80 per cent of the SFC funds released during the previous year (Y-1) will receive an additional 10 per cent of the devolution amount of the preceding year (Y-1) of the concerned GPs, PSs and ZPs as an incentive.
- (iv) If utilisation is less than 50 per cent of the previous year's allocation of SFC Funds, further transfer of funds will be withheld till 50 per cent expenditure is achieved.

**Explanation 1.** *PRI-A has received total SFC funds of Rs. 7 Lakh (Devolution Rs. 3 Lakh and other SFC funds of Rs. 4 Lakh) and incurred expenditure of Rs. 6.7 Lakh out of the total SFC funds with a per cent of expenditure of 95per cent during 2028-29. PRI-A will receive an incentive of an amount of Rs. 0.6 Lakh (@20per cent Devolution Rs. 3 Lakh) for 2029-30.*

**Explanation 2.** *PRI-B has received total SFC funds of Rs. 12 Lakh (Devolution: Rs. 10 Lakh and other SFC funds: Rs. 2 Lakh) and incurred expenditure of Rs. 10 Lakh out of the total SFC funds, with a utilisation rate of 83 per cent during 2026-27. PRI-B will receive an incentive of Rs. 1.5 Lakh (15per cent devolution: Rs. 10 Lakh) for 2027-28.*

**Explanation 3.** *PRI-C has received total SFC funds of Rs. 11 Lakh (Devolution Rs. 7 Lakh and other SFC funds of Rs. 4 Lakh) and incurred expenditure of Rs. 8 Lakh out of the total SFC funds with a utilisation rate of 73per cent during 2027-28. PRI-C will receive an incentive of Rs. 0.7 Lakh (at 10 per cent of devolution, Rs. 7 Lakh) for 2028-29.*

**Explanation 4.** *PRI-D has received total SFC funds of Rs. 14 Lakh (Devolution Rs. 10 Lakh and other SFC funds of Rs. 4 Lakh) and incurred expenditure of Rs. 5 Lakh out of the total SFC funds with a utilisation rate of 35 per cent during 2026-27. No subsequent instalments of SFC funds will be released to PRI-D until the utilisation rate reaches 50 per cent during*

2027-28. Once expenditure exceeds the 50 per cent benchmark for 2026-27, the next instalment will be released for 2027-28 and so on.

**9.34** The summary of incentive criteria for Panchayati Raj Institutions (PRIs) is presented in table 9.6 below.

**Table 9.5 Incentive for Panchayati Raj Institutions (PRIs)**

Sl. No	Incentive types	Eligibilities Criteria	Eligible PRI
1	Incentive for preparation of the Annual GPDP and the Financial Planning/ Budget	Rs. 50,000/- for the eligible GPs for preparation of Annual Panchayat Development Plan (PDP) and budget for next year (Y+1)	GP
2	Incentive for completion of the Books of Account	Rs. 50,000/- for the eligible GPs for completion of the Books of Accounts of the second preceding year (Y-2)	GP
3	Incentive for Maintenance 'Asset Register'	Rs. 50,000/- for the eligible GPs for maintenance of asset register for all assets as described above till the second preceding year (Y-2).	GP
4	Incentive for growth in OSR	200 per cent matching grant for incremental increase in the collection of OSR during the previous year (Y-1) over the second preceding year (Y-2)	GP
5	Incentive for utilisation of SFC Funds	PRIs achieving utilisation of 91 per cent or more of the SFC funds released during the previous year (Y-1) will receive an additional 20 per cent of the devolution amount of the preceding year (Y-1) of the concerned PRI as an incentive.	GP/PS/ZP
		PRIs achieving utilisation of 80 per cent or more and less than 90 per cent of the SFC funds released during the previous year (Y-1) will receive an additional 15 per cent of the devolution amount of the preceding year (Y-1) of the concerned PRI as an incentive.	GP/PS/ZP
		PRIs achieving utilisation of 70 per cent or more and less than 80 per cent of the SFC funds released during the previous year (Y-1) will receive an additional 10 per cent of the devolution amount of the preceding year (Y-1) of the concerned PRI as an incentive.	GP/PS/ZP
		No Incentive will be provided to the PRIs if the utilisation rate is below 70 per cent of the SFC fund.	GP/PS/ZP
		If Utilisation is less than 50 per cent of the previous year's allocation of SFC Funds, further transfers of funds will be withheld until 50 per cent of the expenditure is achieved.	GP/PS/ZP

*Source: Calculated by the Sixth State Finance Commission, Odisha*

### **Chief Minister's Award for PRIs**

**9.35** Awards serve as positive incentives that encourage Panchayati Raj Institutions (PRIs) to improve their performance in key areas such as financial management, service delivery, transparency, asset creation, own-source revenue (OSR) mobilisation, and the adoption of e-governance. By fostering healthy competition among local bodies, these awards promote the

adoption of best practices and innovative, locally appropriate solutions. Recognition at both district and State levels enhances the morale of elected representatives and officials, while reinforcing accountability and professionalism in administration.

**9.36** The Commission recommends instituting the *Chief Minister's Award* to recognise high-performing PRIs. The awards may be conferred during the celebration of Panchayati Raj Divas or on any other occasion, as decided by Government.

**9.37** The Commission recommends the institution of awards for Gram Panchayats (GPs) and Panchayat Samitis (PSs) at both District and State levels. Panchayati Raj & Drinking Water Department may define suitable parameters aligned with State priorities and calculate a composite index to identify the best-performing Panchayati Raj Institutions (PRIs) in consultation with other stakeholders and Departments. Details of the awards and corresponding prize money for GPs, PSs, and Zilla Parishads (ZPs) are provided in the table below:

**Table 9.6 Details of the Award**

*(Rs. in Lakh)*

Awards for PRIs	No. of Awards/year	Cash Prizes			Amt./yr	Amount for 4 yrs
		1st	2nd	3rd		
Awards for GPs at the State level	3	5	3	2	10	40
Awards for GPs at the district level (3 per District)	90	3	2	1	180	720
Awards for PSs at the state level	3	6	5	4	15	60
Awards for PSs at the district level	30	5	0	0	150	600
Awards for ZPs	3	10	8	6	24	96
<b>Total Awards to PRIs</b>	<b>129</b>	<b>29</b>	<b>18</b>	<b>13</b>	<b>379</b>	<b>1516</b>

*Source: Calculated by the Sixth State Finance Commission, Odisha*

### **State Innovation Fund for PRIs**

**9.38** State Innovation Fund would play a crucial role in strengthening Panchayati Raj Institutions by enabling them to pilot innovative, locally relevant solutions. This Fund will provide flexibility beyond routine scheme-based expenditures, allowing GPs, Panchayat Samitis, and Zilla Parishads to experiment with new approaches in service delivery, governance, and livelihood promotion. Innovation Funds encourage the adoption of appropriate technologies such as digital service delivery, GIS-based asset mapping, IoT-enabled water supply management, and AI-based grievance redressal, improving efficiency and transparency. They will also encourage community-led innovations in areas like solid and liquid waste management, water conservation, climate-resilient agriculture, renewable energy, and public health.

**9.39** By rewarding performance and creativity, State Innovation Fund would promote healthy competition among PRIs and foster a culture of outcome-oriented governance. Successful pilots can be scaled up across the State, ensuring replication of best practices. The Commission recommends an amount of Rs. 75 Crore over a period of four years for the State Innovation Fund, which will be utilised to fund the innovative projects of PRIs (i.e. GPs, PSs and ZPs). A Committee will have to be constituted by PR&DW Department involving independent experts, other stakeholders like SIRD/NIRD, Finance Department etc. for approval of projects to be taken up under State Innovation Fund. The project approval process must be completed prior to the commencement of the financial year.

**9.40** The Summary of Performance Incentive Fund, Awards and Innovation Fund for PRIs are given in **Table-9.7** for reference.

**Table 9.7 Summary of Performance Incentive Funds for PRIs**

*(Rs. in Crore)*

Sl. No	Types	2027-28	2028-29	2029-30	2030-31	Total
<b>(A) Incentive</b>						
<b>(i) Incentive for Gram Panchayats</b>						
1	Incentive for the preparation of the Annual GPDP and Financial Planning/Budget	34	34	34	34	136
2	Incentive for completion of the Books of Account	34	34	34	34	136
3	Incentive for Maintenance 'Asset Register'	34	34	34	34	136
4	Incentive for an increase in OSR	38	44	54	64	200
5	Incentive for fund utilisation of SFC Funds	125	125	125	125	500
<b>Total Incentive for GPs</b>		<b>265</b>	<b>271</b>	<b>281</b>	<b>291</b>	<b>1108</b>
<b>(ii) Incentive for Panchayat Samitis</b>						
6	Incentive for utilisation of SFC Funds	45	45	45	45	180
<b>(iii) Incentive for ZPs</b>						
7	Incentive for utilisation of SFC Funds	18.21	18.21	18.21	18.21	72.84
<b>Total Incentive for PRIs</b>		<b>328.21</b>	<b>334.21</b>	<b>344.21</b>	<b>354.21</b>	<b>1360.84</b>
<b>(B) Awards for PRIs</b>						
8	Awards for performing GPs	1.9	1.9	1.9	1.9	7.6
9	Awards for performing PSs	1.65	1.65	1.65	1.65	6.6
10	Awards for performing ZPs	0.24	0.24	0.24	0.24	0.96
<b>Total Awards for PRIs</b>		<b>3.79</b>	<b>3.79</b>	<b>3.79</b>	<b>3.79</b>	<b>15.16</b>
<b>(C) State Innovation Fund (PRIs)</b>		<b>18</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>75</b>
<b>Grand Total</b>		<b>350</b>	<b>356</b>	<b>367</b>	<b>378</b>	<b>1451</b>

*Source: Calculated by the Sixth State Finance Commission, Odisha*

## **(B) Performance Incentive Fund for Urban Local Bodies (ULBs)**

**9.41** The award of the Commission will be implemented from 2026-27 to 2030-31. All ULBs will be notified of the new incentive structure, and their performance will be judged based on performance during 2026-27. So, the Commission recommends incentives for ULBs for the last 4 years of the award period commencing from 2027-28. The Commission further recommends that the incentive funds and award money of respective Municipal Corporations, Municipalities and NACs should be added to the Devolution Funds of respective ULBs, and should be utilised as per Devolution guidelines. Information available in monitoring dashboard SAMIKSHYA (<https://samikshya.odisha.gov.in>) on various parameters will be taken for the evaluation of incentives and awards.

### **Incentive Structure:**

**9.42 (a) Incentive for the preparation of the Annual Action Plan and Financial Planning/Budget:** Towards Incentive for preparation of the Annual Action Plan and Financial Planning/Budget for the forthcoming year (Y+1), the Commission recommends Rs. 10 Lakh for the eligible Municipal Corporations, Rs. 8 Lakh for the eligible Municipalities and Rs. 5 Lakh for the eligible NACs.

**Explanation:** *If MC-A prepares its Annual Action Plan and Financial Plan/Budget for the next year (2028-29), it will be eligible to receive an incentive of Rs.10 Lakh on this criterion during 2027-28.*

**(b) Incentive for completion of the Books of Account:** The Commission recommends an incentive of Rs. 10 Lakh for the eligible Municipal Corporations, Rs. 8 Lakh for eligible Municipalities and Rs. 5 Lakh for NACs for completion of the Books of Accounts of the second preceding year (Y-2)

**Explanation:** *If Municipality-A has completed the Books of Account for FY 2025-26, it will be eligible to receive an incentive of Rs. 8 Lakh on this criterion during 2027-28.*

**(c) Incentive for Maintenance Asset Register:** The Commission recommends an incentive of Rs. 10 Lakh for the eligible Municipal Corporations, Rs. 8 Lakh for eligible Municipalities and Rs. 5 Lakh for eligible NACs for the maintenance of the asset register/ record of the inventory of assets until the second preceding year (Y-2)

**Explanation:** *If NAC-A completes the Asset Register/record of the inventory (I) of assets for FY 2025-26, it will be eligible to receive an incentive of Rs. 5 Lakh under this criterion in 2027-28.*

The inventory of assets for the ULBs (including MCs, Municipalities & NAC) assets encompass all physical, financial, and intangible resources owned, created, or controlled by a Municipality, Notified Area Council (NAC), or Municipal Corporation for the purpose of providing civic services and generating revenue.

**(d) Incentive for incremental OSR in (Y-2) year over (Y-3) year:** The Commission observes that an increase in Own Source Revenue (OSR) over the previous year is indicative of enhanced revenue effort by the local body. To increase the OSR of Municipal Corporations, Municipalities, and NACs, the Commission recommends an incentive of 50%, 100% and 100% of incremental OSR during the previous year (Y-2) over the second preceding year (Y-3) respectively after finalisation of account.

**Explanation:** *If the collection of OSR of a NAC-A during 2025-26 and 2026-27 is Rs. 20 Lakh and Rs. 25 Lakh, respectively, the incremental increase in OSR is Rs. 5 Lakh, and NAC-A will be eligible to get an incentive amount of Rs.5 Lakh during 2027-28.*

**9.43** The Commission recommends for providing an incentive for the utilisation of SFC funds based on the utilisation rate in the preceding year (Y-1), classified under five broad categories:

**(i) Rate of utilisation: 90 per cent and more**

Municipal Corporations/Municipalities/NACs achieving utilisation of 90% or more of the SFC fund released during the previous year (Y-1) will receive an additional 15 per cent of the devolution amount of the preceding year (Y-1) of the concerned Municipal Corporation/Municipality/NAC as an incentive.

**Explanation:** *NAC-A has received total SFC funds of Rs. 7 Lakh (Devolution of Rs. 3 Lakh and other SFC funds of Rs. 4 Lakh) and incurred expenditure of Rs. 6.7 Lakh out of the total SFC funds with a per cent of expenditure of 95 per cent during 2028-29. NAC-A will receive an incentive of Rs.0. 45 Lakh (@15per cent of Devolution Rs. 3 Lakh) for the 2029-30 period.*

**(ii) Rate of utilisation: 80 per cent or more but less than 90 per cent**

Municipal Corporations/Municipalities/NACs achieving a utilisation rate of 80 per cent or more but less than 90 per cent SFC funds released during the previous year (Y-1) will receive an additional 10 per cent of the devolution amount of the preceding year (Y-1) of the concerned Municipal Corporation/Municipality/NAC as an incentive.

**Explanation:** *MC-B has received total SFC funds of Rs. 50 Lakh (Devolution: Rs. 30 Lakh and other SFC funds: Rs. 20 Lakh) and incurred expenditure of Rs. 42 Lakh out of the total SFC funds, with a utilisation rate of 84 per cent during 2026-27. MC-B will receive an incentive of Rs. 3 Lakh (10per cent of Devolution: Rs. 30 Lakh) for the 2027-28 period.*

**(iii) Rate of utilisation: 70 per cent or more but less than 80 per cent**

Municipal Corporations/Municipalities/NACs achieving a utilisation rate of more than 70 and less than 80 per cent of the SFC funds released during the previous year (Y-1) will receive an additional 8 per cent of the devolution amount of the preceding year (Y-1) of the concerned Municipal Corporation/Municipality/NAC as an incentive.

**Explanation:** *Municipality-C has received total SFC funds of Rs. 30 Lakh (Devolution Rs.20 Lakh and other SFC funds of Rs. 10 Lakh) and incurred expenditure of Rs.23 Lakh out of the total SFC funds with a utilisation rate of 77 per cent during 2027-28. Municipality-C will receive an incentive of Rs. 1.6 Lakh (at 8 per cent of devolution, Rs.20 Lakh) for 2028-29 period.*

**(iv) Rate of utilisation: less than 50 per cent**

If utilisation is less than 50 per cent of the previous year's allocation of SFC Funds, further transfers of funds to the Municipal Corporations/Municipalities/NACs will be withheld until a 50 per cent utilisation rate is achieved.

**Explanation:** *NAC-D has received total SFC funds of Rs.14 Lakh (Devolution Rs. 10 Lakh and other SFC funds of Rs. 4 Lakh) and incurred expenditure of Rs. 5 Lakh out of the total SFC funds with a utilisation rate of 35 per cent during 2026-27. No subsequent instalments of SFC funds will be released for NAC-D until the utilisation rate reaches 50% during 2027-28. Once expenditure exceeds the 50 per cent benchmark for 2026-27, the next instalment will be released for 2027-28 and so on.*

**9.44** The summary of eligibility criteria for incentive to Municipal Corporations/ Municipalities/ NACs is presented in Table 9.8 below.

**Table 9.8: Incentive Structures for ULBs**

SI No	Incentive types	Eligibility Criteria	Incentive Amount
1	Incentive for the preparation of the Annual Action Plan and Financial Planning/ Budget	For preparation Annual Action Plan and Financial Planning/ Budget (Y+1)	MC- Rs. 10 Lakh
			M- Rs. 8 Lakh
			NAC- Rs. 5 Lakh
2	Incentive for completion of the Books of Account	For completion of the Books of Accounts of the second preceding year (Y-2)	MC- Rs. 10 Lakh
			M- Rs. 8 Lakh
			NAC- Rs. 5 Lakh
3	Incentive for Maintenance 'Asset Register'	For maintenance of asset register for all assets as described above till the second preceding year (Y-2)	MC- Rs. 10 Lakh
			M- Rs. 8 Lakh
			NAC- Rs. 5 Lakh
4	Incentive for incremental OSR	Grant for the incremental portion (in %) of the collected OSR during the previous year (Y-1) over the second preceding year (Y-2)	MC- 50%
			M- 100%
			NAC- 100%
5	Incentive for utilisation of SFC Funds	ULB achieving utilisation of 90 per cent or more of the SFC fund released during the previous year (Y-1) will receive an additional 15 per cent of the devolution amount of the preceding year (Y-1) of the ULB as an incentive.	15 % of Devolution amount of preceding year (Y-1)
		ULB achieving a utilisation rate of 80 per cent or more and less than 90 per cent SFC funds released during the previous year (Y-1) will receive an additional 10 per cent of the devolution amount of the preceding year (Y-1) of the concerned ULB as an incentive.	10 % of Devolution amount of preceding year (Y-1)
		ULB achieving a utilisation rate of 70 per cent or more and less than 80 per cent of the SFC funds released during the previous year (Y-1) will receive an additional 8 per cent of the devolution amount of the preceding year (Y-1) of the concerned ULB as an incentive.	8 % of Devolution amount of preceding year (Y-1)
		No Incentive will be provided to the ULBs if the utilisation rate is below 70 per cent.	No Incentive
		If Utilisation is less than 50 per cent of the previous year's allocation of SFC Funds, further transfers of funds to the ULB will be withheld until a 50 per cent utilisation rate is achieved.	Fund release to be withheld

The summary of incentives for Municipal Corporations/Municipalities/ NACs is presented in Table 9.9 below.

**Table 9.9 Summary of Incentives for ULBs:**

(Rs. in Crore) Incentive Types	2027-28	2028-29	2029-30	2030-31	2026-31
<b>Total Incentive for Municipal Corporations</b>	<b>54.07</b>	<b>63.68</b>	<b>76.09</b>	<b>91.16</b>	<b>285.00</b>
Incentive for growth in OSR	43.03	49.49	57.00	65.48	215.00
Incentive for completion of the Books of Account	0.50	0.50	0.50	0.50	2.00
Incentive for the preparation of the Annual Action Plan and budget	0.50	0.50	0.50	0.50	2.00
Incentive for Maintenance 'Asset Register'	0.50	0.50	0.50	0.50	2.00
Incentive for utilisation of SFC Funds	9.54	12.69	17.59	24.18	64.00
<b>Total incentive for Municipalities</b>	<b>40.67</b>	<b>46.86</b>	<b>55.33</b>	<b>66.14</b>	<b>209.00</b>
Incentive for growth in OSR	19.07	21.93	25.22	29.00	95.22
Incentive for completion of the Books of Account	3.84	3.84	3.84	3.84	15.36
Incentive for the preparation of the Annual Action Plan and budget	3.84	3.84	3.84	3.84	15.36
Incentive for Maintenance 'Asset Register'	3.84	3.84	3.84	3.84	15.36
Incentive for utilisation of SFC Funds	10.08	13.41	18.59	25.62	67.70
<b>Total Incentive for NACs</b>	<b>21.37</b>	<b>16.62</b>	<b>19.19</b>	<b>22.82</b>	<b>80.00</b>
Incentive for growth in OSR	7.53	1.13	1.30	1.54	11.50
Incentive for completion of the Books of Account	3.10	3.10	3.10	3.10	12.40
Incentive for the preparation of the Annual Action Plan and budget	3.10	3.10	3.10	3.10	12.40
Incentive for Maintenance 'Asset Register'	3.10	3.10	3.10	3.10	12.40
Incentive for utilisation of SFC Funds	4.54	6.19	8.59	11.98	31.30
<b>Total Incentive of ULBs</b>	<b>116.11</b>	<b>127.16</b>	<b>150.61</b>	<b>180.12</b>	<b>574.00</b>

*Source: Calculated by the Sixth State Finance Commission, Odisha*

### Chief Minister's Award for ULBs

**9.45** The Commission recommends conferring the Chief Minister's Awards to 3 Municipal Corporations, 5 Municipalities and 10 NACs, based on the composite score of the best performing ULBs. The Department of Housing and Urban Development will decide parameters based on the state's priorities and prepare a composite index to identify the best-performing Municipal Corporations, Municipalities, and NACs in consultation with other stakeholders and Departments. Details of the awards and corresponding prize money for Municipal Corporations, Municipalities and NACs are provided in the table below:

**Table 9.10 Cash Prizes to ULBs under Chief Minister's Award**

*(Rs. in Lakh)*

Awards for ULBs	No. of Awards/ year	Cash Prizes										Amount/ year	Amount for 4 yrs
		1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th		
Municipal Corporations	3	15	12	10	0	0	0	0	0	0	0	37	148
Municipalities	5	12	10	9	8	7	0	0	0	0	0	46	184
NACs	10	10	9	8	7	6	5	4	3	2	1	55	220
<b>Total Awards to ULBs</b>	<b>18</b>	<b>37</b>	<b>31</b>	<b>27</b>	<b>15</b>	<b>13</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>138</b>	<b>552</b>

*Source: Source: Calculated by the Sixth State Finance Commission, Odisha*

## State Innovation Fund for ULBs

**9.46** State Innovation Fund is envisaged as an important instrument for strengthening Urban Local Bodies (ULBs) by encouraging innovation in urban governance and service delivery. It will provide ULBs with the flexibility to experiment with new ideas, technologies, and processes that are not easily supported under routine scheme-based funding. By rewarding performance and creativity, State Innovation Fund will promote healthy competition among ULBs and foster a culture of outcome-oriented governance. Successful pilots can be scaled up across the state, ensuring replication of best practices. The Commission recommends an amount of Rs.42 Crore over a period of four years for State Innovation Funds, which will be utilised to fund the innovative projects of ULBs. A Committee is to be constituted by H&UD Department involving independent experts, stakeholders and appropriate Departments for approval of projects to be taken up under State Innovation Fund. The project approval process must be completed prior to the commencement of the financial year.

**9.47** The summary of Performance Incentive Funds for ULBs are given in **Table-9.11**:

**Table-9.11: Summary of Performance Incentive Funds for ULBs**

*(Rs. in Crore)*

Incentive Types	2027-28	2028-29	2029-30	2030-31	2026-30
<b>a. Incentive Fund</b>	<b>116.11</b>	<b>127.16</b>	<b>150.61</b>	<b>180.12</b>	<b>574.00</b>
Municipal Corporations	54.07	63.68	76.09	91.16	285.00
Municipalities	40.67	46.86	55.33	66.14	209.00
NACs	21.37	16.62	19.19	22.82	80.00
<b>b. Chief Minister's Awards</b>	<b>1.38</b>	<b>1.38</b>	<b>1.62</b>	<b>1.62</b>	<b>6.00</b>
Municipal Corporations	0.37	0.37	0.45	0.45	1.64
Municipalities	0.46	0.46	0.54	0.54	2.00
NACs	0.55	0.55	0.63	0.63	2.36
<b>c. State Innovation Fund</b>	<b>10.50</b>	<b>10.50</b>	<b>10.50</b>	<b>10.50</b>	<b>42.00</b>
<b>Total Performance Incentive Fund</b>	<b>127.99</b>	<b>139.04</b>	<b>162.73</b>	<b>192.24</b>	<b>622.00</b>

*Source: Calculated by the Sixth State Finance Commission, Odisha*

## Conclusion:

**9.48** This Chapter discussed the importance of human resource development and the need for a stronger framework of capacity building in local bodies. It also prescribed the establishment of Human Resource Development Fund. This chapter also emphasised the importance of an Incentive Mechanism as an effective policy instrument for influencing outcomes from local bodies through performance-linked fiscal transfers, while also supporting the bulk of their resource requirements. Incentives encourage local bodies to augment their financial resources by adopting diverse strategies, including the mobilisation of tax revenues, user charges, and other non-tax revenues.

The other critical aspect of empowering and enabling local bodies relates to their resource base, a substantial portion of which comes from state transfers. The ensuing Chapter X details the Scheme of Resource Sharing with local bodies for the period 2026-31. Anchored in seven guiding principles and designed to be rational and equitable, the proposed devolution framework seeks to ensure a predictable and adequate stream of revenues to the local bodies. The Commission envisages that this scheme of resource transfer will deepen decentralisation and strengthen local governance.



# **CHAPTER - X**

## **Scheme of Sharing of Resources with Local Bodies**



## Chapter – X

### **Scheme of Sharing of Resources with Local Bodies**

#### **Introduction**

**10.1** The Commission took note of the broad mandate, enshrined in the 73rd and 74th Constitutional Amendments, and the Terms of Reference, outlined by the Government of Odisha while notifying its constitution. It adopted a consultative approach, conducting meetings with diverse stakeholders, including public representatives at various levels, state government officials, and conducting field visits. It also considered public feedback and suggestions before preparing the Scheme of Transfer of Resources to Local Bodies, the details of which are provided below.

**10.2** While designing the scheme, the Commission undertook a detailed analysis of the State's financial position, including projections of tax revenues and expenditure requirements, urbanisation trend in the State, assessment of own sources of revenue of the local bodies, a review of the infrastructure & service delivery in local bodies, their overall and sector-specific expenditure requirements, and utilisation of allocated funds, to determine the quantum of transfer of funds to local bodies under different heads.

#### **Seven Guiding Principles**

**10.3** The Commission adopted seven guiding principles, as listed below, for designing the scheme of transfers from the State to the local bodies, and inter se distribution of such funds amongst the constituent PRIs and ULBs.

- (a) Raising the volume of funds transferred to the local bodies to meet the required expenses in alignment with the devolution of functions and functionaries as per the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments;
- (b) Strengthening human resources of the local bodies through additional recruitments and upskilling by creation of the Human Resource Development Fund;
- (c) Improving inter se distribution of funds by balancing the size and disability considerations;
- (d) Enhancing the share of ULBs in overall transfers to local bodies in view of rising urbanisation in the State and the consequent growing fund requirements for provisioning of urban amenities;
- (e) Insulating local bodies from any diminution of State transfers to local bodies due to circumstances causing reductions in the accrual of state tax revenues, while ensuring that the local bodies benefit from tax buoyancy;
- (f) Incentivising the Local Bodies through a Performance Incentive Fund for accomplishing certain important tasks like mobilisation of their own sources of revenue and full utilisation of allocated funds; and

(g) Devising an effective mechanism to improve transparency and accountability, including operationalisation of an integrated Monitoring Dashboard.

**10.4** Key recommendations of the Commission, as reflected in the Scheme of transfers, are manifestations of the above guiding principles, are summarised below. The Commission recommended total transfer of Rs. 50,000 Crore during the Sixth SFC award period 2026-31, as per the details provided below.

**Table 10.1: Broad Items of State Transfers to Local Bodies**

*(Rs. In Crore)*

SI No	Items	PRIs	ULBs	Monitoring	Total
1	Devolution	10150	4350	-	14500
2	Assignment of Taxes	11550	6700	-	18250
3	Grants-in-Aid	8200	4657	-	12857
<b>4</b>	<b>Total Allocations under Devolution, Assignment of taxes and Grant-in-aid (1+2+3)</b>	<b>29901</b>	<b>15708</b>	-	<b>45607</b>
<b>Additional Allocations</b>					
5	Performance Incentives Fund	1451	622	-	2073
6	Human Resources Development Fund	1530	775	15	2320
<b>7</b>	<b>Total Sixth SFC Allocations (4+5+6)</b>	<b>32871</b>	<b>17114</b>	<b>15</b>	<b>50000</b>
<b>8</b>	<b>Demand for Sixteenth Finance Commission Grants</b>	<b>39000</b>	<b>21000</b>	-	<b>60000</b>
<b>9</b>	<b>Total Requirement (7+8)</b>	<b>71871</b>	<b>38114</b>	<b>15</b>	<b>110000</b>
<i>Share</i>		<i>65%</i>	<i>35%</i>		

**10.5** Out of the total recommendations for transfers of Rs. 50,000 Crore, the Commission has recommended a total of Rs. 45,607 Crore for conventional SFC transfers, which consist of devolution, tax assignments, and grants-in-aid. This rise in conventional SFC transfers could be attained primarily due to the following modifications in the scheme of transfers as compared to previous SFCs.

- i) Pegging conventional SFC transfers at 11 per cent of the divisible pool (projected NTR), which is one percentage point above what was fixed by the Fifth SFC (10 per cent). The estimated enhancement in transfers to the local bodies due to this is Rs. 4146 Crore during 2026-31.
- ii) The Fifth State Finance Commission had earlier applied 5% of the total State's Own Tax Revenue (SOTR) as the cost of collection to calculate the Net Tax Revenue (NTR). However, with improved collection efficiency and greater adoption of technology in administration, this proportion has been declining steadily. In 2024-25, the actual

collection cost fell below 3%. Considering the projected growth of SOTR and the relatively slower rise in collection costs, the average collection cost for the award period 2026-31 has been estimated at 1.8% of SOTR. Applying this revised rate of 1.8% to work out the NTR will yield an additional Rs. 1556 Crore for local bodies.

**10.6** In addition to the above augmentation of conventional SFC transfers, the Commission has recommended two innovative mechanisms for raising fund flows to the local bodies. Both mechanisms aim to strengthen the human resources of local bodies, improve the utilisation of funds, and incentivise the mobilisation of their own sources of revenue.

iii) The Commission has recommended introduction of a Performance Incentives Fund with an allocation of 0.5 per cent of the divisible pool, which amounts to Rs. 2,073 Crore for the award period. Parameters like improving utilisation of allocated funds, augmenting own sources of revenue, etc., will be part of the conditionalities to receive this incentive. This would be an untied Fund.

iv) The Commission envisaged a transfer of 1 per cent of the State's Mines revenue (under non-tax revenues) to create a Human Resources Development Fund towards strengthening and upskilling the manpower of the local bodies. This will add Rs. 2,320 Crore of additional funds transfer to local bodies during 2026-31.

**10.7** The Commission defines the divisible pool as the projected NTR or the budgeted NTR for each year during the award period 2026-31, whichever is higher. This will insulate the fund transfer to local bodies from possible negative shocks to NTR mobilisation in the State. At the same time, the local bodies will benefit from any potential tax buoyancy of the State, which is not captured in our tax revenue projections.

**10.8** Taking into account the rising trend in urbanisation in the State and the growing demand for urban amenities, including roads, street lighting, water supply, solid waste management, drainage, sewerage and sanitation, education and health facilities, etc., it is imperative to enhance the fund transfers to the ULBs. There is also a need to provide required amenities in the rapidly growing peri-urban areas. The share of ULBs in overall transfers to local bodies has been enhanced to 35 per cent during the award period 2026-31 from 33.4 per cent as recommended by the 5<sup>th</sup> SFC for its original award period 2020-25. The share of ULBs under 'devolution' transfers to local bodies is raised to 30 per cent by the Commission from 25 per cent as recommended by the 5<sup>th</sup> SFC.

**10.9** To strengthen the equity aspect in *inter se* distribution of devolution, the Commission has assigned higher allocations to Aspirational Blocks and Aspirational Districts under *inter se* allocations to PSs and ZPs. The Commission has continued with the higher allocation to GPs in TSP areas, as it was followed by the previous SFCs. Moreover, it has raised the incremental allocation to GPs in the TSP area by 30 per cent as compared to the 25 per cent recommended by the 5<sup>th</sup> SFC.

**10.10** To improve the utilisation of funds allocated to the local bodies, the Commission emphasises promoting transparency in fund allocation and effective monitoring of progress in fund

utilisation. In this perspective, the Commission has recommended funds to develop an integrated Monitoring Dashboard under grants-in-aid.

### **Different Channels of Fund Transfer to Local Bodies**

**10.11** Transfers of funds to the local bodies will take place under six channels, *viz.*, (i) Untied Devolution, (ii) Assignment of Taxes, (iii) Grants-in-Aid, (iv) Performance Incentives Fund, (v) Human Resources Development Fund, and (vi) Sixteenth Finance Commission Grants. Amongst them, the first five items constitute Sixth SFC transfers.

### **Projection of State's Own Gross Tax Revenue (SOTR)**

**10.12** The projection of the State's Own Gross Tax Revenue (SOTR) for the award period of the Commission, *i.e.*, 2026-27 to 2030-31, is a critical task to work out the divisible pool, which is to be distributed between the State and local bodies. In the past, the SFCs in Odisha and in other States have made projections of SOTR based on its past growth rates. Based on the projected SOTR, projections of Net Tax Revenue (NTR) are undertaken by applying a specific rate of deduction. For instance, the 5th SFC in Odisha had deducted 5 per cent of the projected SOTR to calculate the projected NTR. The latter was used as the divisible pool, and total SFC transfers were pegged at 10 per cent of this divisible pool.

**10.13** The Commission is of the view that any projection adopting a single method may entail forecast errors. Given the criticality of projected SOTR and NTR for setting the overall limit for SFC transfers, minimising possible forecast errors deserves top priority. In this endeavour, the Commission's approach was to consider various other methods of GTR projection in addition to the method adopted by the previous SFCs. The methods used by the Commission for the projection of GTR are listed below:

- a) Estimating trend TR using the Hodrick-Prescott (HP) filter
- b) Estimating trend through the best curve fitting method – exponential trend
- c) Projection based on the estimation of elasticity of SOTR with respect to NSDP
- d) Projection based on past growth rates of SOTR

**10.14** Projections of SOTR using the above methods are provided in Table 10.2, below. The projected SOTR, as per the methods of trend fitting is found to be relatively low, while that based on elasticity and past growth rates was comparatively high. It is consistent with expectations as the trend of a time series removes cyclical and random fluctuations. The estimated trend entails lower forecast error. The average of projections based on the four methods was used as the Commission's consensus SOTR projections. The NTR projections have been obtained by netting out the projected cost of collection from the SOTR projection. The projected costs are fixed at 1.8 per cent of SOTR as explained earlier in Para 6.4 (ii). The SOTR for the award period 2026-27 to 2030-31 is projected at Rs. 4,22,109 Crore, and NTR is projected at Rs. 4,14,610 Crore.

**Table 10.2: Projection of Divisible Pool for 2026-27 to 2030-31***(Rs. In Crore)*

Year	Based on HP-Trend	Based on Exponential Trend	Based on SOTR Elasticity w.r.t. NSDP	Based on Past Growth Rate	Average SOTR Projection	Projected NTR
2026-27	65291	62064	73843	70882	68020	66799
2027-28	71582	68160	81022	79381	75036	73689
2028-29	78479	74854	92613	88900	83712	82209
2029-30	86040	82206	101618	99560	92356	90698
2030-31	94331	90279	116155	111498	103066	101215
2026-31	395723	377564	465252	450221	422190	414610

*Source: Computed from the data provided by the Finance Department, Government of Odisha.*

### Own Sources of Revenue of the Local Bodies

**10.15** Collection of own sources of income for the local bodies during 2018-24 is presented in Table 10.3. It reveals low revenue mobilisation by the local bodies from their own sources. Particularly, it was quite dismal for the PRIs. In view of the above, the Commission did not factor in the own resources of the local bodies in assessing their resource requirement. However, the Commission will devise some mechanism to augment the mobilisation of own sources of revenue by the local bodies.

**Table 10.3: Own Income of PRIs and ULBs during 2018-19 to 2023-24***(Rs.in Crore)*

ITEMS	Gross Tax Revenue					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
ULBs	299.78	363.64	437.49	489.04	614.59	586.29
PRIs	44.26	42.36	43.33	54.49	62.44	65.76
Total	344.04	406.00	480.82	543.53	677.03	652.05

*Source: Panchayati Raj & Drinking Water Department & Department of Housing & Urban Development, Government of Odisha*

### Detailed Scheme of Transfers: Devolution

**10.16** The Commission pegged the share of devolution under overall transfers during its award period at 29 per cent. Accordingly, the total amount of transfers under devolution is estimated to be Rs. 14,500 Crore during 2026-31. For distributing this amount between the PRIs and ULBs, the Commission followed an objective criterion based on the projected size of population, projected density of population, multidimensional poverty index, and the share of SCs and STs in the total population. Using the above four factors and assigning due weights, the Commission recommended distribution of total devolution between the PRIs and ULBs in the ratio of 70:30. The criterion for distribution of transfers under devolution between the PRIs and ULBs is given in Table 10.4, below.

**Table 10.4: Criteria for sharing of Devolution Funds between PRIs and ULBs**

Indicator	Source	Rural	Urban	Weight	Weighted Share	
					Rural	Urban
Projected Population (%) - 2031	Report of Technical Group on Population Projections	80.04%	19.96%	50%	0.40	0.10
Projected population density (per Sq. Km) - 2031	Report of Technical Group on Population Projections	236.45	2680.34	10%	0.01	0.09
MPI (NFHS 5) - 2023	National Multidimensional Poverty Index	0.079	0.023	25%	0.19	0.06
SC & ST (% Share)	Census 2011	43.5%	22.4%	15%	0.10	0.05
<b>Total weight</b>				<b>100%</b>	<b>0.70</b>	<b>0.30</b>
<b>Rural-Urban Sharing</b>					<b>70%</b>	<b>30%</b>

*Source: Computed from Ministry of Health and Family Welfare, GoI (2019), RgiCCI, GoI & NITI Aayog, India*

**10.17** The Commission used the Report of the Technical Group on Population Projections, November 2019, Government of India, for projections of the size and density of population during the award period. Data on the Multidimensional Poverty Index of rural and urban Odisha were taken from the NITI Aayog Report on “National Multidimensional Poverty Index (MPI): A Progress Review 2023 (based on NFHS-5)”. The share of SC and ST population was taken from the 2011 Census data.

**10.18** Using the ratio of 70:30 based on the above criteria, the Commission recommended Rs. 10,150 Crore for PRIs, and Rs. 4,350 Crore for the ULBs under devolution during the award period 2026-31 (Table 10.1).

### ***Inter-se Allocation of Transfers under Devolution among the PRIs***

**10.19** At present, there are 6794 Gram Panchayats (GPs), 314 Panchayat Samitis (PSs), and 30 Zilla Parishads (ZPs) functioning in the State. Out of the 6794 GPs, 2065 GPs are situated in the Scheduled Areas. The GPs provide public services at the grassroots level. Service delivery of GPs includes provision of clean drinking water, streetlights, proper cleaning and sanitation, maintenance of village roads, and a variety of other services. The PSs function as an intermediate tier of PRIs, discharging their duties at the block level. The ZPs are the apex tier of the PRIs operating at the district level. Inter-se devolution of funds among the three tiers of PRIs is determined by the Commission, keeping in mind their responsibilities and activities. It was decided to distribute the total amount of funds allocated for PRIs under devolution among GPs, PSs and ZPs in the ratio of 65:25:10. Accordingly, out of the total devolution to PRIs at Rs. 10,150 Crore, the allocations for GPs, PSs, and ZPs were fixed at Rs. 6,597.50 Crore, Rs. 2,537.50 Crore and Rs. 1,015 Crore, respectively.

**10.20** The previous SFC used the population size of each GP as the criterion for allocation of funds among GPs. The Commission followed the same criterion as detailed in Table 10.5. GPs with a population below 5,000 as per the 2011 census were allocated Rs. 16 Lakhs per annum during

the award period. Annual allocation increased for GPs with higher populations, as indicated in Table 10.5.

**Table 10.5: Inter-se Devolution to GPs during 2026-31**

Class	Population	Non-TSP Area			TSP			Total	
		No of GPs	Per GP per year (Rs. in Lakh)	Estimates 2026-31 (Rs. In Crore)	No. of GPs in the Scheduled Area	Per GP per year (Rs. in Lakh)	Estimates 2026-31 (Rs in Crore)	No. of GPs	Estimates 2026-31 (Rs in Crore)
A	<5000	2262	16.00	1809.60	1126	20.80	1171.04	3388	2980.64
B	5000-7500	1867	19.20	1792.32	713	24.96	889.82	2580	2682.14
C	7500-10000	554	20.63	571.58	204	26.83	273.62	758	845.20
D	>10000	46	24.00	55.20	22	31.20	34.32	68	89.52
<b>Total</b>		<b>4729</b>		<b>4228.70</b>	<b>2065</b>		<b>2368.80</b>	<b>6794</b>	<b>6597.50</b>

*Source: Computed from the data collected from Panchayati Raj & Drinking Water Department, Government of Odisha*

**10.21** The Commission has accorded priority to the equitable allocation of funds to the GPs in Scheduled Areas due to their cost disadvantage of delivering public services compared to GPs in other areas. For this purpose, the Commission has recommended the devolution of an additional 30 per cent of funds to the GPs in Scheduled Areas (Table 10.5).

**10.22** The Commission has used the number of GPs in each PS as the criterion for the distribution of funds under devolution amongst the PSs. A sum of Rs. 7.35 Lakh per annum has been awarded to each GP in a PS during the award period. It may be noted that the Government of India launched the Aspirational Blocks Programme (ABP) on January 7, 2023, with the focus on enhancing the quality of life of people residing in the 500 most deprived and least developed blocks of India. A total of 40 blocks in Odisha have been included in the Aspirational Blocks Programme. Recognising the importance of the Aspirational Blocks Programme, the Commission recommends an additional 20 per cent in devolved funds to these blocks. Accordingly, the total devolution of funds to 314 PSs, including 40 Aspirational Blocks, is estimated to be Rs. 2,537.50 Crore during the award period.

**10.23** Similarly, the number of PSs in each Zila Parishad (ZP) is used as the criterion for the devolution of funds to the ZPs by the Commission. A sum of Rs. 63 Lakh per annum has been awarded to each PS in a ZP during the award period. The Commission recommends an additional 20 per cent in devolved funds to 11 ZPs, which are home to 40 Aspirational Blocks. Thus, the Commission recommends Rs.1,015 Crore as the total devolution of funds to 30 ZPs, including the 11 ZPs which have the 40 Aspirational Blocks during the award period.

**10.24** The year-wise total devolution of funds in favour of PRIs as well as inter-se devolution of funds among its three tiers during the award period 2026-27 to 2030-31 is presented in Table 10.6.

Annual allocations are progressively raised during the award period to consider the inflationary impact on expenses of the PRIs.

**Table 10.6: Year-wise Devolution to PRIs during 2026-27 to 2030-31**

*(Rs.in Crore)*

Tier	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
GPs	1319.50	1319.50	1319.50	1319.50	1319.50	6597.50
PSs	507.50	507.50	507.50	507.50	507.50	2537.50
ZPs	203.00	203.00	203.00	203.00	203.00	1015.00
<b>TOTAL</b>	<b>2030.00</b>	<b>2030.00</b>	<b>2030.00</b>	<b>2030.00</b>	<b>2030.00</b>	<b>10150.00</b>

*Source: Computed from the data collected from Panchayati Raj & Drinking Water Department, Government of Odisha.*

**Inter-se Allocation of Transfers under Devolution among the ULBs**

**10.25** Based on the latest information received from the H&UD Department, there are 5 Municipal Corporations, 48 Municipalities, and 61 NACs functioning in the State. As the scale of service delivery undertaken by ULBs is primarily based on their population size, the Commission used population size as the criterion for inter-se devolution of funds among the ULBs. Accordingly, the distribution of total funds allocated to the ULBs (under devolution category) among municipal corporations, municipalities and NACs is recommended to be in the ratio of 40:43:17. Accordingly, total amount of funds allocated under devolution to municipal corporations, municipalities, and NAC during the award period 2026-31 are Rs.1,750 Crore, Rs.1,850 Crore and Rs.750 Crore, respectively (Table 10.7). Moreover, considering the impact of rising prices on expenses of the ULBs, annual allocations are raised progressively, as shown in Table 10.7

**Table 10.7: Year-wise Devolution to ULBs during 2026-27 to 2030-31**

*(Rs.in Crore)*

Tier	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
Municipal Corporations	350.00	350.00	350.00	350.00	350.00	1750.00
Municipalities	370.00	370.00	370.00	370.00	370.00	1850.00
NACs	150.00	150.00	150.00	150.00	150.00	750.00
<b>TOTAL</b>	<b>870.00</b>	<b>870.00</b>	<b>870.00</b>	<b>870.00</b>	<b>870.00</b>	<b>4350.00</b>

*Source: Computed from the data collected from H & UD Department, Government of Odisha.*

**10.26** The total quantum of funds under devolution recommended by the Commission at Rs. 14,500 Crore is 3.5 per cent of the divisible pool. The ratio is higher by 0.5 percentage points compared to that during the 5<sup>th</sup> SFC recommendations.

### ***Detailed Scheme of Transfers: Assignment of Taxes***

**10.27** Similar to the 5<sup>th</sup> SFC, the Commission recommends an assignment of 8.19 per cent out of net proceeds of SGST to the local bodies to cover salary & establishment cost, sitting fee, honorarium, TA and DA expenses. Based on projected costs on the above heads, total assignment amounts to Rs. 16,834 Crore during the award period. The year-wise assignment of taxes to the local bodies out of net proceeds of SGST during the award period 2026-27 to 2030-31 is presented in Table 10.8.

**Table 10.8: Year-wise Assignment of SGST Proceeds to Local Bodies**

*(Rs.in Crore)*

ITEMS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
Net GST	31598	35765	40482	45821	51865	205531
Assignment out of Net GST to the Local Bodies	2814	3042	3291	3702	3985	16834
<b>% Share</b>	<b>8.91%</b>	<b>8.51%</b>	<b>8.13%</b>	<b>8.08%</b>	<b>7.68%</b>	<b>8.19%</b>

*Source: Computed from the data collected from Finance Department, Government of Odisha.*

**10.28** The Commission also recommended an assignment of 8.30 per cent out of the net proceeds of Motor Vehicle Tax (M.V. Tax) for the maintenance and improvement of road infrastructure in both the PRIs and ULBs during the award period 2026-31. Year-wise allocation of the total assigned amount of Rs. 1,416 Crore is presented in Table 10.9.

**Table 10.9: Year-wise Assignment of M.V. Tax Proceeds Local Bodies**

*(Rs.in Crore)*

ITEMS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
Net M.V. Tax	2961	3171	3395	3635	3892	17054
Assignment out of Net M.V. Tax to the Local Bodies	245	263	281	302	325	1416
<b>% Share</b>	<b>8.28%</b>	<b>8.28%</b>	<b>8.29%</b>	<b>8.30%</b>	<b>8.36%</b>	<b>8.30%</b>

*Source: Computed from the data collected from Finance Department, Government of Odisha.*

**10.29** Total assignment of taxes to the local bodies recommended by the Commission at Rs. 18,250 Crore is 4.4 per cent of the divisible pool, earlier pegged at 4 per cent during the Fifth SFC period.

### ***Assignment of Taxes: PRIs***

**10.30** Projections of (i) salary & establishment cost, (ii) sitting fee, honorarium, TA, and DA, and (iii) maintenance cost of road infrastructure of PRIs are estimated based on the actuals of 2024-25. In the different meetings held by the Commission, the elected representatives requested a hike in their entitlements. Considering such requests, the Commission recommended the revised rates of

entitlement of representatives of PRIs during 2026-27 to 2030-31 as per the details provided in Table 10.10.

**Table 10.10: Revised Rates for PRIs during Sixth SFC period (In Rupees)**

Designation	Sanction Strength	Honorarium	Sitting Fees	D.A.	T.A. (per year)	HRA (per year)	Vehicle hire charges (per month)	POL (per month)
Sarapanch	6794	10,000	400	80				
Naib Sarapanch	6794	4,000	400	80				
Ward Member	85179		500	80				
Chairman, PS	314	15,000	400	80				
VC, PS	314	9,500	400	80				
Member, P.S.	6165	9,500	400	80				
President, Z.P	30	30,000	440	160	10,000	10,000	31,000	30,000
VP, Z.P	30	20,000	440	160	5,000		-	
Member, Z.P	793	10,000	440	160				

*Source: Computed from the data collected from PR&DW Department, Government of Odisha.*

**10.31** For the improvement and maintenance of road infrastructure in rural areas, the Commission has recommended Rs. 796.00 Crore during the award period. Further, an increase of 5 per cent per annum is recommended from the second year onwards. It is within the purview of concerned line departments to make appropriate allocations across different tiers of PRIs according to their needs during the award period.

**10.32** The estimated assignment of taxes for (i) salary & establishment cost, (ii) sitting fee, honorarium, TA, and DA, and (iii) maintenance cost of road infrastructure of PRIs is worked out to be Rs. 9,100.52 Crore, Rs. 1,653.48 Crore and Rs. 796.00 Crore, respectively, for the award period 2026-27 to 2030-31. This revision of entitlements has also factored in the expected impact of the revision of the pay scale by the 8<sup>th</sup> Pay Commission. Thus, the total assignment of taxes to the PRIs during the award period amounts to Rs. 11,550 Crore as presented in Table 10.11.

**Table 10.11: Year-wise Assignment to PRIs during 2026-27 to 2030-31**

*(Rs.in Crore)*

ITEMS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
<b>Assignment (1+2) (out of SGST in lieu of Entry Tax)</b>	<b>1796.21</b>	<b>1933.06</b>	<b>2082.24</b>	<b>2382.63</b>	<b>2559.86</b>	<b>10754.00</b>
1. Salary & Establishment cost	1520.63	1657.48	1806.66	1969.26	2146.49	9100.52
2. Sitting fee, Honorarium, TA & DA	275.58	275.58	275.58	413.37	413.37	1653.48
3. Maintenance/ Improvement of road infrastructure (out of MV Tax & Petroleum Tax)	143.71	150.90	158.44	166.37	176.58	796.00
<b>TOTAL ASSIGNMENT (1+2+3)</b>	<b>1939.92</b>	<b>2083.96</b>	<b>2240.68</b>	<b>2549.00</b>	<b>2736.44</b>	<b>11550.00</b>

*Source: Computed from the data collected from PR&DW Department, Government of Odisha.*

### **Assignment of Taxes: ULBs**

**10.33** Salary and Establishment expenses of the officers and staff of the ULBs, along with sitting fees, honorarium, TA, DA & HRA of elected representatives shall be met out of the funds allotted to ULBs as assignment of taxes out of SGST proceeds. The Commission has also factored in the potential impact of the revision of the pay scale by the 8th Pay Commission.

**10.34** The Commission considered enhancing the entitlements of elected representatives of ULBs as demands were raised during the meetings held with them. The revised recommended entitlements are given in Table 10.12.

**Table 10.12: Revised Rates for ULBs during Sixth SFC period**

**(In Rupees.)**

3 Tier ULBs	Designation	Sanction Strength	Honorarium Rate/month	Sitting Fees Rate/meeting
<b>NAC</b>	Chairman	62	10,000	
	Vice Chairman (Elected among the Councillors)	62	7,500	
	Councillor	839		600
<b>Municipality</b>	Chairman	48	15,000	
	Vice Chairman (Elected among the Councillors)	48	10,000	
	Councillor	967		600
<b>Municipal Corporation</b>	Mayor	5	50,000	
	Deputy Mayor (Elected among the Corporators)	5	20,000	
	Corporator	249		2000

*Source: Computed from the data collected from H&UD Department, Government of Odisha.*

**10.35** Rapid urbanisation, paired with increased stress on road infrastructure, warrants frequent repair and renovation of urban roads. For the repair and maintenance of road infrastructure in urban areas, the Commission recommends Rs. 620.08 Crore as an assignment out of the M.V. Tax, during the award period.

**10.36** Year-wise allocations out of assignment taxes for the above heads are presented in Table 10.13.

**Table 10.13: Year-wise Assignment to ULBs during 2026-27 to 2030-31***(Rs.in Crore)*

ITEMS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
<b>Assignment (1+2) (out of SGST in lieu of Entry Tax)</b>	<b>1017.86</b>	<b>1108.97</b>	<b>1208.27</b>	<b>1319.31</b>	<b>1425.51</b>	<b>6079.92</b>
1. Salary & Establishment cost	1012.26	1103.37	1202.67	1310.91	1417.11	6046.32
2. Sitting fee, Honorarium, TA & DA	5.60	5.60	5.60	8.40	8.40	33.60
3. Maintenance/ Improvement of road infrastructure (out of MV Tax & Petroleum Tax)	101.57	111.72	122.90	135.19	148.70	620.08
<b>TOTAL ASSIGNMENT (1+2+3)</b>	<b>1119.43</b>	<b>1220.69</b>	<b>1331.17</b>	<b>1454.50</b>	<b>1574.21</b>	<b>6700.00</b>

*Source: Computed from the data collected from H&UD Department, Government of Odisha.*

**10.37** Thus, the Commission has recommended Rs. 11,550 Crore and Rs. 6,700 Crore as the total assignment of taxes to PRIs and ULBs, respectively.

### ***Detailed Scheme of Transfers: Grants-in-Aid***

**10.38** The Commission recommends sector-specific Grants-in-Aid to local bodies to ensure that critical public services are delivered uniformly, efficiently, and in line with state and national priorities. While untied grants provide flexibility, many essential sectors require assured and ring-fenced funding because of their public health, environmental, and social importance.

**10.39** The ToR required the Commission to recommend principles for Grants-in-Aid to GPs, PSs, ZPs, and Municipalities from the State's Consolidated Fund. To obtain necessary information on the needs of these local bodies, the Commission sought information from the departments concerned – Panchayati Raj & Drinking Water Department, and the Housing and Urban Development Department. Besides, the Commission also had in-depth deliberations with all departments of the Government. The Commission also held consultations with the citizens and elected representatives of PRIs and ULBs.

**10.40** Based on the demands, needs and available resources, the Commission recommends Rs.12,857 Crore as grants-in-aid to local bodies for the award period, which is 3.1 per cent of the divisible pool. The shares of PRIs and ULBs are worked out in the ratio of 65:35 (rounded off), which amounts to Rs. 8,190 Crore and Rs. 4,667 Crore, respectively. Details of sectors, projects, and activities for allocation of grants-in-aid are provided below.

### ***Grants-in-Aid for PRIs***

**10.41** Grants-in-Aid are critically important for Panchayati Raj Institutions (PRIs) as they enable effective grassroots governance and delivery of essential rural services. Most PRIs have limited Own Source Revenue and therefore depend on grants to meet their functional responsibilities. Grants-in-aid support the provision of basic services such as drinking water, sanitation, street lighting, rural roads, maintenance of public assets, and community facilities, ensuring minimum service standards across villages.

### **Creation of Capital Assets for Revenue Generation:**

**10.42** Creation of capital assets is indispensable for strengthening the financial and administrative capacity of Local Bodies. It enhances Own-Source Revenue (OSR) of local bodies, enables local economic development, builds self-sustaining Panchayats, and reduces dependence on higher levels of government. Thus, capital asset creation is a cornerstone for achieving true fiscal decentralisation and strengthening the 3-Tier Panchayati Raj system. During visits of the Commission to some of the Gram Panchayats of the State, it was observed that capital assets for revenue generation with GPs are not adequate, and the collection of most of the GPs is meagre. Considering the importance of OSR, the Commission recommends an amount of Rs. 2038.2 Crore at the rate of Rs. 30 Lakh per GP over a period of 5 years for investing in revenue-generating assets to increase OSR of the GPs.

### ***Maintenance of Capital Asset:***

**10.43** Maintenance of capital assets is essential for ensuring their long-term functionality, durability, and continued contribution to revenue generation. Proper upkeep of assets such as buildings, water supply systems, market complexes, water bodies, rural haats, etc., prevents premature deterioration and reduces the need for costly repairs or replacement. The Commission is of the view that, for sustainable and long-term growth of PRIs, maintenance of capital assets is a crucial component. Considering the resource pool, the Commission recommends an amount of Rs. 679.40 Crore at the rate of Rs. 10 Lakh per GP over a period of 5 years. The additional requirement of funds, if required, may be utilised from the OSR generated from the assets.

### **Provision of LED Street Light/ High Mast Light:**

**10.44** Adequate lighting in village roads, marketplaces, community spaces, and public institutions enhances visibility, reduces accidents, and discourages crime, contributing to a safer environment for residents, especially women, children, and elderly people. LED lights are energy-efficient, long-lasting, and cost-effective, enabling Panchayats to reduce electricity expenditure and redirect savings to other development needs. High mast lights illuminate large areas such as weekly markets, bus stops, village squares and junctions, supporting economic activities during evening hours and improving accessibility. Though provisions were made for street lights in GPs by 4th and 5th SFC, many more villages/areas need to be covered for improved ease-of-living. Accordingly, the Commission recommends an allocation of Rs. 577.50 Crore at the rate of Rs. 8.5 Lakh per GP over a period of 5 years. According to the suitability of the locations, street lights or high mast lights need to be installed. Instead of allocating an equal amount for all GPs, PR&DW Department may consider allocating the entire amount to the concerned GPs of some of the districts in a single year, so that all districts and all GPs will be covered in a period of 5 years.

### **Rejuvenation of water bodies:**

**10.45** Rejuvenation of water bodies in Gram Panchayats is essential not only for water security (to maintain the water table) but also as a significant source of revenue for local bodies. Once rejuvenated, water bodies become more suitable for fisheries, which is one of the major revenue streams for Panchayats. Healthy, well-maintained ponds attract higher lease values when auctioned

to fishermen/WSHG. In essence, rejuvenation transforms water bodies into economic assets, enabling Gram Panchayats to mobilise their own resources, reduce reliance on Government funds, and reinvest revenue in local development.

Considering the importance of rejuvenation of water bodies, the Commission has allocated Rs. 652.67 Crore for a period of 5 yrs to rejuvenate 10,000 GP water bodies, and the Department is advised to meet the balance funds from other sources. PR&DW Department is to prepare the list of 10,000 water bodies in different Gram Panchayats in the State, covering all Panchayat Samitis for rejuvenation and subsequent leasing out and maintenance. The Department is also advised to prepare one Standard Operating Procedure (SoP) for the management and pisciculture of rejuvenated water bodies for sustainable development.

### **Construction of New GP Buildings (Panchayat Bhawans)**

**10.46** A well-designed Panchayat Bhawan serves as the nerve centre of local governance. It houses critical functions such as record keeping, Panchayat meetings, Gram Sabha proceedings, public service delivery, banking and welfare-related documentation, and monitoring of development schemes. Many GPs either lack a dedicated building or operate from old, unsafe, or temporary structures, which hampers efficient administration and creates difficulties for citizens accessing services.

Considering the importance of Panchayat Bhawans, the Commission recommends an amount of Rs. 2000.00 Crore for the construction of 1000 Panchayat Bhawans over a period of 5 yrs at the rate of Rs. 2 Crore per building. The PR&DW Department is required to finalise the list of such 1000 GPs having no buildings/ dilapidated buildings.

The new Gram Panchayat Bhawans should be mindfully designed considering the evolving administrative and service delivery needs – designating space for offices, meeting halls, digital service counters, storage of records, and community interactions.

Realising the need for the model design for Panchayat Bhawan, the Commission had several rounds of discussion with PR&DW Department and the Department of Architecture, OTR. The model design has been agreed for the Panchayat Bhawan (ପଞ୍ଚାୟତ ଭବନ), which should be followed with minor site-specific customization. To ensure uniformity in design, quality of materials, and adherence to timelines across all Panchayats, the Commission recommends centralised tendering at the state level by the Department for the construction of the Panchayat Bhawans. All the buildings have to start in the 1<sup>st</sup> and 2<sup>nd</sup> year of the award period. The model design agreed upon by the Commission with detailed estimate are enclosed in Annexure 10.1.

### **Grid Connected Solar power in Mega Water Supply Projects:**

**10.47** The continuous operation of intake wells, treatment plants, pumping stations, and distribution networks makes the water supply system a high-energy-consuming public service. The rising electricity bills place a recurrent fiscal burden on the Panchayats, affecting the financial viability of water supply systems. A potential solution to this is presented in the form of grid-connected solar installations. Harnessing solar power and feeding it into the grid will ensure a reliable, eco-friendly power source for pumping and treatment systems.

The PR&DW Department has proposed the installation of 64 MW of grid-connected solar power systems across 128 Mega Water Supply Projects currently without solar coverage. Considering the importance of Solar power in Mega water supply Projects, the Commission recommends an amount of Rs. 280.00 Crore as capital expenditure. The O&M cost of the project may be met from other sources.

### **Inline Chlorination in SVS projects:**

**10.48** Inline chlorination is a vital component of Single Village Water Supply (SVS) projects, ensuring that rural households receive microbiologically safe drinking water. Inline chlorination provides continuous, controlled dosing of chlorine directly into the water flow, ensuring consistent disinfection without the need for frequent manual intervention. Integrating inline chlorination in SVS projects is aligned with the objectives of Jal Jeevan Mission.

Considering the importance of the project, the Commission considers it appropriate to recommend an amount of Rs. 105.06 Crore as capex for 19,100 single village scheme water supply Projects. The Commission is of the opinion that the O&M cost of these projects may be met by the Department from other sources of revenue.

### **Technology-enabled O&M - IoT devices in SVS Projects:**

**10.49** Technology-enabled Operation & Maintenance through IoT devices has become essential for strengthening Single Village Water Supply (SVS) projects, particularly in rural areas where technical manpower is limited. IoT sensors and smart monitoring systems provide real-time data on key parameters such as pump performance, water levels in overhead tanks, flow rates, pressure in pipelines, and chlorine residual levels. This continuous monitoring allows early detection of leakages, pump failures, motor burnouts and decline in water quality, allowing timely corrective intervention and preventing prolonged disruptions. This also minimises O&M expenditure and enhances the long-term sustainability of the infrastructure. Considering the importance of the proposal, the Commission has recommended an amount of Rs. 200.55 Crore as capex for 19,100 single village scheme water supply Projects and advises the Department to meet the O&M cost from other sources.

### **Iron Removal Plant in PWS Projects:**

**10.50** Iron Removal Plants (IRPs) are critical components of Piped Water Supply (PWS) projects in rural areas because groundwater—the primary source of drinking water in many villages—often contains high levels of iron. Installing IRPs ensures that water supplied to households meets the BIS drinking water standards, safeguarding public health and improving community confidence in the piped water system.

Considering the importance of the proposal, the Commission recommends an amount of Rs. 132.50 Crore as Capex for 1000 Iron Removal plants under piped water supply schemes. The Department will have to identify 1000 such projects and to provide O&M costs from other sources.

### **Model pisciculture tanks/ponds for Demonstration and training (F&ARD Department):**

**10.51** Though fisheries are an important source of income in many rural areas, most farmers continue to follow traditional practices due to limited awareness of scientific aquaculture. Establishing model pisciculture ponds will provide hands-on, real-time learning platforms for rural youth, fishermen, Self-Help Groups, and farmers to observe and adopt modern aquaculture practices. These ponds will enable Panchayats to demonstrate low-cost technologies, introduce improved fish species, and promote integrated models such as fish-cum-duckery and fish-cum-horticulture, leading to higher productivity and enhanced household incomes.

The Fisheries & Animal Resources Development Department has proposed one demonstration pond in each Block. Accordingly, the Commission recommends an outlay of Rs. 138.16 Crore over five years for rejuvenation and input support for 314 demonstration ponds/tanks, at Rs. 44 Lakh per pond. The Ponds will be identified by the PR&DW Department near Block headquarters and supported by mentoring institutions such as F&ARD, CIFA, and KVKs under OUAT.

### **Construction of facilities for Anganwadi Centres (AWCs):**

**10.52** Construction of essential infrastructure, such as boundary walls, piped water connections, toilets, completion of incomplete buildings, electricity supply, and kitchens in Anganwadi Centres (AWCs), is very important for Rural Local Bodies because it directly improves the quality, safety, and reliability of services delivered to children, pregnant women, and lactating mothers. For Rural Local Bodies, these improvements increase community trust, enhance service delivery capacity, reduce health and nutrition risks, and contribute to long-term human development, making villages healthier, safer, and more productive.

Considering the importance of AWCs and resources, the Commission recommends a capex of Rs. 685.09 Crore for piped water connection in 12581 Anganwadi Centres (AWCs), construction of toilets in 5078 AWCs having no toilet facilities, completion of 6047 incomplete AWCs, construction of kitchens in 2827 functional AWCs having no kitchen facilities, and the construction of boundary walls in the most vulnerable 3000 AWCs.

### **IT infrastructure at GPs:**

**10.53** It is critical to equip Gram Panchayats with modern digital tools, connectivity, and hardware necessary for efficient governance and timely service delivery. Strengthening IT systems enables smoother data management, transparent administrative processes, and improved access to citizen-centric services.

Therefore, the Commission recommends an amount of Rs. 135.88 Crore at the rate of Rs. 2 Lakh per GP over a period of five years for the procurement of computers, printers, scanners etc.

### **Construction of Hostel for District Panchayat Resource Centres (DPRCs):**

**10.54** Establishing hostels at District Panchayat Resource Centres (DPRCs) across 30 districts is crucial for strengthening the capacity and effectiveness of the Panchayati Raj system. Hostel facilities significantly improve participation in capacity-building activities by removing barriers of distance, cost, and logistics. They create a focused learning environment, enabling continuous

residential training, peer learning, and knowledge sharing among participants from different blocks and Gram Panchayats. For rural local bodies, this directly enhances governance quality, planning, financial management, and service delivery.

Considering the importance of DPRCs, the Commission recommends an amount of Rs. 130 Crore for the construction of hostels at each DPRC. The Commission in consultation with OUTR and PR&DW Department has agreed upon a model design for DPRC hostel with estimate of Rs. 4.33 Crore per hostel. To bring uniformity in design, quality of materials, and adherence to timelines across all DPRCs, the Commission recommends centralised tendering at the State level. All the buildings have to start in the 1st and 2nd year of the award period. The model design with detailed estimate are enclosed at Annexure 10.2.

### **Sanitation and Waste Management in Gram Panchayats with tourism destination/with tourism potential:**

**10.55** Sanitation and solid waste management are vital in tourist-oriented Gram Panchayats because tourism significantly increases the daily floating population, leading to higher generation of waste, sewage, and plastic litter. Clean streets, scientific waste collection, segregation, composting, and plastic waste management create a positive image, encouraging higher footfall and longer tourist stays, which ultimately increases local income through homestays, local transport, handicrafts, eateries, and guide services.

Realising the importance of sanitation and waste management in those GPs, the Commission recommends an amount of Rs. 47 Crore over the period of five years in the selected 47 GPs (Category-A identified by Tourism Department) of the State (list enclosed at Annexure-10.3 of the Report) at the rate of Rs.1 Crore per GP for five years. PR&DW Department will prepare the SoP for the purpose, including a revenue sharing model in consultation with the Tourism Department and the H&UD Department to ensure adherence to standard sanitation and solid waste management practices. Provision of a decentralised and community-centric approach focused on source segregation, local processing with the provision of Micro Composting Centres (MCC) and Material Recovery Facilities (MRF), as adopted in ULBs, may be followed.

### **Preparation of master plans for Census Towns:**

**10.56** Preparation of master plans for Census Towns within Gram Panchayats is vital to manage urbanisation in an orderly, inclusive, and sustainable manner. Though administratively rural, these towns display urban characteristics such as high population density, non-agricultural employment, and rising demand for urban services. In the absence of a master plan, growth remains unregulated, resulting in haphazard land use, congestion, environmental degradation, and infrastructure deficits. A master plan provides a clear spatial framework for land use, transport, housing, utilities, and social infrastructure, ensuring rational land allocation while protecting water bodies, drainage systems, and environmentally sensitive areas.

The Commission recommends an amount of Rs. 39.99 Crore for the preparation of master plans for each of the 116 census towns. If the number of census towns increases after the general census conducted by the government, the State Government may consider preparing such master plans

from its own budget. While preparing the master plan, the services of professional agencies may be availed in consultation with the H&UD Department.

### **Development of infrastructure and provision of amenities for Census Town GPs:**

**10.57** The Commission recommends an amount of Rs. 348 Crore for 116 Census Towns at the rate of Rs. 3 Crore per Census Town over a period of five years. These grants are to be used for creation of infrastructure and provision of amenities like wide roads, recreational parks, drainage, street lights, sanitation, and waste management, etc., in the 116 Census Towns as per master plans (after finalisation of master plans), after due consultation and supervision of the H&UD Department. This grant will be available to Census Towns in addition to other grants, as suggested for all GPs of the State.

### **Grants-in-Aid for ULBs**

**10.58** Sector-specific grants are equally important for Urban Local Bodies (ULBs) to ensure dedicated funding for essential urban services, improve service delivery, and strengthen governance and financial sustainability. While untied grants are often linked to greater autonomy, sector-specific grants focus on remedying structural weaknesses and ensuring minimum service standards, where ULB's narrow resource base is often insufficient to support the operational and capital needs of priority sectors. The Commission recommends an amount of Rs. 4667 Crore for sector-specific Grants-in-Aid for the ULBs. Unlike PRIs, the Commission has recommended Grants-in-Aid for ULBs based on population. The details of sector-specific Grants-in-Aid for the ULBs are given as follows:

#### **Urban Sewerage System:**

**10.59** With urban growth, sewerage network systems will need capacity augmentation. Inadequacies and inefficiencies in sewerage systems pose health hazards, environmental degradation, and undermine the urban quality of life. Greater investments are required in treating blackwater discharge and management of greywater disposal. Further, sewerage assets that have exceeded their design life require renewal and, where necessary, redesign.

The Commission recommends an amount of Rs. 500 Crore for the strengthening of the urban sewerage system, and any incremental demand may be met from the OSR of ULBs or from the State budget.

#### **Urban Sanitation & Waste Management:**

**10.60** The Commission recommends an amount of Rs. 700 Crore for Urban Sanitation and Waste Management, including solid waste, faecal sludge, septage and grey water management. Additional requirement of funds may be met from the Department's budget or the OSR of ULBs or both.

#### **Creation of capital assets for revenue generation:**

**10.61** Capital assets such as markets, shopping complexes, parking facilities, bus terminals, slaughterhouses, solid waste processing units, commercial buildings, and rental housing enable ULBs to earn recurring revenues through user charges, rents, licence fees, and concessions. By

converting public investments into sustained income streams, these assets allow ULBs to reinvest resources in essential urban services such as sanitation, roads, water supply, and street lighting, thereby strengthening fiscal autonomy and institutional capacity.

The Commission recommends an amount of Rs. 1000 Crore for the creation of capital assets for revenue generation only as capex.

### **Rejuvenation of water bodies and provision of public amenities:**

**10.62** Owing to the importance of water bodies in ULBs, the Commission recommends an amount of Rs. 400 Crore for the rejuvenation of 500 water bodies along with waterfront development, such as public spaces, plantations, LED lighting, walkways, and recreational areas.

### **Provision of LED Street Lightings/High Mast lights:**

**10.63** The Commission recommends an amount of Rs. 300 Crore for the provision of LED Street Lightings/High Mast lights in ULBs.

### **Provision of Solar Street lights:**

**10.64** Much of the current transition to renewable energy sources reflects a shift to cleaner energy, in alignment with Sustainable Development Goals and embedded in national and state-level priorities. Accordingly, provision of solar lighting is crucial, as it supports the clean energy agenda, reduces energy costs, and improves lighting in areas where the grid supply is unreliable or difficult to access. Therefore, the Commission recommends an amount of Rs. 80 Crore for the provision of Solar Street lights in ULBs.

### **Provision of Maintenance of Assets (Opex):**

**10.65** The provision of funds for maintenance of assets is important to Urban Local Bodies (ULBs) to ensure continuity of services, protect public investments, and sustain urban infrastructure over its intended life cycle. Overall, Opex support leads to optimal asset performance, cost efficiency, and sustainable urban service delivery.

The Commission recommends an amount of Rs. 600 Crore for the maintenance of all types of capital assets in ULBs, including maintenance of revenue-generating assets.

### **Preparation of Master Plans for River/ Lake front development:**

**10.66** Preparation of Master Plans for riverfront and lakefront development will ensure sustainable, planned, and inclusive utilisation of these vital urban water bodies. Without a structured development framework, these areas are prone to encroachment, pollution, and unplanned commercialisation, which can undermine environmental, social, and economic objectives.

The Commission recommends an amount of Rs. 10 Crore for the preparation of master plans for River/ Lake front development in ULBs (such as Chilika, Mahanadi, Bindusagar, Gangua Nala-Daya River).

### **Box-10.1: Chilika lake front development**

Chilika Lake, Asia's largest brackish water lagoon and a Ramsar site, holds immense ecological, cultural, and economic significance. A planned lake front development would promote sustainable tourism, livelihood enhancement, and environmental conservation while preserving the fragile ecosystem.

Chilika Lake Front Development has significant potential to emerge as a sustainable source of public and private investment by leveraging its unique ecological, tourism, and cultural value. Planned lake front development can attract huge investment in eco-tourism infrastructure such as promenades, interpretation centres, regulated boating facilities, eco-resorts, recreational spaces, and visitor amenities, while adhering to wetland and environmental protection norms.

The tourism sector plays a vital role in economic development by generating employment, income, and investment across multiple sectors. It creates large-scale direct and indirect employment opportunities in hospitality, transport, travel services, handicrafts, food processing, and local enterprises. As tourism is labour-intensive, it provides livelihoods to skilled, semi-skilled, and unskilled workers, particularly benefiting youth, women, and local communities.

For Urban Local Bodies and Panchayati Raj Institutions, tourism-related activities enhance own source revenues and support maintenance of public infrastructure. Increased tourist inflow stimulates demand for local goods and services, promoting entrepreneurship and small businesses. This will help local people immensely as it would give a fillip to their livelihood and business activities.

Tourism Department in consultation with Chilika Development Authority may prepare a comprehensive investment/ development plan for promotion of international/domestic tourism by engaging reputed professional Agencies.

### **Construction of District Skill Development-cum-Technology Centres:**

**10.67** Skill development is a key driver of economic growth, workforce competitiveness, and inclusive urban development. Under Odisha Vision 2036 and 2047, the State has set targets to skill 1.5 Lakh youth annually by 2036 and 2.5 Lakh youth annually by 2047 to build a future-ready workforce aligned with industry and global labour market needs. With rapid urbanisation and expansion of employment-intensive sectors, demand for skilled manpower in urban and peri-urban areas continues to rise.

Therefore, setting up District Skill Development-cum-Technology Centres (DSDTC) is strategically warranted. A well-planned DSDTC could potentially align local labour supply with industry demand through customised, demand-driven skilling, upskilling, and reskilling. Thus, DSDTCs are perceived as strategic human investments that will potentially enhance employability, stimulate local economic growth, promote social inclusion, and strengthen the technical capacity of urban communities.

With careful consideration of the multiple benefits these DSDTCs can deliver, the Commission recommends an amount of Rs. 500 Crore for the Construction of District Skill Development-cum-

Technology Centres in 10 locations across the state. H&UD Department may identify ten such locations in consultation with SD&TE Department, intending to uniformly cover the entire State.

The proposed District Skill Development-cum-Technology Centres (DSDTCs) should be mentored by reputed institutes like CTTC, CPET and World Skill Centre. After construction of the DSDTCs, overall supervision will be the responsibility of the SD&TE Department.

### **Development of urban agglomerates:**

**10.68** The Commission recommends an allocation of Rs. 300 Crore for the development of urban agglomerates such as Jharsuguda–Brajraj Nagar–Belpahar, Kalinga Nagar–Vyas Nagar (Jajpur Road), Paradip, Dhenkanal–Angul–Talcher, and Gopalpur–Berhampur–Chatrapur to promote balanced regional growth, strengthen economic integration, and enhance urban infrastructure across interconnected cities in Odisha.

### **Modernisation and Development of Street Food Hubs in Municipal Corporation Areas:**

**10.69** Modernisation and development of street food hubs in Municipal Corporation areas contribute significantly to OSR generation, urban livelihoods and improved civic management. From an economic perspective, such hubs formalise livelihoods and enhance municipal revenues. Provision of organised vending spaces, kiosks, and licensing enables vendors to operate legally, pay user fees, and access institutional support such as credit and insurance. Modern hubs attract higher footfall, support micro-enterprises, and stimulate allied sectors. The Commission’s visit to Indore’s “Chhapan Dukan,” developed by Indore Municipal Corporation, demonstrates how well-designed street food hubs can strengthen urban food culture, while generating sustainable revenue for ULBs.

The Commission recommends an allocation of Rs. 40 Crore for modernisation and development of street food hubs in Municipal Corporations, with the expectation that these initiatives will enhance public amenities while also augmenting the revenues of ULBs.

### **Development of parks and urban forestry:**

**10.70** Greening urban areas helps mitigate the urban heat island effect and reduce climate stress, making such initiatives especially important in climate-vulnerable regions. The development of parks and urban forestry also helps Urban Local Bodies (ULBs) prevent encroachment on public land. Formal designation of open spaces as parks or green belts establishes clear land use, legal boundaries, and visible public ownership, deterring illegal occupation. These spaces can be protected through municipal and environmental laws, with community awareness strengthening enforcement. Additionally, parks and urban forests can generate revenue through entry fees and user charges for amenities such as sports facilities, jogging tracks, boating areas, and event spaces.

To protect valuable Government land from encroachment and increase the OSR of ULBs, the Commission recommends an amount of Rs. 187 Crore for parks and urban forestry. Standalone plantations are not encouraged under the grant. Forestry for the purpose of protecting government land is allowed for the development of parks.

## Slum Redevelopment:

**10.71** Unplanned and informal settlements often come up on encroached Government land or environmentally sensitive land, hindering planned development, infrastructure expansion and optimal land use within cities. Slum re-development enables integration of informal settlements into the formal urban system and helps as a good source of revenue for the ULB.

Considering the importance of slum re-development, Commission recommends an amount of Rs. 50 Crore for slum re-development. H&UD Department is required to engage reputed professional agencies for transforming slums into planned, liveable neighbourhoods by leveraging and monetising the underlying land value to finance re-development.

**10.72** The summary of Grants-in-Aid to PRIs and ULBs is given in the following table:

**Table 10.14 Grant-In-Aid for PRIs**

*(Rs.in Crore)*

Sl No	Name of the Component	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
1	Creation of Capital Assets for Revenue Generation	203.82	407.64	448.40	478.98	499.36	2038.20
2	Maintenance of Capital Assets	108.70	122.29	135.88	149.47	163.06	679.40
3	Provision of LED Street Light/ High Mast Light	57.75	115.50	127.05	135.71	141.49	577.50
4	Rejuvenation of water bodies and development of Eco/Biodiversity parks	65.27	130.53	143.59	153.38	159.90	652.67
5	Construction of New GP Building (Panchayat Bhawan) for dilapidated condition/ GPs with no building	200.00	400.00	440.00	470.00	490.00	2000.00
6	Grid Connected Solar power in Mega water supply Projects	28.00	56.00	61.60	65.80	68.60	280.00
7	Inline Chlorination in SVS projects	10.51	21.01	23.11	24.69	25.74	105.06
8	Technology enabled O&M - IoT devices in SVS Projects	20.06	40.11	44.12	47.13	49.13	200.55
9	Iron Removal Plant in PWS Projects	13.25	26.50	29.15	31.14	32.46	132.50
10	Model pisciculture tanks/ponds for Demonstration and training	13.82	27.63	30.39	32.47	33.85	138.16
11	Creation of facilities for AnganWadi Centres (AWCs)	68.51	137.02	150.72	161.00	167.84	685.09
12	IT infrastructure at GPs	13.59	27.18	29.89	31.93	33.29	135.88
13	Construction of Hostel for District Panchayat Resource Centres	13.00	26.00	28.60	30.55	31.85	130.00

Sl No	Name of the Component	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
14	Development of infrastructure and provision of amenities for Census Town GPs	34.80	69.60	76.56	81.78	85.26	348.00
15	Sanitation and waste management in Tourist oriented GPs	7.52	8.46	9.40	10.34	11.28	47.00
16	Preparation of master plans for Census Towns	6.40	7.20	8.00	8.79	9.60	39.99
	<b>Total GIA for PRIs</b>	<b>865.00</b>	<b>1622.67</b>	<b>1786.46</b>	<b>1913.16</b>	<b>2002.71</b>	<b>8190.00</b>

**Table 10.15 Grant-In-Aid for ULBs**

*(Rs.in Crore)*

Sl. No	Name of the Component	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
1	Urban Sewerage System	50.00	100.00	110.00	117.50	122.50	500.00
2	Urban Sanitation & Waste Management	112.00	126.00	140.00	154.00	168.00	700.00
3	Creation of capital assets for Revenue Generation	100.00	200.00	220.00	235.00	245.00	1000.00
4	Rejuvenation of water bodies and provision of public amenities	40.00	80.00	88.00	94.00	98.00	400.00
5	Development of parks and urban forestry	18.70	37.40	41.14	43.95	45.82	187.00
6	Slum Re-development	5.00	10.00	11.00	11.75	12.25	50.00
7	Provision of LED Street Lightings/High Mast lights	30.00	60.00	66.00	70.50	73.50	300.00
8	Provision of Solar Street lights	8.00	16.00	17.60	18.80	19.60	80.00
9	Maintenance of Capital Assets	96.00	108.00	120.00	132.00	144.00	600.00
10	Preparation of Master Plans for River/ Lake front development (such as Chilika, Mahanadi, Bindusagar, Gangua Nala- Daya River)	1.60	1.80	2.00	2.20	2.40	10.00
11	District Skill Development-cum-Technology Centres	50.00	100.00	110.00	117.50	122.50	500.00

Sl. No	Name of the Component	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
12	Development of urban agglomerates (like Jharsuguda- Brajaraj Nagar- Belpahar, Kalinga Nagar, Paradip, Dhenkanal- Angul- Talcher, Gopalpur- Berhampur)	30.00	60.00	66.00	70.50	73.50	300.00
13	Modernisation and development of Street food hubs in Municipal Corporation areas (Bhubaneswar, Cuttack, Rourkela, Berhampur, Sambalpur, Puri)	4.00	8.00	8.80	9.40	9.80	40.00
	<b>Total GIA for ULBs</b>	<b>545.30</b>	<b>907.20</b>	<b>1000.54</b>	<b>1077.10</b>	<b>1136.86</b>	<b>4667.00</b>

### Performance Incentive Fund

**10.73** The Commission recommends setting up a Performance Incentive Fund by allocating 0.5 per cent of the divisible pool. This amounts to Rs. 2,073 Crore for the award period, out of which the shares of PRIs and ULBs are worked out to be Rs. 1,451 Crore and Rs. 622 Crore respectively. Performance Incentives will be applicable from the second year onwards of the award period, based on several pre-established criteria. Local bodies can encourage individuals and teams to work towards desired outcomes and allocate resources effectively by linking rewards to specific achievements. Such incentives will be untied in nature.

### Human Resources Development Fund

**10.74** Urban and rural local bodies are mandated to provide a wide spectrum of civic amenities, like sanitation, waste management, infrastructure, etc. Human Resources in local bodies assumes major significance as a decisive factor in the optimisation of the performance of local bodies. A trained, skilled and well-equipped workforce can maximise efficiency of resource utilisation by prioritising fund utilisation, mobilising local revenues, and leveraging state and central schemes more effectively. Capacity building through upskilling human resources drives digital governance. Skilled personnel foster participatory governance by engaging communities and ensuring inclusive decision-making, adapting to technological and policy shifts through tools like e-governance and GIS planning, and strengthening accountability by adhering to governance protocols and grievance redressal mechanisms.

**10.75** Considering the need of Human Resource Strengthening through hiring, upscaling, upskilling, and reskilling, the Commission has recommended the setting up of a Human Resources Development Fund for the local bodies. It has earmarked one per cent of the budgeted Mining revenue every year for this Fund. This fund for human resources strengthening in local bodies is projected to be Rs. 2,320 Crore for the award period, out of which the shares of PRIs and ULBs

are worked out at Rs. 1,530 Crore and Rs. 775 Crore, respectively. In addition, Rs. 15 Crore is recommended to be spent at the State level for monitoring of utilization of SFC funds by local bodies.

**10.76** The Commission is of the view that the human resources strengthening would increase fund utilisation, improve the quality of expenditure, and yield better outcomes. This will ultimately help the PRIs and ULBs to augment their own source of revenue with better accountability. As a result, the State's performance on the devolution index will improve.

### **Recommendations to the Sixteenth Finance Commission**

**10.77** The total fund requirement for the local bodies is estimated by the Commission at Rs. 1,10,000 Crore for the award period 2026-31. The fund requirements for PRIs and ULBs are worked out to be Rs. 71,871 Crore and Rs. 38,114 Crore, respectively with Rs. 15 Crore earmarked for monitoring of utilization of SFC funds, as presented in Table 10.16.

**10.78** The Commission recommends a total of Rs. 50,000 Crore to be transferred as devolution of funds, assignment of taxes, grants-in-aid, performance incentives, and allocation for human resource development, and capacity building of local bodies for the award period. Thus, the total SFC transfer of resources during the award period would be 2.41 times the transfer recommended by Fifth SFC. The shares of PRIs and ULBs are estimated to be Rs. 32,871 Crore and Rs. 17,114 Crore respectively, with Rs. 15 Crore earmarked for monitoring of utilization of SFC funds. (Table 10.16).

**10.79** Consequently, the Commission proposes to the Sixteenth Finance Commission to recommend an allocation of Rs. 60,000 Crore as total transfer of funds for inter-se allocation among PRIs and ULBs (Table 10.16).

**Table 10.16 Total Resource Transfer to Local Bodies recommended for the period 2026-27 to 2030-31**

*(Rs.in Crore)*

HEADS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
<b>a) DEVOLUTION</b>						
i) PRIs	2030.00	2030.00	2030.00	2030.00	2030.00	10150.00
ii)ULBs	870.00	870.00	870.00	870.00	870.00	4350.00
<b>Total</b>	<b>2900.00</b>	<b>2900.00</b>	<b>2900.00</b>	<b>2900.00</b>	<b>2900.00</b>	<b>14500.00</b>
<b>b) ASSIGNMENT OF TAXES</b>						
i) PRIs	1939.92	2083.96	2240.68	2549.00	2736.44	11550.00
ii)ULBs	1119.43	1220.69	1331.17	1454.50	1574.21	6700.00
<b>Total</b>	<b>3059.35</b>	<b>3304.65</b>	<b>3571.85</b>	<b>4003.50</b>	<b>4310.65</b>	<b>18250.00</b>
<b>c) GRANTS-IN-AID (SFC Grant)</b>						
i) PRIs	865.00	1622.67	1786.46	1913.16	2002.71	8190.00
ii)ULBs	545.30	907.20	1000.54	1077.10	1136.86	4667.00
<b>Total</b>	<b>1410.30</b>	<b>2529.87</b>	<b>2787.00</b>	<b>2990.26</b>	<b>3139.57</b>	<b>12857.00</b>

HEADS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
<b>d) Performance Incentive (PI)</b>						
i) PRIs	0.00	350.00	356.00	367.00	378.00	1451.00
ii)ULBs	0.00	127.99	139.04	162.73	192.24	622.00
<b>Total</b>		<b>477.99</b>	<b>495.04</b>	<b>529.73</b>	<b>570.24</b>	<b>2073.00</b>
<b>e) Human Resource Strengthening</b>						
i) PRIs	49.00	334.00	354.00	379.00	414.00	1530.00
ii)ULBs	28.00	168.00	178.00	193.00	208.00	775.00
Monitoring (State Level)	3.00	3.00	3.00	3.00	3.00	15.00
<b>Total</b>	<b>80.00</b>	<b>505.00</b>	<b>535.00</b>	<b>575.00</b>	<b>625.00</b>	<b>2320.00</b>
<b>f) SFC Transfer of Funds (a+b+c+d+e)</b>						
i) PRIs	4883.92	6420.63	6767.14	7238.16	7561.15	32871.00
ii)ULBs	2562.73	3293.88	3518.75	3757.33	3981.31	17114.00
Monitoring (State Level)	3.00	3.00	3.00	3.00	3.00	15.00
<b>Total SFC Transfer</b>	<b>7449.65</b>	<b>9717.51</b>	<b>10288.89</b>	<b>10998.49</b>	<b>11545.46</b>	<b>50000.00</b>
<b>g) CFC Grant</b>						
i) PRIs						39000.00
ii)ULBs						21000.00
<b>Total CFC Grant</b>						<b>60000.00</b>
<b>Total Transfer of Funds (f+g)</b>						
i) PRIs						71871.00
ii)ULBs						38114.00
Monitoring (State Level)						15.00
<b>Total Transfer</b>						<b>110000.00</b>

*Source: Computed by the State Finance Commission*

## Conclusion

**10.80** The recommended framework for sharing resources with local bodies provides a foundation for strengthening their fiscal stability and service delivery capacity. Efficient and transparent local governments require a comprehensive strategy of systemic reforms across all levels of local governance. In the subsequent chapter, the Commission provides a comprehensive framework for reimagining efficient and transparent local governance.





## **Chapter – XI**

### **Reimagining Local Governance**

#### **Introduction**

**11.1** Reimagining local governance requires a decisive shift from fragmented, compliance-driven practices to integrated, performance-oriented systems that prioritise accountability, fiscal prudence, and citizen-centric service delivery. Achieving this transformation necessitates Business Process Reengineering (BPR). Unlike incremental reforms that make marginal adjustments to existing procedures, BPR entails a fundamental rethinking and redesign of workflows to deliver significant improvements in efficiency, cost-effectiveness, and service quality. Addressing implementation challenges through process reengineering is, therefore, essential for building capable and transparent local governments.

**11.2** The State’s vision of Viksit Odisha projects urbanisation levels reaching 60 per cent by 2047, with universal access to basic amenities in peri-urban and semi-urban areas by 2036 and in rural areas by 2047. This trajectory underscores Odisha’s substantial urbanisation potential and the need for a coordinated approach to unlock sustainable job creation, planned urban expansion, inclusive growth, and long-term prosperity.

**11.3** Efficient and transparent local governments are also critical for achieving climate-resilient development, given their proximity to communities and responsibility for local infrastructure and services. Strong governance systems, supported by technological integration, are vital for informed decision-making, accountability, and sustained outcomes. To ensure long-term sustainability, local governments must also move beyond traditional intergovernmental transfers and focus on strengthening own-source revenues through alternative financing mechanisms, private sector participation, and innovative asset monetisation strategies.

#### **A. IMPLEMENTATION CHALLENGES OF LOCAL BODIES**

**11.4** Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) face several common implementation challenges that constrain their effectiveness as institutions of self-government. A major concern is financial weakness arising from low Own Source Revenue (OSR), poor collection efficiency, and higher dependence on State and Central transfers. Capacity constraints, including shortages of trained personnel and technical expertise, adversely affect planning, execution, and monitoring of projects. Delays in fund releases, weak accounting and audit systems, limited functional autonomy, political interference, overlapping responsibilities with State departments, and weak accountability mechanisms further undermine local governance. The key implementation challenges are summarised below:

**(i) Inadequate Own Source Revenues (OSR):**

Local bodies suffer from low OSR due to outdated tax rates, irregular revisions, weak enforcement, and poor mobilisation of property tax, user charges, and non-tax revenues. Asset registers are poorly maintained despite assets being created through Finance Commission grants, limiting revenue augmentation.

**(ii) Uncertainty in Financing:**

Unpredictable fund flows, delayed release of SFC/CFC grants—often towards the end of the financial year—and weak communication regarding fund releases disrupt service delivery, delay projects, and impede maintenance planning.

**(iii) Shortage of Human Resources:**

PRIs and ULBs face chronic staff shortages, with vacancy levels averaging about 30 per cent and 60 per cent respectively. Technical staff are overstretched, with a single JE/AE often overseeing multiple Gram Panchayats from block headquarters.

**(iv) Delays in Planning and Project Approvals:**

Project approvals are frequently received late, sometimes near the end of the financial year, resulting in stalled or non-started projects, including those planned several years earlier.

**(v) Low Institutional Capacity:**

Limited experience of elected representatives, weak planning capacity, inadequate data and GIS support, and insufficient training of newly inducted Accountant-cum-DEOs constrain effective implementation.

**(vi) Weak Financial Controls, Audit, and Transparency:**

Low audit coverage, incomplete accounts, and weak internal controls lead to poor transparency, leakages, and weak accountability.

**(vii) Data, IT, and Monitoring Gaps:**

Absence of reliable data systems, asset registers, integrated IT platforms, and monitoring dashboards hampers revenue collection, transparency, and performance monitoring.

**(viii) Coordination Challenges:**

Poor coordination among multiple State departments and Central schemes leads to duplication and delays, underscoring the need for formal inter-agency mechanisms, time-bound clearances, and single-window systems.

## **B. HUMAN RESOURCE DEVELOPMENT FUND**

**11.5** The Commission recognises that despite progressive devolution of funds and functions, local bodies continue to face severe human resource constraints. High vacancy levels, shortage of technical and professional staff, limited capacity for planning, accounting, and use of technology, and inadequate training have constrained service delivery, delayed project implementation, which has consistently led to underutilisation of funds. Addressing these gaps is essential for improving institutional performance, accountability, and citizen-centric governance.

**11.6** To this end, the Commission recommends the creation of a dedicated Human Resource Development (HRD) Fund of Rs. 2,320 Crore over the award period 2026–31, financed from 1 per cent of the State's mines revenue. Of this, Rs. 1,530 Crore is allocated to PRIs, Rs. 775 Crore to ULBs, and Rs. 15 Crore to the Finance Department for common monitoring initiatives. The HRD Fund is designed to support human resource engagement, professional services, monitoring systems, training and capacity building, and e-governance.

**11.7** For PRIs, the Commission prioritises filling existing vacancies in key posts such as Panchayat Executive Officers, Accountants-cum-Data Entry Operators, and Engineers, and recommends the creation of 3,361 additional Junior/Assistant Engineer posts to ensure one dedicated technical functionary per Gram Panchayat.

**11.8** For ULBs, the Commission highlights acute staffing shortages, with nearly 60 per cent vacancies, and recommends filling sanctioned posts, creating 499 new posts in newly established or upgraded ULBs, strengthening professional and project management support, expanding training programmes, and enhancing digital systems for own-source revenue (OSR) mobilisation and service delivery.

## C. PERFORMANCE INCENTIVE FUND

**11.9** In addition to capacity strengthening, the Commission has recommended a comprehensive Performance-Based Incentive Fund to promote efficiency, accountability, fiscal discipline, and innovation. Incentives are linked to measurable outcomes such as timely preparation of development plans and budgets, completion of accounts, maintenance of asset registers, improvement in OSR, and utilisation of State Finance Commission (SFC) funds. Incentives are supplemented by Chief Minister's Awards to recognise and motivate high-performing PRIs and ULBs, and State Innovation Fund to support innovative, scalable solutions in governance and service delivery. The Commission has recommended an amount of Rs. 2,073 Crore for the purpose over the award period 2026–31, of which Rs.1,451 Crore is allocated to PRIs and Rs. 622 Crore to ULBs.

## D. Process Re-engineering for Local Bodies

**11.10** Process re-engineering is essential for Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to improve efficiency, transparency, and service delivery in line with constitutional mandates and citizens' expectations. Traditional local government procedures are often rule-bound, fragmented, and paper-based, leading to delays, inefficiencies, and weak accountability. Process re-engineering focuses on redesigning workflows by simplifying procedures, eliminating redundancies, clarifying roles, and adopting technology-enabled systems. The use of digital platforms and real-time monitoring enhances transparency and decision-making. Overall, process re-engineering enables Local Bodies to shift from compliance-driven functioning to responsive, citizen-centric, and financially sustainable grassroot level governance. The Commission recommends the following process re-engineering for the Local Bodies to enhance their performance:

### (a) Advance information to PRIs and ULBs on Flow of Funds:

**11.11** Predictability and timely release of funds are critical for ensuring efficient project execution, transparency, and accountability in Local Bodies. Delays or uncertainty in fund flows often disrupt implementation, lead to cost overruns, and weaken service delivery. Assured fund flow enables local bodies to plan effectively, execute works on schedule, and maintain financial discipline, thereby minimising inefficiencies and strengthening confidence in decentralised governance systems.

**11.12** With a view to ensuring predictability and transparency in fund flows, the Commission recommends that the Panchayati Raj & Drinking Water (PR&DW) Department and the Housing & Urban Development (H&UD) Department communicate PRI-wise and ULB-wise, year-wise fund commitments relating to Devolution, Assignment of Taxes, and Grants-in-Aid through the dashboard within **THREE MONTHS** of the commencement of the award period.

**11.13** Further, the Commission recommends that both Departments release the first instalment of all SFC funds in April and the second instalment by October each year during the award period. All releases should be routed through the iFMS system and reflected on the SAMIKSHYA dashboard, with due intimation to the concerned PRIs and ULBs to facilitate timely planning and implementation.

### (b) Preparation of shelf of project- GPDP/Annual Action Plan

**11.14** The Commission recommends the following measures to improve efficiency, predictability, and participatory planning in PRIs and ULBs:

- (i) The Panchayati Raj & Drinking Water (PR&DW) Department and the Housing & Urban Development (H&UD) Department shall develop sector-wise standard DPR templates for roads, water supply, sanitation, buildings, parks, etc. and prescribe clear time limits for each stage of project processing; such as DPR preparation, technical sanction, and administrative approval to ensure timely execution of works.

(ii) PRIs and ULBs shall prepare a five-year shelf of projects (2026–31) during 2026–27, with full implementation readiness, including land identification/acquisition, preparation of DPRs, and obtaining technical and administrative approvals.

(iii) An advance annual calendar for Gram Sabhas, Ward Committees, Area Sabhas, and stakeholder consultations shall be prepared and displayed on GP/ULB notice boards and websites before the financial year, with resolutions and proceedings uploaded on the dashboard to enhance transparency and public participation.

**(c) Simplified Tender Process with provision of Incentive/ Penalty:**

**11.15** The Commission recommends the following measures to ensure timely execution, quality, and accountability in projects undertaken by PRIs and ULBs:

(i) Given the limitations of departmental execution in handling a large number of works, open tendering should be promoted for faster implementation of projects. Wherever feasible, smaller projects may be clubbed into comprehensive DPRs and tendered together to ensure efficiency and timely completion.

(ii) For iconic and high-value projects such as Panchayat Bhawans and hostels at DPRCs, a centralised tendering system should be adopted to ensure uniformity in design, quality standards, and adherence to timelines.

(iii) To avoid delays, both Departments shall ensure that all approvals for projects proposed during 2026–27 to 2030–31 are completed prior to the commencement of the relevant financial year. A time-bound tendering system, with clearly defined and mandatory timelines for each stage of the tender process, shall be followed by all PRIs and ULBs to ensure predictable and timely finalisation of tenders.

(iv) Work orders for projects must be placed as per the following schedule:

- First year's projects (2026–27) in FY 2026–27.
- Second- and Third-years' projects (2027–28 and 2028–29) in FY 2027–28,
- Fourth- and Fifth-years' projects (2029–30 and 2030–31) in FY 2028–29.

This must be followed scrupulously. Finance Department would intimate government approval to PRIs and ULBs in this regard within June 2026.

(v) To promote competition and efficient utilisation of funds, if utilisation of SFC funds is below 50 per cent of the previous year's allocation, further transfers shall be withheld until 50 per cent expenditure is achieved. If expenditure for a given year (Y) is not fully utilised within two years (Y+2), the unspent amount shall be deducted from future devolution and reallocated to PRIs/ULBs with 100 per cent utilisation, first within the same block, then district, and finally at the State level.

(vi) To ensure accountability and timely completion of projects, all agreements shall include penalty and incentive clauses. Suitable incentives may be provided for early completion, while penalties may be levied for delays. Departments will have to finalise a suitable penalty framework within six months of the commencement of the award period.

Despite its potential benefits, convergence of funds often poses administrative and operational challenges for local bodies due to weak coordination among line departments, leading to delays and ambiguities in roles and responsibilities. In view of these constraints, the Commission recommends that convergence of funding may be encouraged only for ancillary activities or supporting components of projects. Such convergence funding should not form an integral part of the core project, so that projects funded under SFC/CFC grants can be completed independently and on time, without being held up due to coordination issues and delays in the release of funds from other sources.

**(d) Incentive Fund implementation:**

**11.17** The Incentive Fund is intended to promote efficiency, accountability, and outcome-oriented performance among Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). Its implementation is based on clearly defined, measurable, and transparent performance criteria aligned with Constitutional functions and State priorities. Incentives are linked to key performance outcomes such as timely preparation of plans and budgets, maintenance of accounts and asset registers, enhancement of own-source revenue, and effective utilisation of Finance Commission grants. The Commission places significant emphasis on improving the overall performance of local bodies and has, accordingly, made substantial allocations under the Performance Incentive Fund.

**11.18** Performance assessment shall be undertaken annually using verified data from the monitoring dashboard and audited records. Incentive funds released to local bodies shall be treated as untied grants and may be utilised for local priorities, including completion of ongoing or incomplete projects. The implementation framework emphasises transparency, simplicity, and predictability, ensuring that incentives are meaningful, foster healthy competition, and encourage adoption of best practices among local bodies. The Departments have to release the Incentive Fund to the eligible local bodies in time. Finance Department has to monitor this and ensure timely release.

**E. INSTITUTIONALIZING MONITORING AND EVALUATION**

**(a) Institutional arrangement**

**11.19** Monitoring and Evaluation of State Finance Commission (SFC) and Central Finance Commission (CFC) awards is essential to ensure that devolved funds to PRIs and ULBs achieve their intended objectives. Given the constitutional mandate under Articles 243G and 243W, monitoring and evaluation provides assurance that recommendations are translated into effective service delivery and fiscal strengthening of local bodies.

**11.20** As per recommendations of 4th and 5th SFC, State Government constituted High Level Monitoring Committee (HLMC) under the Chairpersonship of Chief Secretary and District Level Monitoring Committee (DLMC) in each district under the chairpersonship of District Collector with a mandate to conduct meetings in quarterly interval to monitor the utilisation of SFC/CFC funds and OSR mobilisation. But, only five HLMC meetings could be conducted at the State level and no DLMC meetings was held in any of the districts over the last five years.

**11.21** As discussed in Chapter IV, fund utilisation by both PRIs and ULBs is poor due to inadequate monitoring and evaluation of project implementation. The Commission expressed concern on the issue and felt the need for continuous monitoring of the projects.

**11.22** Accordingly, the Commission recommends that Government may consider revamping HLMC and DLMCs, and take steps for setting up of an independent Authority/Council/ Body at the state level for continuous monitoring and evaluation of utilisation of SFC/CFC grants and other recommendations.

**(b) Monitoring Dashboard (Samikshya)**

**11.23** Monitoring dashboard is a critical tool for tracking implementation, measuring progress, and ensuring effective oversight. The Commission emphasises the need for a robust Monitoring and Evaluation (M&E) framework with clearly defined and measurable indicators, periodic reporting by local bodies, and public disclosure of implementation status through an online dashboard to enhance transparency and accountability.

**11.24** Although earlier State Finance Commissions had recommended the creation of a Management Information System (MIS) for monitoring utilisation of SFC and CFC funds, such a system was not operationalised, resulting in weak monitoring. To address this gap, the

Commission, in consultation with the E&IT Department, Finance Department, and OCAC, facilitated the development of the SAMIKSHYA dashboard (<https://samikshya.odisha.gov.in>), which has been launched by the Hon'ble Chief Minister. The platform enables everyone, including citizens and elected representatives at all levels to track project progress and fund utilisation in their respective local bodies.

**11.25** To strengthen financial oversight, the Commission further recommends that all funds released under the Sixth State Finance Commission and the Sixteenth Central Finance Commission be routed exclusively through the SAMIKSHYA dashboard. Information relating to fund utilisation, own-source revenue collection and expenditure, and proceedings of Gram Sabhas and Ward Sabhas shall also be made available on the dashboard to ensure transparency, accountability, and informed public participation.

### (c) Knowledge Dissemination Workshops

**11.26** During the visit of the Commission to various districts and discussion with elected representatives, it transpired that most of the elected representatives as well as implementing authorities did not have adequate understanding of the recommendations of SFC and CFC. This was one of the reasons for low level of utilisation of Fifth SFC funds by PRIs and ULBs. Further, Sixth SFC has recommended several measures for process re-engineering and incentivisation of local bodies. For awareness of all stakeholders, the Commission recommends the following measures to sensitise all stakeholders on the Action Taken Report (ATR), and recommendations of Sixth SFC:

- (i) Action Taken Report on the recommendations of 6<sup>th</sup> SFC and the guidelines for utilisation of funds need to be published in both Odia and English;
- (ii) People's Guide to recommendations of 6<sup>th</sup> SFC needs to be prepared by Finance Department narrating important provisions of ATR and Reports;
- (iii) ATR, guidelines, and People's Guide need to be distributed among all PRIs and ULBs for the information of elected representatives and officials;
- (iv) Dissemination Workshops need to be organised at State level, at Divisional level, District and Block/ULB level inviting all stakeholders.

## F. ACCELERATING URBANISATION IN ODISHA

**11.27** Urbanisation is a key driver of economic growth and structural transformation, as cities bring about concentration of population, capital, skills, and innovation, generating agglomeration economies that enhance productivity, employment, and investment. Well-planned urbanisation enables efficient infrastructure provision, strengthens market linkages, and supports entrepreneurship and industrial development. Cities also act as hubs of innovation and knowledge, contributing significantly to Gross Domestic Product. In India, the urban population has risen from 17.3 per cent in 1951 to about 35 per cent today and is projected to reach nearly 50 per cent by 2050, supporting the *Viksit Bharat 2047* vision. Odisha, however, remains under-urbanised, with only 16.68 per cent urban population in 2011, well below the national average. The Economic Survey (2024) confirms that even today, the state remains predominantly rural, with modest urban growth<sup>7</sup>.

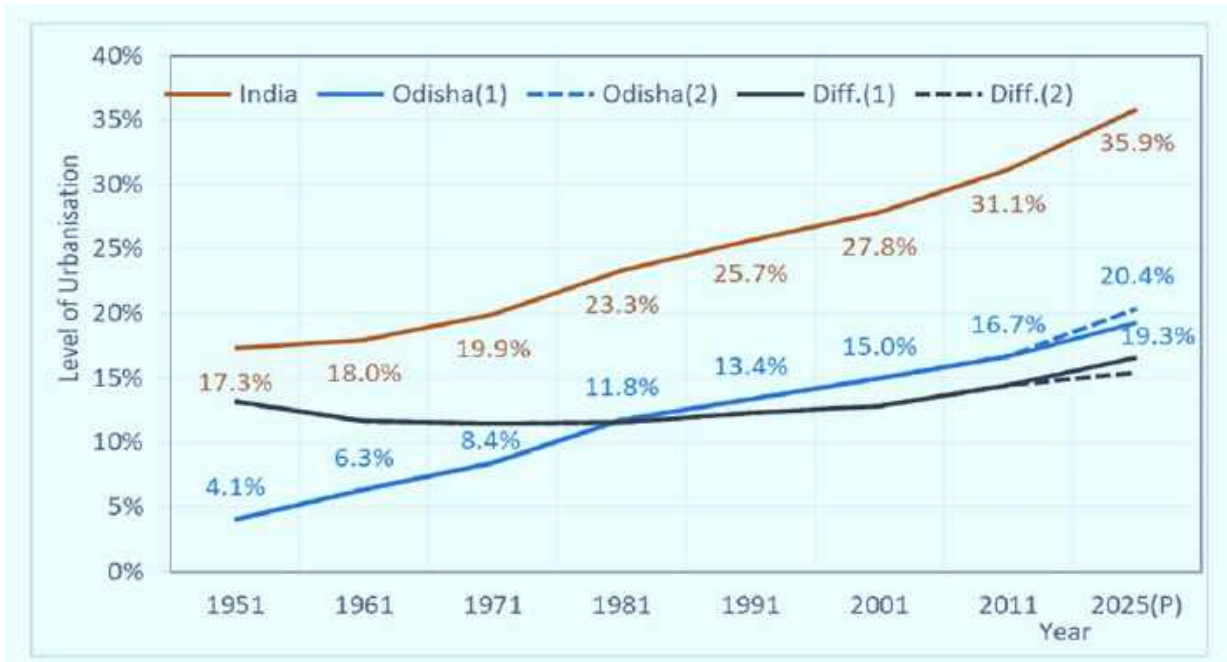
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<sup>7</sup> Note: The figures from 1951 to 2011 are based on actual data. There are two projected values for 2025: Odisha (1) is based on the MoHFW's report, while Odisha (2) is based on NIUA's own projection. Diff. (1) and Diff. (2) represent the differences between the urbanisation rates of India and Odisha.

Source: Reserve Bank of India. (2023). *Handbook of statistics on Indian states 2022–23*. Department of Statistics and Information Management, Reserve Bank of India. Ministry of Health and Family Welfare. (2020). *Report of the Technical Group on Population Projections, July 2020*. National Commission on Population, Government of India.

**11.28** The NIUA (2025) analysis (Figure 1) projects that Odisha’s urban share may only reach ~21.5% by 2036 in a business-as-usual scenario—far below the government’s Vision 2036 target of 40% (NIUA, 2025; Viksit Odisha for Viksit Bharat, 2025). This gap mandates the need for deliberate interventions.

**Figure 1: Projection of the level of Urbanisation in Odisha**



**11.29** Odisha stands at a critical moment in its development trajectory. With only 16.7% of its population officially urban, as per the 2011 Census (Office of the Registrar General & Census Commissioner, 2011), and current estimates placing the urban share at 18–19% (Government of Odisha, 2024), the State remains among the least urbanised states in India. Therefore, economic ambitions articulated in Vision 2036, demand planned, accelerated and well-sequenced urbanisation (Viksit Odisha for Viksit Bharat, 2025).

**11.30** The trends show that urban growth in Odisha will be in peri-urban areas, unfolding in 2,328 “urbanising villages” and 330 newly urban settlements, rather than within existing statutory towns (NIUA, 2025). Built-up area expansion, particularly in city-regions such as Bhubaneswar, is increasingly occurring in peripheral areas. This highlights a structural mismatch between where urbanisation is happening and where the state’s urban governance architecture is concentrated.

**11.31** District-level analysis shows that four districts account for nearly half of Odisha’s urban population, while thirteen districts had less than 10% urban population in 2011 (NIUA, 2025; Census, 2011). At the same time, emerging districts such as Jajpur and Balasore exhibit strong peri-urban growth but weak municipal coverage, reflecting stark and uneven patterns of urbanisation across Odisha. While the overall level of urbanisation in Odisha remained low, the growth of its urban population between 2001 and 2011 was also relatively modest. During this period, the State recorded a Compound Annual Growth Rate (CAGR) of 2.4 per cent in the urban population, significantly below the national average of 3.6 per cent.

**11.32** Therefore, the Commission is of the considered view that achieving 60 per cent urbanisation by 2047 will constitute the cornerstone of the State’s structural transformation from a mineral-dependent economy to a diversified, innovation-driven, and high-income economic powerhouse.

**11.33** Against this backdrop, the Commission recognises the need for a dedicated institutional mechanism in Odisha with a single mission: to accelerate and sequence urbanisation by ensuring

that new and emerging urban settlements receive planned services, infrastructure, and economic support before and after statutory notification.

**11.34** The Commission considers that well-planned and productive urbanisation can catalyse economic diversification by enabling agglomeration economies, fostering industrial and service-sector growth, attracting investment, and generating higher-value employment.

**11.35** Besides, urban centres will function as hubs of knowledge, skills, technology, and entrepreneurship, thereby reducing reliance on extractive industries and strengthening the State's long-term economic resilience and competitiveness.

**11.36** Furthermore, the Commission underscores the need to reimagine urban centres as growth hubs rather than mere residential clusters. As the State transitions from a rural economy to one driven by industry, mining, manufacturing, and services, urban centres become pivotal by providing skilled labour, reliable infrastructure, and efficient public services that enable shift from low- to high-productivity employment, expand markets, and attract investment.

**11.37** Odisha stands at a critical juncture in its development trajectory, where the scale and pace of urbanisation will decisively shape the State's economic growth, social transformation, and environmental sustainability over the coming decades. Achieving the targets is intrinsically linked to Odisha's aspiration of becoming a developed State by its centenary year and of contributing USD 1.5 trillion to the economy by 2047, with more than 60 per cent of the Gross State Domestic Product expected to originate from major urban agglomerations.

**11.38** The Commission emphasises that such a rapid and large-scale urban transition cannot be left to unplanned growth. Instead, it requires a deliberate, well-sequenced, and policy-driven approach that integrates spatial planning, infrastructure provision, financial sustainability, and environmental stewardship. In this context, the Commission reiterates the urgent need to revisit and strengthen Urban Local Body (ULB) financial models. Sustainable urbanisation demands that ULBs progressively reduce over-dependence on intergovernmental transfers by enhancing own-source revenues through rational user charges, monetisation of land assets and services, and innovative revenue streams such as the sale of compost and recyclables. These measures must be complemented by scientific waste management systems and the systematic adoption of circular economy principles, which enable cities to use resources more efficiently while reducing environmental footprints. Continuous monitoring, evaluation, and feedback mechanisms are critical to ensuring that these reforms are implemented in letter and spirit.

**11.39** A major challenge highlighted by the Commission is the growing strain on urban infrastructure, natural resources, and environmental systems, particularly in newly emerging and fast-growing towns. Inadequate drainage, sanitation, and wastewater management—often manifested in chronic urban flooding and environmental degradation—underscore the need for decentralised infrastructure solutions that complement existing initiatives such as Faecal Sludge and Septage Management (FSSM). Integrating climate resilience into sanitation, drainage, and water management systems is, therefore, not optional but essential for long-term urban sustainability.

**11.40** The Commission draws particular attention to peri-urban areas and census towns, which represent transitional zones between rural and urban spaces. These areas are experiencing rapid demographic and economic changes driven by migration, land-use conversion, and urban expansion. Yet they often suffer from weak governance structures and inadequate service delivery. Importantly, peri-urban regions also offer significantly higher revenue-generation potential compared to purely rural areas. The Commission strongly advocates for ULBs to proactively extend urban infrastructure and services—such as piped water supply, solid waste management, street lighting, and sanitation—to these fringe areas. This approach not only improves living conditions for residents but also provides ULBs with a legitimate basis to levy non-tax revenues, including user charges, licensing fees, and development levies. Over time, this creates a virtuous

cycle in which expanding service coverage is matched by an expanding revenue base, thereby curbing unplanned urban sprawl and strengthening financial sustainability.

**11.41** In addition to incremental urban expansion, the Commission endorses the strategic development of Urban Agglomerations (UAs) through a planned “hub-and-spoke” model. Drawing lessons from successful “Greater City” models such as Greater Noida and Greater Bengaluru, this approach involves integrating core cities with satellite towns, census towns, and industrial corridors through high-quality transport and infrastructure networks. Such models, often led by statutory development authorities, allow for advance land acquisition, master planning, and coordinated infrastructure development at a regional scale. In Odisha, initiatives such as the Bhubaneswar–Cuttack–Puri–Paradip Economic Region (BCPPER), along with emerging growth corridors including Greater Sambalpur, Greater Berhampur, the Northern Industrial Belt, Greater Jharsuguda–Brajrajnagar–Belpahar, Greater Paradip, and the Kalinganagar–Vyasanagar hub, offer strong potential to evolve into well-planned urban agglomerations. These agglomerations can decongest core cities, promote specialised economic zones, and generate substantial non-tax revenues through development charges and trade licensing.

**11.42** Sustainable urban mobility and air quality management are identified as another critical dimension of climate-resilient cities. The Commission advocates for the promotion of public transport, non-motorised transport, shared mobility solutions, and clean technologies to reduce vehicular emissions and congestion. The expansion of accessible, affordable, and reliable public transport systems—such as extending the Ama Bus service to other urban centres—must be supported by robust Clean Air Action Plans to address deteriorating air quality in urban areas.

**11.43** Recognising that urbanisation in Odisha is still at a relatively early stage compared to many other States, the Commission notes that the State has a unique opportunity to design “futuristic cities” rather than retrofit poorly planned ones. Accelerated but planned urbanisation, supported by comprehensive Master Plans and Building Plans, is essential. Master Plans provide long-term clarity on land use, infrastructure, mobility, and economic development, offering confidence to investors and ensuring efficient resource utilisation. Building Plans, in turn, ensure public safety, sustainability, and compliance with health and environmental standards.

**11.44** Drawing inspiration from Kerala’s pioneering Urban Policy Commission, the Commission recommends the establishment of a dedicated Urban Commission in Odisha. This body would guide urban policy, planning, and governance reforms; identify emerging urban settlements and growth corridors; ensure pre-notification provisioning of services; and coordinate implementation across departments. To ensure accountability, the Commission proposes clear milestones: achieving 40 per cent urbanisation with fully functional growth hubs by 2036, and 60 per cent urbanisation by 2047, with universal access to digital connectivity, sustainable mobility, and climate-resilient housing. With focused intent and coordinated action, Odisha can transition from fragmented urban growth to a well-orchestrated, inclusive, and sustainable urban future.

**11.45** Slum re-development is essential for achieving orderly, inclusive, and sustainable urban growth. Slums often emerge due to gaps in supply of housing, weak land-use regulations, and rapid migration, resulting in unplanned settlements that disrupt the planned growth of ULBs. The Commission felt that the slum dwellers should be resettled and the land that is vacated should be suitably monetized. Considering the importance of slum re-development, the Commission also has recommended Rs.50 Crore for ULBs to take steps for re-development of slums. By transforming under-utilised and informally occupied land into planned, and developed assets, Urban Local Bodies (ULBs) can unlock substantial economic value.

## **G. Climate Resilient Development**

**11.46** As Odisha advances towards *Viksit Odisha* and aligns its development agenda with Sustainable Development Goal 13 (Climate Action), the Commission emphasises that climate resilience must form the core of all development pathways. Climate considerations should be

systematically integrated at every stage of the project lifecycle—from planning and design to construction, operation, and maintenance.

**11.47** The Commission places strong emphasis on climate-responsive and environmentally sustainable urban development. Key interventions include the promotion of green buildings to reduce energy consumption and greenhouse gas emissions, widespread adoption of renewable energy and clean fuels, and the deployment of energy-efficient technologies such as LED-based street lighting. Equally important is the rejuvenation and conservation of urban water bodies, wetlands, and open spaces, which play a vital role in groundwater recharge, flood mitigation, temperature regulation, and overall urban liveability. Strengthening urban biodiversity enhances ecological balance and improves cities’ adaptive capacity to climate stress. To systematise these efforts, the Commission recommends that all ULBs prepare and implement City Climate Action Plans integrating mitigation, adaptation, and resilience measures into urban planning and service delivery.

**11.48** The Commission notes that achieving SDG 13 requires a strategic shift from a predominantly disaster-response approach, focused on “saving lives,” to the creation of Climate-Resilient Infrastructure (CRI) that prioritises “protecting development.” This transition calls for futuristic and adaptive infrastructure, incorporating hazard-resilient building norms, nature-based solutions, climate-proofing measures, and resilient urban design principles. Mainstreaming climate action is, therefore, not optional but imperative, ensuring that every development intervention, regardless of scale, is conceived and implemented as climate-sensitive. Such an approach safeguards public investments, preserves development gains, and promotes long-term economic and environmental sustainability.

**11.49** The Commission highlights Kerala’s experience as a best practice, where decentralised, bottom-up planning has enabled local governments to formulate targeted climate action strategies addressing sector-specific and localised vulnerabilities. Initiatives such as the State Action Plan on Climate Change and Human Health have strengthened institutional preparedness and adaptation capacity. The Commission recommends that the PR&DW and H&UD Departments adopt a suitable framework to embed climate resilience across planning, governance, and service delivery in Odisha.

## **H. MEANS OF FINANCING OF INFRASTRUCTURE IN LOCAL BODIES**

**11.50** Accelerating urbanisation is accompanied by rising aspirations and service expectations, the effective fulfilment of which will require additional financial resources. However, the own-source revenues of local bodies are limited, necessitating the exploration of new avenues for revenue mobilisation. The following section examines these avenues.

**11.51** There is a mechanism of fund flow to Local Bodies from Central and State Government in the form of different schemes as well as CFC and SFC award. Given the limited fiscal headroom available to the Union and State Governments because of the Fiscal Responsibility and Budget Management (FRBM) framework and competing claims on budgetary support for both urban & rural financing, it can only go so far. Therefore, both the ULBs and PRIs must focus on strengthening own-source revenue (OSR) and find alternative ways to raise funds like issuance of Municipal Bonds, Public-Private Partnerships, Institutional Borrowings, and other mechanisms.

### **(a) Central Government and State Government Schemes**

**11.52** Both the Central Government and the Government of Odisha implement a range of schemes to empower Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) by providing financial support, strengthening service delivery, and promoting inclusive development. These schemes follow a convergent approach, with national priorities complemented by State-specific initiatives tailored to local needs.

**11.53** Central Government schemes, largely Centrally Sponsored Schemes (CSS), provide substantial funding and policy direction, with implementation anchored at the State and local levels.

**(b) Central Finance Commission and State Finance Commission Funds**

**11.54** In Odisha, financial resources for Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) are derived mainly from transfers recommended by the Central Finance Commission (CFC) and the State Finance Commission (SFC). Together, these mechanisms form the backbone of fiscal decentralisation and enable local bodies to discharge their Constitutional responsibilities.

**11.55** SFC transfers are sourced from the State's own revenues, including a share of net tax proceeds such as State GST, Motor Vehicle Tax, and other state taxes, along with grants-in-aid from the Consolidated Fund of the State. The SFC recommends principles for the distribution of State taxes, duties, tolls, and fees between the State Government and local bodies, as well as inter se distribution among different tiers of PRIs and ULBs. In addition to general devolution, SFCs also recommend specific-purpose grants for priority areas such as road maintenance, e-governance, and institutional strengthening.

**(c) Strengthening Own Source of Revenue (OSR) in Local Bodies-Means of Financing**

**11.56** The Commission accords high importance to Own Source Revenue (OSR) as it is crucial for the effective functioning and long-term sustainability of local bodies, including Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). OSR forms the foundation of financial self-reliance by enabling local governments to generate resources from within their jurisdictions through taxes, fees, user charges, rents, and income from municipal or panchayat assets. A robust OSR base reduces excessive dependence on State and Central Government grants, enabling local bodies to function with greater autonomy.

**11.57** Augmenting Own Source Revenue (OSR) of local bodies involves systematically redesigning administrative, financial, and operational processes to strengthen revenue identification, assessment, collection, and enforcement. The Commission recommends comprehensive Revenue Source Mapping of all tax and non-tax revenue sources, including properties, licences, user charges, fees, and revenue-generating assets, as well as the development of an end-to-end module for demand, collection, and asset register integration with the dashboard for improved monitoring.

**11.58** The Commission recommends the implementation of e-Receipts for the collection of OSR from all sources through end-to-end IT applications and e-payment for all types of expenditure of LBs for transparency and prevention of leakages. The Commission also recommends the periodic revision of taxes, fees, rent, and user charges, etc., with the approval of the competent authority through the OSR module. The Commission also recommends that the digital asset registers of local bodies be made available with facilities for real-time updates in the dashboard, which is made public for scrutiny.

**11.59** The Commission recommends that PRIs and ULBs should boost OSR through institutionalized business planning and rigorous rent recovery from their existing and proposed capital assets. Additionally, they must explore different strategies that include public-private/public-community partnerships for services and income, local bodies led eco-tourism, land monetization, and green finances through carbon monetization and land/rooftop aggregation for solar projects. The ULBs and PRIs should submit an OSR plan within first six months of the commencement of the award period. The GPDP or Annual Action Plan should have source wise projected OSR for the year.

## Strengthening Own Source of Revenue (OSR) - PRIs: -Means of Financing

**11.60** The Commission is of the view that Gram Panchayats can play a direct role in levying user charges on tourists visiting rural nature camps, thereby converting ecotourism inflows into a structured and sustainable source of Own Source Revenue for local bodies. The Commission further emphasises that a collaborative framework between the Gram Panchayats and the Tourism Department, Government of Odisha—encompassing joint planning, clearly defined revenue-sharing arrangements, and integrated digital booking and payment systems—would ensure efficient collection, transparent management, and reinvestment of such user charges in local conservation and community development initiatives.

**11.61** The Commission stresses the need to adopt technology-enabled systems not only for revenue collection but also for broader public service delivery at the Panchayat level, ensuring end-to-end digitisation from assessment to receipt generation. Alongside technology, the Commission highlights the importance of behavioural interventions, such as publicly recognising timely taxpayers and clearly linking local tax payments to visible outcomes—illustratively communicating messages like “your tax built this road” or “your contribution upgraded this water supply.” When citizens can see and understand how their payments translate into concrete improvements in roads, water, sanitation, and other services, voluntary compliance tends to increase, resistance to paying taxes declines, and overall “fiscal trust” in Panchayat institutions is strengthened.

**11.62** The Commission is of the view that property tax/holding tax may be introduced in Census Towns and peri-urban Gram Panchayats. Peri-urban areas, which lie at the urban fringe, are characterised by rapid demographic and economic transformation driven by urban expansion, migration, land-use change from agricultural to residential or commercial purposes, and infrastructure growth. The revenue generation potential of Gram Panchayats in peri-urban areas and Census Towns is significantly higher than that of remotely located rural Gram Panchayats. These enhanced opportunities primarily arise from: (a) land-based revenues, and (b) economic and commercial activities. The list of revenue-yielding projects, is given in Table 11.2.

**Table 11.2: Potential Revenue Streams from Peri-Urban Areas**

Category	Revenue Stream /Instrument	Details / Examples
<b>A. Land-Based Revenues</b>	Property Tax/ Holding Tax	Mapping properties using GIS, updating assessments, and reducing exemptions
	Conversion Charges	Land Conversion charges collected may be shared with GPs
	Betterment Levy / Impact Fee	Collected from landowners benefiting from infrastructure like roads, water supply, and metro extensions
	Land Value Capture (LVC) Tools	Premium FAR/FSI charges- Sale of development rights (TDR)- Transit-Oriented Development charges
	Lease / Sale of Public Land	For housing, commercial complexes, industrial estates, logistics hubs
<b>B. Economic and Commercial Revenues</b>	Industrial / Logistics Parks	License fees, trade permits, service charges from warehouses, transport hubs, Agro-markets
	Local Markets & Commercial Activities	Fees from weekly markets, slaughterhouses, vending zones, parking spaces, and bus stands

Category	Revenue Stream /Instrument	Details / Examples
	Utility and Service Charges	Water supply tariffs, solid waste collection fees, streetlight user charges, and drainage connection fees
	Tourism, Recreation & Environmental Assets	Entry fees, boating charges, eco-park tickets, lakefront concessions

*Source: Classified by the State Finance Commission*

**11.63** The Commission recommends online booking of all facilities like Kalyan Mandap with PRIs to fetch more OSR. For construction of the Market Complex/ Rural Haat/Pindi etc. and subsequent allotment to allottee, the Commission recommends allotment prior to construction for crowd pulling of revenue from the allottee in the form of security deposit and to avoid future allotment-related issues. The list of possible OSR activities is annexed, and PRIs may refer to this list while choosing OSR-generating activities. (Annexure 10.4)

### **Strengthening Own Source of Revenue (OSR) – ULBs: Means of Financing**

**11.64** Revenues from Holding Tax form a significant share of ULB's own revenues, yet remain undermined by persistent issues like under-reporting and misreporting of property details to reduce tax liability. The widespread commercial use of residential buildings further erodes the tax base. Tax rates remain abysmally low, resulting in lower tax buoyancy. Therefore, the Commission recommends intensifying GIS-based property mapping and expanding digital payments to improve collection efficiency. Periodic reassessment of properties should be undertaken to capture changes in use, built-up area, and market value, thereby creating a comprehensive and dependable database of all properties.

**11.65** Linking Holding tax records with electricity records can significantly reduce evasion of Holding tax by helping local bodies identify unregistered or under-assessed properties and verify actual usage patterns. Cross-verification of these datasets enables more accurate assessment, widens the tax base, and strengthens compliance, thereby improving the reliability of property tax collections. The Department of Housing and Urban Affairs (DoHUA), Government of Assam, has been successful in mapping and linking property tax records against users' Electricity Service Connection Numbers in 103 out of 104 ULGs. As a result, property tax revenues have increased, with many previously unassessed or under-assessed properties being brought within the tax net.

**11.66** In urban areas, monthly entry cards can be issued with minimal charges (e.g., Rs 30 or 50 per month) against usage of the modernised park, which will enhance the revenue pool of ULBs. For example, Bhubaneswar has sector-specific parks with open gymnasium facilities. A minimum utility charge can be collected against the utility derived from these recreation centres. Additionally, if public parks can be rented by citizens for private functions, it would add a lot of revenue.

**11.67** In rural Odisha, the Commission put forward land-based monetisation to be reimagined as a tool for "Own Source Revenue" (OSR) for Gram Panchayats and a catalyst for localised economic growth. Rural land-based monetisation focuses on unlocking the value of underutilised community lands (such as Gochar/Pasture) and brownfield sites, as well as surplus government parcels.

**11.68** Furthermore, the Commission advises "Creation through Monetisation Model in PRIs" through the leasing of these lands for high-impact rural ventures such as renewable energy micro-grids, solar parks, and large-scale agribusiness centres. This approach not only generates steady rental income for local bodies but also creates jobs and builds climate-resilient community assets—like cold storage or food processing units—without straining the state budget.

**11.69** Furthermore, under the Digital India Land Records Modernisation Programme (DILRMP), rural land monetisation in Odisha will become more transparent and reliable, facilitating secure, long-term investments in sectors such as eco-tourism and integrated farming.

**11.70** The Commission endorses that outdoor advertisements can become a significant non-tax revenue source for urban local governments when they are systematically regulated and monetised. In many cities, however, unregulated hoardings, manual inspections, and paper-based licensing systems permit illegal or underreported displays to proliferate, resulting in revenue loss and ineffective enforcement. The Pimpri Chinchwad Municipal Corporation (PCMC) in Maharashtra addressed this problem by introducing an AI-powered outdoor advertisement surveillance and licensing system that uses cameras, drones, and automated analytics to detect, measure, and classify hoardings across the city. This system digitises the entire licensing workflow, distinguishes authorised from unauthorised hoardings, and supports accurate billing, thereby transforming how the city manages, monitors, and monetises its outdoor media spaces.

**11.71** The Commission recommends the establishment of a Municipal Finance Board for Odisha, on the lines of the Gujarat Municipal Finance Board, which would create an independent institutional mechanism to oversee and strengthen municipal finances in the State. Such a Board could provide transparent, expert-based procedures for assessing revenue collections, recommending rate revisions, framing penal provisions, and advising on grants, loans, and budgeting practices for Urban Local Bodies. By improving financial management, standardising practices, and supporting better planning and utilisation of funds, the Board would help general administration and contribute directly to more reliable and higher-quality urban service delivery across the ULBs in the State.

**11.72** The Commission is of the view that local bodies should explore the use of Transferable Development Rights (TDRs), whereby landowners are allowed to sell their unused or additional development potential to another property owner. TDRs help avoid significant land acquisition costs and can help augment revenues through mechanisms like the collection of Stamp Duties, development charges, and potential GST revenue on TDR transactions.

**11.73** Urban Local bodies could also leverage pooled climate finance from multilateral sources by preparing proposals that bundle multiple services. For instance, financial assistance can be sought for solar-powered street lighting and water supply systems together, as a part of resilience-building investments under climate finance.

**11.74** For construction of the Market Complex/ Haat/Pindi etc. and subsequent allotment to allottee, the Commission recommends allotment prior to construction for crowd pooling of revenue from the allottees in the form of security deposit and to avoid future allotment-related issues, as it was observed in Brajraj Nagar Municipality. The list of possible OSR projects is tabulated in Annexure 10.5. The ULBs may refer to this list while choosing OSR-generating activities.

**(d) Municipal Bonds: Means of Financing**

**11.75** In India, the financing of urban infrastructure continues to be largely dependent on grants from the Union and State Governments. While such transfers have played a critical role in supporting urban development, they have also limited the financial autonomy of Urban Local Bodies (ULBs) and constrained their ability to independently mobilise long-term capital. Municipal bonds have gradually emerged as an alternative financing instrument to address the growing infrastructure requirements of a rapidly urbanising economy. The first municipal bond in India was issued by the Ahmedabad Municipal Corporation, while the most recent issuance was undertaken by the Greater Chennai Corporation in March 2025. Despite these developments, the municipal bond market remains at a nascent stage, accounting for only about 0.02 per cent of the total bond market in India, which stood at approximately Rs. 238 Lakh Crore as of 31 March 2025 (source: SEBI, 2025). This highlights the significant untapped potential for municipal corporations to access capital markets for infrastructure financing.

**11.76** In municipal bond issuances, ULBs typically establish dedicated escrow accounts to ensure financial discipline and investor confidence. These escrow accounts are credited with identified and stable revenue streams such as property tax, water charges, user fees, and rental income from municipal assets. Separate escrow arrangements are maintained for interest payments and principal repayments, thereby insulating debt servicing obligations from competing municipal expenditures. Payments to bondholders are made directly from these escrow accounts in accordance with the bond terms. The functioning of escrow accounts is monitored by an RBI-empowered Scheduled Commercial Bank, which adds an additional layer of oversight and transparency.

**11.77** Complementing the escrow mechanism is the “waterfall” or “water flow” structure, which clearly defines the priority order for utilisation of pledged revenues. Under this structure, debt servicing obligations are accorded first charge on revenues, ensuring that bond repayments take precedence over other municipal expenses. Together, the escrow account and waterfall mechanisms significantly enhance the creditworthiness of municipal corporations and improve their ability to attract investors.

**11.78** Globally, several major cities, including Paris, New York City, London, Stockholm, and Tokyo, have successfully issued green municipal bonds to finance climate-friendly investments in sustainable transport, energy-efficient buildings, water management, and climate-resilient urban infrastructure. These instruments have enabled cities to access long-term capital while aligning infrastructure development with environmental sustainability goals.

**11.79** In India, municipal corporations have increasingly begun to adopt green municipal bonds to finance environmentally sustainable projects. Such investments improve urban livability and promote a more people-centric governance approach. To date, seven municipal corporations have issued green bonds. Notably, Vadodara Municipal Corporation issued Asia’s first certified green municipal bonds for water and sanitation projects, while Ghaziabad Nagar Nigam pioneered green bond issuance in 2021.

**11.80** The Commission recognises the importance of mainstreaming municipal bonds as a complementary financing channel for sustainable capital projects, particularly under Public–Private Partnership (PPP) models. The Commission is of the view that municipal corporations such as Bhubaneswar and Cuttack should explore bond market financing for PPP projects with long-term revenue potential but short-term viability gaps, using bond proceeds to meet municipal contributions or viability gap funding requirements and thereby strengthening urban fiscal resilience.

#### **(e) Public-Private Partnership (PPP) Models for Local Bodies**

**11.81** The Commission observes that partnerships with private players can significantly enhance both revenue generation and the quality, efficiency, and reach of public service delivery by local bodies. Public–Private Partnerships (PPPs) enable local governments to leverage private sector capital, technical expertise, and managerial efficiencies while ensuring that public objectives remain central. Key advantages of PPPs include access to finance, adoption of advanced technologies, performance discipline, outcome-oriented service delivery, risk sharing, and the promotion of local entrepreneurship and employment. In sectors such as water supply, solid waste management, and other urban services, PPPs allow private capacity to be deployed in a manner that improves service standards while strengthening the financial position of local bodies.

**11.82** Among the commonly adopted PPP models for public service delivery are Service Contracts (SC) and Management Contracts (MC). Service Contracts are typically short-term arrangements under which a local body engages a private entity to perform a clearly defined function for a specified period. Revenues are collected from users, with the local body sharing revenues through a combination of fixed payments and performance-linked fees to the private partner. Management Contracts, by contrast, involve the transfer of responsibility for operation

and management of an asset to a private partner with the objective of improving efficiency and technological sophistication. These contracts are generally of medium-term duration, may involve limited asset-related responsibilities, and provide greater scope for innovation. In both SC and MC models, investment decisions and revenue-sharing frameworks remain under the discretion of the local body.

**11.83** The Commission further notes that local bodies can adopt brownfield PPP models to revitalise existing infrastructure assets and improve service delivery. One such model is the Operate–Maintain–Transfer (OMT) arrangement, wherein a private partner is engaged to operate and maintain an already constructed and functional asset. This model is particularly suitable for large and complex assets, allowing the private entity to manage day-to-day operations, collect user charges, and share revenues with the local body based on agreed risk-sharing terms. Another model is the Operate–Maintain–Develop (OMD) contract, which is appropriate when an existing asset requires both maintenance and substantial upgradation. In this arrangement, the private partner finances the required capital expenditure and recovers its investment through user charges, with revenues shared as per the contract. Similarly, the Rehabilitate–Operate–Maintain–Transfer (ROMT) model is applicable where assets require rehabilitation prior to operations. These models enable local bodies to monetise underutilised or deteriorating assets through temporary transfer to the private sector while retaining long-term public ownership.

**11.84** The Commission emphasises that accurate estimation of user-based revenue streams, asset life cycles, and operational costs is critical to the success of PPP projects. Equally important is a transparent and balanced framework for sharing risks and rewards. Local bodies must identify generic project risks upfront and provide assurance that these risks will be equitably shared. In cases where project returns exceed expectations, windfall gains should also be shared in a fair and predefined manner.

**11.85** The Commission notes that municipalities and municipal corporations possess significant opportunities to undertake brownfield development of existing assets through PPPs, thereby reviving abandoned or underutilised infrastructure into productive, revenue-generating assets. For greenfield projects, commonly adopted PPP formats include Build–Operate–Transfer (BOT) and its variants, Build–Lease–Transfer (BLT), and Design–Build–Finance–Operate–Transfer (DBFOT). To institutionalise and strengthen PPP implementation, the Commission recommends establishing dedicated PPP Cells within both the Housing & Urban Development Department and the Panchayati Raj & Rural Development Department. These Cells should provide technical appraisal, capacity building, and guidance to local bodies, with Project Management Units (PMUs) of the respective Departments extending all necessary support.

#### **(f) Institutional Borrowings - Means of Financing of Infrastructure in Local Bodies**

**11.86** The Commission has reviewed borrowing practices of local bodies from banks and financial institutions in India, along with relevant international experiences. In India, such borrowings are governed by Central legislation, notably the Local Authorities Loans Act, 1914, and state-specific frameworks such as the Odisha Local Authorities Loans Rules, 1975. Unlike the Union or State Governments, Gram Panchayats and Urban Local Bodies (ULBs) do not possess an inherent right to borrow and must obtain explicit approval from the State Government for each loan. Borrowings are generally limited to “bankable” infrastructure projects—such as water supply, solid waste management, and street lighting—where predictable future revenue streams from user charges or taxes can be pledged for debt servicing.

**11.87** While bank loans provide a faster and less complex alternative to municipal bond issuance, they are typically subject to stringent safeguards. These include the requirement of State Government guarantees and the establishment of Sinking Funds or Escrow Accounts to ring-fence revenues for repayment of principal and interest. Such measures are intended to prevent unsustainable debt accumulation and protect the long-term financial health of local bodies. In this

context, the Commission is of the view that eligible Urban Local Bodies may consider availing soft loans from the Urban Infrastructure Development Fund (UIDF) for priority infrastructure development.

**11.88** The Commission has also examined financing from International Financial Institutions (IFIs). Urban Local Bodies and Panchayati Raj Institutions (PRIs) do not have sovereign authority to borrow directly from IFIs such as the World Bank or the Asian Development Bank. Instead, external financing is accessed through structured on-lending arrangements involving the Union and State Governments.

**11.89** At the same time, the Commission emphasises that borrowing-related risks—including interest rate, exchange rate, and default risks—must be prudently managed and should not be allowed to adversely affect State finances. Robust appraisal, monitoring, and risk-sharing mechanisms are, therefore, essential.

#### **(g) Public-Community Partnership (PCP): A Community-Led Service Delivery Model**

**11.90** The Public-Community Partnership (PCP) Model is a collaborative governance approach in which local bodies work closely with community groups to plan, implement, and manage public services and infrastructure. Unlike conventional government-led or public-private arrangements, this model directly integrates the community into decision-making and service delivery systems. The aspects of the PCP Model are i) shared responsibility -the local body and the community jointly manage a service or asset, ii) community ownership: the community takes an active part in operations, maintenance, and monitoring, iii) Cost Sharing- contributions may come from both local bodies (funding, technical support) and the community (labour, materials, user fees, or voluntary participation).

**11.91** The PCP Model is not a revenue-sharing model; rather, it entails cost-efficiency and better delivery of services, as well as an inclusive governance model. Resident Welfare Associations (RWAs), Self-Help Groups (SHGs), local committees, and citizen groups participate in planning and oversight. The PCP model is used in solid waste management (segregation at source, composting, and door-to-door collection), the management of community toilets and public sanitation facilities, the maintenance of parks, streetlights, and neighbourhood spaces, water supply management in small communities, and slum upgradation and community infrastructure projects, among others.

**11.92** The Commission recognises that the PCP Model strengthens sustainability outcomes by enabling communities to actively participate in the upkeep and maintenance of public assets. It enhances accountability and transparency and reduces the financial burden on local bodies. Furthermore, it fosters trust and encourages citizen participation, leading to solutions tailored to local needs. Examples of PCP models include SHGs managing community toilets and collecting nominal user charges, RWAs (Resident Welfare Associations) operating decentralised waste-processing units, community groups maintaining local parks with partial support from local bodies, health check-up camps in regular intervals charging a small fee, and village-level Water User Associations managing minor water supply systems.

## **I. TECHNOLOGICAL INNOVATIONS**

**11.93** A range of digital technologies has proven effective in enhancing service delivery by local governments in India and internationally. These interventions, spanning urban stormwater management, infrastructure planning, and the digitisation of municipal resources, offer significant potential to modernise and strengthen local self-governance in Odisha.

**11.94** One such innovation is Digital Project Delivery (DPD), a suite of modelling tools that integrates real-time geo-data to plan, design, and monitor workflows efficiently. In urban governance, DPD connects multiple stakeholders, datasets, and processes across a project's

lifecycle within a secure common data environment. By combining Building Information Modelling (BIM), Geographic Information Systems (GIS), cost data, and project schedules, engineering teams can design, track, and execute projects more effectively, reducing delays, errors, and inefficiencies.

**11.95** BIM is a digital process that creates and manages intelligent 3D models of built assets throughout their lifecycle, while GIS provides location-specific data. When integrated on a central platform, these tools enable parallel workflows, version control, progress tracking, and rapid issue resolution. Popular DPD tools include Autodesk BIM Collaborate Pro, Revit, Civil 3D, Digital Twins, and Autodesk Construction Cloud, which have seen widespread adoption across municipal corporations in India.

**11.96** In Odisha, several digital platforms have already been implemented, including the PM GatiShakti GIS system, the Odisha Road Assessment Management System, and the Odisha State Workflow Automation System. The Commission recommends that the Housing & Urban Development and Panchayati Raj & Drinking Water Departments pilot these technologies on smaller municipal and village projects to assess institutional readiness and training requirements.

**11.97** A transformative example of digital integration is linking property registration records with municipal property tax databases. As of early 2026, this initiative—driven by the Registration Bill 2025 and the Digital India Land Records Modernization Programme (DILRMP)—forms a critical part of India’s Digital India and Ease of Doing Business reforms, enhancing transparency, efficiency, and revenue administration in urban governance.

### Case Study - Telangana

The digital linkage of property registration records with municipal property tax databases in Telangana represents a major reform in strengthening the own source revenues of Urban Local Governments. By integrating systems such as the Registration Department’s IGRS, OBPAS, and municipal e-governance platforms, newly registered properties are automatically reflected in municipal tax registers, enabling timely mutation, assessment, and demand generation. This eliminates the traditional delays, under-assessment, and revenue leakage that arose from siloed databases and manual processes, while also reducing the compliance burden on citizens. Using a combination of property identifiers such as door and plot numbers, GIS mapping, ward codes, and document IDs, the system ensures accurate matching and data integrity. The reform thus converts property registration into a revenue-triggering event, improving the fiscal sustainability of ULGs, enhancing transparency, and supporting Ease of Doing Business and urban governance reforms.

**11.98 AI-Powered Chatbot Services:** AI chatbots automate routine queries, service requests, and grievance redressal. Additionally, AI-powered surveys and polls can enhance service delivery by enabling citizens to report civic concerns, such as potholes, streetlights, and waste disposal. Elected Representatives are empowered to take decision by use of AI Chatbot. When integrated with unified e-governance systems, the bots can provide residents with a single, seamless interface for municipal services. Available 24/7, the chatbot enhances accessibility and citizen engagement while enabling personalized updates and participation in town planning. AI-based chatbots are a one-stop solution for citizens’ queries. They help reduce the workload of the complaint redressal team. Integration with web-based applications of daily use makes them even more convenient. The Use-case of Chatbot in the local bodies in India is given in Table 11.3.

**Table 11.3: Use-case of Chatbot**

Local Body	Tool	Use-case
<b>Rajkot Municipal Corporation</b>	Floatbot	Issuance of birth certificates, facilitating property tax payments, handling general queries
<b>Ranchi Municipal Corporation</b>	WhatsApp Chatbot	Complaint Registration, Electricity Bill payments, handling general queries
<b>Greater Bengaluru Authority</b>	WhatsApp Chatbot	Metro Ticket Booking

*Source; Websites of the respective organizations*

**11.99** Building on the same rationale, the Commission advises H&UD Department to develop a similar chatbot-based feature on the SUJOG platform that provides easier accessibility for simple tasks, such as bill payments, venue bookings, certificate issuance, and complaint redressals.

**11.100** The Commission also advises the PR & DW Department and H & UD Department to develop AI-Powered Chatbot Services in the PRIs and ULBs.

#### **Case Study: ParKochi – Smart Traffic Management**

Kochi's AI-driven smart parking management system is designed to alleviate chronic parking problems in the city by using real-time data, GPS tracking, and digital tools to help drivers find and reserve parking slots easily. It was launched by the city's Smart City programme, Cochin Smart Mission Ltd. (CSML) and allied agencies.

Developed at a cost of Rs. 4.8 Crore, ParKochi is integrated with the city's Integrated Command and Control Centre (ICCC), enabling centralised monitoring, improved enforcement, and greater transparency in parking fee collection and revenue management. The system uses AI-enabled ANPR cameras, FASTag readers, boom barriers, digital signboards, GPS, and IoT-based tools to automate vehicle entry and exit, detect parking occupancy, and display real-time availability of slots.

Using the ParKochi mobile app, users can view nearby parking locations, check live availability, navigate directly to parking sites, and make seamless digital payments using Fastag, UPI, cards, or wallets, with features such as ticket booking and integration with metro and feeder services being gradually rolled out.

**11.101** AI-powered Waste Management Systems: AI-powered waste management systems are theoretically proven to improve collection efficiency, improve route optimisation, and reduce environmental impact. AI-enabled machines enhance waste sorting, control combustion to reduce pollutants, and detect illegal dumping, while real-time monitoring of fill levels helps optimise collection routes. These systems can also identify opportunities for waste reduction through scientific methods, such as lifecycle analysis and material recovery. The Technological interventions in various local bodies in India are tabulated (11.4) below.

**Table 11.4: Technological interventions in local bodies in India**

Tool / Platform	Where in India	How It's Used
Autodesk BIM Collaborate Pro	Nagpur Metro (Nagpur MC), Bangalore Airport expansion (BBMC), Delhi Metro Rail Corporation (Municipal Corporation of Delhi) and & various Smart City infrastructure projects	Cloud design collaboration, multi-discipline model coordination, clash detection and shared CDE workflows for project teams coordinating BIM models.
Autodesk Construction Cloud (ACC)	Large infrastructure portfolio (via enterprise adoption)	Unified data platform for design, documentation, and construction management.
Autodesk 360 (legacy / cloud storage)	Smart City design/collaboration contexts	Cloud file sharing, project documentation management.
Revit	Smart City & metro infrastructure design (e.g., Nagpur MC), general BIM workflows in urban projects	3D intelligent building and infrastructure modelling, architectural/structural/MEP design.
Civil 3D	Road & infrastructure design around smart cities, transport corridors	Civil engineering design (surfaces, grading, alignments, corridors).
Digital Twins	Smart city initiatives (e.g., Varanasi MC's Urban Spatial Digital Twin)	3D city models + real-time data for planning, management, flood prediction, asset insights.
Navisworks / Coordination & Review (linked with BIM workflows)	Large metro/airport projects	Clash detection, integrated model review across disciplines.
GIS-Based Road Asset Management (O-RAMS)	Odisha Works Department (OWD)	Interactive GIS map with road networks, bridges & culverts, Asset inventory and condition data overlays, Inspection and maintenance planning tools, Satellite imagery and multi-layered data mapping
InfraWorks (BIM + GIS integration)	PM GatiShakti across India and various Smart Cities like Jaipur MC, Ahmedabad MC, Rajkot MC	Early-stage design, visualization, scenario planning.
ArcGIS + Autodesk BIM (integration)	Emerging in smart city planning (e.g., GIS-BIM integrated views)	Geo-referenced BIM models for spatial planning dashboards.

**11.102** Odisha already has many of the necessary institutional, digital, and operational foundations in place to implement a similar model locally. Odisha's H&UD service delivery reforms, experience with PPP-based projects, and existing digital infrastructure—such as ICCCs, GPS-tracked sanitation fleets, and online grievance redressal platforms—form the prerequisites. The Commission recommends that both H&UD and PR & DW departments conduct an assessment to determine whether large cities and large GPs in Odisha can adopt AI-enabled systems, while smaller towns and smaller PRIs might focus on GPS tracking, basic analytics, and limited deployment at key locations.

**11.103** iGOT Karmayogi Platform offers curated courses, assessments, and learning pathways aligned with organisational roles and governance outcomes. By enabling just-in-time learning, standardisation of competencies, and data-driven human resource management, iGOT Karmayogi aims to build a future-ready, professional, and citizen-centric public service that improves policy implementation, service delivery, and overall governance efficiency. The Commission recommends that H&UD and PR & DW departments may take necessary steps to develop and use a similar platform for online training of elected representatives and officials of PRIs and ULBs with fixed annual minimum learning duration.

## Conclusion

**11.104** In its deliberations on Reimagining Local Governance, the Commission has undertaken a comprehensive review of the institutional, financial, and governance challenges facing local governments in Odisha. Based on this assessment, it has formulated a broad reform agenda aimed at strengthening Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) by addressing implementation bottlenecks, redesigning processes, simplifying procedures, and aligning functions more closely with measurable outcomes.

(i) Urbanisation is recognised as a critical driver of economic growth and structural transformation. The Commission proposes measures to accelerate and sequence urban growth, ensuring that emerging settlements receive planned infrastructure, services, and economic support. Well-planned urbanisation can catalyse economic diversification by fostering agglomeration economies, expanding industrial and service sectors, attracting investment, and generating higher-value employment. Through coordinated planning and action, Odisha can transition from fragmented urban expansion to a more inclusive, productive, and sustainable urban development pattern.

(ii) Accountability and transparency are central to this vision. The Commission emphasises the use of real-time monitoring through integrated dashboards such as SAMIKSHYA, which can consolidate financial, physical, and service-delivery indicators. These platforms enable timely oversight, corrective action, and public visibility of government performance.

(iii) Aligned with Viksit Odisha and SDG 13 (Climate Action), development must be grounded in climate resilience. Climate sensitivity should be embedded across all stages of planning, design, construction, operations, and maintenance, shifting the focus from disaster response to Climate-Resilient Infrastructure that safeguards development gains.

(iv) Financial sustainability is a cornerstone of effective local governance. Adequate, predictable, and buoyant resources allow local governments to plan, implement, and maintain essential services, meet statutory responsibilities, and respond to local priorities. The Commission recommends measures to strengthen Own Source Revenues (OSR) and expand access to external financing, including municipal bonds and institutional borrowing, thereby enhancing fiscal autonomy and resilience.

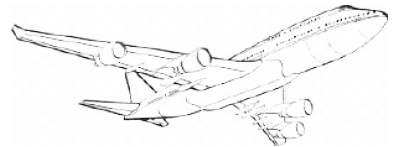
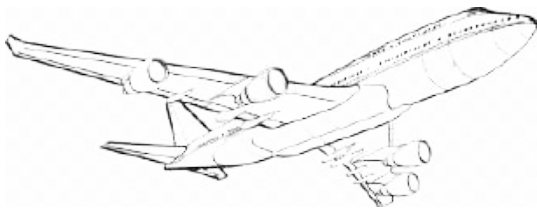
(v) Partnerships with private and community actors are vital to improving service delivery. Public-Private Partnerships (PPPs) bring capital, technical expertise, risk-

sharing, modern technologies, and outcome-oriented performance, while fostering entrepreneurship and employment. Complementing PPPs, Public–Community Partnerships (PCPs) engage citizens directly in the operation and upkeep of public assets, enhancing sustainability, accountability, and responsiveness. Finally, the Commission highlights the transformative role of digital technologies—domestic and international best practices—that strengthen governance, service delivery, financial management, and transparency in local bodies.



# **CHAPTER - XII**

## **Summary of Recommendations**



## Chapter – XII

### Summary of Recommendations

**12.1** With the overarching objective of strengthening the third tier of governance in the spirit of the 73rd and 74th Constitutional Amendments, and in accordance with its Terms of Reference, the Commission has formulated recommendations on the devolution of funds, functions, and functionaries to local bodies in Odisha for the award period 2026–31. Building upon the work of previous Commissions and recognising the need for future-oriented reforms, the recommendations seek to enable local bodies to discharge their constitutional responsibilities in an effective, efficient, and transparent manner, thereby strengthening grassroots institutions, infrastructure and citizen participation.

**12.2** The recommendations are informed by a comprehensive assessment of ground realities, extensive consultations with stakeholders across the State, and a careful examination of national and international best practices. In framing these proposals, the Commission has endeavoured to design a devolution framework that is context-specific while remaining mindful of its institutional, administrative and fiscal implications.

**12.3** The Commission underscores the importance of coordinated action by the Union and State Governments to enhance the capacity of local bodies and improve service delivery outcomes. The recommendations provide a coherent roadmap for strengthening local governance and advancing the objectives of Viksit Bharat and Viksit Odisha. The financial recommendations focus on increasing fund flows, strengthening institutional capacity, and deepening fiscal decentralisation, while ensuring equity, predictability, and accountability.

**12.4** Accordingly, the Commission has recommended a significant enhancement of transfers to local bodies during 2026–31 through devolution, tax assignments, and grants-in-aid, guided by principles relating to expenditure responsibilities, human resource augmentation, equity, urbanisation, predictability of transfers, mobilisation of own-source revenues, and adoption of technology-driven governance.

#### **I. Financial Recommendations**

**12.5** The Commission recommends enhancing resource transfers to local bodies by increasing their share in the State's projected Own Net Tax Revenues (NTR). Accordingly, the overall conventional SFC transfers are pegged at 11.0 per cent of NTR, representing a one percentage point increase over the recommendation of the fifth SFC. This is expected to generate an additional ₹4,146 crore for local bodies during 2026–31. **(Para-10.5)**

**12.6** To strengthen Human Resources, the Commission recommended allocating an additional 1.0 per cent of the Mining Revenue, as budgeted in the State's Annual Budget, each year, for creating the Human Resource Development Fund. Accordingly, the Commission recommended an additional allocation of Rs 2,320 crore during the award period. **(Para-10.6-ii)**

**12.7** The Commission also introduced a Performance Incentive Mechanism for local bodies. In this context, the Commission recommended an additional allocation of 0.5 per cent of NTR for the creation of the Performance Incentive Fund, amounting to ₹2,073 crore during the award period. **(Para-10.6-i)**

**12.8** The Commission recommended total transfers of Rs. 50,000 crore during the award period 2026-31 as given in the following table.

**Table 12.1: Overall Funds Transfers to Local Bodies during 2026-31**

*(Rs. in Crore)*

<i>Item</i>	<i>PRI</i>	<i>ULBs</i>	<i>Total</i>
Devolution	10,150	4,350	14,500
Tax Assignments	11,550	6,700	18,250
Grants-in-Aid	8200	4657	12857
Performance Incentives Fund	1451	622	2073
Human Resources Development Fund	1624	696	2320
<b>Total Fund Transfers</b>	<b>32975</b>	<b>17025</b>	<b>50000</b>

*Source: Calculation of the Commission*

### **A. Recommendations for the Sixteenth Finance Commission**

**12.9** Based on the demands projected by the PR&DW and H&UD Departments, together with the Commission's consultations with representatives of local bodies, field visits and the review of infrastructure and services in local bodies, the total fund requirement for PRIs and ULBs for the period 2026–31 has been assessed at ₹1,10,000 crore. The disaggregated requirements for PRIs and ULBs are presented in Table 12.2. Setting aside the recommended total SFC transfers of Rs. 50,000 crore by the Commission, the shortfall is estimated to be Rs. 60,000 crore. The Commission recommends that the Sixteenth Finance Commission may consider strongly to allocate Rs. 60,000 as grants to the local bodies in Odisha. The same may be distributed between the PRIs and ULBs in the ratio of 65:35 (Table 12.2). **(Para-10.74)**

**Table 12.2: Grants from Sixteenth Finance Commission (2026-31)**

*(Rs. in Crore)*

<i>Sl. No.</i>	<i>Item</i>	<i>PRIs</i>	<i>ULBs</i>	<i>Total</i>
1	Total Fund Requirements of the Local Bodies	71,975	38,025	1,10,000
2	State Transfers Recommended by Sixth SFC, Odisha	32,975	17,025	50,000
3	Recommended Grants from Sixteenth Finance Commission (1-2)	39,000	21,000	60,000

*Source: Calculations of the Sixth State Finance Commission, Odisha*

**12.10** The summary of the Commission's recommendation of transfer of resources from the State Consolidated fund during the award period (2026-31) is given below.

#### **B. Devolution**

##### **a. Devolution to PRIs**

**12.11** The Commission pegged the share of devolution as a share of overall transfers during its award period at **29 per cent**. Accordingly, the total amount of transfers under devolution is estimated to be **Rs. 14,500 crore during 2026-31, compared to Rs. 6,100 crore recommended in the Fifth State Finance Commission for the award period FY 2020-2025 (para- 10.16).**

**12.12** For distributing this amount between the PRIs and ULBs, the Commission followed an objective criterion based on the projected size of population, projected density of population, multidimensional poverty index, and the share of SCs and STs in the total population. Using the above four factors and assigning due weights, the Commission recommended distribution of total devolution between the PRIs and ULBs in the ratio of 70:30. **(para- 10.16)**

**12.13** The Commission recommended an award of **Rs.10,150 crore for PRIs, and Rs. 4,350 crore for the ULBs** under devolution during the period 2026-31 (**para- 10.18**).

**12.14** The share of total transfers allocated for PRIs under devolution among GPs, PSs and ZPs is in the ratio of 65:25:10. Accordingly, out of the total devolution to PRIs at Rs. 10,150 crore, the allocations for GPs, PSs, and ZPs were fixed at Rs. 6,597.50 crore, Rs.2,537.50 crore and Rs.1,015 crore, respectively (**para- 10.19**).

**12.15** The Commission adopted population as the primary criterion for allocating funds among Gram Panchayats (GPs). Accordingly, GPs with a population of less than 5,000, as per the 2011 Census, are allocated Rs. 16.00 lakh per annum during the award period. GPs with a population between 5,000 and 7,500 are allocated Rs. 19.20 lakh per annum, while those with a population between 7,500 and 10,000 receive Rs. 20.63 lakh per annum. Gram Panchayats with a population exceeding 10,000 are allocated Rs. 24.00 lakh per annum during the award period. The Commission has recommended devolving an additional 30 per cent of funds to the GPs in Scheduled Areas. (**para- 10.20**)

**12.16** The Commission adopted the number of Gram Panchayats within each Panchayat Samiti as the basis for inter-se devolution. Accordingly, Rs. 7.35 lakh per annum per GP was provided. Recognising 40 Aspirational Blocks in Odisha, an additional 20 per cent devolution was recommended, amounting to Rs. 2,537.50 crore for 314 PSs during the award period. (**para- 10.22**)

**12.17** Similarly, the number of PSs in each Zila Parishad (ZP) is used as the criterion for the devolution of funds to the ZPs by the Commission. A sum of Rs. 63 lakh per annum has been awarded to each PS in a ZP during the award period. The Commission recommended an additional 20 per cent in devolved funds to 11 ZPs, which are home to 40 Aspirational Blocks. Thus, the Commission recommends Rs. 1,015 crore as the total devolution of funds to 30 ZPs, including the 11 ZPs that have 40 Aspirational Blocks during the award period (**para- 10.23**)

**12.18** The year-wise total devolution of funds in favour of PRIs, as well as inter-se devolution of funds among its three tiers during the award period 2026-27 to 2030-31, is presented in Table 12.3.

**Table 12.3: Year-wise Devolution to PRIs during 2026-27 to 2030-31**

*(Rs.in Crore)*

Tier	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
GPs	1319.50	1319.50	1319.50	1319.50	1319.50	6597.50
PSs	507.50	507.50	507.50	507.50	507.50	2537.50
ZPs	203.00	203.00	203.00	203.00	203.00	1015.00
<b>TOTAL</b>	<b>2030.00</b>	<b>2030.00</b>	<b>2030.00</b>	<b>2030.00</b>	<b>2030.00</b>	<b>10150.00</b>

*Source: Computed from the data collected from the Panchayati Raj & Drinking Water Department, Government of Odisha.*

#### **b. Devolution to ULBs**

**12.19** Allocations to the ULBs are based on their population. Accordingly, the total amount of funds allocated under devolution to municipal corporations, municipalities, and NAC during the award period 2026-31 is Rs. 1,750 crore, Rs. 1,850 crore and Rs. 750 crore, respectively. (**para- 10.25**)

**Table 12.4 Year-wise Devolution to the ULBs during 2026-27 to 2020-31***(Rs. in Crore)*

Tier	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
Municipal Corporations	350.00	350.00	350.00	350.00	350.00	1750.00
Municipalities	370.00	370.00	370.00	370.00	370.00	1850.00
NACs	150.00	150.00	150.00	150.00	150.00	750.00
<b>TOTAL</b>	<b>870.00</b>	<b>870.00</b>	<b>870.00</b>	<b>870.00</b>	<b>870.00</b>	<b>4350.00</b>

**C. Assignment of Taxes**

**12.20** The Commission recommends an assignment of 8.19 per cent out of net proceeds of SGST to the local bodies to cover salary & establishment cost, sitting fee, honorarium, TA, and DA expenses. Based on projected costs on the above heads, the total assignment amounts to Rs. 16,834 Crore during the award period. **(para- 10.27)**

**12.21** The Commission further recommends an assignment of 8.30 per cent out of the net proceeds of Motor Vehicle Tax (M.V. Tax) amounting to Rs.1416 crore for the maintenance and improvement of road infrastructure in both the PRIs and ULBs during the award period 2026-31. **(para- 10.28)**

**a. Assignment of Tax to PRIs**

**12.22** The estimated assignment of taxes for (i) salary & establishment cost, (ii) sitting fee, honorarium, TA, and DA, and (iii) maintenance cost of road infrastructure of PRIs is worked out to be Rs.9,100.52 crore, Rs.1,653.48 crore and Rs.796.00 crore, respectively, for the award period 2026-27 to 2030-31. This revision of entitlements has also taken into account the expected impact of the 8th Pay Commission's pay scale revision. Thus, the total assignment of taxes to the PRIs during the award period amounts to Rs. 11,550 Crore as presented in Table 12.5. **(para- 10.32)**

**Table 12.5: Year-wise Assignment to PRIs during 2026-27 to 2030-31***(Rs.in Crore)*

ITEMS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
1. Salary & Establishment cost	1520.63	1657.48	1806.66	1969.26	2146.49	9100.52
2. Sitting fee, Honorarium, TA & DA	275.58	275.58	275.58	413.37	413.37	1653.48
3. Maintenance/ Improvement of road infrastructure (out of MV Tax & Petroleum Tax)	143.71	150.90	158.44	166.37	176.58	796.00
<b>TOTAL ASSIGNMENT(1+2+3)</b>	<b>1939.92</b>	<b>2083.96</b>	<b>2240.68</b>	<b>2549.00</b>	<b>2736.44</b>	<b>11550.00</b>

*Source: Computed from the data collected from the PR&DW Department, Government of Odisha.*

**b. Assignment of Taxes to ULBs**

**12.23** Salary and Establishment expenses of the officers and staff of the ULBs, along with sitting fees, honorarium, TA, DA & HRA of elected representatives shall be met out of the funds allotted to ULBs as assignment of taxes out of SGST proceeds. The Commission has also taken into account the potential impact of the 8th Pay Commission's revision of the pay scales. **(para- 10.33)**

**12.24** The Commission considers that the rapid urbanisation, paired with increased stress on road infrastructure, warrants frequent repair and renovation of urban roads. For the repair and

maintenance of road infrastructure in urban areas, the Commission recommends an assignment of Rs. 620.08 Crore from the M.V. Tax during the award period (Table 12.6). **(para- 10.35)**

**Table 12.6: Year-wise Assignment of taxes to ULBs during 2026-27 to 2030-31**

*(Rs.in Crore)*

ITEMS	2026-27	2027-28	2028-29	2029-30	2030-31	2026-31
1. Salary & Establishment cost	1012.26	1103.37	1202.67	1310.91	1417.11	6046.32
2. Sitting fee, Honorarium, TA & DA	5.60	5.60	5.60	8.40	8.40	33.60
3. Maintenance/ Improvement of road infrastructure (out of MV Tax & Petroleum Tax)	101.57	111.72	122.90	135.19	148.70	620.08
<b>TOTAL ASSIGNMENT (1+2+3)</b>	<b>1119.43</b>	<b>1220.69</b>	<b>1331.17</b>	<b>1454.50</b>	<b>1574.21</b>	<b>6700.00</b>

*Source: Computed from the data collected from the H&UD Department, Government of Odisha*

#### **D. Grants-in-Aid**

**12.25** Having assessed the needs of the local bodies, the Commission recommends a sum of Rs.12,857 crore as grants-in-aid for the award period, which is 3.1 per cent of the divisible pool. This compares to Rs. 6849 crore during the Fifth SFC Award period, showing an increase of 88 per cent. The shares of PRIs and ULBs are calculated in a ratio of 65:35, which amounts to Rs. 8,190 crore and Rs. 4,667 crore, respectively. **(para- 10.40)**

##### **a. Grants-in-Aid for PRIs**

**12.26** Details of the **Grants-in-Aid to the PRIs** are noted below:

- i. Considering the importance of OSR, the Commission recommends an amount of Rs. 2038.2 Crore at the rate of Rs. 30 Lakh per GP over a period of 5 years for investing in revenue-generating assets to increase OSR of the GPs. **(para- 10.42)**
- ii. The Commission is of the view that maintaining capital assets is a crucial component for the sustainable and long-term growth of PRIs. Therefore, the Commission recommends an amount of Rs. 679.40 Crore at the rate of Rs. 10 Lakh per GP over a period of 5 years. The additional requirement of funds, may be met from the OSR generated from the assets. **(para- 10.43)**
- iii. The Commission proposes to allocate an amount of Rs. 577.49 Crore at the rate of Rs. 8.5 Lakh per GP over a period of 5 years for the provision of LED Street Light/ High Mast Light. **(para- 10.44)**
- iv. The Commission recommends an allocation of Rs. 652.67 Crore over a period of 5 years to rejuvenate 10,000 GP water bodies and has advised the Department to meet the balance funds from other sources. The PR&DW Department will have to prepare the list of 10,000 water bodies in different Gram Panchayats in the State, and to also formulate a Standard Operating Procedure (SoP) for the management and pisciculture of rejuvenated water bodies for sustainable development. **(para- 10.45)**
- v. The Commission recommends an amount of Rs. 2000.00 Crore for the construction of 1000 Panchayat Bhawans over a period of 5 years at the rate of Rs. 2.00 crore per building. The PR&DW Department is required to finalise the list of 1000 GPs which have no buildings/ dilapidated buildings. **(para- 10.46)**

- vi. The Commission recommends an amount of Rs. 280.00 Crore as capital expenditure for Grid Connected Solar power in Mega Water Supply Projects. The O&M cost of the project may be met from other sources. **(para- 10.47)**
- vii. An amount of Rs. 105.05 Crore is recommended as Capex for 19,100 single village scheme (SVS) water supply projects with a view to supporting and strengthening inline chlorination. Additionally, Rs. 200.55 crore is recommended for capital expenditure (Capex) towards establishing IoT sensors and smart monitoring systems at the SVS Project sites. **(para- 10.48 & para- 10.49)**
- viii. An amount of Rs. 132.50 crore is recommended for 1000 iron removal plants under piped water supply schemes. **(para- 10.50)**
- ix. The Commission recommends an outlay of ₹138.16 Crore over five years for rejuvenation and input support for 314 demonstration ponds/tanks, at ₹44 lakh per pond. The PR&DW Department will try to identify such ponds near block headquarters. **(para- 10.51)**
- x. The Commission recommends a capex of Rs. 685.10 Crore for piped water connection in 12581 Anganwadi Centres (AWCs), construction of toilets in 5078 AWCs having no toilet facilities, completion of 6047 incomplete AWCs, construction of kitchens in 2827 functional AWCs having no kitchen facilities, and the construction of boundary walls in the most vulnerable 3000 AWCs. **(para- 10.52)**
- xi. An amount of Rs. 135.88 Crore at the rate of Rs. 2 lakh per GP over a five-year period is recommended for the procurement of Computers, Printers, Scanners, etc, for the improvement of IT infrastructure and connectivity in GPs. **(para- 10.53)**
- xii. The Commission recommends an amount of Rs. 130.00 Crore for the construction of 30 hostels at all the District Panchayat Resource Centres. **(para- 10.54)**
- xiii. For improving sanitation and waste management in GPs with tourist destinations GPs, the Commission recommends an amount of Rs. 47 Crore over the period of five years in the selected 47 GPs (Rs. 1 Crore per selected GP). **(para- 10.55)**
- xiv. The Commission recommends an amount of Rs. 47 Crore for the preparation of master plans for each of the 116 census towns. **(para- 10.56)**
- xv. Besides, an amount of Rs. 348 Crore for 116 census towns at the rate of Rs. 3 crore per census town over a period of five years is recommended towards the creation of infrastructure and provision of amenities like wide roads, recreational parks, drainage, streetlights, sanitation, and waste management after the formulation of master plans. **(para- 10.57)**

#### **b. Grants-in-Aid for ULBs**

**12.27** Details of the **Grant-in-Aid to the ULBs** are noted below:

- i. The Commission recommends an amount of ₹500 Crore for the strengthening of the urban sewerage system. Any incremental demand may be met from the OSR of ULBs or from the State budget. **(para- 10.59)**
- ii. The Commission recommends an amount of ₹700 Crore for effective urban sanitation and waste management, including solid waste, faecal sludge, septage and grey water management. Additional requirements for funds may be met from the Department's budget, the OSR of ULBs, or both. **(para- 10.60)**
- iii. The Commission recommends an amount of ₹1000 Crore for the creation of capital assets for revenue generation only as capex. **(para- 10.61)**

- iv. Owing to the importance of water bodies in ULBs, the Commission recommends an amount of Rs. 400 Crore for the rejuvenation of 500 water bodies along with waterfront development, such as public spaces, plantations, LED lighting, walkways, and recreational areas. **(para- 10.62)**
- v. An amount of Rs. 300 Crore is recommended for the provision of LED Street Lightings/High Mast lights in ULBs. An additional amount of ₹80 crore is recommended for the provision of solar street lights in ULBs. **(para- 10.63 & 10.64)**
- vi. The Commission recommends an amount of ₹600 Crore for the maintenance of all types of capital assets in ULBs, including maintenance of revenue-generating assets. **(para- 10.65)**
- vii. For the preparation of Master Plans for River/ Lake front development in ULBs (such as Chilika, Mahanadi, Bindusagar, Gangua Nala- Daya River), the Commission recommends an amount of ₹10 crore. **(para- 10.66)**
- viii. The Commission recommends an amount of Rs. 500 Crore for the construction of District Skill Development-cum-Technology Centres in 10 locations across the state. The SD&TE Department may identify ten such locations in consultation with all stakeholders with the intention of uniformly covering the entire State. **(para- 10.67)**
- ix. The Commission recommends an allocation of ₹300 Crore for the development of urban agglomerates such as Jharsuguda–Brajaraj Nagar–Belpahar, Kalinga Nagar-Vyas Vihar (Jajpur Road), Paradip, Dhenkanal–Angul–Talcher, and Gopalpur–Berhampur to accelerate growth of urbanisation, strengthen economic integration, and enhance urban infrastructure. **(para-10.68)**
- x. The Commission recommends an allocation of Rs. 40 Crore for modernisation and development of street food hubs across all Municipal Corporations, with the expectation that these initiatives will enhance public amenities while also augmenting the revenues of ULBs. **(para-10.69)**
- xi. The Commission recommends an amount of Rs. 187 Crore for parks and urban forestry. Standalone plantations are not encouraged under the grant. Forestry for the purpose of protecting government land is allowed for the development of parks. **(para-10.70)**
- xii. The Commission recommends an amount of Rs. 50 Crore for slum re-development. H&UD Department is required to engage reputed professional agencies for transforming slums into planned, liveable neighbourhoods by leveraging and monetising the underlying land value to finance re-development. **(para-10.71)**

#### **E. Human Resources Development Fund**

**12.28** Skilling and upskilling of human resources must be accorded priority. Persistent vacancies in government positions lead to overburdening of existing staff, which in turn adversely affects public service delivery. The Commission notes that substantial gains can be achieved by accelerating recruitment to fill vacant positions, alongside systematic investments in the skilling of human resources. Accordingly, the Commission considers it imperative to establish a dedicated corpus for this purpose, thereby substantiating the creation of a Human Resource Development (HRD) Fund to address staffing constraints and support capacity building initiatives. An allocation of Rs. 2320 crore has been made for the fund over the award period FY 2026-27 to FY 2030-31. **(para- 9.9)**

**12.29** To strengthen functionaries at the Gram Panchayat level, the Commission recommends a targeted human resource strategy. The State Government should fill all vacant sanctioned posts—2,537 Accountant-cum-Data Entry Operators, 1,501 Panchayat Executive Officers, 884 Junior Engineers, and 312 Assistant Engineers—within six months, with salary expenditure booked under Assignment of Taxes. Further, the Commission recommends creation of 3,361 additional Junior

Engineer/Assistant Engineer posts to ensure one JE/AE per Gram Panchayat, raising the sanctioned strength to 6,794 posts. These posts should be filled within one year, with each JE/AE tagged to and reporting from a specific GP. An allocation of ₹1,285 crore from the HRD Fund has been earmarked to support these posts over five years. **(para- 9.13 & 9.14)**

**12.30** The Commission recommends the establishment of a Project Monitoring Unit (PMU) at the State level with the PR&DW Department and at the district level in each Collectorate, selected from reputed agencies and following due procedure as per Government guidelines. An amount of Rs. 33 Crore is earmarked for PMUs for a period of 5 years and Rs.17 crore for other professional services. **(para- 9.15)**

**12.31** Monitoring dashboard – SAMIKSHYA - (**URL: <https://samikshya.odisha.gov.in>**) has been developed for monitoring of projects and utilisation of SFC/CFC funds which has been launched by the Hon'ble Chief Minister. For setting up, maintenance, upgradation and popularisation of the dashboard, and for engaging PMU in Finance Department for monitoring projects and utilisation of funds of PRIs and ULBs, the Commission proposes an allocation of Rs.15 Crore over a period of 5 years. **(para- 9.17)**

**12.32** The Commission recommends an amount of Rs.70 Crore over the period of 5 years for Training and Capacity Building of PRIs. Of this, an allocation of Rs 50 crore is earmarked for exposure visits of elected PRI members and officials to observe best practices within and outside the State. **(para- 9.19)**

**12.33** The Commission therefore places strong emphasis on e-governance initiatives and recommends an allocation of Rs. 125 Crore for PRIs to build the necessary digital infrastructure, systems, and capacities. This includes Rs. 25 Crore for AI chatbot for use of PRIs and ULBs and Rs. 100 Crore for other e-Governance initiatives for the PRIs. **(para- 9.20 & 9.21)**

**12.34** The State Government has declared for creation/ upgradation of ULBs and accordingly H&UD Department proposed for creation of 499 staff as per standard staffing pattern. Considering human resource requirements, Commission recommends for creation of 499 new posts in the newly established/notified ULBs and allocates an amount of Rs. 635 Crore from HRD funds for the period of 5 years for the purpose. **(para- 9.24)**

**12.35** The Commission recommends an allocation of Rs.30 crore for professional services to support Urban Local Bodies (ULBs). This includes Rs.24 crore for establishing and operating a Project Management Unit (PMU) at the State level and across 30 districts over a period of five years. Remaining Rs. 6 crore is recommended for other professional services. **(para- 9.25)**

**12.36** The Commission recommends an allocation of ₹25 Crore for exposure visits of elected ULB representatives and officials and ₹10 crore for training programmes within and outside the State over a period of five years. **(para- 9.26)**

**12.37** The Commission recommends an amount of Rs. 25 Crore for the digitisation of OSR-generating properties, demand, and collection of OSR through an IT application, provision of e-receipt of OSR and e-payment for expenditure out of OSR, listing of houses for holding tax collection, etc. and an additional amount of Rs.50 Crore for Other E-Governance initiatives in ULBs. **(para- 9.27)**

**12.38** Therefore, the Commission recommends a total allocation of ₹2,320 Crore for the Human Resource Development of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). This includes ₹1,530 crore for PRIs, ₹775 crore for ULBs, and ₹15 crore to be placed with the Finance Department for common HRD initiatives benefiting both PRIs and ULBs. **(para- 9.28)**

#### **F. Performance Incentives Fund**

**12.39** An incentive framework is a strategic intervention designed to improve specific functions carried out by the local bodies. Considering this, the Commission has recommended for creation

of a Performance Incentive Fund for Rs.2073 crore, out of which Rs.1451 crore is earmarked for PRIs and Rs.622 crore for ULBs.

**12.40** The Commission recommends for performance incentive of Rs.50,000/- each for GPs for each of (i) preparation of Annual Gram Panchayat Development Plan (GPDP) and budget, (ii) completion of the Books of Account, and (iii) Maintenance Asset Register. Besides, 200 per cent matching incentive is recommended for incremental increase in OSR by GPs. The Commission has also recommended incentives for achieving more than 70 per cent utilisation of SFC Funds. Out of total allocation of Rs.1451 crore for PRIs, an amount of Rs.1346 crore would be towards incentive to PRIs, Rs.30 crore towards Chief Minister's Award and Rs.75 crore towards State Innovation Fund. **(para- 9.33, 9.35 & 9.39)**

**12.41** The Commission recommends for performance incentive of Rs.10 Lakh for the eligible Municipal Corporation, Rs. 8 Lakh for the eligible Municipality and Rs. 5 Lakh for the eligible NAC for each of (i) preparation of Annual Gram Panchayat Development Plan (GPDP) and budget, (ii) completion of the Books of Account and (iii) Maintenance Asset Register. Besides, 50 per cent matching incentive for Municipal Corporations, 100 per cent matching incentive for Municipalities and NACs are recommended for incremental increase in OSR. The Commission has also recommended incentives for achieving more than 70 per cent utilisation of SFC Funds. Out of total allocation of Rs.622 crore for ULBs, an amount of Rs.574 crore would be towards incentive to ULBs, Rs.6 crore towards Chief Minister's Award and Rs.42 crore towards State Innovation Fund. **(para- 9.42, 9.46 & 9.47)**

## **II. Non-Financial Recommendations**

The Commission accords equal importance to non-financial enablers and innovative ways of investment. Its recommendations, are, therefore organised under following major thematic headings:

### **A. Decentralised Governance**

**12.42** The Commission recommends that, Government should review the effective devolution of twenty-one functions already devolved and take appropriate steps for further devolution of remaining eight functions to the PRIs. **[Para 3.26]**

**12.43** The Commission has observed that to improve evidence-based decision-making and transparency in developmental planning, GIS-based planning and mapping of all existing community and public assets is necessary. Furthermore, colour-coding these assets based on their condition and utility will enable proper prioritisation for repair, upgrade, or new asset creation. The Commission recommends that the use of geo-tagging and spatial analytics be explored towards eliminating duplications in infrastructure investments. **[Para 3.67]**

**12.44** To augment own revenue resources of the PRIs, the Commission recommends that the revenue-generating assets like market yards, tourist rest houses, rural haats, fish ponds, etc. should be brought under the ambit of PRI control exclusively. The State may enforce necessary guidelines for such transfers, mandate user charges, and specify reinvestment alternatives. Most importantly, the need for identifying innovative own revenue sources relevant to the local context, such as community dairy farming, maintenance of orchards, etc., is important. **[Para 3.69]**

**12.45** The District Local Fund Audit (DLFA) administer financial accountability, transparency, and compliance in the financial transactions and records of the GPs, PSs, and ZPs. Considering the magnitude of vacancies, the Commission, therefore, highlighted the pressing need of increasing the sanctioned strength of audit officers along with filling up of all existing vacancies to enable timely certification of all accounts of local bodies within one year. **[Para 3.70]**

**12.46** The Commission has observed that a large volume of outstanding dues, particularly property tax arrears and user charges, continues to constrain the ULBs. In this regard, the State could consider an exercise of making the list of defaulter's public by publishing their names on

official website of the respective municipalities. This measure should be combined with SMS-based reminders and incentive schemes for timely-payment of dues. [Para 3.71]

**12.47** The Commission recognises the need for ULBs to intensify their local tax efforts through bringing about reforms in Property Taxation, identify viability of new user charges, and other GIS-based mapping for revenue mobilisation. [Para 3.72]

**12.48** The Commission underlines the need for clear and binding notifications assigning specific functions to the departments in the ULBs, in line with the 12<sup>th</sup> Schedule of the Constitution. Activity mapping should clearly delineate functions between ULBs and parastatals to avoid duplications and conflicts. Overlapping functions lead to weakened accountability and ambiguities in governance structures. [Para 3.73]

### **B. Implementation of Recommendations of Fifth SFC**

**12.49** PR & DW Department and H & UD Department will once again examine the NFRs which are partially implemented and not implemented and take action for implementation of recommendations of 5<sup>th</sup> SFC. [Para 4.30]

**12.50** OCAC is required to complete the State Data Centre for use of PRIs and ULBs data storage within a period of six months (by June 2026). If OCAC fails to complete and operationalise the State Data Centre within the stipulated time, It will refund the amount along with interest to the State Government. [Para 4.31]

**12.51** The amount earmarked for development of civic amenities at Konark NAC is required to be utilised in Konark NAC within 2 Years with direct supervision of Tourism Department. [Para 4.32]

### **C. Financial and Accounting Reforms**

**12.52** Transition to a unified, fully digital accounting system through real-time transaction entry on SAP and SUJOG platforms, with automated reconciliation and elimination of manual records is recommended. [Para 8.20]

**12.53** Timely completion of audits by the DLFA and submission of audit reports to elected bodies to strengthen financial accountability. [Para 8.29]

**12.54** Strengthening compliance, performance, and internal audits through enhanced staffing, training, and capacity building. [Para 8.31]

**12.55** Development of integrated digital dashboards for ULBs and PRIs to provide real-time access to budgets, financial statements, project progress, asset registers, and audit reports. [Para 8.35]

**12.56** For PRIs, ensure real-time availability of grant-in-aid information to support effective planning and budgeting. [Para 8.39]

**12.57** Strict adherence to budgeting guidelines, with penalties for procedural lapses through reduced future devolution and grants. [Para 8.41]

**12.58** Simplification of accounting formats and adoption of IT-based accounting systems, supported by adequate manpower, connectivity, and power supply. [Para 8.47]

**12.59** Strengthening use of the National Asset Directory for effective asset tracking and utilisation. [Para 8.48]

**12.60** Establishment of clear accountability mechanisms to address delays in project execution and underutilisation of funds, promoting transparency and efficient service delivery. [Para 8.52]

### **D. Improving Governance**

**12.61** With a view to ensuring predictability and transparency in fund flows, the Commission recommends that the Panchayati Raj & Drinking Water (PR&DW) Department and the Housing & Urban Development (H&UD) Department communicate PRI-wise and ULB-wise, year-wise fund commitments relating to Devolution, Assignment of Taxes, and Grants-in-Aid through the dashboard within THREE MONTHS of the commencement of the award period. [Para 11.12]

**12.62** The Commission recommends that both Departments release the first instalment of all SFC funds in April, and the second instalment by October each year during the award period. All releases should be routed through the iFMS system and reflected on the SAMIKSHYA dashboard, with due intimation to the concerned PRIs and ULBs to facilitate timely planning and implementation. [Para 11.13]

**12.63** The Panchayati Raj & Drinking Water (PR&DW) Department and the Housing & Urban Development (H&UD) Department shall develop sector-wise standard DPR templates (for roads, water supply, sanitation, buildings, parks, etc. and prescribe clear time limits for each stage of project processing; such as DPR preparation, technical sanction, and administrative approval to ensure timely execution of works. [Para 11.14.i]

**12.64** PRIs and ULBs shall prepare a five-year shelf of projects (2026–31) during 2026–27, with full implementation readiness, including land identification/acquisition, preparation of DPRs, and obtaining technical and administrative approvals. [Para 11.14.ii]

**12.65** An advance annual calendar for Gram Sabhas, Ward Committees, Area Sabhas, and stakeholder consultations shall be prepared and displayed on GP/ULB notice boards and websites before the financial year, with resolutions and proceedings uploaded on the dashboard to enhance transparency and public participation. [Para 11.14.iii]

**12.66** Given the limitations of departmental execution in handling a large number of works, open tendering should be promoted for faster implementation of projects. Wherever feasible, smaller projects may be clubbed into comprehensive DPRs and tendered together to ensure efficiency and timely completion. [Para 11.15.i]

**12.67** For iconic and high-value projects such as Panchayat Bhawans and hostels at DPRCs, a centralised tendering system should be adopted to ensure uniformity in design, quality standards, and adherence to timelines. [Para 11.15.ii]

**12.68** To avoid delays, both Departments shall ensure that all approvals for projects proposed during 2026–27 to 2030–31 are completed prior to the commencement of the relevant financial year. A time-bound tendering system, with clearly defined and mandatory timelines for each stage of the tender process, shall be followed by all PRIs and ULBs to ensure predictable and timely finalisation of tenders. [Para 11.15.iii]

**12.69** Work orders for projects must be placed as per the following schedule:

- First year's projects (2026–27) in FY 2026–27.
- Second- and Third-years' projects (2027-28 and 2028–29) in FY 2027–28,
- Fourth- and Fifth-years' projects (2029–30 and 2030–31) in FY 2028–29.

This must be followed scrupulously. Finance Department would intimate government approval to PRIs and ULBs in this regard within June 2026. [Para 11.15.iv]

**12.70** To promote competition and efficient utilisation of funds, if utilisation of SFC funds is below 50 per cent of the previous year's allocation, further transfers shall be withheld until 50 per cent expenditure is achieved. If expenditure for a given year (Y) is not fully utilised within two years (Y+2), the unspent amount shall be deducted from future devolution and reallocated to PRIs/ULBs with 100 per cent utilisation, first within the same block, then district, and finally at the State level. [Para 11.15.v]

**12.71** To ensure accountability and timely completion of projects, all agreements shall include penalty and incentive clauses. Suitable incentives may be provided for early completion, while penalties may be levied for delays. Departments will have to finalise a suitable penalty framework within six months of the commencement of the award period. **[Para 11.15.vi]**

**12.72** The Commission recommends that convergence of funding may be encouraged only for ancillary activities or supporting components of projects. Such convergence funding should not form an integral part of the core project, so that projects funded under SFC/CFC grants can be completed independently and on time, without being held up due to coordination issues and delays in the release of funds from other sources. **[Para 11.16]**

**12.73** The Commission recommends that Finance Department may consider for revamping HLMC and DLMCs or take steps for setting up of an independent Authority/Council/ Body at the state level for continuous monitoring and evaluation of utilisation of SFC/CFC awards and mobilisation of OSR. **[Para 11.22]**

**12.74** The Commission recommends that all funds released under the Sixth State Finance Commission and the Sixteenth Central Finance Commission be routed exclusively through the SAMIKSHYA dashboard. Information relating to fund utilisation, own-source revenue collection and expenditure, and proceedings of Gram Sabhas and Ward Sabhas shall also be made available on the dashboard to ensure transparency, accountability, and informed public participation. **[Para 11.25]**

**12.75** Commission recommends the following measures to sensitise all stakeholders on the Action Taken Report (ATR), and recommendations of sixth SFC:

- (v) Action Taken Report on the recommendations of 6<sup>th</sup> SFC and the guidelines for utilisation of funds need to be published in both Odia and English;
- (vi) People's Guide to recommendations of 6<sup>th</sup> SFC needs to be prepared by Finance Department narrating important provisions of ATR and Reports;
- (vii) ATR, guidelines and People's Guide need to be distributed among all PRIs and ULBs for the information of elected representatives and officials;
- (viii) Dissemination Workshops need to be organised at State level, at Divisional level, District and Block/ULB level inviting all stakeholders. **[Para 11.26]**

**12.76** The Commission recommends the establishment of a dedicated Urban Commission in Odisha. This body would guide urban policy, planning, and governance reforms; identify emerging urban settlements and growth corridors; ensure pre-notification provisioning of services; and coordinate implementation across departments. To ensure accountability, the Commission proposes clear milestones: achieving 40 per cent urbanisation with fully functional growth hubs by 2036, and 60 per cent urbanisation by 2047, with universal access to digital connectivity, sustainable mobility, and climate-resilient housing. **[Para 11.44]**

**12.77** The Commission recommends to take steps for re-development of slums. By transforming under-utilised and informally occupied land into planned, and developed assets, Urban Local Bodies (ULBs) can unlock substantial economic value. **[Para 11.45]**

**12.78** The Commission recommends that all ULBs prepare and implement City Climate Action Plans integrating mitigation, adaptation, and resilience measures into urban planning and service delivery. **[Para 11.47]**

**12.79** The Commission recommends that the PR&DW and H&UD Departments adopt a suitable framework to embed climate resilience across planning, governance, and service delivery in Odisha. **[Para 11.49]**

#### **E. Strengthening Own Source Revenues of Local Bodies**

**12.80** Both the ULBs and PRIs must focus on strengthening own-source revenue (OSR) and find alternative ways to raise funds like issuance of Municipal Bonds, Public-Private Partnerships, Institutional Borrowings, and other mechanisms. [Para 11.51]

**12.81** The Commission recommends comprehensive Revenue Source Mapping of all tax and non-tax revenue sources, including properties, licences, user charges, fees, and revenue-generating assets, as well as the development of an end-to-end module for demand, collection, and asset register integration with the dashboard for improved monitoring. [Para 11.57]

**12.82** The Commission recommends the implementation of e-Receipts for the collection of OSR from all sources through end-to-end IT applications and e-payment for all types of expenditure of LBs for transparency and prevention of leakages. The Commission also recommends the periodic revision of taxes, fees, rent, and user charges, etc., with the approval of the competent authority through the OSR module. The Commission also recommends that the digital asset registers of local bodies be made available with facilities for real-time updates in the dashboard, which is made public for scrutiny. [Para 11.58]

**12.83** The Commission recommends that PRIs and ULBs should boost OSR through institutionalized business planning and rigorous rent recovery from their existing and proposed capital assets. Additionally, they must explore different strategies that include public-private/public-community partnerships for services and income, Local Bodies led eco-tourism, land monetization, and green finances through carbon monetization and land/rooftop aggregation for solar projects. The ULBs and PRIs should submit an OSR plan within first six months of the commencement of the award period. The GPDP or Annual Action Plan should have source-wise projected OSR for the year. [Para 11.59]

**12.84** The Commission is of the view that Gram Panchayats can play a direct role in levying user charges on tourists visiting rural nature camps, thereby converting ecotourism inflows into a structured and sustainable source of Own Source Revenue for local bodies. [Para 11.60]

**12.85** The Commission stresses the need to adopt technology-enabled systems not only for revenue collection but also for broader public service delivery at the Panchayat level, ensuring end-to-end digitisation from assessment to receipt generation. [Para 11.61]

**12.86** The Commission is of the view that property tax/holding tax may be introduced in Census Towns and peri-urban Gram Panchayats. Peri-urban areas, which lie at the urban fringe, are characterised by rapid demographic and economic transformation driven by urban expansion, migration, land-use change from agricultural to residential or commercial purposes, and infrastructure growth. [Para 11.62]

**12.87** The Commission recommends online booking of all facilities like Kalyan Mandap with PRIs to fetch more OSR. For construction of the Market Complex/ Rural Haat/Pindi etc. and subsequent allotment to allottee, the Commission recommends allotment prior to construction for crowd pulling of revenue from the allottee in the form of security deposit and to avoid future allotment-related issues. [Para 11.63]

**12.88** Commission recommends intensifying GIS-based property mapping and expanding digital payments to improve collection efficiency. Periodic reassessment of properties should be undertaken to capture changes in use, built-up area, and market value, thereby creating a comprehensive and dependable database of all properties. [Para 11.64]

**12.89** Linking Holding tax records with electricity records can significantly reduce evasion of Holding tax by helping local bodies identify unregistered or under-assessed properties and verify actual usage patterns. Cross verification of these datasets enables more accurate assessment, widens the tax base, and strengthens compliance, thereby improving the reliability of property tax collections. [Para 11.65]

**12.90** In urban areas, monthly entry cards can be issued with minimal charges (e.g., Rs 30 or 50 per month) against usage of the modernised parks, which will enhance the revenue pool of ULBs. For example, Bhubaneswar has sector-specific parks with open gymnasium facilities. A minimum utility charge can be collected against the utility derived from these recreation centres. Additionally, if public parks can be rented by citizens for private functions, it would add a lot of revenue. [Para 11.66]

**12.91** In rural Odisha, the Commission put forward land-based monetisation to be reimagined as a tool for "Own Source Revenue" (OSR) for Gram Panchayats and a catalyst for localised economic growth. Rural land-based monetisation focuses on unlocking the value of underutilised community lands (such as Gochar/Pasture) and brownfield sites, as well as surplus government parcels. [Para 11.67]

**12.92** The Commission advises "Creation through Monetisation Model in PRIs" through the leasing of these lands for high-impact rural ventures such as renewable energy micro-grids, solar parks, and large-scale agribusiness centres. This approach not only generates steady rental income for local bodies but also creates jobs and builds climate-resilient community assets—like cold storage or food processing units—without straining the State budget. [Para 11.68]

**12.93** The Commission endorses that outdoor advertisements can become a significant non-tax revenue source for urban local governments when they are systematically regulated and monetised. [Para 11.70]

**12.94** The Commission recommends the establishment of a Municipal Finance Board for Odisha, on the lines of the Gujarat Municipal Finance Board, which would create an independent institutional mechanism to oversee and strengthen municipal finances in the State. [Para 11.71]

**12.95** The Commission is of the view that local bodies should explore the use of Transferable Development Rights (TDRs), whereby landowners are allowed to sell their unused or additional development potential to another property owner. TDRs help avoid significant land acquisition costs and can help augment revenues through mechanisms like the collection of Stamp Duties, development charges, and potential GST revenue on TDR transactions. [Para 11.72]

**12.96** Urban Local bodies could also leverage pooled climate finance from multilateral sources by preparing proposals that bundle multiple services. For instance, financial assistance can be sought for solar-powered street lighting and water supply systems together, as a part of resilience-building investments under climate finance. [Para 11.73]

**12.97** For construction of the Market Complex/ Haat/Pindi etc. and subsequent allotment to allottee, the Commission recommends allotment prior to construction for crowd pooling of revenue from the allottees in the form of security deposit and to avoid future allotment-related issues, as it was observed in Brajraj Nagar Municipality. The list of possible OSR projects is tabulated in 11.3. The ULBs may refer to this list while choosing OSR-generating activities. [Para 11.74]

#### **F. Means of Financing in Local Bodies**

**12.98** The Commission is of the view that municipal corporations such as Bhubaneswar and Cuttack should explore bond market financing for PPP projects with long-term revenue potential but short-term viability gaps, using bond proceeds to meet municipal contributions, or viability gap funding requirements and thereby strengthening urban fiscal resilience. [Para 11.80]

**12.99** The Commission recommends establishing dedicated PPP Cells within both the Housing & Urban Development Department and the Panchayati Raj & Rural Development Department. These cells should provide technical appraisal, capacity building, and guidance to local bodies, with Project Management Units (PMUs) of the respective Departments extending all necessary support. [Para 11.85]

**12.100** The Commission is of the view that eligible Urban Local Bodies may consider availing soft loans from the Urban Infrastructure Development Fund (UIDF) for priority infrastructure development. [Para 11.87]

### **G. Technological Innovations**

**12.101** The Commission advises H&UD Department to develop a chatbot-based feature on the SUJOG platform that provides easier accessibility for simple tasks, such as bill payments, venue bookings, certificate issuance, and complaint redressals. [Para 11.99]

**12.102** The Commission advises the PR & DW Department and H & UD Department to develop AI-Powered Chatbot Services in the PRIs and ULBs. [Para 11.100]

**12.103** The Commission recommends that H&UD and PR & DW departments may take necessary steps to develop and use platforms for online training of elected representatives and officials of PRIs and ULBs with fixed annual minimum learning duration. [Para 11.103]

**12.104** The Commission emphasises the use of real-time monitoring through integrated dashboards such as SAMIKSHYA, which can consolidate financial, physical, and service-delivery indicators. These platforms enable timely oversight, corrective action, and public visibility of government performance. [Para 11.104.iii]



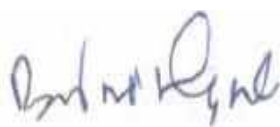
Dr. Arun Kumar Panda  
Chairman



Prof. Asit Ranjan Mohanty,  
Member



Prof. Amaresh Samantaraya  
Member



Dr. Bibhu Prasad Nayak,  
Member



Dr. Satya Priya Rath  
Member Secretary



Shri Arindam Dakua  
Director, Municipal Administration,  
Ex-Officio Member



Shri Vineet Bhardwaj  
Director, Panchayati Raj,  
Ex-Officio Member





*Submission of Interim Report of Sixth State Finance Commission  
to the Hon'ble Governor, Odisha on dt.18<sup>th</sup> August, 2025*








*Submission of Interim Report of Sixth State Finance Commission  
to the Hon'ble Chief Minister, Odisha on dt.18<sup>th</sup> August, 2025*



*Submission of Interim Report of Sixth State Finance Commission,  
Odisha to the Chairman, Sixteenth Finance Commission  
on dt.16<sup>th</sup> September, 2025*

## State Finance Commissions

Sl. No.	SFC	Award Period	Chairman	Members
1	SFC-I	1998-99 to 2004-05	 <b>(Dr. Baidyanath Mishra)</b>	<ol style="list-style-type: none"> <li>1. Shri Bharat Chandra Mallick</li> <li>2. Shri Anada Prasad Ray</li> <li>3. Shri Sudam Chandra Das</li> <li>4. Shri K. C. Badu, IAS (Member Secretary)</li> </ol>
2	SFC-II	2005-06 to 2009-10	 <b>(Shri Trilochan Kanungo)</b>	<ol style="list-style-type: none"> <li>1. Shri Nihar Ranjan Hota, IAS (R)</li> <li>2. Shri Prashanta Kumar Tripathy, IAS (R)</li> <li>3. Prof. Sudhakar Panda</li> <li>4. Shri Durga Prasad Dash, IAS (Member Secretary)</li> </ol>
3	SFC-III	2010-11 to 2014-15	 <b>(Prof. Sudhakar Panda)</b>	<ol style="list-style-type: none"> <li>1. Shri Swapneswar Baya, IAS (R)</li> <li>2. Shri Bijaya Kumar Mohanty</li> <li>3. Shri Durga Prasad Dash, IAS (Member Secretary)</li> </ol>
4	SFC-IV	2015-16 to 2019-20	 <b>(Shri Chinmay Basu, IAS (R))</b>	<ol style="list-style-type: none"> <li>1. Prof. Adwait Kumar Mohanty</li> <li>2. Shri Devi Prasad Ray</li> <li>3. Shri Pradeep Kumar Biswal, IAS (R) (Member Secretary)</li> </ol>
5	SFC-V	2020-21 to 2025-26	 <b>(Shri Rabi Narayan Senapati, IAS (R))</b>	<ol style="list-style-type: none"> <li>1. Prof. Asit Ranjan Mohanty</li> <li>2. Prof. Samson Moharana</li> <li>3. Shri Sanjeev Kumar Mishra, O.A.S. (R)</li> <li>4. Shri Rabi Narayan Mohanty, OFS (SSG) (Member Secretary)</li> <li>5. Director, Panchayati Raj (Ex Officio Member)</li> <li>6. Director, Municipal Administration (Ex Officio Member)</li> </ol>



# ରାଜ୍ୟ ଅର୍ଥ କମିଶନ STATE FINANCE COMMISSION



**L to R**

- 1. Dr. Bibhu Prasad Nayak, Member**
- 2. Prof. Asit Ranjan Mohanty, Member**
- 3. Dr. Arun Kumar Panda, IAS (R), Chairman**
- 4. Prof. Amaresh Samantaraya, Member**
- 5. Dr. Satya Priya Rath, IAS, Member Secretary**



# ANNEXURES



**GOVERNMENT OF ODISHA  
FINANCE DEPARTMENT**

\*\*\*\*\*

**NOTIFICATION**

**Bhubaneswar, the 22<sup>nd</sup> January, 2025**

Sub: Constitution of 6th State Finance Commission

**No. 2470-FIN-BUD6-SFC-0001-2024/F**, In pursuance of Article 243-I of the Constitution of India read with Article 243-Y thereof and section 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 as given below:

- |      |  |   |                  |
|------|--|---|------------------|
| i.   | Dr. Arun Kumar Panda, IAS (R)  | : | Chairman         |
| ii.  | Dr. Asit Ranjan Mohanty<br>Professor in Finance, XIMB<br>XIM University, Bhubaneswar                             | : | Member           |
| iii. | Prof. Amaresh Samantaraya<br>Professor, Department of Economics<br>Pondicherry University, Pondicherry           | : | Member           |
| iv.  | Dr. Bibhu Prasad Nayak<br>School of Public Policy and Governance<br>Tata Institute of Social Sciences, Hyderabad | : | Member           |
| v.   | Dr. Satya Priya Rath, IAS<br>Additional Secretary, Finance Department<br>Government of Odisha                    | : | Member-Secretary |

2. The Chairman and other Members of the Commission including Member Secretary shall hold office for a period of six months from the date of this Notification.

3. The Chairman and other Members (except the Member-Secretary) shall render whole time or 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 3-tier Panchayati Raj Institutions and Urban Local Bodies of 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 3-tier Panchayati Raj Institutions and Urban Local Bodies of their respective shares of such proceeds;
- (b) the determination of taxes, duties, tolls and fees which may be assigned to, or appropriated by 3-tier Panchayati Raj Institutions and Urban Local Bodies; and
- (c) the Grants-in-aid to 3-tier Panchayati Raj Institutions and Urban Local Bodies from the Consolidated Fund of the State;

(ii) the measures needed to improve the financial position of 3-tier Panchayati Raj Institutions and Urban Local Bodies; and

(iii) any other matter, which the Governor may refer to the Commission in the interest of sound finance of 3-tier Panchayati Raj Institutions and Urban Local Bodies.

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 3-tier Panchayati Raj Institutions and Urban Local Bodies in respect of discharging and implementing the schemes entrusted to them under articles 243G and 243W of the Constitution;
- (c) the revenue resources of 3-tier Panchayati Raj Institutions and Urban Local Bodies for five years, commencing from 1st April, 2026 on the basis of levels of taxation reached in 2023-24, 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 3-tier Panchayati Raj Institutions and Urban Local Bodies and make concrete recommendations for improvements; and
- (iv) an estimation and analysis of the finances of the State Government as well as 3-tier Panchayati Raj Institutions and Urban Local Bodies at the pre and post transfer stages along with a quantification of the revenues that could be generated additionally by 3-tier Panchayati Raj Institutions and Urban Local Bodies by adopting the measures recommended therein.

7. For the purpose of assessment of supplementing the resources of 3-tier Panchayati Raj Institutions and Urban Local Bodies 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 3-tier Panchayati Raj Institutions and Urban Local Bodies, 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 Panchayati Raj Institutions and Urban Local Bodies in the provision of core services.

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

9. On the matters aforesaid, the Commission shall make its report within a period of six months from the date of publication of this Notification covering an award period of five years commencing from 1st day of April, 2026.

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

By order of the Governor  
Sd/-

(Saswata Mishra)

**Principal Secretary to Government**

**Memo No 2471/F., Dated 22.01.2025**

Copy forwarded to the Director, Printing, Stationery and Publication, Odisha, Madhupatna, Cuttack for publication of the notification in an extra-ordinary issue of the Odisha Gazette today. This notification is statutory and as such bears SRO Number.

He is requested to supply 100 copies of the notification to the Government in Finance Department immediately.

Sd/-  
Joint Secretary to Government

**Memo No 2472/F., Dated 22.01.2025**

Copy forwarded to PS to Hon'ble Chief Minister/ OSD to Chief Secretary/all Secretaries/all Heads of Departments/I & P.R. Department (Public Information Cell) for favour of kind information and necessary action.

Sd/-  
Joint Secretary to Government

**Memo No 2473/F., Dated 22.01.2025**

Copy forwarded for favour of kind information and necessary action of

- |    |  |   |                  |
|----|--|---|------------------|
| 1. | Dr. Arun Kumar Panda, IAS (R)  | : | Chairman         |
| 2. | Dr. Asit Ranjan Mohanty<br>Professor in Finance, XIMB<br>XIM University, Bhubaneswar                             | : | Member           |
| 3. | Prof. Amaresh Samantaraya<br>Professor, Department of Economics<br>Pondicherry University, Pondicherry           | : | Member           |
| 4. | Dr. Bibhu Prasad Nayak<br>School of Public Policy and Governance<br>Tata Institute of Social Sciences, Hyderabad | : | Member           |
| 5. | Dr. Satya Priya Rath, IAS<br>Additional Secretary, Finance Department<br>Government of Odisha                    | : | Member-Secretary |

Sd/-  
Joint Secretary to Government

**Memo No 2474/F., Dated 22.01.2025**

Copy forwarded to all RDCs/ Collectors for favour of information and necessary action.

Sd/-  
Joint Secretary to Government

**Memo No 2475/F., Dated 22.01.2025**

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Sd/-  
Joint Secretary to Government

**Memo No 2476/F., Dated 22.01.2025**

Copy forwarded to Sub-Nodal Officer, E-Gazette, FID, Finance Department for hoisting this notification in official website of Finance Department.

Sd/-  
Joint Secretary to Government

**GOVERNMENT OF ODISHA  
FINANCE DEPARTMENT**

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**NOTIFICATION**

**Bhubaneswar, the 15<sup>th</sup> February 2025**

**No. 5416-FIN-BUD6-SFC-0001-2024/F**, In pursuance of Article 243-I of the Constitution of India read with Article 243-Y thereof and section 3 and 8 of the Odisha Finance Commission (Miscellaneous Provisions) Act, 1993 (Odisha Act 28 of 1993), the Governor of Odisha do hereby make the following amendment to the Notification of the Government of Odisha in the Finance Department No. 2470/F, Dated 22<sup>nd</sup> January, 2025, namely :-

**AMENDMENT**

In the said Notification, in paragraph 1, after entries (v), the following entries shall be inserted, namely:-

- ‘‘ (vi) Director, Panchayati Raj- Ex-Officio Member  
(vii) Director, Municipal Administration- Ex-Officio Member ‘‘

By order of the Governor  
Sd/-  
(Saswata Mishra)  
**Principal Secretary to Government**

**Memo No 5417/F., Dated 15.02.2025**

Copy forwarded to the Director, Printing, Stationery and Publication, Odisha, Madhupatna, Cuttack for publication of the notification in an extra-ordinary issue of the Odisha Gazette today. This notification is statutory and as such bears SRO Number.

He is requested to supply 50 copies of the notification to the Government in Finance Department immediately.

Sd/-  
Joint Secretary to Government

**Memo No 5418/F., Dated 15.02.2025**

Copy forwarded to PS to Hon'ble Chief Minister/ OSD to Chief Secretary/ all Secretaries/all Heads of Departments/I & P.R. Department (Public Information Cell) for favour of kind information and necessary action.

Sd/-  
Joint Secretary to Government

**Memo No 5419/F., Dated 15.02.2025**

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- |    |  |   |                   |
|----|--|---|-------------------|
| 1. | Dr. Arun Kumar Panda, IAS (R)  | : | Chairman          |
| 2. | Dr. Asit Ranjan Mohanty<br>Professor in Finance, XIMB<br>XIM University, Bhubaneswar                             | : | Member            |
| 3. | Prof. Amaresh Samantaraya<br>Professor, Department of Economics<br>Pondicherry University, Pondicherry           | : | Member            |
| 4. | Dr. Bibhu Prasad Nayak<br>School of Public Policy and Governance<br>Tata Institute of Social Sciences, Hyderabad | : | Member            |
| 5. | Dr. Satya Priya Rath, IAS<br>Additional Secretary, Finance Department<br>Government of Odisha                    | : | Member-Secretary  |
| 6. | Director, Panchayati Raj   | : | Ex officio-Member |
| 7. | Director, Municipal Administration   | : | Ex officio-Member |

Sd/-  
Joint Secretary to Government

**Memo No 5420/F., Dated 15.02.2025**

Copy forwarded to all RDCs/all Collectors for favour of information and necessary action.

Sd/-  
Joint Secretary to Government

**Memo No 5421/F., Dated 15.02.2025**

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Sd/-  
Joint Secretary to Government

**Memo No 5422/F., Dated 15.02.2025**

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Sd/-  
Joint Secretary to Government

**GOVERNMENT OF ODISHA  
FINANCE DEPARTMENT**

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**NOTIFICATION**

**Bhubaneswar, the 17<sup>th</sup> July, 2025**

**No. 21131-FIN-BUD6-SFC-0001-2024/F**, In pursuance of Article 243-I of the Constitution of India 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 make the following amendment to the Notification of the Government of Odisha in the Finance Department No. 2470/F, Dated 22<sup>nd</sup> January, 2025, namely: -

**AMENDMENT**

In the said Notification, in paragraph 2 and 9, for the words “a period of six months”, the words “a period of twelve months” shall be substituted.

By order of the Governor  
Sd/-  
(Saswata Mishra)  
Principal Secretary to Government

**Memo No 21132/F., Dated 17.07.2025**

Copy forwarded to the Director, Printing, Stationery and Publication, Odisha, Madhupatna, Cuttack for publication of the Notification in an extra-ordinary issue of the Odisha Gazette today. This notification is statutory and as such bears SRO Number.

He is requested to supply 50 copies of the Notification to the Government in Finance Department immediately.

Sd/-  
Joint Secretary to Government

**Memo No 21133/F., Dated 17.07.2025**

Copy forwarded to PS to Hon'ble Chief Minister/ OSD to Chief Secretary/ all Secretaries/all Heads of Departments/I & P.R. Department (Public Information Cell) for favour of kind information and necessary action.

Sd/-  
Joint Secretary to Government

**Memo No 21134/F., Dated 17.07.2025**

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- |   |   |                   |
|---|---|-------------------|
| 1. Dr. Arun Kumar Panda, IAS (R)  | : | Chairman          |
| 2. Dr. Asit Ranjan Mohanty<br>Professor in Finance, XIMB<br>XIM University, Bhubaneswar                             | : | Member            |
| 3. Prof. Amaresh Samantaraya<br>Professor, Department of Economics<br>Pondicherry University, Pondicherry           | : | Member            |
| 4. Dr. Bibhu Prasad Nayak<br>School of Public Policy and Governance<br>Tata Institute of Social Sciences, Hyderabad | : | Member            |
| 5. Dr. Satya Priya Rath, IAS<br>Additional Secretary, Finance Department<br>Government of Odisha                    | : | Member-Secretary  |
| 6. Director, Panchayati Raj   | : | Ex officio-Member |
| 7. Director, Municipal Administration   | : | Ex officio-Member |

Sd/-  
Joint Secretary to Government

**Memo No 21135/F., Dated 17.07.2025**

Copy forwarded to all RDCs/all Collectors for favour of information and necessary action

Sd/-  
Joint Secretary to Government

**Memo No 21136/F., Dated 17.07.2025**

Copy forwarded to all Officers/all Branches of Finance Department for information and necessary action.

Sd/-  
Joint Secretary to Government

**Memo No 21137/F., Dated 17.07.2025**

Copy forwarded to Sub-Nodal Officer, E-Gazette, FID, Finance Department for hoisting this notification in official website of Finance Department.

Sd/-  
Joint Secretary to Government

**Odisha's performance trajectory across two time periods  
(2015-16 and 2019-20)**

*Improvement indicators*

Sl. No.	Key Indicator	NFHS 5	NFHS 4
1.	Population (female) age 6 years and above who ever attended school (%)	71.5	67.8
2.	Sex ratio of the total population (females per 1,000 males)	1063	1036
3.	Households with electricity (%)	97	86.6
4.	Households with an improved drinking-water source (%)	91.1	89.1
5.	Households using improved sanitation facility (%)	60.5	30
6.	Households using clean fuel for cooking (%)	34.7	19.2
7.	Households with any usual member covered by a health scheme or health insurance (%)	47.9	47.7
8.	Women who are literate (%) (aged 15-49)	69.5	-
9.	Men who are literate (%) (aged 15-49)	84.6	-
10.	Women with 10 or more years of schooling (%) (aged 15-49)	33	26.7
11.	Women age 20-24 years married before age 18 years (%)	20.5	21.3
12.	Total fertility rate (children per woman)	1.8	2.1
13.	Under-five mortality rate (U5MR)	41.1	48.1
14.	Current Use of Family Planning Methods (currently married women age 15-49 years) Any method (%)	74.1	57.3
15.	Unmet Need for Family Planning (currently married women age 15-49 years) Total unmet need (%)	7.2	13.6
16.	Average out-of-pocket expenditure per delivery in a public health facility (in Rs.)	4139	4226
17.	Institutional Births(%)	92.2	85.3
18.	Children age 12-23 months fully vaccinated based on information from either vaccination card or mother's recall(%)	90.2	78.6
19.	Children under 5 years who are stunted (height-for-age) (%)	31.1	34.1
20.	Children under 5 years who are wasted (weight-for-height) (%)	18.1	20.4
21.	Children under 5 years who are underweight (weight-for-age)(%)	29.7	34.4

Sl. No.	Key Indicator	NFHS 5	NFHS 4
22.	Women whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m <sup>2</sup> )(%)	20.8	26.5
23.	Men whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m <sup>2</sup> ) (%)	16.5	19.5
24.	Women having a bank or savings account that they themselves use (%)	86.5	56.2
25.	Women age 15-24 years who use hygienic methods of protection during their menstrual period.	79.5	47.4
26.	Currently married women who usually participate in three household decisions (%)	90.2	81.8
27.	Women who worked in the last 12 months and were paid in cash (%)	25.7	22.7
28.	Women having a mobile phone that they themselves use (%)	50.1	39.2

### Indicators where Odisha has shown deterioration in performance

(Challenged Indicators)

Sl. No.	Key Indicators	NFHS 5	NFHS 4
29.	Children age 6-59 months who are anaemic (<11.0 g/dl) (%)	64.2	44.6
30.	All women age 15-49 years who are anaemic (%)	64.3	51
31.	Women owning a house and/or land (alone or jointly with others) (%)	43.5	63.5

*Source: National Family and Health Survey 4(2015-16) and National Family and Health Survey 5(2019-20) (NFHS 4 & 5)*

**Indicators where Odisha is faring better than the All-India average**  
(Improved Indicators)

Sl. No.	Key Indicators	NFHS 5	
		All India	Odisha
1.	Sex ratio of the total population (females per 1,000 males)	1020	1063
2.	Households with electricity (%)	96.8	97
3.	Households with any usual member covered by a health scheme or health insurance (%)	41	47.9
4.	Men who are literate (%) (aged 15-49)	84.4	84.6
5.	Women age 20-24 years married before age 18 years (%)	23.3	20.5
6.	Total fertility rate (children per woman)	2	1.8
7.	Under-five mortality rate (U5MR)	41.9	41.1
8.	Current Use of Family Planning Methods (currently married women age 15-49 years) Any method(%)	66.7	74.1
9.	Unmet Need for Family Planning (currently married women age 15-49 years) Total unmet need (%)	9.4	7.2
10.	Institutional Births(%)	88.6	92.2
11.	Children age 12-23 months fully vaccinated based on information from either vaccination card or mother's recall (%)	76.4	90.2
12.	Children under 5 years who are stunted (height-for-age)(%)	35.5	31.1
13.	Children under 5 years who are wasted (weight-for-height)(%)	19.3	18.1
14.	Children under 5 years who are underweight (weight-for-age) (%)	32.1	29.7
15.	Children age 6-59 months who are anaemic (<11.0 g/dl) (%)	67.1	64.2
16.	Women having a bank or savings account that they themselves use (%)	78.6	86.5
17.	Women age 15-24 years who use hygienic methods of protection during their menstrual period.	77.3	79.5
18.	Currently married women who usually participate in three* household decisions (%)	88.7	90.2
19.	Women who worked in the last 12 months and were paid in cash (%)	25.4	25.7
20.	Women owning a house and/or land (alone or jointly with others) (%)	43.3	43.5

Source: National Family and Health Survey 5(2019-20) (NFHS 5)

**Indicators where Odisha's performance is lower than the All-India average**  
**Challenged Indicators**

Sl. No.	Key Indicator	NFHS 5	
		All India	Odisha
1.	Population (female) age 6 years and above who ever attended school (%)	71.8	71.5
2.	Households with an improved drinking-water source (%)	95.9	91.1
3.	Households using improved sanitation facility (%)	70.2	60.5
4.	Households using clean fuel for cooking (%)	58.6	34.7
5.	Women who are literate (%) (aged 15-49)	71.5	69.5
6.	Women with 10 or more years of schooling (%) (aged 15-49)	41	33
7.	Average out-of-pocket expenditure per delivery in a public health facility (in Rs.)	2916	4139
8.	Women whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m <sup>2</sup> )(%)	18.7	20.8
9.	Men whose Body Mass Index (BMI) is below normal (BMI < 18.5 kg/m <sup>2</sup> ) (%)	16.2	16.5
10.	All women age 15-49 years who are anaemic (%)	57	64.3
11.	Women having a mobile phone that they themselves use (%)	54.0	50.1

*Source: National Family and Health Survey 5(2019-20) (NFHS 5)*

***Annexure 3.1*****District-wise distribution of PRIs and ULBs in Odisha**

District	Pop.	Villages	GPs	PSs	ZPs	TSP/ PESA GPs	MC*	MU**	NACs
Anugul	1273821	1930	225	8	1	0	0	2	1
Bargarh	1481255	1207	253	12	1	0	0	1	4
Bhadrak	1506337	1370	218	7	1	0	0	2	2
Balangir	1648997	1783	317	14	1	0	0	2	3
Boudh	441162	1186	69	3	1	0	0	0	1
Cuttack	2624470	1950	373	14	1	0	1	1	2
Gajapati	577817	1534	149	7	1	116	0	1	1
Jagatsinghpur	1136971	1321	198	8	1	0	0	2	0
Jajpur	1827192	1781	311	10	1	0	0	2	0
Kalahandi	1576869	2253	310	13	1	50	0	1	3
Keonjhar	1801733	2132	297	13	1	223	0	4	1
Khurda	2251673	1546	190	10	1	0	1	2	2
Nayagarh	962789	1702	194	8	1	0	0	1	4
Puri	1698730	1722	268	11	1	0	0	1	3
Rayagada	967911	2672	182	11	1	182	0	2	1
Deoghar	312520	875	70	3	1	20	0	1	0
Nuapada	610382	652	131	5	1	0	0	0	3
Kandhamal	733110	2515	171	12	1	171	0	1	2
Mayurbhanj	2519738	3945	404	26	1	404	0	2	2
Dhenkanal	1192811	1208	212	8	1	0	0	1	3

District	Pop.	Villages	GPs	PSs	ZPs	TSP/ PESA GPs	MC*	MU**	NACs
Koraput	1379647	1995	240	14	1	240	0	3	1
Sambalpur	1041099	1350	138	9	1	55	1	0	2
Kendrapada	1440361	1592	249	9	1	0	0	2	0
Ganjam	3529031	3195	503	22	1	0	1	1	16
Balasore	2320529	3049	356	12	1	25	0	3	2
Malkangiri	613192	1045	111	7	1	111	0	1	1
Nabarangpur	1220946	887	189	10	1	189	0	2	0
Sonepur	610183	962	109	6	1	0	0	1	2
Sundargarh	2093437	1792	279	17	1	279	1	3	0
Jharsuguda	579505	372	78	5	1	0	0	3	0
<b>Total</b>	<b>41974218</b>	<b>51523</b>	<b>6794</b>	<b>314</b>	<b>30</b>	<b>2065</b>	<b>5</b>	<b>48</b>	<b>62</b>

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

*\*MC: Municipal Corporations, \*\* MU: Municipalities*

**Functions of Standing Committee of PRIs**

Tier		Subjects under each committee
<b>Zilla Parishad</b>	1.	Planning, Finance, Anti-Poverty Programme and Co-ordination.
	2.	Agriculture, Animal Husbandry, Soil Conservation, Horticulture, Watershed Development and Fisheries.
	3.	Works, Irrigation, Electricity, Drinking Water Supply and Rural Sanitation.
	4.	Health, Social Welfare including Women and Child Development.
	5.	Public Distribution System, Welfare of Weaker Section, Forest, Fuel and Fodder.
	6.	Handicrafts, Cottage Industry, Khadi and Village Industries and Rural Housing.
	7.	Education, Sports and Culture.
<b>Panchayat Samiti</b>	1.	Planning, Finance, Anti-poverty Programme and Co-ordination.
	2.	Agriculture, Animal Husbandry, Soil Conservation, Horticulture, Watershed Development and Fisheries.
	3.	Works, Irrigation, Electricity, Drinking Water Supply and Rural Sanitation.
	4.	Health, Social Welfare including Women and Child Development.
	5.	Public Distribution System, Welfare of Weaker Section, Forest, Fuel and Fodder.
	6.	Handicrafts, Cottage Industry, Khadi and Village Industries and Rural Housing.
	7.	Education, Sports and Culture.
<b>Gram Panchayat</b>	1.	Planning, Finance and Budget.
	2.	Agriculture, Minor Irrigation, co-operation, Industries and other allied schemes.
	3.	Education, Health and Sanitation including rural Water Supply.
	4.	Welfare of Weaker Sections of Society
	5.	Communication.

*Source: Panchayati Raj & Drinking Water Department, Government of Odisha*

**Role of ULBs in implementation of functions**

<b>Sl. No.</b>	<b>Functions (18)</b>	<b>Role of ULBs</b>
1	Fire service	Neither obligatory nor discretionary
2	Planning for economic and social development	Discretionary
3	Urban poverty alleviation	Discretionary
4	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Discretionary
5	Roads and bridges	Obligatory
6	Urban Planning including Town Planning	Discretionary
7	Regulation of land-use and construction of buildings.	Discretionary
8	Water supply for domestic, industrial and commercial purposes	Obligatory
9	Public health, sanitation conservancy and solid waste management.	Obligatory
10	Urban forestry, protection of the environment and promotion of ecological aspects.	Discretionary
11	Slum improvement and up-gradation	Discretionary
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Obligatory
13	Promotion of cultural, educational and aesthetic aspects	Obligatory
14	Burials and burial grounds; cremations, cremation grounds	Obligatory
15	Cattle pounds; prevention of cruelty to animals	Obligatory
16	Vital statistics, including birth and death registration	Obligatory
17	Public amenities, including street lighting, parking lots, bus slops and public conveniences	Obligatory
18	Regulation of slaughterhouses and tanneries	Obligatory

***Source: CAG Report on Local Bodies for the year ended March 2021 Government of Odisha***

## Actual status of implementation of functions by ULBs

Functions where ULBs have Full Jurisdiction			
NIL			
Functions with no role for ULBs			
Sl. No.	Functions	Activities	Actual status of Implementation
1	Fire service	Establishing and maintaining fire brigades	The functions under Fire service are vested with Home Department, Government of Odisha.
		Providing fire NOC / approval certificate in respect of high-rise Buildings	
Functions wherein ULBs are simply implementing agencies			
Sl. No.	Functions	Activities	Actual status of Implementation
		Program implementation for economic activities Policies for social development	<b>Pradhan Mantri Awas Yojana:</b> ULBs prepared DPRs; funds were credited directly to beneficiaries by the Mission Director, Odisha Urban Housing Mission.
			<b>National Social Assistance Programme &amp; Madhu Babu Pension Yojana:</b> ULBs managed beneficiary selection and pension disbursement; funds were released by the District Social Security.
			<b>AHAAR:</b> ULBs provided basic infrastructure and maintenance; scheme expenditure was borne by the District AHAAR Society under HUDD.
3	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Identifying beneficiaries	ULBs identified beneficiaries
		Providing tools /benefits such as tricycles	ULBs identified beneficiaries through Community Organisers, while procurement and supply were handled by the DSSO
		Housing programs	ULBs constructed shelter homes with SUDA funds, while NGOs/outourced agencies handled their operation and maintenance in most cases.

Sl. No.	Functions	Activities	Actual status of Implementation
		Scholarships	ULBs selected beneficiaries, while DSSO (SSEPD) supplied the incentives; implementation was noted in one ULB (BMC).
4	Urban poverty alleviation	Identifying beneficiaries	ULBs identified beneficiaries and submitted progress reports, while SUDA directly instructed banks to disburse payments.
		Livelihood and employment	
		Street vendors	Some ULBs developed vending zones
<b>Functions with dual role</b>			
Sl. No.	Functions	Activities	Actual status of Implementation
5	Roads and bridges	Construction and maintenance of roads	While ULBs are responsible for roads and drains, in 14 ULBs, many roads were managed by R&B Divisions under the Works Department; bridges were constructed by OBCC and R&B Divisions.
		Construction and maintenance of bridges, drains, flyovers and footpaths	
<b>Functions with minimal role and/or having overlapping jurisdiction with state developments and/or parastatals</b>			
Sl. No.	Functions	Activities	Actual status of Implementation
6	Urban planning including town planning	Master Planning/Development Plans/Zonal Plans	Master plans were prepared by Development Agencies/ Town Planning Agencies, under the Director of Town Planning without any involvement of ULBs.
		Enforcing master planning regulations	Enforcement of town planning regulations rested with Development/Town Planning Agencies
		Enforcing building bye- laws and licenses	ULBs were not empowered to frame bye-laws—this was done by Development Authorities—but they were responsible for issuing and renewing building licenses.
		Group Housing, Development of Industrial areas	ULBs identified beneficiaries, while construction was carried out by Development Authorities—except in BMC and CMC, where both the Corporations and Authorities were involved.
7	Regulation of land-use and	Regulating land use	This function was handled by Development Authorities and Town Planning Officers, the power has been delegated to ULBs in 2022

Sl. No.	Functions	Activities	Actual status of Implementation
	construction of buildings	Approving building plans/high rises	Development Authorities continued to approve plans despite 2015 HUDD orders assigning this function to ULBs. While approvals were shared between ULBs and Development Authorities in some areas
		Demolishing illegal buildings	The power to deal with unauthorized constructions has been delegated to ULBs in 2022
8	Water supply for domestic, industrial and commercial purposes	Distribution of water	Although the OM Act, 1950 and OMC Act, 2003 assign water supply to ULBs, all 20 test-checked ULBs were not performing this function; it was handled by WATCO in 5 ULBs and by PH(E) Divisions in the remaining 15, under the H&UD Department.
		Providing connections	
		Operation & Maintenance (O&M)	
		Collection of charges	
9	Public health, sanitation conservancy and solid waste management	Maintaining hospitals, Dispensaries	ULBs had a limited role, mainly managing Homeopathic and Ayurvedic facilities, while major health services and immunization programmes were handled by the Health & Family Welfare Department.
		Immunization/Vaccination	
		Registration of births and deaths	This function was carried out by the Department of Health & Family Welfare
		Cleaning and disinfection of localities affected by infectious disease	ULBs handled cleaning of disease-affected areas, solid waste management, and oversight of public markets.
		Solid-waste management	
		Control and supervision of public markets	
10	Urban forestry, protection of the environment and promotion of ecological aspects.	Afforestation	Afforestation and greening were undertaken only in a few Municipal Corporations
		Greenification	
		Awareness drives	
		Protection of the	

Sl. No.	Functions	Activities	Actual status of Implementation
		Environment and promotion of ecological aspects	
		Maintenance of natural resources like water bodies etc.	ULBs had not maintained water bodies earlier, but with the launch of the Ama Pokhari scheme in 2023, SOPs were issued to rejuvenate water bodies across 115 ULBs.
11	Slum improvement and up- Gradation	Identifying beneficiaries Affordable Housing up-gradation	Under the Odisha Land Rights Act, land rights were provided by OLHM, while ULBs identified beneficiaries and managed funds through a joint account with DUDA; housing was provided by both ULBs and Development Authorities in BMC & CMC, and solely by ULBs in the other 18 ULBs, with all developmental works jointly undertaken by ULBs and OLHM
12	Provision of urban amenities and facilities such as parks, gardens, playground	Creation of parks and gardens	Across major MCs, parks were developed and maintained by both ULBs and Development Authorities; in other ULBs, maintenance was done by ULBs, RWAs etc.
		Operation and Maintenance	
13	Promotion of cultural, educational and aesthetic aspects.	Schools and education	All municipal schools were transferred to the School and Mass Education Department in 2004
		Fairs and festivals	ULBs fairs and festivals had been organised by some ULBs
		Cultural buildings / institutions	Cultural facilities like Kalyan Mandap were developed by ULBs, while no public libraries were functioning
		Heritage	They were being maintained by the Archaeological Survey of India.
		Public space Beautification	Wall paintings and similar activities were undertaken by various agencies, including the Tourism and Culture Department, Youth and Sports Department, and ULBs
14	Burials and burial grounds; cremations, cremation Grounds	Construction and O&M of crematoriums and burial grounds and electric crematoriums.	Constructed and maintained by ULBs
15	Cattle pounds; prevention of cruelty to animals	Catching and keeping Strays	Done by some ULBs
		Sterilization and anti- Rabies	

Sl. No.	Functions	Activities	Actual status of Implementation
		Ensuring animal safety	
16	Vital statistics including birth and death registration	Coordinating with hospitals/ crematoriums <i>etc.</i> for obtaining information	ULBs had a limited role, as the Health & Family Welfare Department handled data collection from hospitals and crematoriums; no related database was maintained by the ULBs.
		Maintaining and updating database	
17	Public amenities including street lighting, parking lots, bus stops and public conveniences.	Installation and maintenance of street lights	The capital cost and installation were funded by the HUDD Department and executed by private agencies, while O&M costs for seven years post-installation are borne by the respective ULBs.
		Deciding and operating bus routes	Planning and operation of bus routes fall under the purview of the Transport Department, not the ULBs.
		Creation and maintenance of parking lots	ULBs create and maintain the parking places and collect revenues there from.
		Creation and maintenance of public toilets	Toilets were constructed by the HUDD and other departments, while ULBs managed their operation and maintenance through NGOs or private agencies.
18	Regulation of slaughter houses and tanneries	Ensuring quality of animals and meat	One slaughterhouse was constructed by BMC and four by CMC, but none were made operational; no other test-checked ULBs had constructed slaughterhouses.
		Disposal of waste	
		O&M of slaughter houses	

Source: CAG Report on Local Bodies for the year ended March 2021 Government of Odisha & GoO Notifications

## (Grants-in-aid-wise financial utilisation by PRIs)

Grants in Aid to the PRIs as per  
5th State Finance Commission (2020-2025)

(Rs in Crore)

Sl. No			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
1	Drinking water (Piped Water Supply)	Provision as per ATR	125.00	125.00	125.00	125.00	125.00	625.00
		Actual Release by Dept.	125.00	125.00	125.00	125.00	125.00	625.00
		Utilisation	125.00	125.00	40.19	0.00	0.00	290.19
		Utilisation %	100.00	100.00	32.15	0.00	0.00	46.43
		Balance	0.00	0.00	84.81	125.00	125.00	334.81
2	Tube well System (Solar Energy)	Provision as per ATR	41.66	41.66	41.67	41.67	41.67	208.33
		Actual Release by Dept.	41.66	41.66	41.67	41.67	41.67	208.33
		Utilisation	41.66	41.66	20.68	0.00	0.00	104.00
		Utilisation %	100.00	100.00	49.63	0.00	0.00	49.92
		Balance	0.00	0.00	20.99	41.67	41.67	104.33
3	All weather connectivity	Provision as per ATR	97.69	97.69	97.69	97.69	97.69	488.45
		Actual Release by Dept.	97.69	97.69	97.69	97.69	97.69	488.45
		Utilisation	95.70	90.50	81.75	64.20	28.81	360.96
		Utilisation % (Financial)	97.96	92.64	83.68	65.72	29.49	73.90
		Balance	1.99	7.19	15.94	33.49	68.88	127.49
4	Provision of facilities at GP headquarters	Provision as per ATR	113.30	113.30	113.30	113.30	113.30	566.50
		Actual Release by Department	113.30	113.30	113.30	113.30	113.30	566.50
		Utilisation	110.30	92.50	65.20	51.60	24.10	343.70
		Utilisation %	97.35	81.64	57.55	45.54	21.27	60.67
		Balance	3.00	20.80	48.10	61.70	89.20	222.80

Sl. No			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
5	Provision of street lights	Provision as per ATR	56.66	56.66	56.67	56.67	56.67	<b>283.33</b>
		Actual Release by Dept.	56.66	56.66	56.67	56.67	56.67	<b>283.33</b>
		Utilisation	46.80	38.00	27.40	16.15	0.00	128.35
		Utilisation %	83	67	48	28	0	45
		Balance	10	19	29	41	57	154.98
6	Development of Rural Haats	Provision as per ATR	50.00	50.00	50.00	50.00	50.00	<b>250.00</b>
		Actual Release by Dept.	50.00	50.00	50.00	50.00	50.00	<b>250.00</b>
		Utilisation	48.70	38.80	28.30	23.40	9.30	<b>148.50</b>
		Utilisation %	97.40	77.60	56.60	46.80	18.60	<b>59.40</b>
		Balance	1.30	11.20	21.70	26.60	40.70	<b>101.50</b>
7	Maintenance of Capital assets	Provision as per ATR	58.33	58.33	58.33	58.33	58.34	<b>291.66</b>
		Actual Release by Dept.	58.33	58.33	58.33	58.33	58.34	<b>291.66</b>
		Utilisation	57.20	53.60	37.40	28.50	13.30	<b>190.00</b>
		Utilisation %	98.06	91.89	64.12	48.86	22.80	<b>65.14</b>
		Balance	1.13	4.73	20.93	29.83	45.04	<b>101.66</b>
8	Maintenance of Primary School Buildings	Provision as per ATR	52.33	52.33	52.33	52.33	52.34	<b>261.66</b>
		Actual Release by Dept.	52.33	52.33	52.33	52.33	52.34	<b>261.66</b>
		Utilisation	51.90	48.50	45.60	32.80	12.10	<b>190.90</b>
		Utilisation %	99.18	92.68	87.14	62.68	23.12	<b>72.96</b>
		Balance	0.43	3.83	6.73	19.53	40.24	<b>70.76</b>
9	Preservation & development	Provision as per ATR	20.83	20.83	20.83	20.83	20.84	<b>104.16</b>
		Actual Release by Dept.	20.83	20.83	20.83	20.83	20.84	<b>104.16</b>

Sl. No			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
	<b>of water bodies</b>	Utilisation	19.50	17.90	14.80	9.75	5.20	<b>67.15</b>
		Utilisation %	93.61	85.93	71.05	46.81	24.95	<b>64.47</b>
		Balance	1.33	2.93	6.03	11.08	15.64	<b>37.01</b>
<b>10</b>	<b>Creation of capital assets for revenue generation</b>	Provision as per ATR	141.66	141.66	141.67	141.67	141.67	<b>708.33</b>
		Actual Release by Dept.	141.66	141.66	141.67	141.67	141.67	<b>708.33</b>
		Utilisation	120.50	102.30	73.90	57.80	24.40	<b>378.90</b>
		Utilisation %	85.06	72.22	52.16	40.80	17.22	<b>53.49</b>
		Balance	<b>21.16</b>	<b>39.36</b>	<b>67.77</b>	<b>83.87</b>	<b>117.27</b>	<b>329.43</b>
<b>11</b>	<b>Funds for innovative Practices</b>	Provision as per ATR	12.50	12.50	12.50	12.50	12.50	<b>62.50</b>
		Actual Release by Dept.	12.50	12.50	12.50	12.50	12.50	<b>62.50</b>
		Utilisation	11.45	9.30	7.85	5.60	1.20	<b>35.40</b>
		Utilisation %	91.60	74.40	62.80	44.80	9.60	<b>56.64</b>
		Balance	1.05	3.20	4.65	6.90	11.30	<b>27.10</b>
<b>12</b>	<b>Creation of District Data Centers at District Level for PRIs and ULBs</b>	Provision as per ATR	25.00	25.00	25.00	25.00	25.00	<b>125.00</b>
		Actual Release by Dept.	25.00	25.00	25.00	25.00	25.00	<b>125.00</b>
		Utilisation	0.00	0.00	0.00	0.00	0.00	0.00
		Utilisation % (Financial)	0	0	0	0	0	<b>0</b>
		Balance	25	25	25	25	25	<b>125</b>
<b>13</b>	<b>Creation of Infrastructure for Banking facilities at GP Hqrs</b>	Provision as per ATR	20.83	20.83	20.83	62.51	0.00	<b>125.00</b>
		Actual Release by Dept.	20.83	20.83	20.83	62.51	0	<b>125.00</b>
		Utilisation	20.83	20.83	20.83	31.51	0	<b>125.00</b>
		Utilisation %	100.00	100.00	100.00	50.41	0	<b>100.00</b>

Sl. No			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
		Balance	0.00	0.00	0.00	31.00	0.00	<b>0.0</b>
<b>14</b>	<b>Incentives</b>	Provision as per ATR	0.00	32.00	32.00	32.00	32.00	<b>128.00</b>
		Actual Release by Dept.	0.00	32.00	32.00	32.00	32.00	<b>128.00</b>
		Utilisation	0.00	32.00	32.00	0.00	0	<b>64.00</b>
		Utilisation %	0.00	100.00	100.00	0.00	0	<b>50.00</b>
		Balance	0.00	0.00	0.00	32.00	32.00	<b>64.00</b>
	<b>Grand Total GIA</b>	<b>Provision as per ATR</b>	<b>815.79</b>	<b>847.79</b>	<b>847.82</b>	<b>889.50</b>	<b>827.02</b>	<b>4227.92</b>
		<b>Actual Release by Dept.</b>	<b>815.79</b>	<b>847.79</b>	<b>847.82</b>	<b>889.50</b>	<b>827.02</b>	<b>4227.92</b>
		<b>Utilisation</b>	<b>749.54</b>	<b>710.89</b>	<b>495.90</b>	<b>321.31</b>	<b>118.41</b>	<b>2396.05</b>
		<b>Utilisation %</b>	<b>91.88</b>	<b>83.85</b>	<b>58.49</b>	<b>36.12</b>	<b>14.32</b>	<b>56.67</b>
		<b>Balance</b>	<b>66.25</b>	<b>136.90</b>	<b>351.92</b>	<b>568.19</b>	<b>708.61</b>	<b>1831.87</b>

**(Grants-in-aid-wise physical utilisation by PRIs)**

Sl.	Local Bodies	Release Amt (Rs. Cr)	No of projects taken up	No. of completed projects	No. of on-going projects	No. of Non Starter projects
1	Drinking Water (Piped Water Supply)	625.00	21	3	9	9
2	Tube Well System(Solar Energy)	208.33	35	5	14	16
3	All Weather Connectivity	488.45	16832	6774	9174	884
4	Provision Facilities at GP Head Quarter	566.50	4397	2929	950	518
5	Provision of Street Light	283.33	33978	21982	11996	0
6	Development of Rural Haat	250.00	2021	1308	368	345
7	Maintenance of Capital Asset	291.66	6935	2434	4090	411
8	Maintenance of Primary School Building	261.66	9399	4154	4843	402
9	Preservation & Development of Water Bodies	104.16	1236	912	193	131
10	Creation of Capital assets for revenue generation	708.33	6110	3271	1393	1446
11	Funds for Innovative Practices	62.50	364	97	192	75
12	Creation of District Data Centres at District level for PRIs & ULBs	125.00	1	0	1	0
13	Creation of Infrastructure for Banking Facilities at GP Hqrs	125.00	4328	4328	0	0
14	Incentive Grants	128.00	3154	1232	1324	598
<b>15</b>	<b>Total</b>	<b>4,227.92</b>	<b>88811</b>	<b>49429</b>	<b>34547</b>	<b>4835</b>

## (Grants-in-aid wise financial utilisation by ULBs)

Grants in Aid to the ULBs as per  
5th State Finance Commission (2020-2025)

(Rs in Crore)

SI. No.			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
1	<b>Sanitation &amp; Solid Waste Management</b>	Provision	63.33	63.33	63.33	63.33	63.34	316.66
		Release	63.33	63.33	63.33	63.33	63.34	316.66
		Utilisation	58.54	56.22	52.41	62.85	39.64	269.66
		Utilisation %	92.44	88.77	82.76	99.24	62.58	85.16
2	<b>Provisions safe drinking water</b>	Provision	83.33	83.33	83.33	83.33	83.34	416.66
		Release	83.33	83.33	83.33	83.33	83.34	416.66
		Utilisation	70.66	0.00	0.00	0.00	0.00	70.66
		Utilisation %	84.80	0.00	0.00	0.00	0.00	16.96
3	<b>Creation of capital assets for revenue generation</b>	Provision	34.50	34.50	34.50	34.50	34.50	172.50
		Release	34.50	34.50	34.50	34.50	34.50	172.50
		Utilisation	17.95	18.05	19.27	21.52	14.22	91.01
		Utilisation %	52.03	52.32	55.86	62.39	41.21	52.76
4	<b>Maintenance of capital assets</b>	Provision	13.33	13.33	13.33	13.33	13.34	66.66
		Release	13.33	13.33	13.33	13.33	13.34	66.66
		Utilisation	5.67	5.31	7.09	4.89	7.66	30.63
		Utilisation %	42.56	39.85	53.21	36.67	57.44	45.95
5	<b>Maintenance of Primary School Buildings</b>	Provision	4.34	4.34	4.34	4.34	4.34	21.70
		Release	0.00	8.68	4.34	4.34	4.34	21.70
		Utilisation	0.13	1.65	2.01	1.11	0.81	5.71
		Utilisation %	0.00	19.01	46.31	25.58	18.66	26.31
6	<b>Establishment of water testing labs at district level</b>	Provision	6.66	6.66	6.67	6.67	6.67	33.33
		Release	6.66	6.66	6.67	6.67	6.67	33.33
		Utilisation	0.00	2.16	5.18	8.14	11.16	26.64
		Utilisation %	0.00	32.43	77.66	122.04	167.32	79.93

Sl. No.			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
7	<b>Development of water bodies</b>	Provision	20.83	20.83	20.83	20.83	20.84	104.16
		Release	20.83	20.83	20.83	20.83	20.84	104.16
		Utilisation	33.18	3.40	2.23	4.14	12.71	55.66
		Utilisation %	159.29	16.32	10.71	19.88	60.99	53.44
8	<b>Electric crematorium</b>	Provision	8.33	8.33	8.33	8.33	8.34	41.66
		Release	8.33	8.33	8.33	8.33	8.34	41.66
		Utilisation	1.64	1.63	2.30	0.25	0.41	6.23
		Utilisation %	19.69	19.57	27.61	3.00	4.92	14.95
9	<b>Development of civic amenities at Konark NAC</b>	Provision	6.66	6.66	6.67	6.67	6.67	33.33
		Release	6.66	6.66	6.67	6.67	6.67	33.33
		Utilisation	0.00	0.00	0.00	0.00	0.00	0.00
		Utilisation %	0.00	0.00	0.00	0.00	0.00	0.00
10	<b>Storm water drainage</b>	Provision	33.33	33.33	33.33	33.33	33.34	166.66
		Release	33.33	33.33	33.33	33.33	33.34	166.66
		Utilisation	21.20	8.91	12.35	22.21	30.19	94.86
		Utilisation %	63.61	26.73	37.05	66.64	90.55	56.92
11	<b>New NACs' Infrastructure</b>	Provision	3.50	3.50	3.50	3.50	3.50	17.50
		Release	3.50	3.50	3.50	3.50	3.50	17.50
		Utilisation	0.84	9.43	1.68	1.05	2.02	15.02
		Utilisation %	24.00	269.43	48.00	30.00	57.71	85.83
12	<b>Septage Management</b>	Provision	8.33	8.33	8.33	8.33	8.34	41.66
		Release	8.33	8.33	8.33	8.33	8.34	41.66
		Utilisation	5.43	3.62	5.16	1.66	4.38	20.25
		Utilisation %	70.10	61.37	61.94	19.93	52.52	48.61
13	<b>Funds for Innovative Practices</b>	Provision	4.16	4.16	4.17	4.17	4.17	20.83
		Release	4.16	4.16	4.17	4.17	4.17	20.83
		Utilisation	0.11	4.19	1.35	3.36	1.43	10.44

Sl. No.			2020-21	2021-22	2022-23	2023-24	2024-25	2020-2025
		Utilisation %	2.64	100.72	32.37	80.58	34.29	50.12
14	<b>Incentives</b>	Provision	0.00	10.00	10.00	10.00	10.00	40.00
		Release	0.00	10.00	10.00	10.00	10.00	40.00
		Utilisation	0.00	0.00	0.00	0.00	0.02	0.02
		Utilisation %	0.00	0.00	0.00	0.00	0.20	0.05
15	<b>Total</b>	<b>Provision</b>	<b>290.63</b>	<b>300.63</b>	<b>300.66</b>	<b>300.66</b>	<b>300.73</b>	<b>1493.31</b>
		<b>Release</b>	<b>286.29</b>	<b>304.97</b>	<b>300.66</b>	<b>300.66</b>	<b>300.73</b>	<b>1493.31</b>
		<b>Utilisation</b>	<b>215.35</b>	<b>114.57</b>	<b>111.03</b>	<b>131.18</b>	<b>124.65</b>	<b>696.79</b>
		<b>Utilisation %</b>	<b>75.22</b>	<b>37.57</b>	<b>36.93</b>	<b>43.63</b>	<b>41.45</b>	<b>46.66</b>

**(Grants-in-aid-wise physical utilisation by ULBs)**

Sl. No.	Local Bodies	Release Amt (Rs. Cr)	No of projects taken up	No. of completed projects	No. of on-going projects	No. of Non Starter projects
1	Sanitation & Solid Waste Management	316.66	2697	2276	364	57
2	Provisions for safe drinking water	416.66	86	29	57	0
3	Creation of capital assets for revenue generation	172.50	1894	1384	272	238
4	Maintenance of capital assets	66.66	1047	649	206	192
5	Maintenance of Primary School Buildings	21.70	286	160	45	81
6	Establishment of water testing labs at district level	33.33	8	7	0	1
7	Development of water bodies	104.16	353	170	131	52
8	Electric crematorium	41.66	403	35	10	358
9	Development of civic amenities at Konark NAC	Not yet started				
10	Storm water drainage	166.66	1196	687	423	86
11	New NACs' Infrastructure	17.50	132	112	14	6
12	Septage Management	41.66	207	141	49	17
13	Funds for Innovative Practices	20.83	202	194	7	1
14	Incentives	40.00	33	4	17	14
15	<b>Total</b>	<b>1,499.98</b>	<b>8544</b>	<b>5848</b>	<b>1595</b>	<b>1103</b>

## NFRs completely Implemented

Sl. No.	Recommendations of 5th SFC	Compliance
<b>1</b>	<b>Institutional Strengthening</b>	
(a)	<b>Strengthening of Human Resources</b>	
(i)	Additional manpower support such as Accountant-cum-Data Entry Operators, GPTAs for GPs. [Para-5.25]	7142 posts of Accountant-cum-Data Entry Operator are created and 4605 Accountant-cum-DEOs are in position
(ii)	Elected representatives of PRIs need to be properly trained on various aspects of developmental and welfare schemes [Para-6.26.d]	SIRD&PR is actively conducting training programme for elected representatives of PRIs
(iii)	A frame work of guidelines for proper coordination of line agencies like Development Authorities, Sewerage Board, PHEO, Director Town Planning and for ULBs. [Para-6.53.a]	The city Co-ordination committees are notified and Collectors of respective districts are in charge of the city co-ordination committees.
(iv)	Government need to strengthen the human resources for speedy utilisation of funds. [Para-6.53.e]	Separate OMAS cadre with different posts has been created.
(v)	State level institute with professional experts so as to impart training regularly to the manpower and elected representatives of ULBs. [Para-6.53.h]	State Urban Development Agency (SUDA) and Odisha Urban Academy (OUA) have been strengthened.
(vi)	Deployment of at least one Accountant-cum-Data Entry Operator for every two GPs is required in order to manage the accounting records properly. [Para-11.33]	7142 posts of Accountant-cum-Data Entry Operator are created and 4605 Accountant-cum-DEOs are in position
(vii)	Proper training and guidance on accounting to PRIs and ULBs at MDRAFM. [Para-9.26.b and 9.26.h]	Implemented
(b)	<b>Strengthening of Infrastructure Facilities</b>	
(i)	GPDP should be prepared on the basis of the guidelines with necessary participation of Palli Sabha and Grama Sabha. [Para-5.24]	GPDP is prepared by GPs with involvement of Palli Sabha and Grama Sabha
(ii)	Use of PRIASoft by all GPs for maintaining accounts. [Para-5.26 and 9.26.c]	PRIASoft has already been replaced with e-Gramswaraj portal by MoPR
(iii)	All the ULBs are directed to prepare the accounts under the double entry system of book keeping. [Para-5.29]	All ULBs are mainintaing the Double entry accrual based accounting system (DEABAS).
(iv)	Information and Communication Technology (ICT) at the GP levels to improve the service delivery. [Para-6.26.f]	ICT infrastructure is provided in all GPs
(v)	State can increase the number of e-services to be provided to citizens providing necessary ICT infrastructure. [Para-10.18]	ICT infrastructure is provided in all GPs

Sl. No.	Recommendations of 5th SFC	Compliance
(vi)	Government need to expedite the process of creating and maintaining a data base of local finances. [Para-7.21.b]	Presently State Data Centre of OCAC is used for maintaining a data base of local finances
(vii)	Special focus may be given on application of ICT in programme implementation and monitoring. [Para-10.24.c & 10.26.d]	ICT infrastructure is provided in all local bodies
(c)	<b>Other Financial and Accounting Measures</b>	
(i)	Public disclosure of essential financial information by all GPs and ULBs. [Para-9.26.e]	Accounts of ULBs are uploaded in the ULB websites and GPs are mentioning expenditure of scheme at project site.
(ii)	Information relating to functioning of GPs should be uploaded on e-Panchayat Portal regularly. [Para-9.26.f]	Implemented
<b>2</b>	<b>Measures needed to enhance OSR of local bodies</b>	
(i)	Building plans and scrutiny fee, infrastructure development fee and sanction fee as potential OSR of GPs. [Para-7.21.c]	PR & DW Department empowered GPs to increase their OSR.
(ii)	User charges and fees should be levied and collected by ULBs wherever services provided are user specific and identifiable. [Para-8.19.c]	Implemented
(iii)	All Government institutions to have adequate budgetary provisions for Municipal service charges. [Para-8.19.h]	Implemented
(iv)	ULBs can levy of service charges on sewerage and solid waste disposal wherever such services are provided. [Para-11.61.g]	Implemented
<b>3</b>	<b>General Issues</b>	
(i)	District Level Monitoring Committee (DLMC) under the Chairmanship of the Collector and DM review and monitor utilisation of funds. [Para-3.10]	DLMC in each district has been constituted
(ii)	Additional accommodation in premises of GPs for providing banking facilities. [Para-5.27]	CSP Plus outlets have been opened in each unbanked GPs
(iii)	Meeting at the ward level of ULBs should be conducted regularly so as to discharge the duties assigned to the ward committee. [Para-5.28]	Ward level Committees have been formulated and have become functional.
(iv)	GPs to play active role in water quality monitoring and providing hygiene education. [Para-6.26.a]	The GPs are monitoring the quality of water supply.
(v)	Population should not be the sole criteria for declaring “a transitional area” “a smaller urban area” and “a larger urban area”. [Para-6.53.i]	Implemented

## Partially Implemented NFRs

Sl.No.	5th SFC Recommendations	Compliance
<b>1</b>	<b>Institutional Strengthening</b>	
(a)	<b>Strengthening of Human Resources</b>	
(i)	PR&DW Department to examine the Tamil Nadu model of Solid Waste Management (Rural) and try it in some GPs on a pilot basis. [Para-6.12]	Solid Waste Management in GPs is being implemented as per SBM-G Phase II guidelines
(b)	<b>Strengthening of Human Resources</b>	
(i)	ULBs need to develop Integrated Urban Accessibility Planning (IUAP). [Para-6.53.c]	Planning Authorities in co-ordination with the Directorate of Town Planning are preparing the Comprehensive Development Plan (CDP) in ULBs
(ii)	Remodelling of SUDA in the pattern of a National Level Institute for training and exposure visit. [Para- 10.24.a & 10.24.b]	Partially implemented
(iii)	Decentralised training programmes for ULBs.[Para-10.24.d, 10.26.a, 10.26.b & 10.26.c]	Partially implemented
(c)	<b>Other Financial and Accounting Measures</b>	
(i)	The present format of the Cash Book needs to be simplified. [Para-9.26.d]	Partially implemented
(ii)	An integrated module of Accounting and Budgeting should be developed for ULBs. [Para-9.26.i]	Steps are being taken for Accounting and Budgeting online module in SUJOG platform.
<b>2</b>	<b>Measures needed to enhance OSR of local bodies</b>	
(i)	Empowerment of GPs to levy and collect such taxes and fees which are potentially elastic in nature. [Para- 7.21.a, 11.60.a,b,c,d & e]	"AmaPanchayatSeva" has been developed for collection of OSR by the GPs through online mode.

Sl.No.	5th SFC Recommendations	Compliance
(ii)	Vigorous efforts should be made for collection of arrear demand along with current dues relating to tax and non-tax. <b>[Para-8.19.b]</b>	Partially implemented
(iii)	ULBs can explore to develop such water bodies as Eco-park with recreation facilities to increase OSR. <b>[Para-8.19.e]</b>	Some water bodies have been developed to Eco-Parks in some of the ULBs
(iv)	Municipal Corporations of the State may tap external resources on the basis of their credit worthiness. <b>[Para-8.19.f]</b>	Steps are being taken for credit rating of the ULBs.
(v)	Developmental charges may be levied on industrial units by the concerned Local Bodies. <b>[Para-11.60.g]</b>	IDCO has been permitted for Building plan approvals of the buildings coming within its jurisdiction
(vi)	Converging funds available under different schemes for maintenance of income generating assets. <b>[Para-11.60.j]</b>	Partially implemented
(vii)	A tax on deficit parking space in Commercial areas. <b>[Para-11.61.b]</b>	Partially implemented
(viii)	Suitable service charge should be levied by the concerned Local Bodies on private Nursing Homes and Hospitals. <b>[Para-11.61.d]</b>	Monthly user fee is being collected from Health Care Establishments by the ULBs only for Municipal Solid Waste (Non-biomedical waste)
(ix)	Appropriate parking space should be developed by Local Bodies and levy parking fees. <b>[Para-11.61.e]</b>	Partially implemented
<b>3</b>	<b>General Issues</b>	
(i)	Each ULBs should have a drainage master plan. <b>[Para-6.53.f]</b>	DPR preparation is under process for all ULBs for preparation of drainage master plan and Puri & Bhubaneswar have Drainage Master Plans.
(ii)	Urban Open Space Management Planning should form an important activity of the ULB. <b>[Para-6.53.g]</b>	Steps are being taken under Mukhyamantri Sahari Bikash Yojana (MSBY) to develop the open spaces in all 2055 wards of the ULBs.

**Dropped NFRs**

<b>Sl.No.</b>	<b>Recommendations of 5th SFC</b>	<b>Compliance (Dropped by HLMC)</b>
<b>1</b>	<b>Measures needed to enhance OSR of local bodies</b>	
(i)	Imposition of a cess on generation of power by the power plants. <b>[Para-11.60.h]</b>	Considering higher rate of ED imposed on Thermal Power Plants for captive consumption of electricity, it was dropped
(ii)	All market yards managed on revenue sharing basis by RMCs may be transferred to Local Bodies. <b>[Para-11.60.i]</b>	As RMCs made major investments in 148 rural market yards and 6 urban market yards, it was dropped
(iii)	Continuing the Registration Fee on Minor Forest Produce. <b>[Para-11.60.k]</b>	Minor Forest Produce (MFPs) is the livelihood of tribal and Forest fringe-dwellers, so it was dropped
<b>2</b>	<b>General Issues</b>	
(i)	GPs should take the ownership of roads. <b>[Para-6.26.b]</b>	Ownership shall not be transferred to GPs as they do not have adequate technical expertise.

## NFRs Not Implemented

Sl.No.	5th SFC Recommendations	Compliance
<b>1</b>	<b>Measures needed to enhance OSR of local bodies</b>	
(i)	Imposition of property tax by GPs (Census Towns). [Para- 7.21.d, 11.60.f]	GPs have not been empowered to collect Property tax, as per the existing Act and Rules.
(ii)	Regulatory Commission to safeguard the interest of citizens and to rationalise and regulate user charges and other revenue collections by ULBs. [Para-8.19.d]	Not implemented
(iii)	Property tax with “Unit Area Method” of assessment [Para-8.19.g, 11.61.f]	Not implemented
(iv)	Tax on vacant land in urban areas [Para-11.61.a]	Not implemented
(v)	Sharing of land conversion charges between the Panchayats and the ULBs in the ratio of 75:25 [Para-11.61.c]	No decision has been taken on this matter till now.
(vi)	The rates and structure of different taxes prescribed under the Municipal Act require revision and changes, wherever necessary. [Para-8.19.a]	No decision has been taken on this matter till now.
<b>2</b>	<b>General Issues</b>	
(i)	Comprehensive guidelines need to be circulated for the GPs for tank renovation. [Para- 6.26.e]	Not implemented
(ii)	Management of markets, daily haats should remain with the ULBs [Para-6.53.b]	Not implemented
(iii)	A land transfer policy for ULBs needs to be formulated. [Para-6.53.d]	Not implemented

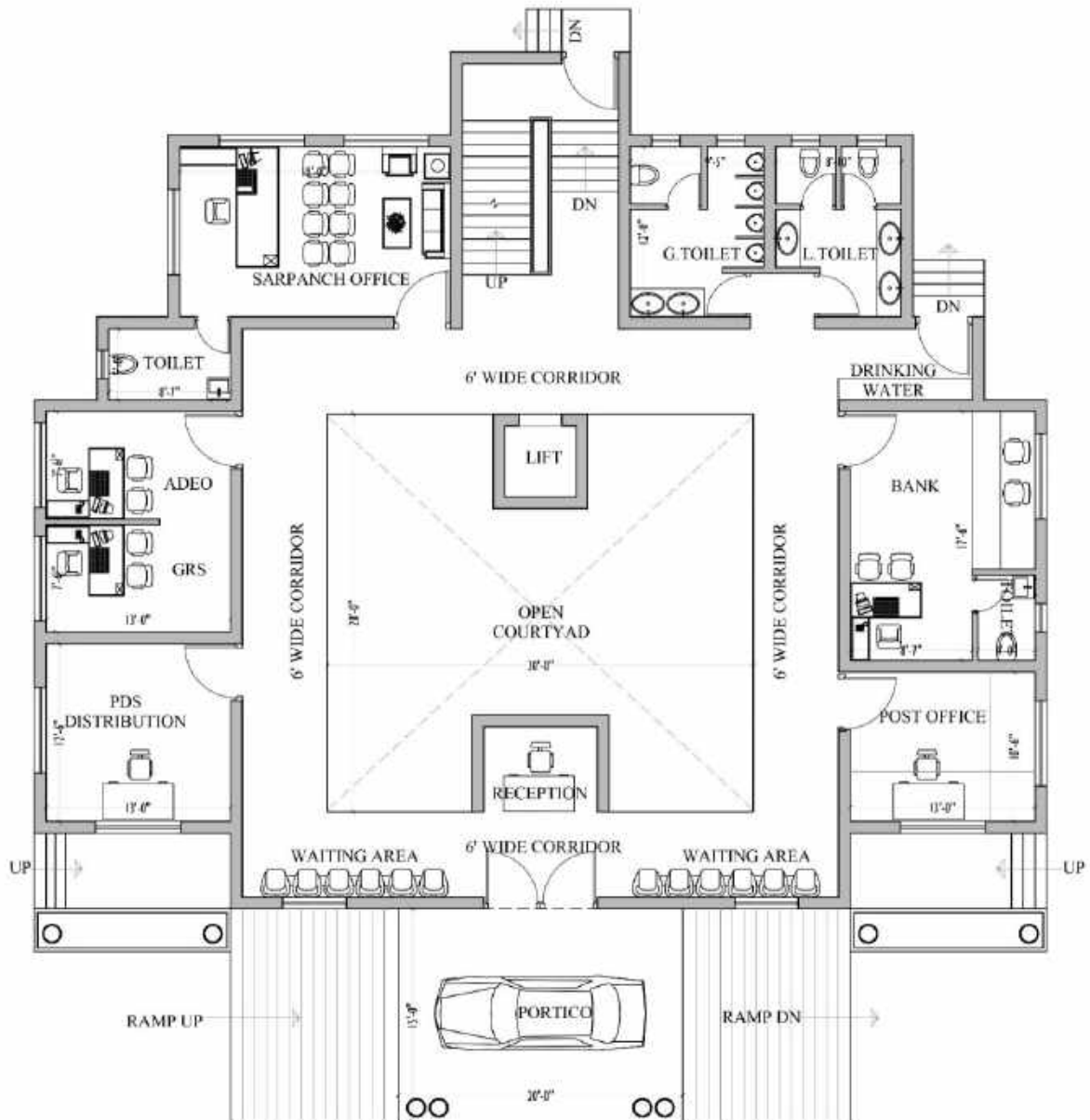
**MODEL OF PANCHAYAT BHAWAN**



**Summary of Estimates for construction of Panchayat Bhawan**

Sl. No.	Description of Works	Amount in Rs.
<b>A.</b>	<b><u>CIVIL WORKS.</u></b>	
1	Office building (Ground Floor)	70,42,250.32
2	Office building (1st Floor)	48,96,030.59
3	Office building (Terrace Floor)	7,25,438.77
<b>B</b>	<b>Total CIVIL cost - (A)</b>	<b>1,26,63,719.68</b>
4	ELECTRICAL WORK (Internal & External) & A/C -15% on Civil work	18,99,557.95
5	PH. WORK (Internal & External) -15% on Civil work	18,99,557.95
	<b>Total (PH &amp; Electrical works (B))</b>	<b>37,99,115.9</b>
	<b>Total (A+B)</b>	<b>1,64,62,835.58</b>
	Add CGST @ 9% on TOTAL (A+B)	14,81,655.2
	Add SGST @ 9% on TOTAL (A+B)	14,81,655.2
	Add 1 % Contingency on (A+B)	1,64,628.35
	<b>GRAND TOTAL including GST</b>	<b>1,95,90,774.45</b>
<b>NB</b>	<ul style="list-style-type: none"> <li>• Detailed estimates are with PR&amp;DW Department</li> </ul>	
	<ul style="list-style-type: none"> <li>• Estimate includes the construction plan for future construction of 2<sup>nd</sup> floor</li> </ul>	

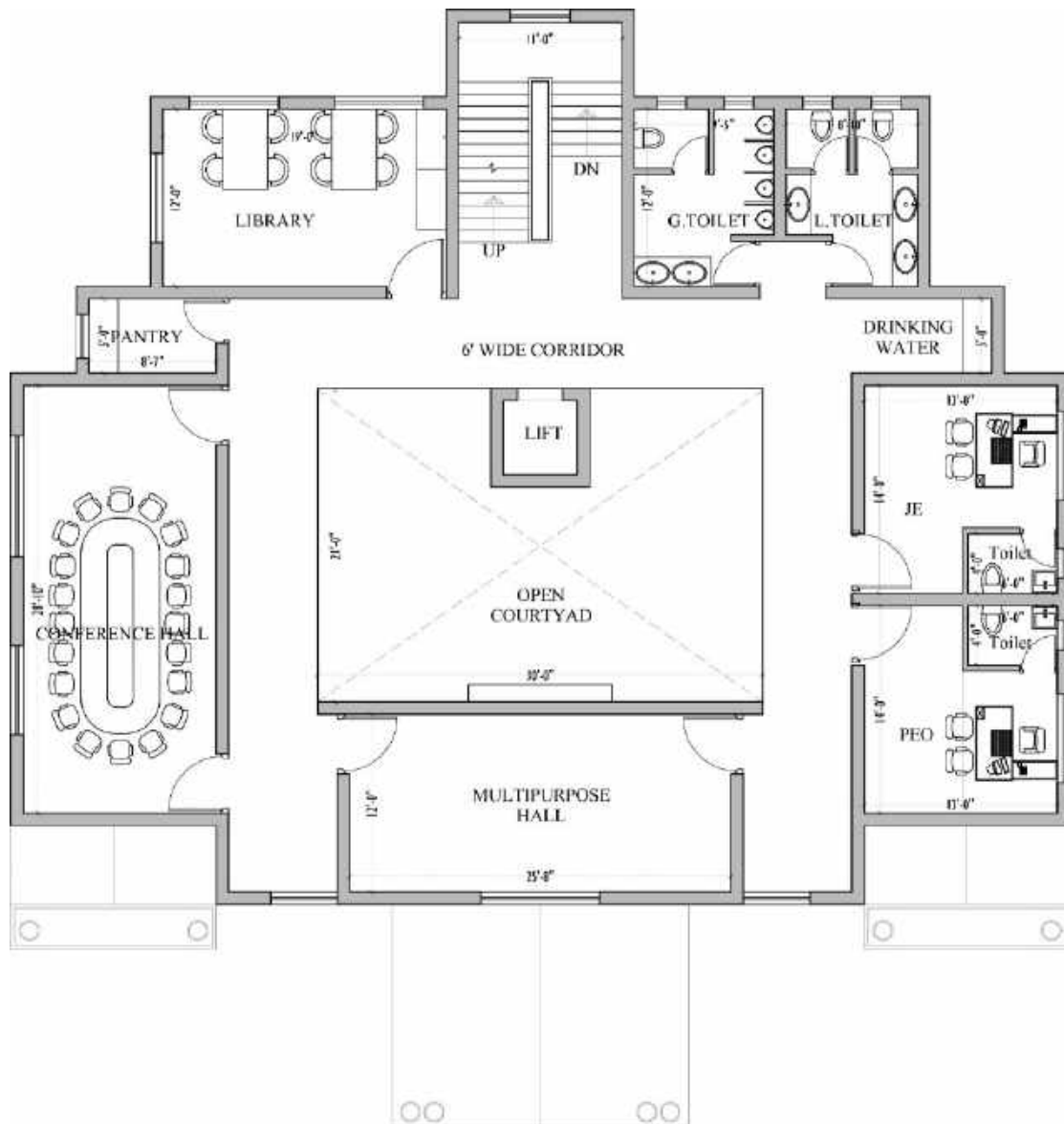
## Layout plan for Panchayat Bhawan



### GROUND FLOOR PLAN

Built-up area= 2784Sq.Ft.

Portico Area = 530Sq.Ft.



**FIRST FLOOR PLAN**

Built-up area =2930Sq.Ft.

**MODEL OF DISTRICT PANCHAYAT RESOURCE CENTRE (DPRC) HOSTEL**



## SUMMARY ESTIMATES OF DPRC HOSTEL BUILDING

### Construction of 50 SEATED CAPACITY HOSTEL AT DISTRICT PANCHAYAT RESOURCE CENTRE

#### SUMMARY ESTIMATES

Sl. No.	Description of Works	Rs/sqft	Amount in Rs.
A.	<u>CIVIL WORKS.</u>		
1	Hostel building (Ground Floor)	2100.00	1,59,28,500.00
2	Hostel building (1st Floor)	1700.00	1,00,64,000.00
3	Hostel building (Terrace Floor)	295.00	17,46,400.00
	Total CIVIL cost - (A)		2,78,64,900.00
5	ELECTRICAL WORK (Internal & External) & A/C - 15% on Civil work		41,79,735.00
6	PH. WORK (Internal & External) -15% on Civil work		41,79,735.00
	Total (B)		83,59,470.00
	Total (A+B)		3,62,24,370.00
	Add CGST @ 9% on TOTAL (A+B)	9%	32,60,193.30
	Add SGST @ 9% on TOTAL (A+B)	9%	32,60,193.30
	Add 1 % Contingency on (A+B)	1%	3,62,243.70
	<b>GRAND TOTAL =</b>		<b>4,31,07,000.30</b>

**Layout plan for DPRC Hostel**



**GROUND FLOOR PLAN**  
Built-up area = 7645 Sq.Ft.



**FIRST FLOOR PLAN**  
Built-up area = 5920 Sq.Ft.

**Selected 47 tourist-oriented GPs (Category-A identified by Tourism Department) of the State list enclosed:**

**Category-A Tourist-oriented GPs**

Sl. No.	District	Location Name	Location Category	Funds Placed for Sanitation in FY 2024-26	Funds Placed with OTDC for sanitation in FY 2025-26	Gram Panchayat of the Location
1	Balasore	Chandipur	Beach Destinations	58.69	-	Chandipur
2	Balasore	Remuna	Religious/ Heritage sites	47.01	-	Remuna NAC, Ward no-3
3	Balasore	Chandaneswar	Religious/ Heritage sites	49.97	-	Huguli
4	Balasore	Panchalingeswar	Religious/ Heritage sites	47.58	-	Shyamasundarpur
5	Balasore	Talasari	Beach Destinations	49.7	-	Huguli
6	Balasore	Balaramgadi	Beach Destinations	-	-	Chandipur
7	Balasore	Balasore	District HQ	-	-	Balasore Municipality
8	Bargarh	Nrusinghnath	Religious/ Heritage sites	47.13	-	Paikmal
9	Bhadrak	Aradi	Religious/ Heritage sites	50.91	49.14	Aradi
10	Balangir	Harishankar	Religious/ Heritage sites	50.55	-	Nandupala
11	Balangir	Balangir	District HQ	-	-	Balangir Municipality
12	Cuttack	Cuttack	Religious/ Heritage sites	-	-	Cuttack Municipal Corporation
13	Cuttack	Dhableswar	Religious/ Heritage sites	45.32	-	Mancheswar
14	Dhenkanal	Kapilash	Religious/ Heritage sites	47.13	-	Deogaon

Sl. No.	District	Location Name	Location Category	Funds Placed for Sanitation in FY 2024-26	Funds Placed with OTDC for sanitation in FY 2025-26	Gram Panchayat of the Location
15	Dhenkanal	Joranda	Religious/Heritage sites	47.13	-	Joranda
16	Ganjam	Gopalpur	Beach Destinations	100	-	Gopalpur Municipality
17	Ganjam	Taratarini	Religious/Heritage sites	80	49.14	Achuli
18	Ganjam	Berhampur	Art and Craft			Berhampur Municipal Corporation
19	Jagatsinghpur	Paradeep	Beach Destinations	50.96		Paradeep Municipality
20	Jagatsinghpur	Maa Sarala Temple	Religious/Heritage sites	50.96	-	Kanakpur
21	Jajpur	Maa Biraja Temple, Jajpur	Religious/Heritage sites	-	-	Jajpur Municipality
22	Jharsuguda	Jharsuguda	District HQ	-	-	Jharsuguda
23	Kendrapara	Kendrapara	Religious/Heritage sites	-	-	Kendrapara
24	Keonjhar	Sanaghagara	Waterfall	-	-	Talakainsari
25	Keonjhar	Ghatagaon	Religious/Heritage sites	-	49.14	Mukundapur Patna
26	Khordha	Bhubaneswar	Religious/Heritage sites	-	-	Bhubaneswar Municipal Corporation
27	Khordha	Dhuli	Religious/Heritage sites	57.47	-	Dhuli
28	Khordha	Khandagiri and Udayagiri	Religious/Heritage sites	-	-	Bhubaneswar Municipal Corporation
29	Khordha	Nandankanan	Wildlife/Forest	-	-	Raghunathpur / Daruthenga
30	Khordha	Barkul	Salt Water Lake	50	49.14	Dungamal
31	Koraput	Gupteswar	Religious/Heritage sites	-	49.14	Haladikund

Sl. No.	District	Location Name	Location Category	Funds Placed for Sanitation in FY 2024-26	Funds Placed with OTDC for sanitation in FY 2025-26	Gram Panchayat of the Location
32	Nayagarh	Odagaon	Religious/Heritage sites	-	-	Odagaon NAC
33	Puri	Puri	Religious/Heritage sites	406.01	-	Puri Municipality
34	Puri	Konark	Religious/Heritage sites	-	-	Konark NAC
35	Puri	Kakatpur	Religious/Heritage sites	47.13	-	Kakatpur NAC
36	Puri	Satyabadi	Religious/Heritage sites	-	-	Satyabadi
37	Puri	Brahmagiri	Religious/Heritage sites	47.13	49.14	Brahmagiri
38	Puri	Pipili	Art and Craft	-	-	Pipili NAC
39	Puri	Ramachandi	Religious/Heritage sites	-	-	Sutan
40	Sambalpur	Sambalpur	Religious/Heritage sites	-	-	Sambalpur Municipal Corporation
41	Sambalpur	Hirakud	Waterbodies	-	49.14	Sambalpur Municipal Corporation
42	Sambalpur	Huma	Religious/Heritage sites	47.13	49.14	Huma
43	Subarnapur	Sonepur	Religious/Heritage sites	-	-	Sonepur Municipality
44	Sundargarh	Rourkela	Others	-	-	Rourkela Municipal Corporation
45	Sundargarh	Vedavyasa	Religious/Heritage sites	-	-	Rourkela Municipal Corporation
46	Sundargarh	Khandadhar	Waterfall	-	49.14	Talbhalli
47	Sundargarh	Ghogara	Religious/Heritage sites	-	-	Dheluan
		Total		1477.87	442.26	

## Revenue-Generating Activities for PRIs

Sl. No.	Activities
(1)	(2)
<b>A</b>	<b>Markets, Shops &amp; Business Activities</b>
1	Leasing of weekly markets/haats
2	Renting out permanent market buildings
3	Entry fees in rural markets
4	Stall fees during village melas
5	Renting Panchayat-owned commercial complexes
6	Renting shops near bus stands
7	Renting out godowns/warehouses
8	Charges for displaying advertisement in GP areas
<b>B</b>	<b>Community Services &amp; Facilities</b>
9	Rental of community halls
10	Fees for sports and playground usage
11	Community centres for skill training (fee-based)
12	Panchayat-run hostels with nominal fees
13	Revenue from organizing local fairs or festivals
14	Paid entry to local museums or heritage sites
15	Fees for public sanitation facilities
16	Paid courses in rural entrepreneurship
17	Rental of Panchayat land for community events
<b>C</b>	<b>Local Businesses &amp; Micro-Enterprises</b>
18	Revenue from local food stalls in markets
19	Fees from cottage industry units (weaving, handicrafts)
20	Renting Panchayat storage facilities
21	Fees from service providers using Panchayat infrastructure
22	Paid digital advertising on Panchayat-managed platforms
23	Shared workspace rental for local entrepreneurs
24	Subscription fees for Panchayat-led micro-enterprise incubators
25	Revenue from rural skill development centres
<b>D</b>	<b>Land, Buildings &amp; Properties</b>
26	Leasing Panchayat land for agriculture
27	Leasing land for commercial use
28	Renting community halls/ Kalyan Mandaps
29	Renting meeting halls and conference rooms
30	Renting Panchayat bhawan for functions

Sl. No.	Activities
(1)	(2)
31	Leasing land for cattle sheds
32	Leasing land for fruit orchards
33	Leasing land for creating rural forest
34	Renting Panchayat land for film shoots/ Jatra/ Drama
35	Leasing land for warehousing/logistics units
36	Sale of Panchayat-owned tree plantations
<b>E</b>	<b>Land, Infrastructure &amp; Asset-Based Revenue</b>
37	Leasing Panchayat land for commercial use
38	Charges for temporary usage of Panchayat grounds for events
39	Fees from commercial activity near water bodies
40	Fees from community markets or weekly bazaars
41	Leasing rooftop space for telecom towers
<b>F</b>	<b>Water Bodies &amp; Natural Resources</b>
42	Leasing village ponds for fisheries
43	Community Pisciculture
44	Leasing ponds for duck farming
90	Leasing water bodies for aquaculture/fish farming
91	Organic certification service fees
92	Rural e-commerce platforms for agricultural products
93	Subscription-based soil testing services
<b>L</b>	<b>Tourism, Culture &amp; Heritage</b>
94	Developing local tourist spots (Ancient Temples and Shrines/ Historical Monuments/Forts/ Natural Scenic Spots) and collect Entry Fees
95	Fees for boating services
96	Cultural festival charges
97	Renting rural tourism cottages/ resorts
98	Fees for parking near tourist areas
99	Fees for rural homestays
100	Charges for rural campsite areas
101	Developing Adventure Tourism Infrastructure
102	Photography/video shoot fees at scenic spots
103	Agro-tourism farm entry fees
104	Boat house rentals
<b>K</b>	<b>Innovative practices</b>
105	Fees from craft fairs organized by Panchayat
106	Sponsorships for local festivals or fairs
107	Paid workshops for traditional skills (pottery, weaving)

Sl. No.	Activities
(1)	(2)
108	Digital platforms for booking rural tourism experiences
<b>L</b>	<b>Health &amp; Social Services</b>
109	User charges in Panchayat-run clinics
110	Fees for ambulance services
111	Leasing buildings to private health practitioners
112	Charges for rural fitness centres/ gyms
<b>M</b>	<b>Energy &amp; Utility-based Revenue</b>
113	Solar farm leasing
114	Revenue from rooftop solar on Panchayat buildings
115	Leasing land for windmills
116	Charges for charging stations for EVs
117	Streetlight maintenance fees
118	Renting Panchayat land for biomass plants
<b>N</b>	<b>Education &amp; Skill Development</b>
119	Renting Panchayat auditoriums for training
120	Running computer training centres
121	Renting rooms for competitive coaching
122	Fees for online exam centres
123	Charges for skill development workshops
124	Fees from vocational training programs
<b>O</b>	<b>Digital &amp; IT-enabled Revenue</b>
125	Setting up rural Wi-Fi hotspots (usage charges)
126	Renting IT kiosks/CSCs
127	Digital service fees (certificates, applications)
128	Advertising on Panchayat digital boards

## Revenue-Generating Activities for ULBs

Sl. No.	Activities
(1)	(2)
<b>A</b>	<b>Property- &amp; Land-Based Revenues</b>
1	Property tax (residential)
2	Property tax (commercial)
3	Regularization charges for unauthorized constructions
4	Layout approval fees
5	Impact fee for high-rise buildings
6	Leasing municipal lands for commercial use
7	Joint development projects with private developers
8	GIS-enabled property mapping monetization services
9	Waterfront development leasing
<b>B</b>	<b>Business &amp; Trade-Related Revenues</b>
10	Trade license fees
11	Shop & establishment registration fees
12	Hawker / street vendor license fees
13	Advertisement tax
14	Market stall rentals
15	License for weekly markets
16	Industrial zone user charges
17	Tourism business license fees
18	Event / festival market space rentals
19	Fees from incentive schemes
<b>C</b>	<b>Transportation &amp; Mobility Revenues</b>
20	Parking fees (on-street)
21	Parking fees (off-street lots)
22	Automated smart parking systems revenue
23	Bus terminal entry fees
24	Auto-rickshaw/Taxi stand fees

Sl. No.	Activities
(1)	(2)
25	EV charging station franchise fees
26	Sale/auction of old municipal vehicles
27	Licensing of LED screens at junctions
<b>D</b>	<b>Smart Mobility &amp; Transport</b>
28	Paid app-based parking reservations
<b>E</b>	<b>Water Supply &amp; Sanitation Revenues</b>
29	Sewerage / drainage user fees
30	Septage collection fees
31	Sewer connection charges
32	Water tanker services
33	Stormwater drainage connection fees
34	Sale of recycled / treated wastewater
35	Urban Park entry revenue
<b>F</b>	<b>Urban Services &amp; Utilities</b>
36	Water ATM and smart water vending machines
37	Microgrid electricity sales
38	Dynamic water pricing based on usage
39	Smart waste bins with user fees
40	Paid sanitation services
41	Dynamic pricing for municipal sports facilities
42	Municipal water tank cleaning fees
<b>G</b>	<b>Solid Waste Management Revenues</b>
43	Solid waste user charges (household)
44	Solid waste user charges (commercial)
45	Bulk waste generator fees
46	Sale of compost from organic waste
47	Sale of recyclable materials
48	Tipping fees at solid waste processing plants
49	Landfill usage charges

Sl. No.	Activities
(1)	(2)
50	Plastic waste management fees
51	E-waste collection and processing fees
<b>H</b>	<b>Environment &amp; Green Urban Infrastructure</b>
52	Green space user fees (botanical gardens/urban forests)
53	Monetization of carbon credits
54	Lake/pond rejuvenation entry fees
55	Rooftop solar on municipal buildings
56	Penalty for environmental violations
57	Monetization of biogas from waste-to-energy plants
58	Sale of electricity produced from waste-to-energy
<b>I</b>	<b>Green &amp; Sustainable Revenue Streams</b>
59	Waste-to-energy plants selling electricity
60	Rooftop solar leasing on municipal buildings
61	Community solar microgrid subscriptions
62	EV charging stations with user fees
63	Rainwater harvesting incentive programs
<b>J</b>	<b>Licensing &amp; Regulatory Fees</b>
64	Fire safety clearance fees
65	Health license fees (hotels, restaurants)
66	Birth & death certificate fees
67	Marriage registration fees
68	Cinema/theatre license fees
69	Hazardous material handling permits
<b>K</b>	<b>Urban Infrastructure &amp; Facility Revenues</b>
70	Rental income from municipal buildings
71	Lease of community halls
72	Stadium/Auditorium rental fees
73	Swimming pool membership fees
74	Playground / sports facility rentals

Sl. No.	Activities
(1)	(2)
75	Public toilet user charges
76	Revenue from municipal guesthouses
77	Leasing space for telecom towers
<b>L</b>	<b>Asset Monetization &amp; PPPs</b>
78	Leasing municipal buildings for offices or shops
79	Advertising on bus shelters, street furniture, and public transport
80	Rooftop leasing for telecom towers
81	Leasing land for temporary markets or pop-up events
82	Parking lot management through PPPs
83	Revenue-sharing from municipal stadiums and sports complexes
84	Commercial leasing of municipal water bodies for boating/fishing
85	PPP-managed public transport hubs
86	Leasing rooftops for solar power
87	Renting municipal land for food trucks or urban markets
88	Paid use of public halls and auditoriums
89	PPP-managed waste collection and recycling
90	Leasing vacant municipal land for temporary commercial activities
<b>M</b>	<b>Urban Planning &amp; Land-Based Revenue</b>
91	Leasing municipal plots for commercial use
92	Temporary usage fees for open spaces
93	Charges for commercial activity near water bodies
94	Dynamic commercial land pricing
95	Revenue from urban renewal projects
96	Leasing street-side plots for cafes or pop-up shops
<b>N</b>	<b>Financial &amp; Innovative Instruments</b>
97	Municipal bonds for urban infrastructure
98	Subscription-based local services (health, waste, water)
<b>O</b>	<b>Digital &amp; Innovation-Based Revenues</b>
99	Smart city data monetization (non-personal data)

Sl. No.	Activities
(1)	(2)
100	Digital certification and e-governance services fees
101	Public Wi-Fi monetization
102	App-based service charges (parking, utilities, etc.)
103	Revenue from PPP-based e-governance solutions
<b>P</b>	<b>Digital &amp; Technology-Driven Revenue</b>
104	GIS-based property tax mapping and monitoring
105	AI-assisted property tax assessment
106	Online property tax and utility bill payments
107	UPI/mobile app-based fee collection
108	Digital receipts for all municipal transactions
109	IoT-enabled smart water meters with real-time billing
110	Smart electricity meters for municipal grids
111	Mobile app for trade license renewals and payments
112	Digital platform for renting municipal assets (halls, sports complexes)
113	Digital parking payments via apps
114	E-ticketing for public transport
115	Dynamic pricing for parking spots using AI
116	App-based street vending registration and payment
117	Online building plan approval fees
118	GIS-enabled monitoring of property occupancy and defaulters
119	Mobile-based grievance redressal with paid priority resolution
120	Paid mobile alerts for civic services (e.g., water supply updates, waste collection)
<b>Q</b>	<b>Culture, Tourism, Recreation &amp; Municipal Enterprises</b>
121	Film shooting permissions
122	Revenue from amphitheatre rentals
123	Art gallery rentals
124	Revenue from Riverfront festival
125	Food court leasing at municipal plazas
126	<b>Fees for night tourism activities</b>

Sl. No.	Activities
(1)	(2)
127	Revenue from city marathon events
128	Adventure sports licensing
129	Boat house rentals
130	Theme Park PPP revenue share
<b>R</b>	<b>Tourism, Culture &amp; Heritage</b>
131	Entry fees for urban heritage sites
132	AR/VR-based virtual tours of city landmarks
133	Ticketing for cultural events/festivals
134	Revenue from food and craft fairs
135	Sponsorships for cultural events
136	Revenue from municipal museums
137	Online booking for city events and workshops
138	City-based eco-tourism packages

## Own Source Revenue (OSR) streams of Urban Local Bodies (ULBs)

Category	Digital / Tech	Green / Sustainable	PPP / Asset Monetisation	Smart Services / Urban Innovation
Property & Land-Based Revenues	✓ (GIS property mapping)	-	✓ (Joint development, leasing)	✓ (Waterfront development)
Business & Trade-Related Revenues	-	-	-	✓ (Event/festival market rentals, incentive schemes)
Transportation & Mobility Revenues	✓ (App-based parking)	✓ (EV charging)	✓ (Parking lot management PPPs)	✓ (Smart mobility solutions)
Water Supply & Sanitation Revenues	✓ (Smart water vending, IoT meters, dynamic billing)	✓ (Microgrid electricity, water recycling)	✓ (PPP-managed sanitation)	✓ (Paid sanitation, dynamic pricing, municipal tank cleaning)
Solid Waste Management Revenues	-	✓ (Compost, recyclables, E-waste, tipping fees)	✓ (PPP-managed waste collection/recycling)	✓ (Smart bins, bulk waste management)
Environment & Green Urban Infrastructure	-	✓ (Waste-to-energy, rooftop solar, community solar, rainwater harvesting, EV charging)	-	-
Licensing & Regulatory Fees	-	-	-	-
Urban Infrastructure & Facility Revenues	✓ (Digital payments, IoT monitoring)	✓ (Rooftop solar)	✓ (Leasing municipal buildings/land, PPP-managed assets, advertising)	✓ (Dynamic pricing, paid hall/auditorium use)
Digital & Innovation-Based Revenues	✓ (GIS, AI, e-governance, mobile apps, e-ticketing, digital asset rentals)	-	✓ (PPP-based digital solutions)	✓ (App-based approvals, paid alerts, grievance redressal)
Culture, Tourism, Recreation & Municipal Enterprises	✓ (Online bookings, AR/VR tours)	✓ (Eco-tourism packages)	✓ (PPP-managed theme parks, event sponsorships)	✓ (Ticketing & revenue from cultural events/festivals)

Source: Categorised by the 6<sup>th</sup> Finance Commission, Odisha





# **APPENDICES**



## Appendix - I

### **Best Practices in Local Bodies: Evidence from Odisha**

#### **Introduction**

**1.1** The 13<sup>th</sup> CFC recommended that State Finance Commissions (SFCs) document the best practices of local bodies in their respective States and include a separate chapter on Best Practices in their reports, as outlined in the suggested report template. Following this guidance, the Sixth SFC of Odisha incorporated several best practices in its Report and recommended their adoption in other local bodies wherever feasible. To identify such practices, the Commission conducted field visits to several local bodies and requested all District Collectors and relevant Heads of Departments to provide details of best practices implemented in local bodies under their respective jurisdictions. The key practices identified through these efforts have been compiled and presented in this chapter.

**1.2** A study<sup>1</sup> commissioned by the Thirteenth Finance Commission outlined the key features of Best Practices as follows:

- a) They should be recognised by all stakeholders as having made a meaningful and positive impact on people's lives and well-being.
- b) While they may originate from local concerns, good practices must have wider relevance. They should be replicable, sustainable, and capable of strengthening accountability between policymakers, service providers, and citizens, while also enhancing transparency.
- c) Their design should carefully consider institutional, legal, and social dimensions, along with all backward and forward linkages.
- d) Ownership should not remain with a single initiator but should quickly pass to implementing levels, ensuring continuity even when key personnel change.
- e) Best practices must be regularly reviewed, monitored, and refined so that they remain dynamic, effective, and relevant over time.

The following section presents a summary of selected best practices identified by this Commission based on field visits, stakeholder consultations and departmental reviews conducted across the State. The chapter encompasses both financial and non-financial best practices across Urban Local Bodies (ULBs) and Panchayati Raj Institutions (PRIs).

#### **1.3 Best Practices in ULBs**

**1.3.1** The Rourkela Municipal Corporation (RMC) established a cold storage facility at VSS Market in collaboration with a startup from NIT Rourkela. Operated by a **women's Self-Help Group using mobile applications**, the facility supports farmers and fruit sellers by reducing post-harvest losses and improving profit margins, and has proved particularly beneficial to local communities during the COVID-19 pandemic.

**1.3.2** Regarding the performance of ULBs in Odisha in the field of urban transport, Bhubaneswar was honoured with the title of '**City with the Best Public Transport System**' in India at the 17th Urban Mobility India (UMI) Conference & Expo, 2024. This prestigious recognition highlights the state's commitment to efficient and sustainable public transportation.

**1.3.3** In the field of sanitation, Odisha improved its position to the fourth-best state in terms of

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<sup>1</sup> The study titled "*Best Practices in the Financial Management of Urban Local Bodies in India*" was conducted by Yashwantrao Chavan Academy of Development Administration. (2009), Pune, Maharashtra. The report was submitted to Ministry of Housing and Urban Poverty Alleviation, Government of India.

cleanliness in the Swachh Survekshan 2023 ranking. **Three cities from Odisha – Bhubaneswar, Puri, and Balasore – have made it to the top 100 in the population category of 1 lakh and above.**

**1.3.4** The Ministry of Housing and Urban Affairs, Government of India, conducts the Swachh Survekshan—a survey to rank cities based on cleanliness and sanitation management. In the Swachh Survekshan 2024–25 rankings, Bhubaneswar ranked 9th, Rourkela 15th, Cuttack 30th, Berhampur 75th, and Puri 90th. Bhubaneswar, which was declared the cleanest city in Odisha with a population of 1 lakh and above, made significant strides, climbing 46 spots to secure 34th position nationally in the Swachh Survekshan 2023-24 ranking. It was ranked 80th in the previous edition of the survey. **Bhubaneswar Municipal Corporation (BMC)** has won awards for urban innovation, e-governance, and sustainability. Rourkela won \$1 million in the Bloomberg 2021 Global Mayors Challenge. It was the only Indian city among the top 15 winners worldwide. This award also provides technical support for a period of three years to facilitate the project's implementation. Rourkela has developed a sustainable model that utilises technology to help increase the income of women and small traders.

**1.3.5 Chikiti NAC:** Secured the **2nd rank** nationally in the category for cities with a population of **less than 20,000** in the Swachh Survekshan 2024–25 rankings. This marks a significant improvement from its 2023-24 standing, where it was ranked 12th nationally in the below 1 lakh category and was recognized as the cleanest in the state within that group.

**1.3.6 Ama Bus** is a flagship transport service by CRUT operating in the Cuttack–Bhubaneswar–Puri corridor, recognized globally for its excellence—including the **2022 UN Public Service Award**. The **Key Features are:**

- **Smart Infrastructure:** Equipped with Wi-Fi, GPS, CCTV, e-ticketing, and e-rickshaws for last-mile connectivity.
- **Social Equity:** Promotes gender equality with **50%+ female conductors** and offers fare concessions for seniors and the disabled.
- **Resilience:** Demonstrated institutional strength by maintaining safe, essential transit during the COVID-19 pandemic.
- **Sustainability:** Advances SDG 5 and 11 by providing inclusive, safe, and eco-friendly urban mobility.

Overall, it serves as a modern model for how technology and professional management can create a resilient and equitable public transport system.

**1.3.7** Jeypore Municipality in Koraput district is converting wet household waste into organic fertiliser. This is achieved **through four micro-composting centres (MCCs)** that produce approximately four tonnes of compost each month. The entire process is managed by 32 women from self-help groups. They manage sorting the waste, packing the compost, and selling it. This initiative achieves multiple outcomes, including improved waste management, job creation opportunities for women, and support for eco-friendly farming practices. **The compost, costing ₹ 10 per kg, meets the high demand from government departments, including agriculture, horticulture, forestry, and watershed management.**

**1.3.8** In 2025, the Koraput district and its institutions received multiple national recognitions, including awards presented by the President of India and the Prime Minister. In December 2024, Koraput was honoured with the **National Panchayat Award** for being the “Best District Panchayat,” recognising performance across nine Localized Sustainable Development Goals (LSDGs), including “Healthy Panchayat” and “Women-Friendly Panchayat.” On November 18, 2025, **PMSHRI Malusanta Government Nodal Higher Secondary School** in Damanjodi won the 3rd Prize in the 6th **National Water Awards** for excellence in water conservation and rainwater harvesting. The **Koraput District Administration** received the **PM’s Award for Excellence in**

**Public Administration** on April 21, 2025, for holistic district development and effective implementation of 11 flagship central schemes. Additionally, in July 2025, Koraput was awarded a **silver medal** at the state-level **Sampoornata Abhiyaan Samman Samaroh** for achieving key health and education indicators under the Aspirational District Programme.

**1.3.9** Inaugurated on February 22, 2024, **Adhyayan** is a modern library in Nayagarh district that transformed an underused town hall and social club into a vibrant centre for learning. Through community and private contributions, the facility now houses over **16,500 books** focusing on literature, autobiographies, and competitive exams. To support its **120–150 daily visitors**, the library offers modern amenities, including:

- **Technology:** Wi-Fi and an e-library.
- **Comfort:** Air-conditioning and a serene study environment.
- **Resources:** Odia and English newspapers and journals.

By repurposing idle space, Adhyayan has become a vital hub for local youth and students pursuing academic and professional success.

**1.3.10 Samarpan**, an initiative by the Nayagarh Urban Local Body, provides a dignified sanctuary for homeless or abandoned senior citizens. Institutionalising compassion at the local government level ensures that vulnerable elderly populations receive comprehensive support. Core Services provided:

- **Essential Care:** Safe housing, nutritious meals, and consistent healthcare.
- **Well-being:** Emphasising social inclusion and emotional support to enhance quality of life.
- **Security:** A protected environment that reduces personal vulnerability.
- **Strategic Impact:** The project serves as a model for decentralized welfare, shifting care to the local level to build community trust and ensure people-centric service delivery.

**1.3.11 Balangi Bandha Park, located about 2 km from Nayagarh town**, is a key recreational and eco-tourism asset of the district. Developed around a scenic water body, the park offers facilities such as boating, landscaped gardens, open gym areas, and children’s play zones, attracting visitors of all ages. To enhance its tourism potential, infrastructure upgrades, including a ropeway, watchtower, rock-climbing facilities, a museum, and a musical fountain, are either underway or proposed. These initiatives are expected to increase visitor footfall, generate local employment, stimulate allied economic activities, and augment revenues of the Urban Local Body, positioning the park as a flagship tourism destination for the district.

## **1.4 Best Practices in PRIs**

**1.4.1 Mukundapurpatna GP, Odisha**, has demonstrated exceptional performance by generating ₹34 lakh in annual OSR through innovative, tourism-linked revenue models around Maa Tarini Temple, including an eco-park, lodging, markets, and efficient asset management. Alongside strong finances, it has shown social excellence through sponsoring scholarship schemes (Mokshayata) and affordable meals, and direct support to the poorest households.

**1.4.2** Until recently, **Hatbadra Gram Panchayat (GP) in Mayurbhanj district** was largely dependent on State transfers, with limited own-source revenue and inadequate infrastructure and service delivery. In 2022, the Panchayat leadership articulated a new vision to transform Hatbadra into a self-reliant Panchayat **by strengthening its own revenue base and improving accountability in governance**.

**1.4.3** To achieve this, the Panchayat adopted a comprehensive and diversified revenue mobilisation strategy. Taxes and user charges were levied on water supply, sanitation services, vehicles, parking, and property. Community assets such as market complexes, ponds, and Kalyan Mandaps were leased out, while user charges were introduced for facilities including slaughterhouses and fish ponds. Although initial resistance was observed among citizens, the Panchayat's emphasis on transparency in fund utilisation gradually built public confidence. Regular Gram Sabha meetings, open disclosure of financial records, and participatory decision-making processes fostered trust and accountability.

**1.4.4** Parallel investments were made to strengthen service delivery through community participation. Local Safai workers were engaged to improve sanitation services, and citizen groups were entrusted with the maintenance of streetlights. The use of digital tools, including CCTV surveillance, further enhanced monitoring, minimised leakages, and strengthened institutional accountability.

**1.4.5** The outcomes of these reforms were transformative. From generating no own-source revenue in 2022–23, **Hatbadra GP's income increased to ₹80.4 lakh in 2024–25, of which ₹62 lakh has already been effectively utilised for local development works.** Visible improvements in road maintenance, street lighting, and cleanliness of public spaces have restored citizens' confidence and pride in their Panchayat. **Hatbadra's experience clearly demonstrates that Panchayats can achieve financial self-reliance when revenue mobilisation is transparent, participatory, and directly reinvested into community development.** The success of the initiative received national recognition on Panchayati Raj Day, with Hatbadra GP securing the second prize under the *Atma Nirbhar Panchayat Special Award (ANPSA)* category for its outstanding efforts in enhancing own-source revenue.

**1.4.6 Jasipur Gram Panchayat (GP) in Mayurbhanj district** had long faced challenges of inadequate infrastructure and ad-hoc planning processes. Following the Panchayat elections, the newly elected leadership initiated a fundamental shift by positioning planning as the primary driver of local development. This marked a deliberate move away from routine, compliance-oriented planning towards an institutionalised, evidence-based approach to governance. To operationalise this vision, the Panchayat established a robust institutional framework around the planning process. **Youth Resource Groups, comprising educated local youth with expertise in information technology, data analysis, and engineering, were mobilised to support digital governance, asset documentation, and data-driven decision-making. Complementing this, a Senior Advisory Group consisting of retired government officials and professionals was constituted to mentor Panchayati Raj Institution (PRI) representatives and provide strategic guidance and oversight.**

**1.4.7** The outcomes of these institutional innovations were significant. Own-source revenue increased from ₹34.8 lakh in 2022–23 to a projected ₹45 lakh in 2024–25, with approximately ₹34 lakh generated annually from Panchayat assets alone. The credibility and innovation of Jasipur's GPDP were formally recognised by the District Collector.

**1.4.8** The experience of Jasipur GP underscores that planning, when treated as a core governance function rather than a procedural formality, can significantly enhance both fiscal performance and public trust. With adequate institutional support, inclusivity, and transparency, participatory planning can serve as a powerful instrument for sustainable local development and Panchayat self-reliance.

**1.4.9 Raruan Gram Panchayat in Mayurbhanj district** earlier lacked a structured mechanism for disseminating public information, which often led to information asymmetry and disputes. To address this gap, the Panchayat administration introduced a simple yet effective transparency measure by transforming the walls of Panchayats into permanent public information boards.

**1.4.10** Details of beneficiaries under key welfare schemes such as pensions, PMAY housing, and ration cards were prominently painted on the walls, along with information on fund inflows, expenditures, Gram Sabha notices, and project details. All information was displayed in Odia to ensure accessibility and comprehension for the local community.

**1.4.11 Jagannathpur Gram Panchayat in Lanjigarh block of Kalahandi district** demonstrates how carefully structured **public-private collaboration** can transform Panchayats into effective asset managers. With support from the CSR wing of Vedanta, the Panchayat developed a range of community assets, including residential and commercial buildings, market complexes, orchards, ponds, and advertisement hoardings.

**1.4.12** The key innovation, however, lay not merely in accessing CSR support but in the Panchayat's systematic approach to planning, pricing, and managing these assets. Clear and transparent rental norms were established, with residential units leased at ₹5 per square foot and commercial spaces at ₹10 per square foot. Advertisement hoardings were leased through structured arrangements, while markets were brought entirely under the management of Gram Panchayats.

**1.4.13** This disciplined and rule-based asset management framework resulted in **a substantial increase in own-source revenue, with Jagannathpur GP generating over ₹1.45 crore annually, placing it among the highest revenue-earning Panchayats in the State.** Importantly, the visible reinvestment of revenues into local services strengthened public confidence, while transparent leasing and management practices minimised the risk of misuse or elite capture.

**1.4.14 Located in the tribal and mineral-rich belt of Keonjhar district, Suakati Gram Panchayat** initially faced significant challenges related to limited infrastructure and poor access to public services. Within a short span, however, the Panchayat successfully transformed itself into a nationally recognised model of e-governance, earning the Jury Prize at the 2025 National e-Governance Awards.

**1.4.15** The core of Suakati's strategy was the comprehensive digitisation of Panchayat functions. An integrated service delivery portal was developed to issue birth and death certificates, as well as certificates for caste, residence, and income, supported by real-time SMS-based tracking. GIS-based mapping systems were employed to digitally capture information on water sources, roads, and sanitation gaps, which directly informed infrastructure planning and prioritisation.

**1.4.16** Additionally, the Gram Panchayat introduced a mobile governance application that enabled citizens to lodge grievances, request services, and track the benefits of various schemes. To ensure inclusivity, Self-Help Groups (SHGs) and local youth were trained as "Digital Ambassadors," facilitating access to digital services for illiterate, elderly, and marginalised populations.

**1.4.17** The impact of these interventions has been substantial. The average turnaround time for certificate issuance was reduced from 15 days to approximately 3 days. More than 80 per cent of households began using the digital grievance redress mechanism, while public dashboards displaying fund flows and beneficiary details enhanced transparency and accountability.

**1.4.18** Suakati Gram Panchayat's experience demonstrates that even tribal and remote Panchayats can leapfrog traditional governance constraints through targeted digital interventions, making transparency, efficiency, and citizen-centric service delivery the default mode of local governance.

**1.4.19** Suakati Gram Panchayat has been conferred the Jury Award at the National Awards for e-Governance 2025, recognising its innovative and effective use of digital technologies to enhance public service delivery. The award underscores how good governance, when combined with technological innovation, can generate tangible benefits for rural communities and significantly improve the quality of local governance.

**1.4.20** This recognition highlights the growing emphasis on digital transformation at the village level and marks a historic milestone, as it is the first instance of Gram Panchayats being honoured under a special category of the National Awards for e-Governance. Suakati GP is among only three

local bodies in the country to receive this distinction, alongside Palsana Gram Panchayat (Gujarat) and Lalitpur Municipal Council (Uttar Pradesh).

**1.4.21 Manatri Gram Panchayat in Badasahi block, Mayurbhanj district**, transformed GPDP preparation from a procedural exercise into a community-led planning practice. Planning was anchored in community commons, with initiatives such as a mango orchard on public land and a mass tree plantation drive fostering collective ownership and ecological responsibility. Conflict resolution mechanisms were integrated into the planning process, strengthening trust and social cohesion.

**1.4.22** The Panchayat introduced an *Annual Community Maintenance (ACM) model*, under which villagers contributed nominal fees while the Panchayat met utility costs for water supply and street lighting. Through sustained Gram Sabha engagement, citizens willingly co-financed local services. **Revenue from planned community assets, including markets and fairs, increased significantly, with fair revenues rising from ₹9.6 lakh to ₹21.1 lakh in three years. Overall, own-source revenue doubled from ₹12.9 lakh in 2022–23 to a projected ₹26.2 lakh in 2024–25.**

**1.4.23 Kollar Gram Panchayat in Boipariguda block, Koraput district**, tackled distress migration by forming Labour Solidarity Groups (LSGs) and promoting collective livelihood enterprises. Universal MGNREGS job card coverage was ensured, with households pooling 25% of wages into a Village Corpus Fund, which has grown to over ₹4 lakh and generates annual returns of about ₹1.5 lakh. The corpus enabled community-owned enterprises, including rental of sound systems and tents, creating assets worth nearly ₹5 lakh. Rotational fund management strengthened transparency and financial literacy, while LSGs supported vulnerable households during wage delays. Villages such as Muduliguda, Kollar, and Goniput have since declared themselves *Zero Migration Villages*, demonstrating how community solidarity can create sustainable local livelihoods

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## List of Officials who Assisted the Commission

Sl. No.	Name	Designation
(1)	(2)	(3)
1	Dr. Tarakanta Bhakta	Joint Secretary to Government
2	Sri Pradipta Kumar Biswal	Officer on Special Duty
3	Sri Gokulananda Kar	OSD to Chairman
4	Sri Sankarsan Behera	OSD to Chairman
5	Sri Dinesh Kumar Rout	Desk Officer
6	Sri Dinesh Kumar Pallai	Section Officer
7	Sri Janapriya Das	Assistant Section Officer
8	Sri Bhabasish Samal	Assistant Section Officer
9	Sri Dibed Mallick	Assistant Section Officer
10	Miss Rupali Patel	Assistant Section Officer
11	Sri Tapan Kumar Pattanaik	ADPO-cum-Sub-Nodal Officer (E-gazette)
12	Sri Debadullav Das	Asst. Data Processing Officer
13	Smt. Lily Swain	DPO
14	Sri Purna Chandra Nayak	Peon
15	Sri Sarat Kumar Puspalak	Peon
16	Sri Kailash Mohanty	Peon
17	Sri Harihara Pradhan	Peon
18	Sri Sudarsan Muduli	Peon
19	Sri Premakanta Prusty	Driver to Chairman
20	Sri Sanjay Kumar Rout	Record Supplier
21	Sri Sukulal Murmu	Sweeper



**“Every village has to be self-sustained and capable of managing its own affairs, even to the extent of defending itself against the whole world”**

**- Mahatma Gandhi**

**Harijan Dated 28.07.1946**

